THIS DOCUMENT IS A TRANSLATION OF THE ITALIAN VERSION OF THE REGISTRATION DOCUMENT APPROVED BY CONSOB AS COMPETENT HOME MEMBER STATE AUTHORITY AND IS MADE UNDER THE SOLE RESPONSIBILITY OF UNICREDIT S.P.A.

Registration Document

prepared pursuant to the regulation adopted by CONSOB through resolution 11971 on 14 May 1999, as later amended and supplemented and Article 4 of Regulation (EC) No 809/2004 of the European Commission of 29 April 2004 containing the application methods of Directive 2003/71/EC, as later amended and supplemented

UniCredit S.p.A.

Registered office – Via Alessandro Specchi 16, Rome

Head Office – Milan, Piazza Gae Aulenti 3 – Tower A

Registered in the Bank Register and Parent Company of the "UniCredit Group" banking group in the Banking Groups Register at number 02008.1

Rome Companies Register, Tax Code and VAT Registration Number 00348170101

Share capital subscribed and fully paid-in €20,864,893,436.94

Member of the Italian Bank Deposit Guarantee Fund and the National Compensation Fund

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Registration Document filed at CONSOB on 30 January 2017, following notification of approval through the note on 30 January 2017 ref. no 0013115/17.

Compliance with the publication of the Registration Document does not involve any judgement by CONSOB regarding the proposed investment opportunity or the virtue of the related data or information.

The Registration Document is available to the public, from its publication date and for the entire period it is valid, at the Registered Office and the Head Office of UniCredit S.p.A. as well as on the website www.unicreditgroup.eu.

NOTICE TO INVESTORS

*In order to understand the investment correctly, investors are invited to carefully evaluate, in its entirety, (i) the information in the Registration Document as well as the information in the Securities Note on the financial instruments (the "**Securities Note**") and that in the Summary Note (the "**Summary Note**" and, together with the Securities Note, the "**Notes**" - both Notes to be published, following approval from CONSOB - relating to the rights issue to shareholders of shares from the Share Capital Increase, as well as: (ii) the specific risk factors relating to the Issuer, the UniCredit Group and the business segment, in which it operates, described in Chapter 4 ("Risk Factors") of the Registration Document and (iii) the specific risk factors relating to the financial instruments offered, which will be reported in Chapter 2 ("Risk Factors") of the Securities Note.*

Investors are advised of the following, in particular:

1. On 12 January 2017 the Extraordinary Shareholders' Meeting of UniCredit (the "**Issuer**" or the "**Company**") approved a share capital increase through the contribution in cash of a maximum total amount of €13 billion, including any issue premium, by 30 June 2017, in one or more tranches and in divisible form, through the issuing of ordinary shares, with regular dividends, to be offered as an option to shareholders of ordinary shares and savings shares of the Company, (the "**Share Capital Increase**").

   Note that the Share Capital Increase is one of the main measures of the UniCredit Group 2016-2019 Strategic Plan (the "**Strategic Plan**") and is aimed at enabling the Group's capital requirements to be maintained following the implementation of the measures in the Strategic Plan, as well as aligning these requirements with those of the major European competitors. The main actions of the Strategic Plan include, among other things: (i) the completion of certain one-off transactions to sell assets (including, specifically, the sale of the Pioneer Investments Group and Bank Pekao) in addition to the sales transactions already completed at the Date of the Registration Document; (ii) the improvement of the quality of the assets ("Fino Project" and "Porto Project"); and (iii) the significant reduction of the number of employees and consequently personnel expenses and other operating expenses.

   Taking into account that for the execution of the Strategic Plan actions are in the process of being implemented at the Date of the Registration Document which involve a significant absorption of capital, the failed subscription or the partial subscription of the Share Capital Increase will - in the absence of further adequate capital strengthening measures to deal with the capital absorptions created by the Strategic Plan actions - have significant negative impacts on the operating results, capital and financial position of the Group as far as compromising the conditions for business continuity. In such an event, UniCredit could also be subject to measures, including invasive ones, by the Regulatory Authorities involving its management, such as, for example, the imposing of restrictions or limits on assets and/or the sale of assets that present excessive risks for the solidity of the Issuer. Lastly, there is the risk that if the Issuer were not able to restore the applicable capital requirements, even through recourse to other extraordinary measures than those set out in the Strategic Plan, it could be necessary to apply the resolution tools pursuant to Decree-Law 180 of 16 November 2015, which transposes Directive 2014/59/EU ("*Bank Recovery and Resolution Directive*").

At the Date of the Registration Document there is the risk that, even if the actions of the Strategic Plan are implemented in full, at the end of the Plan period the Issuer could have capital buffers and/or a level of impaired loans that are not in line with those recorded by their major competitors in that period.

By 9 February 2017 the Issuer's Board of Directors is planning to meet and they have been delegated to approve the preliminary data of the UniCredit Group for the financial year ending 31 December 2016. The above-mentioned data will form the information for the market and a supplement to the Registration Document, which will be submitted for the approval of CONSOB.

The recapitalisation transaction constitutes one of the main actions underlying the Strategic Plan aimed, among other things, at strengthening the capital structure, improving the level of impaired loans, as well as supporting profitability. The actions in the Strategic Plan aimed at the above-mentioned purpose include several transactions designed to improve the quality of the capital assets, such as the "Fino Project" (involving the reduction of the non-core loans portfolio classified as non-performing through market transactions) and the "Porto Project" (namely the increase in the degree of cover for non-performing and unlikely-to-pay loans of the Italian loans portfolio), as well as several capital asset sales transactions (the "**M&A Asset Sale Transactions**"), some of them completed at the Date of the Registration Document and others in the process of being executed at that date. Note that the European Central Bank ("**ECB**") will evaluate all the actions undertaken by the Group to execute the Strategic Plan together with the further evaluations under the scope of the next *S*upervisory Review and Evaluation Process ("**SREP**").

The amount established as the target of the Share Capital Increase (€13 billion) was set following an evaluation of the impact on the UniCredit Group's capital buffers resulting from the implementation of the Strategic Plan measures.

Specifically, note that from the implementation of some of the Strategic Plan measures, the following are expected (i) negative impacts on the capital buffers (Common equity tier 1 ratio, Tier1 ratio and Total capital ratio) and (ii) one-off negative impacts on the net financial result for the fourth quarter of 2016 for the UniCredit Group, equal to €12.2 billion in total, due, to a great extent, to the increase in the degree of cover on the portfolio of loans subject to sale under the scope of the "Fino Project" and the impaired loans of the "Porto Project" (in this regard, note that the meeting where the Board of Directors is mandated to approve the execution of the "Fino Project" will take place before the approval of the preliminary data for the financial year ending 31 December 2016).

In consideration of the timings of the Strategic Plan measures it is expected that the negative impacts on the capital buffers will be recorded during the fourth quarter of 2016 while the Share Capital Increase and the completion of the M&A Asset Sale Transactions in the process of execution at the Date of the Registration Document (the "**M&A Asset Sale Transactions in the process of being Executed**") will be implemented in 2017.

Therefore, in the execution of the Strategic Plan, as a result of the time lag between the above negative impacts and the execution of the Share Capital Increase as well as the completion of the M&A Asset Sale Transactions in the process of being Executed, the Issuer anticipates that, at the latest with the approval of the preliminary data for the financial year ending 31 December 2016, expected on 9 February 2017, the prudential limits of the Issuer applicable both at 31 December 2016 and from 1 January 2017, pursuant to the 2016 SREP will not be complied with (OCR Requirements, see Chapter 4, Paragraph 4.1.5 of the Registration Document). Approval of the aforesaid figures is expected by 9 February 2017, the date anticipated for sending the Financial Reporting – FinRep to the ECB.

Following the confirmation of the failure to comply with the capital requirements at 31 December 2016, the Issuer will also be bound to proceed, pursuant with applicable regulations, with reporting this situation to the ECB and sending the Regulatory Authority a capital strengthening plan (capital plan), which should include the capital strengthening measures of the Strategic Plan which the market and the Regulatory Authority have already been notified of (specifically, the Share Capital Increase and the M&A Asset Sale Transactions). The adequacy of the capital plan will be assessed by the ECB.

Taking into consideration the failure to comply with the capital requirements applicable from 1 January 2017, it will not be possible for the Issuer to proceed - until these capital requirements are met - with the distribution of dividends and the payment of coupons for the Additional tier 1 instruments and the variable remuneration of the Issuers' employees. Therefore, as failure to comply with the prudential limits is due to the time lag, if the Share Capital Increase is not subscribed or partly subscribed, the Issuer would not be able to pay the coupon relating to the Additional tier 1 instruments due in March 2017 and this would involve limitations on the dividend distribution policy and on the variable remuneration for UniCredit Group employees.

The Issuer will need to seek recourse to other capital strengthening measures to reach the above prudential limits, with - in the case of failure - significant negative impacts on the operating results, capital and financial position of the Group as far as compromising the conditions for business continuity.

In the space of the Strategic Plan, compliance by the UniCredit Group with the minimum capital ratio levels applicable on the basis of prudential regulations in force and/or imposed by the Regulatory Authority from time to time (for example under the scope of the SREP) and the achievement of the Projected Data of a capital nature is closely related, among other things, to the implementation of the strategic actions planned to have a positive impact on the capital ratios (including, specifically, the Share Capital Increase and M&A Asset Sale Transactions). Therefore, if the Share Capital Increase and/or the M&A Asset Sale Transactions in the process of being Executed were not realised, in full or in part, or if different and/or less benefits were derived from them than anticipated in the Strategic Plan, this could - in the absence of further actions to produce equivalent positive impacts on capital buffers - lead to differences, including significant ones, from the Plan Objectives, as well as having negative impacts on the capacity of the UniCredit Group to comply with the constraints set by the prudential regulations and/or identified by the Regulatory Authorities and on the operating results, capital and financial position of the Group (see Chapter 4, Paragraphs 4.1.1.1 and 4.1.5 of the Registration Document).

2. In 2016, UniCredit Group was subject to a SREP conducted by the Supervisory Authority. Following this process, the result of which UniCredit was informed on 12 December 2016, the ECB notified the Issuer, among other things, of the quantitative prudential requirements to comply with on a consolidated basis and the qualitative measures to implement.

   The results of the 2016 SREP, which led to the calculation of the prudential requirements, highlighted vulnerable areas detected by the ECB. These areas mainly related to: (i) the need to strengthen the guidance and coordination activities of UniCredit as the parent company (see Chapter 4, Paragraph 4.1.1 of the Registration Document); (ii) the low level of capital buffers compared with competitors and the *Global systemically important bank* (G-SIG) status of the Issuer and the continued low profitability (see Chapter 4, Paragraph 4.1.1 of the Registration Document); (iii) the credit risk and, specifically, the high level of non-performing exposures (see Chapter 4, Paragraph 4.1.3 of the Registration Document); (iv) the liquidity risk, compared with that of the ECB indicated certain qualitative measures (see Chapter 4, Paragraph 4.1.10 of the Registration Document); (v) the interest rate risk in the investment portfolio (see Chapter 4, Paragraph 4.1.13 of the Registration Document); (vi) the risk resulting from the significant level of exposures denominated in a currency other than the euro (see Chapter 4, Paragraph 4.1.13 of the Registration Document); (vii) the risk associated with operations in Russia and Turkey (see Chapter 4, Paragraph 4.1.14 of the Registration Document); (viii) the culture of risk and overall governance of the risk of the internal models, with reference to which the ECB asked the Issuer to improve the (*Internal Capital Adequacy Assessment Process* – ICAAP) information (see Chapter 4, Paragraph 4.1.25 of the Registration Document); (ix) the operational risk and risk to reputation (*see*. Chapter 4, paragraphs 4.1.26, 4.1.29.1 and 4.1.30 and 4.1.31 of the Registration Document); and (x) the composition and functioning of the Board of Directors (*see* Chapter 4, Paragraph 4.1.33 of the Registration Document).

Specifically, with regard to profitability, under the scope of the 2016 SREP, the ECB highlighted the continuation of a weak level of profitability, due to both macro economic factors and peculiar features of the Issuer's business, represented by low interest rates and slow economic recovery in key countries, a high level of net adjustments on loans in Italy and high operating costs in Austria and Germany, creating a structural weakness in the profitability of the commercial bank business model in Western European countries (see Chapter 4, Paragraph 4.1.1 of the Registration Document).

The ECB also asked the Issuer to present a strategy, by 28 February 2017, on the subject of impaired loans, supported by an operating plan to tackle the subject of the high level of impaired loans.

Although the actions underpinning the Strategic Plan are aimed, among other things, at mitigating the weaknesses of the UniCredit Group, also highlighted by the ECB at the end of the 2016 SREP, at the Date of the Registration Document there is the risk that the Strategic Plan measures are not capable of adequately dealing with the weaknesses identified by the ECB.

3. The income performance of the UniCredit Group featured, among other things, variable income margins in the three-year period 2013-2015 and a fall in net commissions (relating to core activities) in the first nine months of 2016 compared with the corresponding period of the previous year.

   Investors should focus their attention on the situation in which the execution of the M&A Asset Sale Transactions (both those completed in the last quarter of 2016 and those in the process of being executed at the Date of the Registration Document) will lead, in the accounts following 30 September 2016, to a negative impact on the Groups' income margins. In this regard, note that from the pro-forma representation of the effects associated with the M&A Asset Sale Transactions in the first nine months of 2016, there appears to be a negative impact due to the adjustment of the contributions to the consolidated income statement of the companies/groups that are the subject of the M&A Asset Sale Transactions. Specifically, taking into consideration only the recurring economic components, the effect on the brokerage margin and on the net operating result of the UniCredit Group is equal, respectively to €-1,860 million and -€948 million (compared with a brokerage margin for the first nine months of 2016 of €17,070 million and an operating result for the first nine months of 2016 of €7,623 million), mainly with reference to the sale of the Pioneer Investments Group, as well as the sale of the holding in Bank Pekao.

Based on the strategic actions of the Plan, developed taking into account the change in the scope of consolidation as a result of the M&A Asset Sale Transactions, the brokerage margin is expected to increase to a very limited extend in the period 2015-2019 (CAGR of 0.6%) through the combined effect of an interest margin and "other revenues" anticipated to be essentially stable and growth in net commissions. Supporting the brokerage margin will depend, among other things, on the effects of the Distribution Agreements to be signed under the partnership with Amundi S.A. (expected from the agreements involving the sale of the Pioneer Investments Group) as well as from further measures set out in the Plan.

In addition, support for operating profitability will also depend on the successful outcome of the actions aimed at transforming the Group operating model into a lower cost, sustainable structure with a greater reduction in terms of personnel expenses.

Taking into consideration that at the Date of the Registration Document there is no certainty that the above-mentioned actions will be realised in full, in the absence of the anticipated benefits from the actions designed to support profitability (and, specifically, the anticipated impacts from the Distribution Agreements or, if they cease to exist, the anticipated impacts from other agreements with more or less similar economic conditions) or if the above-mentioned Group operating model transformation actions are not completed in full, it is possible to the forecasts in the Projected Data may not be achieved and, as a result, there could be negative impacts, including significant ones, on the operating results and capital and financial position of the Issuer and/or the Group.

That having been stated, investors are asked to focus on the situation where the Strategic Plan is based on numerous assumptions and circumstances, some of which are outside of the control of the Issuer (such as, among other things, projections relating to the macroeconomic scenario and the development of the regulatory context) as well as hypothetical assumptions related to the impact of specific actions and concerning future events over which the Issuer has only partial influence (including, specifically, the completion of the Share Capital Increase, the M&A Asset Sale Transactions and the preparatory activities for improving the quality of capital assets). In this regard, note that the actions aimed at improving the quality of capital assets includes the realisation of the "Fino Project", with regard to which, at the Date of the Registration Document, the necessary qualitative-quantitative analyses are in progress in order to verify the existence of the necessary conditions for the derecognition of the loan portfolio subject to sale.

The analysis will be completed on the completion of the contractual documentation and could lead to the conclusion that the conditions set out by the reference accounting principle for the derecognition of the portfolio do not exist. In this event, without prejudice to the actions aimed at increasing the cover of the impaired loans, it could become necessary to revise the assumptions and the Objectives of the Strategic Plan (see Chapter 4, Paragraph 4.1.4 of the Registration Document).

The assumptions at the base of the Plan Objectives could turn out not to be fulfilled, or could be fulfilled only in part or in a different way, or could change during the course of the reference period of the Strategic Plan. The failure or partial occurrence of the assumptions or the positive effects anticipated as a result could lead to differences, including significant ones, compared with the forecasts in the Projected Data and mean they cannot be achieved, with consequent negative effects, including significant ones, on the assets and the operations, balance sheet and/or income statement of the Issuer and/or the Group (see Chapter 4, Paragraph 4.1.1.2 of the Registration Document).

4. The 2016-2019 Strategic Plan was developed based on a perimeter for the UniCredit Group that is significantly different from the one in existence at 30 September 2016, the date of the latest accounting report of the Group. Specifically, this Plan reflects the effects of the M&A Asset Sale Transactions, some of which have already been completed at the Date of the Registration Document, while others are in the process of being executed at that date.

   As has been stated, the Strategic Plan involves one-off negative impacts on the net financial result for the fourth quarter of 2016 of the UniCredit Group of approximately €12.2 billion, which mainly refers to actions designed to improve the quality of capital assets; as a result, the net financial result of the UniCredit Group for 2016, reflecting the above-mentioned negative impacts, will feature discontinuity compared with that of the first nine months of 2016 because a significant loss for 2016 is expected compared with an actual profit for the first nine months of 2016.

   In consideration of the above, the attention of investors should be drawn to the fact that there are significant limitations to being able to compare the historical financial information of the UniCredit Group with forecast information, as well as with the financial information that will be in the UniCredit Group accounts after 30 September 2016 (see Chapter 4, Paragraph 4.1.6 of the Registration Document).

5. The Registration Document contains the Pro-Forma Consolidated Statements as at 30 September 2016 and 31 December 2015. The pro-forma data in the Pro-Forma Consolidated Statements were prepared to retroactively reflect the significant effects of the M&A Asset Sale Transactions, the increase in the degree of cover on impaired loans under the "Fino Project" and the "Porto Project", as well as the Share Capital Increase, as if these transactions had taken place in the period in which the above pro-forma data refer to.

   The information contained in the Pro-Forma Consolidated Statements represents a simulation of the possible effects that could have arisen if the aforementioned transactions had taken place at the above-mentioned dates and is provided purely for illustrative purposes. Specifically, since the Pro-Forma Consolidated Statements are produced to retroactively reflect the significant effects of later transactions, in spite of compliance with generally-accepted rules and the use of reasonable assumptions, there are limits connected with the actual nature of the pro-forma information. Therefore, there is the risk that, if the aforementioned transactions were actually carried out on the dates used as a reference for the preparation of the Pro-Forma Consolidated Statements, the same results that are represented in the Pro-Forma Consolidated Financial Statements would not necessarily have been obtained.

   Note that: (i) the effects of certain pro-forma transactions (such as, the M&A Asset Sale Transactions in the process of being Executed and the Share Capital Increase) will not be reflected in the Issuer's consolidated financial statements for the year ended 31 December 2016, taking into consideration the fact that these transactions were not completed before 31 December 2016 (at the Date of the Registration Document the M&A Asset Sale Transactions in the process of being Executed also remain subject to the verification of the respective conditions precedent and the Share Capital Increase has not yet been carried out); (ii) at the Date of the Registration Document the definition of the agreements relating to the “Fino Project”, to implement the Framework Agreements, is still in progress. That having been stated, investor’s attention should be drawn to the fact that the representation of the transactions pursuant to points (i) and (ii) in UniCredit’s consolidated financial statements as at 31 December 2016 (and those referring to later periods) could differ significantly from the pro-forma representation of same in the Registration Document.

Also note that the pro-forma CET1 ratio indices were not examined by the External Auditors (see Chapter 4, Paragraph 4.1.2 of the Registration Document).

Any significant new fact, material error or imprecision relating to the pro-forma financial information in the Registration Document, that may influence the evaluation of the financial products and which occurs or is identified between the time the Registration Document is approved and the time the offer to the public is definitively closed will be mentioned in a supplement to this Registration Document pursuant to Article 94, paragraph 7 of the TUF.

6. In exercising their supervisory powers, the Supervisory Authorities submit the UniCredit Group to inspections on a regular basis, which could lead to requests for organisational measures to strengthen the safeguards aimed at remedying any shortcomings that may be discovered, with possible negative effects on the operating results and capital and financial position of the Group. The extent of any shortcomings could also result in the launching of disciplinary proceedings against representatives of the company and/or Group companies, with possible negative effects on the operating results and capital and financial position of the Group.

   Specifically, at the Date of the Registration Document the UniCredit Group is subject to four inspections by the ECB (relating, respectively, to the “IRB management and risk control system”, “Governance and business processes in UCB AG foreign branches”, Governance and Risk Appetite Framework” and “Business Model and Profitability - funding transfer price”) and is expecting to receive the results of an inspection conducted by the ECB relating to “Market Risk” (see Chapter 4, Paragraph 4.1.29.2 of the Registration Document).

7. At the Date of the Registration Document, there are legal proceedings pending in relation to the Issuer and other companies belonging to the UniCredit Group.

   Lastly, as at 30 September 2016, the UniCredit Group had around €601 billion of provisions for risks and charges to cover the liabilities that may arise from the pending cases in which it is a defendant (not including labour law, tax or debt recovery cases). As at 30 September 2016, the total amount claimed with reference to various legal proceedings excluding labour law, tax cases and credit recovery actions was approximately €11,839 million (see Chapter 4, Paragraph 4.1.29.1 of the Registration Document).

   Specifically, with reference to the risks relating to employment law involving counterclaims in progress at the Date of the Registration Document with regard to the Issuer, the total amount of the claims as at 30 September 2016 stood at €481 million and the related risk provision, at that date, stood at €18 million (see Chapter 4, Paragraph 4.1.29.1 of the Registration Document).

As at 30 September 2016 there were also a significant number of tax disputes involving counterclaims pending with regard to the Issuer and other companies belonging to the UniCredit Group “Italian” perimeter, net of disputes settled, for a total value of €480.4 million (see Chapter 4, Paragraph 4.1.31 of the Registration Document).

Although the Group has set aside a provision for any liabilities and costs that could result from the judicial proceedings that are pending, it is not possible to rule out that - as a result of the significant underlying legal items involved in the decisions – in the future this provision may prove to be insufficient to entirely meet the legal costs and the fines and penalties that may result from pending legal actions and/or that the Group could, in the future, be obliged to deal with expenses from claims for compensation and refunds not covered by the provisions, with possible negative effects, including significant ones, on the operating results and capital and financial position of the Issuer and/or the Group (see Chapter 4, Paragraphs 4.1.29.1 and 4.1.31 of the Registration Document).

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DEFINITIONS

Below is a list of the definitions and terms used most frequently in the Registration Document. These definitions and terms (mentioned in the singular or plural), unless specified otherwise, have the meaning indicated below.

ABI	Italian Banking Association, with its registered office in Rome, Piazza del Gesù 49.
AGCM	Italian Competition Authority, with its registered office in Rome, Piazza G. Verdi 6/A.
Eurozone	The 19 countries of the European Union whose currency is the euro.
Share Capital Increase	The share capital increase through the contribution in cash of a maximum total amount of €13 billion, including any issue premium, by 30 June 2017, in one or more tranches and in divisible form, through the issuing of ordinary shares, with regular dividends, to be offered as an option to shareholders of ordinary shares and savings shareholders of the Company, pursuant to Article 2441, paragraphs 1, 2 and 3 of the Civil Code, approved by the Issuer's Extraordinary Shareholders' Meeting held on 12 January 2017.
Supervisory Authority	The European Central Bank, the Bank of Italy, *Deutsche Bundesbank*, *Narodowy Bank Polski*, CONSOB, BaFin, the PFSA, as defined below, and/or any other independent authority and/or administration at national or EU level, considered individually or jointly.
BaFin	*Bundesanstalt für Finanzdienstleistungsaufsicht*, the German federal financial supervisory authority
European Central Bank or **ECB**	The central bank of the 19 member states of the European Union who have adopted the euro.
Banca d'Italia (Bank of Italy)	The central bank of the Republic of Italy, with its registered office in Rome, Via Nazionale 91.
Bank Pekao	Bank Polska Kasa Opieki S.A.
Consolidated Financial Statements	The consolidated financial statements of the Group for the financial years ended 31 December 2015, 2014 and 2013.
Consolidated financial statements as at 31 December 2013	The consolidated financial statements of the Group for the year ended 31 December 2013, audited by the External Auditors

Consolidated financial statements as at 31 December 2014	The consolidated financial statements of the Group for the year ended 31 December 2014, audited by the External Auditors
Consolidated financial statements as at 31 December 2015	The consolidated financial statements of the Group for the year ended 31 December 2015, audited by the External Auditors
2016 Condensed Interim Consolidated Financial Statements	The interim consolidated financial statements of the Group for the period ended 30 September 2016, subjected to a review by the External Auditors.
Frankfurt Stock Exchange	The Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) managed by Deutsche Börse AG.
Warsaw Stock Exchange	The Warsaw Stock Exchange (*Giełda Papierów Wartościowych w Warszawie*) managed by Giełda Papierów Wartościowych w Warszawie S.A.
Borsa Italiana (Italian Stock Exchange)	Borsa Italiana S.p.A., with its registered office in Milan, Piazza degli Affari 6.
Capitalia	Capitalia S.p.A., a company merged by incorporation into the Issuer with effect from 1 October 2007.
CASHES	Convertible and Subordinated Hybrid Equity-linked Securities with a duration until 15 December 2050 issued by The Bank of New York (Luxembourg) S.A. which can be exchanged for UniCredit shares.
CIB or **Corporate Investment Banking**	Business sector of the UniCredit Group dedicated to Multinational and Large Corporate customers.
Circular 262	Circular 262 of 22 December 2005 of the Bank of Italy concerning the provision governing individual and consolidated financial statements (statement of assets and liabilities, income statement, statement of comprehensive income, statement of changes in shareholders' equity and cash flow statement), the notes to the financial statements and the report on operations that banks and finance companies that are the parent companies of banking groups are obliged to produce, as later amended and supplemented.
Circular 272	Circular 272 of 30 July 2008 of the Bank of Italy concerning the rules for filling out the supervisory statistical reports, on an individual basis, which Italian banks and Italian branches of foreign banks send to the Bank of Italy, as later amended and supplemented.

Civil Code	Royal Decree 262 of 16 March 1942, as later amended and supplemented.
Code of Corporate Governance	The Code of Corporate Governance of listed companies prepared and approved by the Corporate Governance Committee in force at the Registration Document Date.
Basel Committee	The Basel Committee for banking supervision, which is the main body for the definition of international standards for the prudential regulations for the banking sector. This committee provides a forum for cooperation with regard to banking supervision. Its mandate consists of strengthening banking regulations, supervision and practices globally for the purpose of increasing banking stability.
CONSOB	Commissione Nazionale per le Società e la Borsa, having its registered office at Via G. B. Martini 3, Rome.
CRD IV	Capital Requirements Directive IV, referring to Directive 2013/36/EU of the European Parliament and Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms.
CRR	Capital Requirements Regulation, referring to Regulation (EU) No 575/2013 of the European Parliament and Council of 26 June 2013 relating to prudential requirements for credit institutions and investment firms.
Legislative Decree 231/2001	Legislative Decree 231 of 8 June 2001, containing the framework governing administrative responsibility of legal personalities, companies and other unincorporated associations as later amended and supplemented.
Registration Document Date	The date of approval of this Registration Document by CONSOB.
Deutsche Bundesbank	The central bank of the Federal Republic of Germany.
Directive 2003/71/EC	Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 relating to the prospectus for be published for an IPO or admission to trading of financial instruments, as later amended and supplemented.
Supervisory Provisions	Circular 285 of 17 December 2013 of the Bank of Italy concerning supervisory provisions for banks, as later amended and supplemented.
Registration Document	This registration document.

EBA	The European Banking Authority established through Regulation (EC) No 1093/2010 of the European Parliament and of the Council of 24 November 2010.
ESMA	The European Securities and Markets Authority (ESMA) is an independent authority which contributes to safeguarding the stability of the European financial system ensuring the integrity, transparency, efficiency and orderly conduct of activities in financial markets, as well as providing safeguards to protect investors.
FinecoBank	FinecoBank S.p.A., having its registered office in Piazza Durante 11, Milan.
FMA	*Finanzmarktaufsicht*, the Austrian supervisory authority for financial markets.
International Monetary Fund or IMF	The organisation established by 189 countries in order to promote global cooperation in the monetary field, ensure financial stability, facilitate international commerce, promote employment and sustainable economic growth.
Group or **UniCredit Group**	UniCredit and its subsidiaries within the meaning of Article 2359 of the Civil Code and Article 93 of the TUF (Consolidated Financial Act).
UniCredit Banking Group	The “UniCredit Group” banking group composed of the parent company UniCredit S.p.A. and its subsidiaries pursuant to Articles 60 and 61 of the Consolidated Banking Act, recorded in the Banking Group Register at 02008.1.
APIs or **Alternative Performance Indicators**	Economic and financial performance indicators other than those defined or specified under the scope of the framework applicable to financial information (IFRS).
IFRS or **IAS** or **International Accounting Standards**	All the International Financial Reporting Standards, all the International Accounting Standards (IAS), all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously known as the Standing Interpretations Committee (SIC), adopted by the European Union.
Single Supervisory Mechanism or **SSM**	The European financial supervisory system composed of the ECB and competent national authorities of the participating member states, established pursuant to Regulation (EU) No 1024 of the Council of 15 October 2013 and later supplemented by the implementation provisions pursuant to Regulation (EU) No 468/2014 of the ECB (“Framework Regulation of the SSM”).

MEF	Ministry of Economy and Finance of the Republic of Italy.
Monte Titoli	Monte Titoli S.p.A., having its registered office in Piazza degli Affari 6, Milan.
MTA	The Electronic Share Market organised and managed by Borsa Italiana.
Narodowy Bank Polski	The central bank of Poland.
New Prudential Supervision Provisions	The "New prudential supervision provisions for banks" contained in Circular 263 of 27 December 2006 of the Bank of Italy, as later amended and supplemented.
OeNB	*Oesterreichische Nationalbank,* the central bank of Austria.
Related Parties	The subjects included in the definition of IAS 24, in other words subjects identified by the Issuer based on the procedures adopted pursuant to the Related Parties Regulation.
PFSA	*Komisja Nadzoru Finansowego*, Polish financial supervisory authority.
PGAM	Pioneer Global Asset Management S.p.A., sub-holding company wholly-owned by the Issuer, which is responsible for the Groups' asset management activities.
2016-2019 Strategic Plan or Strategic Plan or Plan	The strategic plan of the UniCredit Group, approved by the Company's Board of Directors on 12 December 2016 containing the strategic guidelines and economic, financial and capital objectives to 2017 and 2019.
Pioneer I.M. SGR	Pioneer Investment Management S.G.R S.p.A.
Quaestio SGR	Quaestio Capital Management SGR S.p.A. Single-member
Regulation (EC) No 809/2004	Regulation (EC) 809/2004 of the Commission of 29 April 2004 introducing the methods for the execution of Directive 2003/71/EC of the European Council and Parliament as far as the information contained in prospectuses is concerned, the prospectus model, the inclusion of information through reference, the publication of prospectuses and the disclosure of advertising messages, as later amended and supplemented.
Issuer's regulations	The regulations adopted by CONSOB through resolution 11971 on 14 May 1999 as later amended and supplemented.

SSM Regulation	Regulation (EU) No 1024/2013 of the Council of 15 October 2013 which allocates special tasks to the ECB with regard to policies on the subject of the prudential supervision of credit institutions.
Related-Parties Regulation	The Regulation introducing the provisions on related-party transactions adopted by CONSOB through resolution 17221 of 12 March 2010 and later amended through resolution 17389 of 23 June 2010.
2013 Reports and Consolidated Financial Statements	The consolidated financial statements of the Group for the financial year ended 31 December 2013 subject to audit, together with the report on operations, the External Auditors' Report and the certification pursuant to Article 154-*bis*, paragraph 5 of the TUF.
2014 Reports and Consolidated Financial Statements	The consolidated financial statements of the Group for the financial year ended 31 December 2014 subject to audit, together with the report on operations, the External Auditors' Report and the certification pursuant to Article 154-*bis*, paragraph 5 of the TUF.
2015 Reports and Consolidated Financial Statements	The consolidated financial statements of the Group for the financial year ended 31 December 2015 subject to audit, together with the report on operations, the External Auditors' Report and the certification pursuant to Article 154-*bis*, paragraph 5 of the TUF.
Consolidated Interim Report as at 30 September 2016	The condensed interim consolidated financial statements, subjected to a review, together with the interim report on operations as at 30 September 2016 and the certification pursuant to Article 154-*bis*, paragraph 5 of the TUF.
External Auditors	Deloitte & Touche S.p.A., with its registered office in Milan, Via Tortona 25, tax code and Milan Companies Register 03049560166, registered on the External Auditor's Register at the Ministry of Economy and Finance.
Associated Persons	The subjects identified by the Issuer based on the procedures adopted pursuant to the New Prudential Supervision Provisions.
Corporate Articles of Association	The corporate Articles of Association of the Issuer in force as at the Registration Document Date.
Consolidated Banking Act or **TUB**	Legislative Decree 385 of 1 September 1993, as later amended and supplemented.
Consolidated Finance Act or **TUF**	Legislative Decree 58 of 24 February 1998, as later amended and supplemented.

UCB AG or **HVB**	UniCredit Bank AG, having its registered office in Munich, Bavaria (Germany), a wholly-owned subsidiary of UniCredit, formerly named Bayerische Hypo und Vereinsbank AG until 15 December 2009.
UCB Austria	UniCredit Bank Austria AG, (formerly named Bank Austria Creditanstalt AG until 27 September 2009).
UniCredit or the **Company** or the **Issuer**	UniCredit S.p.A. having its registered office in Rome, Via A. Specchi 16, and Head Office in Milan, Piazza Gae Aulenti 3 – Tower A.

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GLOSSARY

Below is a list of technical terms used in the Registration Document. Unless specified otherwise, these terms have the meanings given below.

ABS	Acronym for Asset Backed Securities; these are debt securities generally issued by a special-purpose entity, guaranteed by portfolios of assets of various types, such as bank loans, consumer credit and receivables deriving from credit-card transactions. Principal and interest payments are subject to the performance of the securitised assets and the existence of any further security guaranteeing the bond. ABSs are divided into tranches (senior, mezzanine and junior) according to the priority with which principal and interest will be paid.
Accelerated bookbuilding offering	Procedure through which particularly large amounts of company shares are transferred to institutional investors. This type of transaction is often used by majority shareholders to transfer blocks of shares or by the actual company to obtain capital quickly (for acquisitions or refinancing debt).
Advisory	Consulting activity, configured as consulting regarding investments pursuant to Article 1, paragraph 5, letter f) of the TUF.
MDA	Acronym of Maximum Distributable Amount, calculated according to Article 141.4 of CRD IV and the Supervisory Provisions of Banca d'Italia (Part One - Implementation in Italy of directive CRD IV). Banks which do not comply with the combined capital reserve requirement are obliged to calculate the MDA, and not pay higher amounts (maximum limit) with regard to the following items: (i) distributions in relation to Common Equity Tier 1 capital (CET1); (ii) undertaking of variable remuneration or discretionary pension benefit payment obligations if the payment obligation has been undertaken when the combined capital reserve requirement was not complied with; (iii) payments on capital instruments included in Additional Tier 1 Capital. It is calculated applying a limitation factor of between 60% and 0% to the earnings not yet included in the CET1 depending on the CET1 shortfall compared with the combined capital reserve requirement.
Asset gathering	Activity of gathering assets.
Asset management	Activities concerned with the management and administration, in various forms, of capital assets entrusted by customers.

Asset quality review	Analysis activity aimed at improving the transparency of banking exposures through monitoring the quality of the banks' assets, including the adequacy of both the valuation of assets and guarantees, and the related provisions, conducted by the ECB under the scope of the comprehensive assessment.
ATM	Acronym for Automated Teller Machine. Automated machine that allows customers to carry out operations such as withdrawing cash, paying in cash or checks, requesting account information, making transfers, paying utility bills, topping up mobile phone credits. The terminal is activated by putting in a credit or debit card and keying in a special PIN.
Bail-in	Measures adopted by the competent authorities which may involve the conversion of debt instruments into shares or the reduction of the value of liabilities, imposing losses on some categories of creditors pursuant to the BRRD.
Bank Recovery and Resolution Directive or **BRRD**	The Directive approved by the European Parliament and Council, respectively on 15 April and 6 May 2014, concerning the establishment of a recovery and resolution framework for the crises of credit institutions and investment firms (Bank Recovery and Resolution Directive).
Basel 2	International agreement on capital requirements for banks in relation to the risks that they assume. This agreement has been assimilated, at national level, by the respective supervisory authorities, including, for the Republic of Italy, Banca d'Italia.
Basel 3	International agreement modifying Basel 2 adopted in December 2010, containing amendments to the prudential regulations on bank capital and liquidity, with the new prudential requirements gradually coming into force from 1 January 2014 until 31 December 2019.
Basis point	B.p. or basis point represents 0.01% of a given quantity, or one hundredth of a percentage point. 100 basis points equal 1%.
Budget	Statement forecasting the future costs and revenues of a business.
Capital conservation buffer	According to the concept set out in Article 128 of the CRD IV, it is a capital buffer which is legally-required - as also specified in the Supervisory Provisions - with the objective of equipping banks with a high-quality capital buffer to use at times of market tension to prevent banking system malfunctions and avoid interruptions to the credit supply process, equal to 2.5% of the Risk-Weighted Assets, calculated in conformity with Article 92, paragraph 3 of the CRR on an individual and consolidated basis.

Additional Tier 1 Capital or AT1	Additional tier 1 capital comprises additional tier 1 elements (i.e. capital instruments, when the conditions pursuant to Article 52, paragraph 1 of the CRR are complied with and the share premium reserves relating to the above-mentioned instruments) after deducting the elements pursuant to Article 56 of the CRR and applying Article 79 of the CRR (which includes the temporary waiver of the deduction of Own Funds).
Admissible capital	The sum of (i) tier 1 capital; and (ii) tier 2 capital. Until 31 December 2016, the latter cannot exceed 50% of the tier 1 capital. From 1 January 2017, the tier 2 capital shall be equal to or lower than one third of tier 1 capital.
Economic Capital	The level of capital requested from a bank to cover losses that could occur over the period of a year with a certain degree of probability or level of confidence. Economic capital is a measure of the variability of the anticipated loss of the portfolio and also depends, in addition to the risks to which a bank is exposed, on the level of diversification of the actual portfolio.
Tier 1 capital or **Tier 1**	Basic assets of banks valid for the purpose of supervisory regulations and capable of absorbing losses in business continuity or going concern conditions. Tier 1 capital, in conformity with the *ratione temporis* applicable supervisory regulations, comprises the elements indicated in the Basel 2 or Basel 3 accords and related implementation provisions. From 1 January 2014, following the entry into force of the CRR, pursuant to Article 25 of the CRR, tier 1 capital is considered to be the sum of common equity tier 1 and additional tier 1 capital.
Tier 2 capital or **Tier 2**	Additional assets of banks valid for the purpose of supervisory regulations and capable of absorbing losses in crisis conditions - gone concern. Tier 2 capital, in conformity with the *ratione temporis* applicable supervisory regulations, comprises the elements indicated in the Basel 2 or Basel 3 accords and related implementation provisions. From 1 January 2014, following the entry into force of the CRR, tier 2 capital comprises the tier 2 elements after deducting the elements pursuant to Article 66 of the CRR and after applying Article 79 of the CRR (which includes the temporary waiver of the deduction of Own Funds).
Securitisation	Operation to transfer the risk associated with financial or real assets to a special-purpose entity, accomplished by transferring the underlying assets or by using derivative contracts. Such operations are governed principally by Law 130 of 30 April 1999.

Cash management	Activities which are expressed in making products and services available which are designed to encourage businesses in the management of their working capital through cash and payment products.
Multinational and large corporate customers	Customers, both physical and legal persons, with sophisticated financial requirements, as well as significant investment needs from both a qualitative and quantitative perspective.
Common equity tier 1 or **CET1**	The primary component of capital under Basel 3 rules, consisting principally of paid-up ordinary share capital, related premium reserves, profit for the period, reserves, shareholders' equity attributable to minority interests (which can be included within limits set by the rules) and other regulatory changes, as set out in the CRR Regulation or the Supervisory Provisions (both in the transitional period and when fully operational).
Common equity tier 1 ratio or **CET1 ratio**	This is the solvency coefficient expressed by the ratio between Common equity tier 1 and the risk-weighted assets calculated on the basis of Basel 3 applying the provisions of the CRR Regulation, Directive CRD IV and the Supervisory Provisions.
Comprehensive assessment	The in-depth evaluation of the solidity of European banks initiated by the ECB, launched in November 2013 lasting 12 (twelve) months and conducted by the ECB itself taking into consideration the powers exercised pursuant to the SSM Regulation, in conjunction with the competent national authorities of the member states that participate in the Single Supervisory Mechanism. This assessment breaks down into: (i) an analysis of the risks for supervisory purposes (review of the liquidity position, level of leverage and funding); (ii) an examination of the quality of assets intended to improve the transparency of bank exposures through an analysis of the quality of bank assets; (iii) a stress test to check bank balance sheets against stress.
Cost/income ratio	The ratio between operating expenses and operating income. It is one of the main key performance indicators of a bank's efficiency: the lower the ratio, the more efficient the bank.
Countercyclical capital buffer	Countercyclical capital buffer comprising tier 1 capital pursuant to the Supervisory Provisions, in accordance with the concept in Articles 128 and 130 of the CRD IV, equal to the risk-weighted assets calculated in conformity with Article 92, paragraph 3 of the CRR multiplied by the specific countercyclical coefficient of the Company, calculated by the Bank of Italy in accordance with the criteria set out in the Supervisory Provisions at between 0% and 2.5%.

Credit spread	This indicates the differential between the interest rate on debt instruments issued or loans received by a given party and a reference interest rate. It involves a measure that indicates how much an investor is paid to compensate for taking the intrinsic credit risk in the security held or loan provided.
Non-Performing Loans or **NPL**	In conformity with the 7th update of 20 January 2015 of Circular 272, for the purpose of the supervisory statistical reporting of non-performing exposures, non-performing loans are broken down into the categories of (i) "bad loans"; (ii) "unlikely to pay"; and (iii) "non-performing and/or past-due exposures".
Cross selling	This indicates the strategy of selling new products to customers, also based on their past purchases, and represents a commercial sales synergy aimed at maximising a company's profit and increasing customer reliability with regard to the actual company.
Deferred Tax Assets or **DTA**	Prepaid tax assets.
Deposit Guarantee Schemes Directive or **DGSD**	Directive 2014/49/EU of the European Parliament and Council of 16 April 2014 relating to deposit guarantee systems.
Dividend pay-out ratio	The net profit percentage distributed to shareholders. This percentage depends essentially on the self-financing requirements of the company and the return expected by shareholders.
Drag along	Indicates the right of the transferor shareholder to oblige the minority shareholder(s) to divest, together with their participation, also the interests of the other shareholders on the same terms and conditions agreed with the third buyer.
EAD or **Exposure at default**	Relating to on- and off-balance sheet positions, EAD is defined as the estimation of the future value of an exposure at the time of the debtor's default. Only banks that meet the requirements for adopting the Internal Rating Based (IRB) advanced approach are authorised to estimate EAD. Other banks are required to refer to regulatory estimations.
Junior, mezzanine and senior exposures	Exposures in a securitisation transaction can be classified as follows: (i) junior are the exposures repaid last which, as a result, absorb the first losses produced by the securitisation transactions; (ii) mezzanine are the exposures that have intermediate repayment priority between the senior and junior ones; (iii) senior are the exposures repaid first.

Exchange Traded Fund or ETF	Investment funds traded on the market, on a par with equity securities, for the purpose of passively reproducing the performance of an index, a commodity, a collection of stocks (e.g. a market index), a sector or entire national markets.
Factoring	Contract for the sale of trade receivables to a specialised company for cash flow management purposes. May be associated with financing provided to the seller.
Fair value	The sum for which, in a freely competitive market, an item can be exchanged or a liability extinguished between aware and independent parties.
Own Funds or **Total Capital**	A banks' own funds are made up of a series of elements defined by the regulations (excluding the negative elements to be deducted) classified on the basis of the capital quality and the capacity to absorb losses. From 1 January 2014, following the entry into force of the CRR, Own Funds are composed of the sum of tier 1 capital and tier 2 capital.
FTE or **Full-Time Equivalent**	The number of a company's full-time employees. Part-time employees are considered on a pro-rata temporis basis.
Fully loaded or FL	Capital coefficient calculation mechanism that takes the CRD IV and the CRR at the end of the transition period, with the entry into force of the definitive capital requirements on 31 December 2019 and the total completion of the effects of the transition period in January 2024.
Funding	Provision, in various forms, of the funds necessary to finance business activities or particular financial transactions.
GACS (Guarantee on Securitisation of Bank Non-Performing Loans)	The guarantees from the Ministry of Economy and Finance on the securitisation of loans classified as non-performing, introduced through Decree-Law 18 of 14 February 2016 (converted with amendments by Law 49 of 8 April 2016).
Global systemically important institution or **G-SII**	Global systemically important institutions according to the classification in Article 131 of the CRD IV, which, on account of the global systemic importance, pose greater risks for the financial system and any crisis they are involved in could have impacts on tax payers.
Goodwill	The additional sum paid for the acquisition of an equity interest, equal to the difference between the cost and the corresponding share of net assets, for the portion not attributable to the identifiable assets of the acquired company.

Grandfathering	Mechanism through which subordinate loans which do not conform to the regulatory requirements of the CRR can be partly calculated within the regulatory capital for gradually decreasing amounts by way of an amortisation factor of 10% per annum; the mechanism will be phased out from 2022.
Large exposures	Indicates the sum of all exposures to a counterparty equal to or more than 10% of the admissible capital of the Issuer, where: (i) the exposures are the sum of risk assets for cash and off-balance sheet transactions with regard to a counterparty, as defined by the framework governing credit risks, without the application of weighting factors (risks assets deducted in the calculation of Own Funds are excluded from the exposures); (ii) a counterparty is a customer or group of connected customers; (iii) the admissible capital is equal to the Own Funds of the Issuer.
Hedge fund	Mutual fund that uses hedging instruments to achieve better results in terms of risk/return ratio.
Home banking	Banking service that makes it possible to carry out banking transactions directly from the home of the user through electronic connections.
Key performance indicator or **KPI**	Numerical indicators or ratios that denote the effectiveness and/or efficiency of a part or an entire process compared with an arranged target. They measure the status of a process over a period of time and contribute to verifying the actual conditions of the activity, changing trends, in order to find the starting point for subsequent improvements.

ICAAP Acronym of Internal Capital Adequacy Assessment Process, the independent process for evaluating capital adequacy, current and prospective, in relation to the risks undertaken and corporate strategies. The ICAAP makes it possible to calculate the internal capital level adequate to deal with all types of risk. This analysis should, at the very least, consider the following risks: (i) credit risk (also including: the risk resulting from loans in foreign currency, country risk, credit concentration risk, migration risk); (ii) market risk (also including: credit differential risk, currency structural risk); operating risk (also including: behavioural risk, legal risk, model risk); (iii) interest rate risk of the investment portfolio (also including options, for example early repayment); (iv) participation risk; (v) sovereign risk; (vi) pension fund risk; (vii) funding cost risk; (viii) concentration risk; (ix) business and strategic risk. In this regard, operators should define for which types of risk not included in Pillar I it would be appropriate to adopt a qualitative approach, which could lead to creating internal capital to deal with these risks, and for which types, on the other hand, it is deemed more appropriate to adopt management, control or mitigation measures, combined or alternatively. For ICAAP purposes it is possible to use definitions and methods of choice designed to take into consideration significant risks as well as the differences, for Pillar I risks, between the system adopted internally and the regulatory one.

ICT Acronym of Information and Communication Technologies, the collection of methods and technologies that provide access to information through telecommunications, transmission systems and the receiving and processing of information.

IFRS 5 International accounting principle governing the evaluation criteria and presentation in the financial statements of non-current assets and groups of assets held for sale and liabilities associated with these assets.

ILAAP Acronym of Internal Liquidity Adequacy Assessment Process, the process for evaluating the adequacy of internal liquidity, with reference to the processes for identifying, measuring, managing and monitoring internal liquidity implemented pursuant to Article 86 of the CRD IV.

Impairment test Estimate of the recoverable value (which is the greater of the fair value minus sales costs and value in use) of an asset or group of assets. Pursuant to IAS 36, the following should be subjected to impairment testing annually: (i) intangible assets with an indefinite useful life; (ii) goodwill acquired in a business combination transaction; (iii) any assets, if there is an indication that it could have suffered a lasting reduction in value.

Intercreditor agreement	Agreement between two or more creditors through which they regulate their respective rights and obligations with regard to other creditors who are signatories to the agreement in relation to one or more credit exposures.
Investment Banking	Area of banking activity aimed at the subscription and placement of newly issued securities, as well as the trading of financial instruments.
IPV	Acronym of Independent Price Verification, the process used for the classification of financial instruments.
IRC	Acronym of Incremental Risk Charge, which is a measure of potential losses arising from default and migration risks of unsecuritised credit products over a 1-year capital horizon at a 99.9% confidence level, taking into account the liquidity horizons of individual positions.
LCR	Acronym of Liquidity Coverage Ratio. The short-term 30-day liquidity indicator introduced in the light of the provisions laid down by the Basel Committee.
Leasing	Agreement whereby one party (the lessor) grants to the other party (the lessee), for a given period of time, the enjoyment of an item acquired or constructed by the lessor at the lessee's request, in return for a periodic fee, with the lessee having the option of acquiring ownership of the item under predetermined conditions on expiry of the leasing agreement.
Leverage ratio	The financial leverage coefficient as a measure of a bank's capital divided by its overall exposure, introduced by the CRR. It is expressed as a percentage between the tier 1 capital and the total exposure of the bank, the latter calculated as the sum of the values of the exposure of all assets and off-balance sheet items not deducted from the tier 1 capital.
Loss Given Default (LGD)	Expected value (which may be conditional upon adverse scenarios) of the ratio, expressed as a percentage, between the loss giving rise to the default and the amount of exposure at the time of the default - "EAD, Exposure at Default".
LTRO	Acronym of Long Term Refinancing Operation carried out by the ECB and consisting of a loan, at an interest rate fixed by the ECB, to banks against certain guarantees (European Union Member State bonds or other assets considered as acceptable guarantees by the ECB).
Master servicing agreement	Type of agreement through which two or more parties regulate the essential terms of future transactions and/or further agreements to be arranged between them in the future.

Merchant banking	This term covers activities such as the subscription of securities – shares or debt instruments – by corporate customers for subsequent placement on the market, the taking of more permanent equity interests but always with a view to subsequent disposal, and the conduct of business consultancy activities for the purposes of mergers and acquisitions or restructurings.
Mobile banking	Banking service through which, using a mobile phone, it is possible to either obtain information or carry out investment or financing transactions or move funds from one's current account.
MREL	Acronym of Minimum Requirement for own funds and Eligible Liabilities indicating the minimum requirement for own funds and eligible liabilities with regard to the capacity for the absorption of losses pursuant to the provisions of the BRRD.
NACE	Indicates the statistical classification of economic activities in use in the European Union and adopted by the various Member States (in Italy it is adopted through the ATECO nomenclature). This is a general classification system used to systematize and harmonise the definitions of economic/industrial activities in various Member States of the European Union and forms an objective reference point for the Financial Institutions for the analysis of the sectoral distribution with the purpose of disclosure and reporting to the supervisory authorities.
NPL ratio	This indicates the ratio between "non-performing loans and advances" and "total gross loans and advances", as defined by the EBA.
NSFR	Acronym of Net Stable Funding Ratio. This is the 12-month structural liquidity indicator introduced by the Basel Committee, which corresponds to a ratio between the stable funding or Available Stable Funding and the Required Stable Funding, over the period of a year.
OECD	Organisation for Economic Cooperation and Development, an international organisation composed of the 35 member countries committed to democracy and a market economy.
Online banking	Banking service offered through instruments that allow customers to access the services offered through remote interface channels (e.g. web services and host-to-host connections).
Originator	The entity that originated the assets to be securitised or acquired them from others.

Other systemically-important institution or **O-SII**	Other systemically important institutions, according to the classification in Article 131 of the CRD IV, which, on account of their systemic importance, at domestic level, pose greater risks for the financial system and any crisis they are involved in could have impacts on tax payers, with regard to which, for this reason, the CRD IV makes provision, through the establishment of additional capital services, for higher capital requirements.
Outlook	Forecast formulated by a ratings agency surrounding possible future developments in the rating of an issuer or a financial instrument.
Phase in	Capital coefficient calculation mechanism set out in the CRR Regulation for the application of the transition period. In the period between 1 January 2014 and 31 December 2018 the application methods are defined by the Bank of Italy Supervisory Provisions.
Pillar I	The first pillar of the Basel 3 prudential regulations introduces a capital requirement to deal with typical risks of financial activity (credit, counterparty, market and operating risks) (for more information on the Pillar I requirements, see Chapter 6, Paragraph 6.1.8 of the Registration Document).
Pillar II	The second pillar of the Basel 3 prudential regulations requires financial intermediaries to adopt an Internal Capital Adequacy Assessment Process, ICAAP) to calculate the internal capital level adequate to deal with all types of risk (for more information on the Pillar II requirements, see Chapter 6, Paragraph 6.1.8 of the Registration Document).
SMEs	Small and medium-sized enterprises.
Investment portfolio or banking book	Collection of business operations carried out by the Group connected with the conversion of the due dates of the assets and liabilities of the balance sheet, treasury, foreign branches and reference hedging derivatives.
Trading book	The portfolio of securities and financial instruments held by a bank or an investment broker. Specifically, the book is the tool used by traders and by bank customers to buy or sell the financial instruments offered.
Private banking	Range of personalised services of high quality and complexity aimed at a limited number of customers with complex available funds and financial needs.
Probability of Default (PD)	Probability of a counterparty moving to default status (i.e. a party's declared inability to honour its debts and/or the payment of the associated interest) within the period of a year.

Rating	Evaluation of the quality of a company or its issues of debt securities on the basis of the company's financial soundness and prospects. This evaluation is made either by specialist agencies or by the bank on the basis of internal models.
Repo	Abbreviation of repurchase agreement, in other words contractual relations in which one contractor sells the other a security in exchange for a consideration in cash and at the same time agrees to repurchase it from the buyer after a given period and at the original price plus interest.
AFS Reserve	Indicates the reserve for financial assets available for sale, where the changes in fair value of these financial assets are recorded and can have a positive or negative value.
RAF or **Risk Appetite Framework**	Reference framework for determining propensity to risk, according to the definition in the Supervisory Provisions.
Risk Management	Activity of globally identifying, measuring, assessing, monitoring and managing various types of risks and related hedging.
ROAC	Acronym of Return On Risk Allocated Capital. It is an indicator calculated as the ratio between net profit and the average capital allocated/absorbed. It expresses the income-generating capacity per unit of capital allocated/absorbed in percentage points.
ROE	Acronym of Return on Equity, the ratio between net income and the average of share capital, share premium reserves, reserves and valuation reserves.
ROTE	Acronym of Return on Tangible Equity, the ratio between net income and net equity, excluding intangible assets.
RWA or **Risk-Weighted Asset**	It is the risk-weighted value of balance sheet and off-balance sheet assets. According to the type of asset, banking assets are weighted through factors representing their riskiness and their default potential in order to calculate a capital adequacy indicator (the minimum amount of capital from the compilation of the supervisory capital/own funds reports and the prudential coefficients issued by the Bank of Italy). For further information, refer to: (i) the New Prudential Supervisory Provisions, Title II (Capital Requirements), Chapter 2 (in force until 31 December 2013); and (ii) CRD IV, CRR and the Supervisory Provisions.

Ponzi Scheme	Fraudulent economic model of selling investments of a financial nature that promises victims large returns. In spite of this model having taken various forms, the typical characteristics are: (i) the promise to investors of large returns in the short term; (ii) the poor transparency surrounding the nature of the investment; and (iii) an offer aimed at a public not proficient in financial matters. In practice, the party proposing the Ponzi Scheme offers its investors coupons or periodic payments, from payments made by new investors involved in the fraud in such a way that, attracted by the prospect of huge earnings, other subjects are also prepared to invest and fund the system. The final outcome of a Ponzi Scheme is that at a certain point the system is no longer capable of meeting the periodic payments and/or the repayment of capital to investors.
Scrip dividend	Form of dividend distribution through the allocation of shares.
Secured equity-linked certificates	Derivative financial instruments for which the return is related to the performance of an underlying equity security, guaranteed by collateral. For more information about the instruments issued by UniCredit under the scope of the sale of Bank Pekao, see Chapter 22, Paragraph 22.3 of the Registration Document.
Sensitivity	The greater or lesser degree of sensitivity with which certain assets or liabilities react to changes in rates or other reference parameters.
Single rulebook	Collection of prudential rules which regulate the activities of European Union banks. These rules establish, *inter alia*, the capital requirements of banks to exercise their activities, establish rules as guarantees for savers, establish measures for the prevention and management of banking crises.
Spread	This term usually indicates the difference between two interest rates, the spread between prices on a bid-to-bid basis and the ask price quoted on negotiations in securities or the increase that the issuer recognises on securities in addition to a reference rate.
SPV	Acronym of Special Purpose Vehicle. An entity – partnership, limited company or trust – set up to carry out a set object, such as isolating financial risk or obtaining special regulatory or tax treatment for specific portfolios of financial assets. SPV's operations are accordingly limited by a set of rules designed for this purpose.

SREP	The Supervisory Review and Evaluation Process governed by the CRD IV and the Supervisory Provisions to which banks are subject, with an annual frequency, conducted by the ECB or competent national supervisory authorities. The SREP breaks down into the following main phases: (i) analysis of the exposure to all the significant risks undertaken and the organisational safeguards for their governance, management and control; (ii) evaluation of the robustness of the stress tests conducted internally, also by carrying out similar exercises on behalf of the Regulatory Authorities based on regulatory methods; (iii) analysis of the impact of the stress tests conducted in a macro prudential situation on the technical situation of the banks; (iv) verification of compliance of the capital requirements and other prudential rules; (v) evaluation of the corporate process for calculating the overall internal capital and adequacy of the overall capital in relation to the bank risk profile (revision of the ICAAP); (vi) allocation of special ratings to each type of risk and an overall score for the corporate position; and (vii) identification by the Regulatory Authorities of any supervisory measures to be implemented.
Stress test	Process of carrying out stress tests or quantitative and qualitative techniques through which the vulnerability of banks in exceptional, but plausible events, is evaluated.
Supply chain finance	Activity of financing the procurement process, which consists of the activity of discounting commitments also managed through a collection of technological instruments (IT platforms) and financing processes which connect the various parties in a transaction - the buyer, the seller, the bank - with the objective of minimising the financing costs, mitigating the risks and improving the efficiency of the entire supply process. Often of an international nature, it provides short-term funding aimed at optimising the management of the working capital of the buyer and the seller.
SVaR or **Stressed VaR**	A quantification of exposures to particular extreme losses that can be inflicted on the Issuer during market tensions, by modelling the portfolio response conditional on historical data from a (continuous 12-month) period of significant financial stress.
Tag along	The right of a shareholder to sell its stake in whole or on a pro-rated basis, together with the participation of another shareholder at the conditions agreed by the latter with the third-party buyer.
Tier 1 Ratio	Solvency coefficient expressed by the ratio between the Tier 1 capital and Risk-Weighted Assets (RWA) calculated on the basis of the *ratione temporis* applicable Basel rules.

TLAC	Acronym of Total-Loss Absorbing Capacity. Indicates the minimum capital loss requirement that can be promptly subject to bail-in in the case of the resolution of the banking institution.
TLTRO	Acronym of Targeted Long Term Refinancing Operation carried out by the ECB and consisting of a loan, at an interest rate fixed by the ECB, to banks against certain guarantees (European Union Member State bonds or other assets considered as acceptable guarantees by the ECB) with the objective of supporting the bank credit supply process to the real economy.
Total capital ratio	Solvency coefficient expressed by the ratio between the Total Capital and Risk-Weighted Assets (RWA) calculated on the basis of the *ratione temporis* applicable Basel rules.
Trade finance	This activity refers to the financing processes of international trade which typically and mainly take place through the use of products such as letters of credit for importing and exporting and the issuing of international guarantees.
Earnings per share (EPS)	An indicator of the profitability of a company calculated by dividing the net profit by the average number of outstanding shares excluding treasury shares.
VaR	Acronym of Value at Risk. A method used for quantifying risk. It measures potential future losses which will not be exceeded within a specified period and with a specified probability.
Wealth Management	Activity that includes asset management and (life) insurance activities.
Workers' Council or ***Betriebsrat or representation of workers***	With reference to the German and Austrian jurisdictions, representation of workers with respect to the entrepreneurs

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1. PERSONS RESPONSIBLE

1.1 PERSONS RESPONSIBLE FOR INFORMATION

UniCredit S.p.A., having its Registered Office at Via A. Specchi, 16, Rome, and its Head Office in Milan, Piazza Gae Aulenti 3 – Tower A, assumes responsibility for the completeness of the data and information contained in the Registration Document.

1.2 DECLARATION OF RESPONSIBILITY

UniCredit declares that, having exercised all reasonable diligence to this end, the information contained in the Registration Document is, to the best of its knowledge, in conformity with the facts and does not contain any omissions that might alter its meaning.

2. STATUTORY AUDITORS

2.1 STATUTORY AUDITORS OF THE ISSUER

The company appointed to audit the Issuer's accounts is Deloitte & Touche S.p.A., with its registered office in Milan, Via Tortona 25, tax code and Milan Companies Register 03049560166, registered on the External Auditor's Register at the Ministry of Economy and Finance

The ordinary shareholders' meeting of the Issuer of 11 May 2012 approved - based on the substantiated proposal of the Board of Statutory Auditors - the appointment of the External Auditors to audit the financial statements of the Issuer and the consolidated financial statements of the UniCredit Group and to carry out a review of the condensed half-year consolidated and separate financial statements, as well as verifying the correct keeping of the corporate financial statements and of the correct recording of events in the accounting records for the years 2013-2021.

The Consolidated Financial Statements as at 31 December 2015, the Consolidated Financial Statements as at 31 December 2014 and the Consolidated Financial Statements as at 31 December 2013 have been audited by the External Auditors.

The 2016 Condensed Interim Consolidate Financial Statements have been subject to a review by the External Auditors.

During the period covered by the information relating to previous financial years reported in the Registration Document, there were no criticisms or refusals of certification on the part of the External Auditors with regard to the audited financial statements of the Issuer and to the consolidated interim financial statements subjected to a review.

2.2 INFORMATION ON RELATIONS WITH THE EXTERNAL AUDITORS

Up to the Registration Document Date there was no revocation of the mandate given by the Issuer to the External Auditors, nor any renunciation of that mandate by the External Auditors.

3. SELECTED FINANCIAL INFORMATION

3.1 Introduction

This Chapter gives a summary of:

- the main restated consolidated balance sheet and cash flow data of the Group as at 30 September 2016 and as at 31 December 2015, 2014 and 2013;
- the main restated consolidated income statement data for the period ended 30 September 2016 compared with the same period of the 2015 financial year and with the financial years ended 31 December 2015, 2014 and 2013.

The restated consolidated balance sheet, income statement and cash flow data as at 30 September 2016 and 30 September 2015 are taken from the Consolidated Interim Report as at 30 September 2016, contained in the annex to the Registration Document, subjected to a review by the External Auditors, which issued their report on 15 November 2016.

The data for the year ended 31 December 2015 were extracted from the Consolidated Financial Statements as at 31 December 2015, prepared in accordance with International Accounting Principles. This data has been audited by the External Auditors, who issued their report on 3 March 2016.

The data for the year ended 31 December 2014 were extracted from the Consolidated Financial Statements as at 31 December 2014, prepared in accordance with International Accounting Principles. This data has been audited by the External Auditors, who issued their report on 30 March 2015. Where specified, the comparative data referring to the year ended 31 December 2014 was extracted from the Consolidated Financial Statements as at 31 December 2015, in which it was restated to include the retrospective changes made during the preparation of the Consolidated Financial Statements as at 31 December 2015 (see below). The methods for re-determining this comparative data and the related information were re-examined by the External Auditors solely for the purpose of expressing a judgement on the Consolidated Financial Statements as at 31 December 2015.

The comparative data referring to the year ended 31 December 2013, extracted (unless indicated otherwise) from the Consolidated Financial Statements as at 31 December 2014, were restated to include the retrospective changes made during the preparation of the Consolidated Financial Statements as at 31 December 2014 (see below). The methods for re-determining this comparative data and the related information were re-examined by the External Auditors solely for the purpose of expressing a judgement on the Consolidated Financial Statements as at 31 December 2014.

For the sake of completeness, the data for the year ended 31 December 2013 were extracted from the Consolidated Financial Statements as at 31 December 2013, prepared in accordance with International Accounting Principles. This data has been audited by the External Auditors, who issued their report on 7 April 2014.

Also note that the change in the data as at 31 December 2014 compared with 31 December 2013 was calculated on the basis of the data extracted from the Consolidated Financial Statements as at 31 December 2014 and, therefore, using the data as at 31 December 2013, restated.

In application of Legislative Decree 38 of 28 February 2005, the Consolidated Financial Statements were prepared in accordance with the IFRS and the provisions of Circular 262. The Consolidated Interim Report as at 30 September 2016 was prepared in conformity with IAS 34 concerning interim financial information.

For more information on the scope of the Issuer's Group to which the financial information in this Chapter refers, see Consolidated Financial Statements (Notes to the Financial Statements, Part A, Section 3 - "Scope of consolidation and methods") and Consolidated Interim Report as at 30 September 2016 (Notes, Part A, Section 3 - "Scope of consolidation and methods").

The documents are available at the Registered Office and Head Office of the Issuer, on the website (www.unicreditgroup.eu).

The connection between the restated consolidated balance sheet, income statement and cash flow data presented in the tables below and extracted from the interim report in the Consolidated Interim Report as at 30 September 2016 and in the Consolidated Financial Statements and the consolidated balance sheet and income statement of the Group prepared in accordance with the requirements of Circular 262 includes:

- in Annex 1 to the document entitled Consolidated Interim Report as at 30 September 2016 for the data as at 30 September 2016 and 30 September 2015;
- in Annex 1 to the document entitled "Consolidated Reports and Financial Statements as at 31 December 2015" for the data as at 31 December 2015;
- in Annex 1 to the document entitled "Consolidated Reports and Financial Statements as at 31 December 2014" for the data as at 31 December 2014; and
- in Annex 1 to the document entitled "Consolidated Reports and Financial Statements as at 31 December 2013" for the data as at 31 December 2013.

The "banking group", as defined by Article 60 of the TUB, "*is composed: a) of the Italian bank parent company and banking, financial and special purpose vehicle subsidiaries*".

Circular 262, Chapter 1 – General principles, Paragraph 5 - Definitions, Point 5.6 in turn points out "*the term 'banking group' indicates a group of banking, financial and special purpose vehicles recorded in the register under Article 64 of the TUB*". In the Registration Document, therefore, the UniCredit Banking Group is composed of the parent company UniCredit and its subsidiaries pursuant to Articles 60 and 61 of the TUB.

The Group, in turn, corresponds to the scope of consolidation for the purpose of preparing the consolidated financial statements and the related interim consolidated positions and therefore includes the Issuer, as the parent company, the wholly consolidated subsidiary companies and the associated companies valued through the equity method. In the Registration Document, therefore, the UniCredit Group is composed of the Issuer and its subsidiaries pursuant to Article 2359 of the Civil Code and Article 93 of the TUF.

The information in the Registration Document, unless expressly specified otherwise, refers to the definition of Group. Where, on the other hand, the reference to the Banking Group is expressly specified, the information usually also refers to banking, financial and special purpose vehicles consolidated proportionally for regulatory purposes.

All the indices, including the Alternative Performance Indicators (APIs) were calculated from the restated balance sheets and income statements and are defined, together with the calculation methods, in the glossary.

Note that the amounts in the Registration Document are expressed in millions of Euros. Therefore, they may differ from those in the Consolidated Financial Statements, in the Consolidated Interim Report as at 30 September 2016 and from those reported by the Supervisory Authority during the periodic reporting on account of rounding off.

Principal changes in the scope of consolidation in the three-year period 2013-2015 and in the first nine months of the 2016 financial year

There follows a list of the principal changes in the Group's consolidation scope during the three-year period 2013 - 2015 and in the first nine months of the 2016 financial year, referred to by the balance sheet, income statement and cash flow data reported in this Chapter.

2013 financial year

The fully consolidated companies, including UniCredit, went from 737 at the end of December 2012 to 732 at the end of December 2013, a decrease of 5 companies. The changes are outlined below:

- the establishment of 3 new companies, attributable to the sub-group UCB Austria;
- a change in the consolidation method which led to the consolidation of 3 companies not previously consolidated and 3 companies leaving the scope of consolidation;
- the first consolidation of 36 companies not previously consolidated (including several vehicles consolidated to apply SIC 12);
- the sale of 25 companies;
- the merger of 19 companies into other Group companies.

Proportionally consolidated companies, which at the end of December 2012 numbered 30, stood at 26 at the end of December 2013, a fall of four companies.

2014 financial year

Fully consolidated companies, including UniCredit rose in total by 19 compared with 31 December 2013, going from 732 in 2013, updated to 759 as a result of the new IFRS 10, to 751 at the end of 2014. The change is due:

- to the establishment of 2 new companies (UniCredit Subito Casa S.p.A. and UCTAM Hungary Kft.);

- to the change in the method of consolidation which led to the consolidation of 4 companies previously not consolidated;
- to the first consolidation of 70 companies, 27 of which in accordance with IFRS 10;
- to 42 companies sold or wound up because they had become inactive;
- to the merger of 15 companies into other Group companies.

Proportionally consolidated companies, which at the end of December 2013 numbered 26, went down to zero as a result of the introduction of IFRS 11: 18 were consolidated through the net equity method, 8 minor companies indirectly controlled were consolidated synthetically from 1 January 2014, through the equity consolidation of the direct subsidiary.

2015 financial year

The fully consolidated companies as at 31 December 2015, including UniCredit, fell overall by 38 compared with the figure as at 31 December 2014, going from 751 at the end of 2014 to 713 at the end of 2015. The principal changes in the scope of consolidation during the 2015 financial year were as follows:

- the establishment of 15 new companies;
- the change in the consolidation method which led to the exit of one company;
- the first consolidation of 7 new companies not previously consolidated;
- the exit of 33 subsidiaries which were sold or liquidated;
- the merger of 26 companies, mainly in the leasing sector.

30 September 2016

The fully consolidated companies, including the Issuer, fell overall by 32 compared with the figure as at 31 December 2015, going from 713 at the end of 2015 to 681 at the end of September 2016.

With reference to 30 September 2016, note that 203 subsidiaries (of which 15 belong to the banking group) were not subject to consolidation; of these 182 because of materiality and/or the start of liquidation proceedings. For the remaining 21 entities not consolidated, note: 6 investment funds, 6 companies purchased under the scope of credit restructuring operations and 1 special purpose vehicle which the Group is essentially the only funder of. The main changes in the scope of consolidation are listed below:

- the establishment of 2 new companies;
- the change in the consolidation method which led to the exit of 6 companies;
- the first consolidation of 11 new companies not previously consolidated;

- the sale of 25 companies that became inactive;
- the merger of 14 companies into other Group companies.

The companies consolidated through the equity method, went from 67 at the end of December 2015 to 68 at the end of September 2016.

Group Alternative Performance Indicators

In order to facilitate the understanding of the Group's economic and financial performance, the directors of the Issuer have identified several Alternative Performance Indicators ("**APIs**"). These indicators also represent the instruments that help the directors identify operating trends and take decisions surrounding investments, the allocation of resources and other operating decisions.

With regard to the interpretation of these APIs, note the explanations given below:

- these indicators are constructed exclusively from Group historical data and are not indicative of the Group's future performance;
- the APIs are not provided for in international accounting standards (IAS/IFRS) and, although derived from the Consolidated Financial Statements, they are not subject to auditing;
- APIs should not be seen as replacing the indicators laid down by International Accounting Standards;
- APIs should be read together with the Group's financial information taken from the 2016 Condensed Interim Consolidated Financial Statements and Consolidated Financial Statements;
- as the definitions of the indicators used by the UniCredit Group do not come from International Accounting Standards, they may not be standardised with those adopted by other companies/groups and therefore are not comparable with them; and
- the APIs used by the Group are continuously processed with standardised definitions and representations for all periods for which financial information is included in the Registration Document.

The APIs reported below have been selected and represented in the Registration Document because the Group believes that they are a useful tool for better understanding its economic and financial performance.

With regard to profitability and capital indicators:

- The cost/income ratio, calculated as the ratio between operating expenses and total revenues taken from the restated income statement, is one of the main indicators of the management efficiency of the Issuer and the Group; the lower the value of this indicator, the greater the efficiency.
- Return on Equity (ROE), obtained by dividing the net profit by the average shareholders' equity, is an economic indicator of the profitability of equity. The indicator is used to verify the risk capital remuneration rate, or how much the return on the capital contributed to the company by shareholders is.

The indicator can be considered as a summary of the overall cost-effectiveness, evaluating how management has succeeded in managing its capital and reserves to increase company earnings.

- "Group net result/average assets", obtained by dividing the Group net result by the average assets calculated as the arithmetic mean of the assets at the interim reporting periods. It represents the average profitability of the Groups' assets over the financial year.

- Average shareholders' equity/average total assets, obtained as the ratio between the average shareholders' equity calculated as the arithmetic mean of the shareholders' equity at the interim reporting periods and the average total assets calculated as the arithmetic mean of the assets at the interim reporting periods.

- Dividend pay-out ratio calculated as the amount of dividends paid over the financial year on net income and indicating the percentage of net profit distributed to shareholders. This percentage essentially depends on the self-financing requirements of the company and the return expected by shareholders.

With regard to the credit quality indicators, note that:

- The "net non-performing loans with customers/net loans to customers" indicator represents the percentage of net impaired loans classified as non-performing over total net loans to customers;

- The "net impaired loans to customers/net loans to customers" indicator represents the percentage of net impaired loans over total net loans to customers;

- The indicator "adjustments as a percentage of gross loans to customers" represents the total adjustments on the amount of gross loans to customers;

- The "gross impaired loans to customers/gross loans to customers" indicator represents the percentage of gross impaired loans over total loans to customers.

3.2 Selected financial information of the Group for the nine month periods ended 30 September 2016 and 30 September 2015 and for the financial years ended 31 December 2015, 31 December 2014 and 31 December 2013

Taking into consideration the significance of the brokerage activities under the scope of the Group, further information relating to banking activities, extracted from the Consolidated Financial Statements and supplemented by further accounting information is given below.

3.2.1 Restated economic data for the nine month periods ended 30 September 2016 and 30 September 2015 and for the financial years ended 31 December 2015, 31 December 2014 and 31 December 2013

The tables below show restated economic data relating to the nine month periods ended 30 September 2016 and 30 September 2015.

RESTATED ECONOMIC DATA	**As at 30 September**		**% Change**
(in millions of Euros)	**2016**	**2015**	**2016 compared with 2015**
Net interest	8,644	8,887	*-2.7%*
Dividends and other income from equity investments	700	579	*20.9%*
Net commissions	5,736	5,914	*-3.0%*
Net trading, hedging and fair value income	1,820	1,342	*35.6%*
Net non-interest income	170	94	*80.9%*
OPERATING INCOME	**17,070**	**16,816**	***1.5%***
Personnel costs	(6,013)	(6,287)	*4.4%*
Other administrative expenses	(3,628)	(3,869)	*6.2%*
Recovery of expenses	562	599	*-6.2%*
Adjustments in value of tangible and intangible assets	(728)	(678)	*7.4%*
Operating expenses	(9,807)	(10,235)	*4.2%*
OPERATING PROFIT (LOSS)	**7,263**	**6,581**	***10.4%***
Other charges and provisions	(1,231)	(777)	*58.4%*
Integration costs	(398)	(12)	*n.s*
Net impairment losses on loans and provisions for guarantees and commitments	(2,677)	(2,898)	*7.6%*
Net profits from investments	(24)	33	*-172.7%*
GROSS PROFIT ON CONTINUING OPERATIONS	**2,933**	**2,926**	***0.2%***
Income tax for the period	(821)	(778)	*5.5%*
Profit (loss) after tax from discontinued operations	13	(152)	*-108.6%*
PROFIT (LOSS) FOR THE PERIOD	**2,125**	**1,996**	***6.5%***
Minority interests	(343)	(280)	*22.5%*
NET PROFIT ATTRIBUTABLE TO THE GROUP BEFORE PPA	**1,781**	**1,716**	***3.8%***
Purchase Price Allocation effect	(13)	(174)	*-92.5%*
Impairment of goodwill	-	-	-
NET PROFIT ATTRIBUTABLE TO THE GROUP	**1,768**	**1,541**	***14.7%***

The tables below show restated economic data as at 31 December 2015, 31 December 2014 and 31 December 2013.

RESTATED ECONOMIC DATA	**As at 31 December**				
(in millions of Euros)	**2015**	**2014 (restated)**	**2014**	**2013 (restated)**	**2013**
Net interest	11,916	12,442	12,442	12,303	12,990
Dividends and other income from equity investments	829	794	794	964	324
Net commissions	7,848	7,593	7,572	7,361	7,728
Net trading, hedging and fair value income	1,644	1,536	1,557	2,505	2,657
Net non-interest income	**166**	**188**	**149**	**203**	**273**
OPERATING INCOME	**22,405**	**22,552**	**22,513**	**23,335**	**23,973**
Personnel costs	(8,339)	(8,201)	(8,201)	(8,375)	(8,649)
Other administrative expenses	(5,159)	(5,244)	(5,575)	(5,357)	(5,559)
Recovery of expenses	808	834	834	716	715
Adjustments in value of tangible and intangible assets	(929)	(896)	(896)	(1,238)	(1,307)
Operating expenses	**(13,618)**	**(13,507)**	**(13,838)**	**(14,253)**	**(14,801)**
OPERATING PROFIT (LOSS)	**8,787**	**9,045**	**8,675**	**9,082**	**9,172**
Other charges and provisions	(1,585)	(728)	(358)	(984)	(996)
Integration costs	(410)	(20)	(20)	(727)	(727)
Net impairment losses on loans and provisions for guarantees and commitments[(1)]	(4,114)	(4,292)	(4,292)	(13,481)	(13,658)
Net profits from investments	(6)	87	87	890	1,322
GROSS PROFIT ON CONTINUING OPERATIONS	**2,671**	**4,091**	**4,091**	**(5,220)**	**(4,888)**
Income tax for the period	(137)	(1,297)	(1,297)	1,716	1,607
Profit (loss) after tax from discontinued operations	(295)	(124)	(124)	(639)	(639)
PROFIT (LOSS) FOR THE PERIOD	**2,239**	**2,669**	**2,669**	**(4,143)**	**(3,920)**
Minority interests	(352)	(380)	(380)	(382)	(382)
NET PROFIT ATTRIBUTABLE TO THE GROUP BEFORE PPA	**1,887**	**2,289**	**2,289**	**(4,524)**	**(4,302)**
Purchase Price Allocation effect	(193)	(281)	(281)	(1,673)	(1,673)
Impairment of goodwill	-	-	-	(7,767)	(7,990)
NET PROFIT ATTRIBUTABLE TO THE GROUP	**1,694**	**2,008**	**2,008**	**(13,965)**	**(13,965)**

(1) For the dynamics relating to adjustments to credits, see Chapter 9, Paragraph 9.1.2.1 of the Registration Document.

Notes:

The comparative values as at 31 December 2014 differ from the figures disclosed with reference to that date as the result of:

- the reclassification of the income arising from the placement fees of Debt Capital Markets "best effort" transactions (i.e. placement of financed instruments without underwriting risks) from "Gains (losses) on financial assets and liabilities held for trading" to "Fee and commission income";
- the reclassification of the margins arising from currency trading with customers of a subsidiary from "Net Commission income" to "Gains (losses) on financial assets and liabilities held for trading";
- the reclassification of costs relating to bank levies and contributions relating to pre-existing deposit guarantee schemes and local resolution funds from the items "other administrative expenses" and "balance of other management income/expense" to the item "other expenses and provisions" (previously called "provision for risks and charges").

The comparative values as at 31 December 2013 were restated, compared with those disclosed with reference to that date for the reasons given below.

From the first quarter of 2014, in order to represent the individual income statement items better, the result of purely banking activities and the economic results of fully consolidated industrial companies are expressed in a single item (Balance of other income/expense). The comparison period was consistently restated.

Also note that the impact on the income statement of equity investments consolidated through the equity method following the adoption of IFRS 10 - 11 which were originally owned as a result of debt-to-equity transactions, is reported under the item "Net profit (loss) from investments" rather than

"dividends and other income from equity investments", in order not to influence the representation of the operating results and to make them similar to write-downs on equity investments. The comparison period was consistently restated.
In addition to the above-mentioned effects, the comparative values as at 31 December 2013 have been restated:

- as a result of the introduction of accounting principles IFRS 10 and IFRS 11;
- as a result of the reclassification of the contribution to the FITD (Italian Bank Deposit Guarantee Fund) relating to the interventions already approved, from the item "balance of other income/expense" to the item "provision for risks and charges".

3.2.2 Restated balance sheet data for the nine-month period ended 30 September 2016 and for the financial years ended 31 December 2015, 31 December 2014 and 31 December 2013

The tables below show some restated balance sheet data for the nine-month period ended 30 September 2016 and for the financial year ended 31 December 2015.

RESTATED BALANCE SHEET DATA	**As at**		**% Change**
(in millions of Euros)	**30 September 2016**	**31 December 2015**	**30 September 2016 compared with 31 December 2015**
Total assets	874,527	860,433	*1.6%*
Loans and receivables with customers	480,926	473,999	*1.5%*
Deposits from customers and debt securities in issue	**590,099**	**584,268**	*1.0%*
of which deposits from customers	470,296	449,790	*4.6%*
of which securities in issue	119,803	134,478	*-10.9%*
Deposits from banks	114,983	111,373	*3.2%*
Loans and receivables with banks	76,750	80,073	*-4.1%*
Net interbank balance	**38,233**	**31,300**	*22.2%*
Group portion of shareholders' equity	**51,237**	**50,087**	*2.3%*

For more information on the changes in balance sheet items in the reference periods, see Chapter 9, Paragraph 9.1 of the Registration Document.

The tables below show the restated balance sheet data as at 31 December 2015, 31 December 2014 and 31 December 2013.

RESTATED BALANCE SHEET DATA	**As at 31 December**				**% Change**	
(in millions of Euros)	**2015**	**2014**	**2013 (restated)**	**2013**	**2015 compared with 2014**	**2014 compared with 2013 (restated)**
Total assets	860,433	844,217	825,919	845,838	*1.9%*	*2.2%*
Loans and receivables with customers	473,999	470,569	483,684	503,142	*0.7%*	*-2.7%*
Deposits from customers and debt securities in issue	**584,268**	**560,688**	**557,379**	**571,024**	***4.2%***	***0.6%***
of which deposits from customers	449,790	410,412	393,113	410,930	*9.6%*	*4.4%*
of which securities in issue	134,478	150,276	164,266	160,094	*-10.5%*	*-8.5%*
Deposits from banks	111,373	106,037	107,830	110,222	*5.0%*	*-1.7%*
Loans and receivables with banks	80,073	68,730	63,310	61,119	*16.5%*	*8.6%*
Net interbank balance	**31,300**	**37,307**	**44,520**	**49,103**	***-16.1%***	***-16.2%***
Group portion of shareholders' equity	**50,087**	**49,390**	**46,722**	**46,841**	***1.4%***	***5.7%***

The comparative values as at 31 December 2013 have been restated:

- as a result of the introduction of accounting principles IFRS 10 and IFRS 11;
- as a result of the reclassification of the contribution to the FITD (Italian Bank Deposit Guarantee Fund) relating to the interventions already approved, from the item "provision for risks and charges" to the item "other balance sheet liabilities";
- as a result of the offsetting of deferred tax assets, the item "tax assets for balance sheets assets", with the related deferred tax liabilities, the item "deferred tax liabilities for balance sheet liabilities";
- as a result of the change in the sector to which a counterparty belongs from the items "loans and receivables from and deposits from customers" to the item "loans and receivables with/deposits from banks".

3.2.3 Main consolidated data of cash flow statements for the nine month periods ended 30 September 2016 and 30 September 2015 and for the financial years ended 31 December 2015, 31 December 2014 and 31 December 2013

The tables below show consolidated data of the cash flow statements for the nine month periods ended 30 September 2016 and 30 September 2015.

CASH FLOW	**As at 30 September**		**% Change**
(in millions of Euros)	**2016**	**2015**	**2016 compared with 2015**
Net liquidity generated/absorbed by operating activities	7,258	3,786	*91.7%*
Net liquidity generated/absorbed by investment activities	(788)	86	*n.s.*
Net liquidity generated/absorbed by funding activities	(702)	(749)	*-6.3%*
Net liquidity generated/absorbed during the period	**5,768**	**3,123**	***84.7%***

The tables below show the consolidated data of the cash flow statements as at 31 December 2015, 31 December 2014 and 31 December 2013.

CASH FLOW	**As at 31 December**				**% Change**	
(in millions of Euros)	**2015**	**2014**	**2013 (restated)**	**2013**	**2015 compared with 2014**	**2014 compared with 2013 (restated)**
Net liquidity generated/absorbed by operating activities	3,278	(5,275)	4,134	4,095	*n.s*	*n.s*
Net liquidity generated/absorbed by investment activities	(157)	1,918	151	246	*n.s*	*n.s*
Net liquidity generated/absorbed by funding activities	(842)	1,277	(934)	(934)	*n.s*	*n.s*
Net liquidity generated/absorbed during the period	2,279	(2,080)	3,351	3,407	*n.s*	*-162.1%*

3.2.4 Performance indicators for the nine month periods ended 30 September 2016 and 30 September 2015 and for the financial years ended 31 December 2015, 31 December 2014 and 31 December 2013

The tables below show some of the performance indicators for the nine month periods ended 30 September 2016 and 30 September 2015.

Note that the data in the tables below have been taken from the Report on Operations on the dates indicated and are linked to the schemes laid down by Circular 262 through the reconciliation table in Chapter 9, Paragraph 9.3 of the Registration Document.

PERFORMANCE INDICATORS	**As at**		**Change**
	30 September 2016	**30 September 2015**	**30 September 2016 compared with 30 September 2015**
Earnings per share (EPS)	0.28	0.25	*0.03*
Cost/income ratio[(1)]	57.5%	60.9%	*-340 bps*

(1) Cost/income ratio

The cost/income ratio is the ratio between operating costs and revenues from the income statement (brokerage margin).

The calculation of the above-mentioned index is in the table below.

	As at	
	30 September 2016	**30 September 2015**
A. Operating costs	(9,808)	(10,236)
Personnel costs	*(6,013)*	*(6,287)*
Other administrative expenses	*(3,628)*	*(3,869)*
Recovery of expenses	*563*	*598*
Adjustments in value of tangible and intangible assets	*(728)*	*(678)*
B. Revenues from income statement (brokerage margin)	17,071	16,816
A/B. Cost/Income Ratio	**-57.5%**	**-60.9%**

The calculation of the basic and diluted earnings per share for the nine month periods ended 30 September 2016 and 30 September 2015 are given below.

	As at 30 September	
	2016	**2015**
Average number of outstanding shares	5,990,137,569	5,815,318,749
Average number of potential dilutive shares	19,572,702	22,734,089
Average number of diluted shares	6,009,710,271	5,838,052,838
Group's share of profit for the period (in thousands of Euro)	1,671,974	1,474,440
Profit / loss per share (in Euros)	**0.28**	**0.25**
Profit / loss per diluted share (in Euros)	**0.28**	**0.25**

The tables below show some performance indicators as at 31 December 2015, 31 December 2014 and 31 December 2013.

PERFORMANCE INDICATORS	As at 31 December					% Change	
	2015	**2014 (restated)**	**2014**	**2013 (restated)**	**2013**	**2015 compared with 2014 (restated)**	**2014 compared with 2013 (restated)**
Earnings per share (EPS)	0.27	0.34	0.34	(2.47)	(2.47)	(0.07)	2.81
Cost/income ratio[(1)]	*60.8%*	*59.9%*	*61.5%*	*61.1%*	*61.7%*	*90 bps*	*40 bps*

1) Cost/income ratio

The cost/income ratio is the ratio between operating costs and revenues from the income statement (brokerage margin).

The calculation of the above-mentioned index is in the tables below.

	As at	
	31 December 2015	**31 December 2014 (restated)**
A. Operating costs	(13,618)	(13,507)
Personnel costs	*(8,339)*	*(8,201)*
Other administrative expenses	*(5,159)*	*(5,244)*
Recovery of expenses	*809*	*834*
Adjustments in value of tangible and intangible assets	*(929)*	*(896)*
B. Revenues from income statement (brokerage margin)	22,405	22,552
A/B. Cost/Income Ratio	**60.8%**	**59.9%**

	As at	
	31 December 2014	**31 December 2013 (restated)**
A. Operating costs	(13,838)	(14,253)
Personnel costs	*(8,201)*	*(8,375)*
Other administrative expenses	*(5,575)*	*(5,357)*
Recovery of expenses	*834*	*717*
Adjustments in value of tangible and intangible assets	*(896)*	*(1,238)*
B. Revenues from income statement (brokerage margin)	22,513	23,335
A/B. Cost/Income Ratio	**-61.5%**	**-61.1%**

The calculation of the basic and diluted earnings per share as at 31 December 2015, 31 December 2014 and 31 December 2013 are given below.

	As at 31 December		
	2015	**2014**	**2013**
Average number of outstanding shares	5,829,820,906	5,740,053,411	5,694,410,094
Average number of potential dilutive shares	22,064,400	8,446,613	27,109,723
Average number of diluted shares	5,851,885,307	5,748,500,025	5,721,519,817
Group's share of profit for the period (in thousands of Euro)	1,593,831	1,972,362	(14,070,029)
Profit/loss per share (in Euros)	**0.27**	**0.34**	**(2.47)**
Profit/loss per diluted share (in Euros)	**0.27**	**0.34**	**(2.46)**

3.2.5 Staff and branches data for the nine month periods ended 30 September 2016 and 30 September 2015 and for the financial years ended 31 December 2015, 31 December 2014 and 31 December 2013

The tables below show some of the staff and branches data for the nine month periods ended 30 September 2016 and 30 September 2015.

STAFF AND BRANCHES	**As at 30 September**		**% Change**
	2016	**2015**	**2016 compared with 2015**
Employees (FTE)[(1)]	122,990	126,849	*-3.0%*
Branches	6,592	7,055	*-6.6%*

(1) "*Full time equivalent*" (FTE): personnel are counted in terms of hours effectively worked and/or paid for by the company at which the service is provided.

The tables below show some of the staff and branches data as at 31 December 2015, 31 December 2014 and 31 December 2013.

STAFF AND BRANCHES	**As at 31 December**				**% Change**	
	2015	**2014**	**2013 (restated)**	**2013**	**2015 compared with 2014**	**2014 compared with 2013 (restated)**
Employees (FTE)[(1)]	125,510	129,021	132,122	147,864	*-2.7%*	*-2.3%*
Employees (FTE: pro rata for proportionally consolidated subsidiaries)[(2)]	-	-	-	138,159		
Branches	6,934	7,516	8,954	8,954	*-7.7%*	*-16.1%*

(1) "*Full time equivalent*" (FTE): personnel are counted in terms of hours effectively worked and/or paid for by the company at which the service is provided.

(2) From 2014 there were no longer any proportionally consolidated companies following the entry into force of IFRS 11.

3.2.6 Consolidated Own Funds for the nine-month period ended 30 September 2016 and for the financial years ended 31 December 2015, 31 December 2014 and 31 December 2013[1]

From 1 January 2014, the calculation of the capital requirements has taken into account the regulatory framework known as Basel 3, transposed into the CRR and CRD IV, in accordance with the new Italian regulations.

In order to highlight the capital impact of Basel 3, this paragraph also contains the data, limited to items which are comparable with one another[2], as at 31 December 2013, calculated according to the rules in force at that date.

The tables below summarise the main supervisory capital indicators expressed by the Group as at 30 September 2016, 31 December 2015, 31 December 2014 and 31 December 2013. Note that the data from 1 January 2014 reflect the permitted transitional percentages in accordance with the regulatory provisions in force from time to time ("transitional" or "phase-in").

The table below summarises the main supervisory capital indicators expressed by the Group as at 31 December 2015 and for the nine-month period ended 30 September 2016 in accordance with the transitory provisions applicable at any given time.

Note that the profit for the first half of 2016, equal to €1,321 million, is fully recognised in the Own Funds consistent with the formal authorisation from the competent Supervisory Authority pursuant to Article 26, paragraph 2 of the CRR. The profit for the first half of 2015 does not reflect deductions relating to foreseeable dividends for 2016, in line with the decision taken on 3 August 2016 by the Board of Directors. The profit for the third quarter of 2016, on the other hand, has not been included in Own Funds.

[1] Until 31 December 2013, Own Funds were referred to as "regulatory capital".

[2] In order to provide a comparable representation in terms of capital aggregates, albeit not of the content of each aggregate.

OWN FUNDS	**As at**		**% Change**
(in millions of Euros)	**30 September 2016**	**31 December 2015**	**30 September 2016 compared with 31 December 2015**
A. Common Equity Tier 1 Capital (CET1) before prudential filters	49,770	48,146	*3.4%*
B. CET1 Prudential Filters (+/-)	(1,153)	(1,271)	*-9.3%*
C. CET1 gross of deductions and transitional adjustments (A + B)	48,617	46,875	*3.7%*
D. Items to be deducted from CET1	6,334	6,331	*0.0%*
E. Transitional adjustments – Effect on CET1 (+/-), including minority interests subject to transitional adjustments	697	831	*-16.1%*
F. Total Common Equity Tier 1 capital (CET1) (C - D +/- E)	**42,980**	**41,375**	*3.9%*
G. Additional Tier 1 Capital (AT1) gross of deductions and transitional adjustments	3,237	3,602	*-10.1%*
H. Items to be deducted from AT1	73	71	*2.8%*
I. Transitional adjustments – Effect on AT1 (+/-), including qualifying instruments issued by subsidiaries and computable in AT1 due to transitional provisions	8	14	*-42.9%*
L. Total Additional Tier 1 Capital (AT1) (G - H +/- I)	**3,172**	**3,545**	*-10.5%*
Tier 1 Capital (F + L)	**46,152**	**44,920**	*2.7%*
M. Tier 2 (T2) Capital gross of deductions and transitional adjustments	10,825	10,655	*1.6%*
N. Items to be deducted from T2	847	792	*6.9%*
O. Transitional adjustments – Effect on T2 (+/-), including qualifying instruments issued by subsidiaries and computable in T2 due to transitional provisions	537	796	*-32.5%*
P. Total Tier 2 Capital (M - N +/- O)	**10,515**	**10,659**	*-1.4%*
Q. Total Own Funds (F + L + P)	**56,667**	**55,579**	*2.0%*
			Change (basis points)
Tier 1 Capital / risk-weighted assets	**11.00%**	**10.59%**	**41**
Tier 1 Capital / risk-weighted assets	**11.81%**	**11.50%**	**31**
Total Own Funds / risk-weighted assets	**14.50%**	**14.23%**	**27**

The table below summarises the main supervisory capital indicators expressed by the Group for the financial years ended 31 December 2015 and 31 December 2014 (in accordance with the transitory provisions applicable at any given time) and 31 December 2013 (in accordance with the provisions in force at that date).

OWN FUNDS	**As at 31 December**			**% Change**	
(in millions of Euros)	**2015**	**2014**	**2013[1]**	**2015 compared with 2014**	**2014 compared with 2013[2]**
A. Common Equity Tier 1 Capital (CET1) before prudential filters	48,146	47,501	n.a.	*1.4%*	*n.a.*
B. CET1 Prudential Filters (+/-)	-1,271	-1,577	n.a.	*-19.4%*	*n.a.*
C. CET1 gross of deductions and transitional adjustments (A + B)	46,875	45,924	n.a.	*2.1%*	*n.a.*
D. Items to be deducted from CET1	6,331	6,955	n.a.	*-9.0%*	*n.a.*
E. Transitional adjustments – Effect on CET1 (+/-), including minority interests subject to transitional adjustments	831	3,029	n.a.	*-72.6%*	*n.a.*
F. Total Common Equity Tier 1 capital (CET1) (C - D +/- E)	**41,375**	**41,998**	**n.a.**	***-1.5%***	***n.a.***
G. Additional Tier 1 Capital (AT1) gross of deductions and transitional adjustments	3,602	3,736	n.a.	*-3.6%*	*n.a.*
H. Items to be deducted from AT1	71	71	n.a.	*0.0%*	*n.a.*
I. Transitional adjustments – Effect on AT1 (+/-), including qualifying instruments issued by subsidiaries and computable in AT1 due to transitional provisions	14	-163	n.a.	*-108.6%*	*n.a.*
L. Total Additional Tier 1 Capital (AT1) (G - H +/- I)	**3,545**	**3,502**	**n.a.**	***1.2%***	***n.a.***
Tier 1 Capital[3] (F + L)	**44,920**	**45,500**	**42,737**	***-1.3%***	***6.5%***
M. Tier 2 (T2) Capital gross of deductions and transitional adjustments	10,655	9,815	n.a.	*8.6%*	*n.a.*
N. Items to be deducted from T2	792	1,058	n.a.	*-25.1%*	*n.a.*
O. Transitional adjustments – Effect on T2 (+/-), including qualifying instruments issued by subsidiaries and computable in T2 due to transitional provisions	796	600	n.a.	*32.7%*	*n.a.*
P. Total Tier 2 Capital[4] (M - N +/- O)	**10,659**	**9,357**	**14,914**	***13.9%***	***-37.3%***
Q. Total Own Funds[5] (F + L + P)	**55,579**	**54,857**	**57,651**	***1.3%***	***-4.8%***
				Change (basis points)	
Common Equity Tier 1 Capital / risk-weighted assets	**10.59%**	**10.26%**	**n.a.**	**33**	**n.a.**
Tier 1 Capital / risk-weighted assets	**11.50%**	**11.12%**	**10.09%**	**38**	**103**
Total Own Funds / risk-weighted assets	**14.23%**	**13.41%**	**13.61%**	**82**	**-20**

(1) Taking into consideration the entry into force of the new Basel 3 regulations and therefore the discontinuity with the previous regulatory framework in force until 31 December 2013, the detailed information for the CET1 capital and additional tier 1 capital are not standardised and therefore not comparable. In this regard, with reference to 31 December 2013, only the items which refer to the basic capital and the total supervisory capital have been completed in order to provide a representation that is comparable in terms of balance sheet items although not in the contents of each item. The figures as at 31 December 2013 have been calculated in line with the regulatory forecasts in force at that date. For the reconciliation of the composition of the items in the above table, see Consolidated Financial Statements as at 31 December 2014, Part F - "Information on the consolidated shareholders' equity", pages 453 - 474. Note that the page numbers given above refer to both the Italian version and the English version of the Consolidated Financial Statements at 31 December 2014.

(2) Values calculated in accordance with the rules in force at that date.

(3) With reference to the data as at 31 December 2013, the value refers to the "Tier 1 capital".

(4) With reference to the data as at 31 December 2013, the value refers to the "Additional capital".

(5) With reference to the data as at 31 December 2013, the value refers to the "supervisory capital".

3.3 Average balances and Interest rates

3.3.1 Average balances and Interest rates for the nine month periods ended 30 September 2016 and 30 September 2015 and for the financial years ended 31 December 2015, 31 December 2014 and 31 December 2013

The table below shows the average balances of the Group's assets, liabilities and shareholders' equity for the nine-month period ended 30 September 2016 and for 2015, as well as the amount of interest income received and interest expense paid in respect of those assets and liabilities. For the purposes of preparing this table, the average balances have been determined using the quarterly balances prepared in conformity with IFRS, net of intra-group relations.

	30 September 2016			30 September 2015		
(in millions of Euros)	**Average balances (1)**	**Interest**	**Average interest rates (2)**	**Average balances (1)**	**Interest**	**Average interest rates (2)**
Assets						
Interest-bearing assets						
Financial assets, excluding loans [(3)]	271,693	2,047	1.0%	263,020	2,526	1.3%
Loans and receivables with banks	77,578	251	0.4%	88,632	379	0.6%
Loans and receivables with customers	484,455	9,627	2.7%	476,904	10,377	2.9%
Total interest-bearing assets	**833,726**	**11,925**	**1.9%**	**828,556**	**13,282**	**2.1%**
Other assets [(4)]	52,343	1,216	3.1%	54,538	1,372	3.4%
Total assets	**886,069**	**13,141**	**2.0%**	**883,094**	**14,654**	**2.2%**
Liabilities						
Interest-bearing liabilities						
Deposits from banks	113,383	(287)	-0.3%	124,144	- 488	-0.5%
Deposits from customers	473,499	(939)	-0.3%	436,421	- 1,468	-0.5%
Debt securities in issue	124,008	(2,518)	-2.7%	144,359	- 3,175	-2.9%
Held-for-trading financial liabilities at fair value through profit or loss	74,787	(658)	-1.2%	77,171	- 777	-1.3%
Total interest-bearing liabilities	**785,677**	**(4,402)**	**-0.8%**	**782,095**	**- 5,908**	**-1.0%**
Other liabilities [(4)]	46,264	(96)	-0.3%	46,973	- 94	-0.3%
Shareholders' equity	54,128	-	0.0%	54,026	-	0.0%
Total liabilities and shareholders' equity	**886,069**	**(4,498)**	**-0.7%**	**883,094**	**- 6,002**	**-0.9%**
Net interest margin [(5)]		**8,643**	**1.3%**		**8,652**	**1.3%**
Spread between deposits from/loans and receivables from customers and securities [(6)]			1.9%			1.8%
Spread between interest-bearing assets and interest-bearing liabilities [(7)]			1.2%			1.1%

(1) The average balances were calculated on the basis of the quarterly data reported in the interim reports as at 31 March, 30 June and 30 September 2016 and 2015.

(2) The average interest rate was calculated by relating the annualised rates to the corresponding balance sheet item. The values expressed with a positive sign represent the average interest rates receivable for the UniCredit Group; the values expressed with a negative sign represent the average interest rates payable for the UniCredit Group.

(3) Includes cash and cash equivalents, financial assets held for trading and financial investments.

(4) The "other assets" and "other liabilities" include the hedging derivatives and related interest.

(5) For the difference between total interest income and total interest payable column, for the average interest rate difference between average interest rate and total assets and average interest rate for liabilities and shareholders' equity.

(6) Difference between the average interest rate applied to loans and receivables from customers and the average interest rate applied to deposits from customers and outstanding securities.

(7) Difference between the average interest rate of interest-bearing assets and the average interest rate of interest-bearing liabilities.

The table below shows the average balances of the Group's assets, liabilities and shareholders' equity for the years ended 31 December 2015, 31 December 2014 and 31 December 2013, as well as the amount of interest income received and interest expense paid in respect of those assets and liabilities. For the purposes of preparing this table, the average balances have been determined using the quarterly balances from the reclassified consolidated financial positions prepared in conformity with IFRS, net of intra-group relations.

(in millions of Euros)	31 December 2015 Average balances (1)	Interest	Average interest rates (2)	31 December 2014 Average balances (1)	Interest	Average interest rates (2)	31 December 2013 (restated) Average balances (1)	Interest	Average interest rates (2)
Assets									
Interest-bearing assets									
Financial assets, excluding loans (3)	260,802	3,425	1.3%	234,219	3,573	1.5%	216,029	3,167	1.5%
Loans and receivables with banks	86,492	459	0.5%	74,612	571	0.8%	71,425	495	0.7%
Loans and receivables with customers	476,177	13,791	2.9%	474,876	15,628	3.3%	503,264	16,810	3.3%
Total interest-bearing assets	**823,471**	**17,675**	**2.2%**	**783,707**	**19,772**	**2.5%**	**790,718**	**20,472**	**2.6%**
Other assets (4)	53,958	1,843	3.4%	60,428	1,970	3.3%	71,264	2,175	3.1%
Total assets	**877,429**	**19,518**	**2.2%**	**844,135**	**21,742**	**2.6%**	**861,982**	**22,647**	**2.6%**
Liabilities									
Interest-bearing liabilities									
Deposits from banks	120,951	(618)	-0.5%	112,801	(824)	-0.7%	119,447	(872)	-0.7%
Deposits from customers	439,764	(1,888)	-0.4%	402,172	(2,400)	-0.6%	386,739	(3,182)	-0.8%
Debt securities in issue	141,889	(4,134)	-2.9%	157,019	(5,148)	-3.3%	163,842	(5,854)	-3.6%
Held-for-trading financial liabilities at fair value through profit or loss	75,222	(1,116)	-1.5%	69,528	(1,054)	-1.5%	78,744	(780)	-1.0%
Total interest-bearing liabilities	**777,826**	**(7,756)**	**-1.0%**	**741,520**	**(9,426)**	**-1.3%**	**748,772**	**(10,688)**	**-1.4%**
Other liabilities (4)	45,714	(104)	-0.2%	49,944	(254)	-0.5%	51,545	(41)	-0.1%
Shareholders' equity	53,890	-	0.0%	52,673	-	0.0%	61,665	-	0.0%
Total liabilities and shareholders' equity	**877,430**	**(7,860)**	**-0.9%**	**844,137**	**(9,680)**	**-1.1%**	**861,982**	**(10,729)**	**-1.2%**
Net interest margin (5)		11,658	**1.3%**		12,062	**1.4%**		11,919	**1.4%**
Spread between deposits from/loans and receivables from customers and securities (6)			1.9%			1.9%			1.7%
Spread between interest-bearing assets and interest-bearing liabilities (7)			1.2%			1.3%			1.2%

(1) The average balances for 2015 were calculated on the basis of the quarterly data reported in the consolidated report relating to the Consolidated Financial Statements as at 31 December 2015, the average balances for 2014 were calculated on the basis of the quarterly data reported in the consolidated report relating to the Consolidated Financial Statements as at 31 December 2014, the average balances for 2013 were calculated on the basis of the quarterly data reported in the consolidated report relating to the Consolidated Financial Statements as at 31 December 2014 in which the balances for 2013 were restated.

(2) The average interest rate was calculated by relating the interest to the corresponding balance sheet item. The values expressed with a positive sign represent the average interest rates receivable for the Group while the values expressed with a negative sign represent the average interest rates payable for the Group.

(3) Includes cash and cash equivalents, financial assets held for trading and financial investments.

(4) The "other assets" and "other liabilities" include the hedging derivatives and related interest.

(5) For the difference between total interest income and total interest payable column, for the average interest rate difference between average interest rate and total assets and average interest rate for liabilities and shareholders' equity.
(6) Difference between the average interest rate applied to loans and receivables from customers and the average interest rate applied to deposits from customers and outstanding securities.
(7) Difference between the average interest rate of interest-bearing assets and the average interest rate of interest-bearing liabilities.

3.3.2 Change in interest income and expense

The table below shows, for each category of interest-bearing asset and interest-bearing liability, the changes in net interest income for the nine-month period ended 30 September 2016 compared with the nine-month period ended 30 September 2015, in terms of net changes and changes attributable to the interest rate effect.

(in millions of Euros)	**Nine-month period ended 30 September 2016 compared with 30 September 2015**			
	Volume[1]	**Return / rate**[2]	**Volume and return / rate**[3]	**Total net change**[4]
Assets				
Interest-bearing assets				
Financial assets, excluding loans	111	(736)	146	(479)
Loans and receivables with banks	(63)	(124)	59	(128)
Loans and receivables with customers	219	(1,192)	223	(750)
Total interest-bearing assets	**111**	**(1,906)**	**438**	**(1,357)**
Other assets	(74)	(136)	54	(156)
Total assets	**66**	**(2,031)**	**452**	**(1,513)**
Liabilities				
Interest-bearing liabilities				
Deposits from banks	56	223	(78)	201
Deposits from customers	(167)	829	(133)	529
Debt securities in issue	596	318	(257)	657
Held-for-trading financial liabilities at fair value through profit or loss	32	131	(44)	119
Total interest-bearing liabilities	**(36)**	**2,033**	**(491)**	**1,506**
Other liabilities	2	(5)	1	(2)
Shareholders' equity		-	-	-
Total liabilities and shareholders' equity	**(27)**	**2,031**	**(500)**	**1,504**
Net interest margin				**(9)**

(1) Average balance for the period less the average balance for the previous period, multiplied by the average return for that period.
(2) Average return/rate for the period less the average return/rate for the previous period, multiplied by the average balance for that period.
(3) "Total net change" less "Volume" less "Return/Rate".
(4) Net interest income for the period less net interest income for the previous period.

The table below expresses, for each category of interest-bearing assets and interest-bearing liability, the changes in the interest margin for the year ended 31 December 2015 compared with the year ended 31 December 2014, in terms of net changes and changes attributable to the volume effect and the rate effect.

(in millions of Euros)	**Financial year ended 31 December 2015 compared with financial year ended 31 December 2014 (restated)**			
	Volume[1]	**Return / rate**[2]	**Volume and return / rate**[3]	**Total net change**[4]
Assets				
Interest-bearing assets				
Financial assets, excluding loans	407	(515)	(40)	(148)
Loans and receivables with banks	91	(179)	(24)	(112)
Loans and receivables with customers	43	(1,852)	(28)	(1,837)
Total interest-bearing assets	**1,002**	**(2,900)**	**(199)**	**(2,097)**
Other assets	(211)	97	(13)	(127)
Total assets	**859**	**(3,039)**	**(44)**	**(2,224)**
Liabilities				
Interest-bearing liabilities				
Deposits from banks	(59)	248	18	206
Deposits from customers	(226)	684	54	512
Debt securities in issue	496	581	(63)	1,014
Held-for-trading financial liabilities at fair value through profit or loss	(87)	28	(4)	(62)
Total interest-bearing liabilities	**(461)**	**2,002**	**129**	**1,671**
Other liabilities	22	140	(12)	150
Shareholders' equity				
Total liabilities and shareholders' equity	**(382)**	**2,083**	**119**	**1,820**
Net interest margin				**(404)**

(1) Average balance for the period less the average balance for the previous period, multiplied by the average return for that period.

(2) Average return/rate for the period less the average return/rate for the previous period, multiplied by the average balance for that period.

(3) "Total net change" less "Volume" less "Return/Rate".

(4) Net interest income for the period less net interest income for the previous period.

The table below shows, for each category of interest-bearing asset and interest-bearing liability ability, the changes in net interest income for the financial year ended 31 December 2014 compared with the financial year ended 31 December 2013, in terms of net changes and changes attributable to the interest rate effect.

(in millions of Euros)	**Financial year ended 31 December 2014 compared with financial year ended 31 December 2013 (restated)**			
	Volume[1]	**Return / rate[2]**	**Volume and Return / Rate[3]**	**Total net change[4]**
Assets				
Interest-bearing assets				
Financial assets, excluding loans	267	130	9	406
Loans and receivables with banks	22	57	(3)	76
Loans and receivables with customers	(948)	(252)	17	(1,183)
Total interest-bearing assets	**(182)**	**(554)**	**34**	**(701)**
Other assets	(330)	150	(24)	(205)
Total assets	**(469)**	**(431)**	**(5)**	**(905)**
Liabilities				
Interest-bearing liabilities				
Deposits from banks	49	-	(1)	48
Deposits from customers	(127)	851	57	781
Debt securities in issue	244	475	(13)	706
Held-for-trading financial liabilities at fair value through profit or loss	91	(417)	52	(274)
Total interest-bearing liabilities	**104**	**1,198**	**(41)**	**1,261**
Other liabilities	1	(222)	9	(211)
Shareholders' equity	-	-	-	-
Total liabilities and shareholders' equity	**221**	**804**	**24**	**1,049**
Net interest margin				**144**

(1) Average balance for the period less the average balance for the previous period, multiplied by the average return for that period.

(2) Average return/rate for the period less the average return/rate for the previous period, multiplied by the average balance for that period.

(3) "Total net change" less "Volume" less "Return/Rate".

(4) Net interest income for the period less net interest income for the previous period.

3.3.3 Net average interest rate and interest margin for the nine month periods ended 30 September 2016 and 30 September 2015 and for the financial years ended 31 December 2015, 31 December 2014 and 31 December 2013

The table below shows the average total interest-bearing assets, the average total interest-bearing liabilities and the net interest income for the Group, as well as the net interest income and net interest rate for the nine month periods ended 30 September 2016 and 30 September 2015.

	As at 30 September	
(in millions of Euros)	**2016**	**2015**
Average total interest-bearing assets	833,726	828,556
Average total interest-bearing liabilities	785,677	782,095
Net interest margin	8,643	8,652
Average rate on interest-bearing assets	*1.9%*	*2.1%*
Average rate on interest-bearing liabilities	*-0.8%*	*-1.0%*
Average interest rate	*1.2%*	*1.1%*
Average interest margin	*1.3%*	*1.3%*

The table below shows the average total interest-bearing assets, the average total interest-bearing liabilities and the net interest income for the Group, as well as the net interest income and net interest rate as at 31 December 2015, 31 December 2014 and 31 December 2013.

	As at 31 December		
(in millions of Euros)	**2015**	**2014**	**2013**
Average total interest-bearing assets	823,471	783,707	790,718
Average total interest-bearing liabilities	777,826	741,520	748,772
Net interest margin	11,658	12,062	11,918
Average rate on interest-bearing assets	*2.2%*	*2.5%*	*2.6%*
Average rate on interest-bearing liabilities	*-1.0%*	*-1.3%*	*-1.4%*
Average interest rate	*1.2%*	*1.3%*	*1.2%*
Average interest margin	*1.3%*	*1.4%*	*1.4%*

3.4 Securities portfolio

3.4.1 Distribution by type of securities portfolio for the Group for the nine-month period ended 30 September 2016 and for the financial years ended 31 December 2015, 31 December 2014 and 31 December 2013

The table below gives the breakdown by the accounting portfolio to which Group securities belong for the nine-month period ended 30 September 2016 and for the year ended 31 December 2015.

As at 30 September 2016, the total value of securities portfolios stood at €194.8 billion, representing approximately 22.3% of the Groups' assets. As at 31 December 2015, the total value of securities portfolios stood at €188.6 billion, representing approximately 21.9% of the Groups' assets.

Note that the Group holds financial instruments issued or guaranteed by a sole issuer or guarantor, other than the Italian government, which represent over 10% of its Own Funds from (i) Spain; (ii) Austria; and (iii) Poland.

	As at		% Change
(in millions of Euros)	**30 September 2016**	**31 December 2015**	**30 September 2016 compared with 31 December 2015**
Debt securities	**178,655**	**172,063**	***3.8%***
Financial assets held for trading	19,483	16,376	*19.0%*
Financial assets at fair value through profit or loss	28,278	32,787	*-13.8%*
Available-for-sale financial assets	112,940	106,626	*5.9%*
Financial assets held to maturity	2,195	2,093	*4.9%*
Loans and receivables with banks	3,115	2,427	*28.3%*
Loans and receivables with customers	12,644	11,754	*7.6%*
Equity securities	**12,745**	**13,791**	***-7.6%***
Financial assets held for trading	10,493	11,357	*-7.6%*
Financial assets at fair value through profit or loss	23	38	*-39.5%*
Available-for-sale financial assets	2,229	2,396	*-7.0%*
UCI units	**3,446**	**2,746**	***25.5%***
Financial assets held for trading	1,941	1,605	*20.9%*
Financial assets at fair value through profit or loss	211	379	*-44.3%*
Available-for-sale financial assets	1,294	762	*69.8%*
Total portfolio securities	**194,846**	**188,600**	***3.3%***
as a percentage of total assets	*22.3%*	*21.9%*	*1.8%*
Financial assets held for trading	31,916	29,338	*8.8%*
Financial assets at fair value through profit or loss	28,512	33,204	*-14.1%*
Available-for-sale financial assets	116,464	109,784	*6.1%*
Financial assets held to maturity	2,195	2,093	*4.9%*
Loans and receivables with banks	3,115	2,427	*28.3%*
Loans and receivables with customers	12,644	11,754	*7.6%*

The table below gives a breakdown by the accounting portfolio to which Group securities belong as at 31 December 2015, 31 December 2014 and 31 December 2013.

	As at 31 December				**% Change**	
(in millions of Euros)	**2015**	**2014**	**2013 (restated)**	**2013**	**2015 compared with 2014**	**2014 compared with 2013 (restated)**
Debt securities	**172,063**	**158,163**	**144,742**	**147,478**	**8.8%**	**9.3%**
Financial assets held for trading	16,376	15,590	14,980	14,986	5.0%	4.1%
Financial assets at fair value through profit or loss	32,787	30,049	28,725	28,725	9.1%	4.6%
Available-for-sale financial assets	106,626	94,226	79,895	81,249	13.2%	17.9%
Financial assets held to maturity	2,093	2,584	4,353	5,305	-19.0%	-40.6%
Loans and receivables with banks	2,427	5,130	5,954	5,954	-52.7%	-13.8%
Loans and receivables with customers	11,754	10,584	10,835	11,259	11.1%	-2.3%
Equity securities	**13,791**	**12,003**	**10,339**	**10,348**	**14.9%**	**16.1%**
Financial assets held for trading	11,357	9,379	6,913	6,916	21.1%	35.7%
Financial assets at fair value through profit or loss	38	37	37	37	2.7%	0.0%
Available-for-sale financial assets	2,396	2,587	3,389	3,395	-7.4%	-23.7%
UCI units	**2,746**	**3,040**	**3,437**	**3,475**	**-9.7%**	**-11.6%**
Financial assets held for trading	1,605	1,792	1,739	1,746	-10.4%	3.0%
Financial assets at fair value through profit or loss	379	447	499	499	-15.2%	-10.4%
Available-for-sale financial assets	762	801	1,199	1,230	-4.9%	-33.2%
Total portfolio securities	**188,600**	**173,206**	**158,518**	**161,301**	**8.9%**	**9.3%**
as a percentage of total assets	*21.9%*	*20.5%*	*19.2%*	*19.1%*	*6.8%*	*6.8%*
Financial assets held for trading	29,338	26,761	23,632	23,648	9.6%	13.2%
Financial assets at fair value through profit or loss	33,204	30,533	29,261	29,261	8.7%	4.3%
Available-for-sale financial assets	109,784	97,614	84,483	85,874	12.5%	15.5%
Financial assets held to maturity	2,093	2,584	4,353	5,305	-19.0%	-40.6%
Loans and receivables with banks	2,427	5,130	5,954	5,954	-52.7%	-13.8%
Loans and receivables with customers	11,754	10,584	10,835	11,259	11.1%	-2.3%

3.4.2 Breakdown by issuer for the nine-month period ended 30 September 2016 and for the financial years ended 31 December 2015, 31 December 2014 and 31 December 2013

The table below shows details of the Group's portfolio securities subdivided by issuer as at 30 September 2016.

	As at 30 September 2016					
(in millions of Euros)	**Financial assets held for trading**	**Financial assets at fair value through profit or loss**	**Available-for-sale financial assets**	**Financial assets held to maturity**	**Loans and receivables with banks**	**Total**
Debt securities:	**19,482**	**28,278**	**112,940**	**2,195**	**3,115**	**166,010**
- Governments and central banks	14,987	2,364	101,837	1,904	-	121,092
- Other public entities	162	17,868	1,417	111	-	19,558
- Banks	2,519	6,499	7,013	2	3,115	19,148
- Other issuers	1,814	1,547	2,673	178	-	6,212
Equity securities:	**10,493**	**23**	**2,229**	**-**	**-**	**12,745**
- Banks	906	-	1,503	-	-	2,409
- Other issuers	9,587	23	726	-	-	10,336
Insurance companies	*550*	-	*36*	-	-	586
Finance companies	*301*	-	*297*	-	-	598
Non-finance companies	*8,736*	*23*	*386*	-	-	9,145
Other entities	-	-	*7*	-	-	7
UCI units	**1,941**	**211**	**1,295**	**-**	**-**	**3,447**
Total	**31,916**	**28,512**	**116,464**	**2,195**	**3,115**	**182,202**

The table below shows details of the Group's portfolio securities subdivided by issuer as at 31 December 2015.

	As at 31 December 2015						
(in millions of Euros)	**Financial assets held for trading**	**Financial assets at fair value through profit or loss**	**Available-for-sale financial assets**	**Financial assets held to maturity**	**Loans and receivables with banks**	**Loans and receivables with customers**	**Total**
Debt securities:	**16,376**	**32,787**	**106,626**	**2,093**	**2,427**	**11,754**	**172,063**
- Governments and central banks	10,406	7,655	95,486	1,770	-	101	**115,418**
- Other public entities	378	17,414	1,256	115	-	2,381	**21,544**
- Banks	3,575	6,352	7,042	4	2,427	-	**19,400**
- Other issuers	2,017	1,366	2,842	204	-	9,272	**15,701**
Equity securities:	**11,357**	**38**	**2,396**	**-**	**-**	**-**	**13,791**
- Banks	1,226	-	1,566	-	-	-	**2,792**
- Other issuers	10,131	38	830	-	-	-	**10,999**
Insurance companies	*663*	-	*46*	-	-	-	***709***
Finance companies	*283*	-	*357*	-	-	-	***640***
Non-finance companies	*9,185*	*38*	*427*	-	-	-	***9,650***
Other entities	-	-	-	-	-	-	**-**
UCI units	**1,605**	**379**	**762**	-	-	-	**2,746**
Total	**29,338**	**33,204**	**109,784**	**2,093**	**2,427**	**11,754**	**188,600**

The table below shows details of the Group's portfolio securities subdivided by issuer as at 31 December 2014.

	As at 31 December 2014 (restated)						
(in millions of Euros)	**Financial assets held for trading**	**Financial assets at fair value through profit or loss**	**Available-for-sale financial assets**	**Financial assets held to maturity**	**Loans and receivables with banks**	**Loans and receivables with customers**	**Total**
Debt securities:	**15,590**	**30,049**	**94,226**	**2,584**	**5,130**	**10,584**	**158,163**
- Governments and central banks	9,983	4,943	82,086	2,042	-	98	**99,152**
- Other public entities	365	17,617	1,193	125	-	2,933	**22,233**
- Banks	3,120	6,488	7,586	28	5,130	-	**22,352**
- Other issuers	2,122	1,001	3,361	389	-	7,553	**14,426**
Equity securities:	**9,379**	**37**	**2,587**	**-**	**-**	**-**	**12,003**
- Banks	817	-	1,835	-	-	-	**2,652**
- Other issuers	8,562	37	752	-	-	-	**9,351**
Insurance companies	*485*	-	*174*	-	-	-	***659***
Finance companies	*302*	-	*186*	-	-	-	***488***
Non-finance companies	*7,775*	*37*	*391*	-	-	-	***8,203***
Other entities	-	-	*1*	-	-	-	***1***
UCI units	**1,792**	**447**	**801**	**-**	**-**	**-**	**3,040**
Total	**26,761**	**30,533**	**97,614**	**2,584**	**5,130**	**10,584**	**173,206**

The table below shows details of the Group's portfolio securities subdivided by issuer as at 31 December 2013.

(in millions of Euros)	**As at 31 December 2013 (restated)**						
	Financial assets held for trading	**Financial assets at fair value through profit or loss**	**Available-for-sale financial assets**	**Financial assets held to maturity**	**Loans and receivables with banks**	**Loans and receivables with customers**	**Total**
Debt securities:	**14,980**	**28,725**	**79,895**	**4,353**	**5,954**	**10,833**	**144,740**
- Governments and central banks	6,679	462	65,287	3,596	-	95	**76,120**
- Other public entities	1,676	17,078	833	133	-	3,604	**23,324**
- Banks	4,364	7,122	8,441	160	5,954	-	**26,040**
- Other issuers	2,261	4,063	5,334	464	-	7,134	**19,256**
Equity securities:	**6,913**	**37**	**3,389**	**-**	**-**	**-**	**10,339**
- Banks	531	-	1,914	-	-	-	**2,446**
- Other issuers	6,382	37	1,475	-	-	-	**7,893**
Insurance companies	*358*	-	*40*	-	-	-	***398***
Finance companies	*297*	-	*331*	-	-	-	***628***
Non-finance companies	*5,727*	*37*	*637*	-	-	-	***6,400***
Other entities	-	-	*467*	-	-	-	***467***
UCI units	**1,739**	**499**	**1,199**	**-**	**-**	**-**	**3,437**
Total	**23,632**	**29,261**	**84,483**	**4,353**	**5,954**	**10,833**	**158,516**

3.5 Breakdown by residual maturity of financial assets as at 30 September 2016, 31 December 2015 and 31 December 2014

The tables below give the breakdown by residual maturity of the securities portfolio of the Group as at 30 September 2016, 31 December 2015 and 31 December 2014.

(in millions of Euros)	**As at 30 September 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**	**From 1 to 5 years**	**Over 5 years**	**Unspecified**	**Total**
Government securities	-	59	12	1,628	1,346	4,008	13,435	69,758	25,728	-	**115,974**
Other debt securities	30	74	142	386	1,142	3,068	5,898	28,626	20,640	321	**60,328**
UCI units	1,400	-	-	-	-	-	-	1	-	2,052	**3,453**
Total	**1,430**	**134**	**154**	**2,014**	**2,487**	**7,076**	**19,333**	**98,385**	**46,368**	**2,373**	**179,754**

(in millions of Euros)	As at 31 December 2015										
	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**	**From 1 to 5 years**	**Over 5 years**	**Unspecified**	**Total**
Government securities	28	56	19	1,028	2,457	4,619	11,606	65,857	24,175	-	**109,845**
Other debt securities	181	53	442	724	1,864	2,825	5,755	28,439	19,633	385	**60,301**
UCI units	923	-	-	-	-	-	-	1	-	1,824	**2,748**
Total	**1,132**	**109**	**461**	**1,752**	**4,321**	**7,444**	**17,361**	**94,297**	**43,808**	**2,209**	**172,895**

(in millions of Euros)	As at 31 December 2014										
	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**	**From 1 to 5 years**	**Over 5 years**	**Unspecified**	**Total**
Government securities	25	9	257	497	1,210	2,599	11,430	52,966	24,582	57	**93,632**
Other debt securities	131	2,078	124	488	2,230	2,480	9,505	28,922	20,836	10,075	**76,869**
UCI units	1,011	0	-	-	-	-	-	1	-	2,103	**3,115**
Total	**1,167**	**2,087**	**381**	**985**	**3,440**	**5,079**	**20,935**	**81,889**	**45,418**	**12,235**	**173,616**

3.6 Breakdown by currency of financial assets for the nine-month period ended 30 September 2016 and for the financial years ended 31 December 2015, 31 December 2014 and 31 December 2013

The tables below give the breakdown of the Group securities portfolio by currency for the nine-month period ended 30 September 2016.

(in millions of Euros)	As at 30 September 2016 – Currencies					
	US dollar	**Zloty**	**Yen**	**Turkish Lira**	**Swiss Franc**	**Other currencies**
Financial assets	**41,991**	**30,235**	**1,325**	**12,220**	**13,103**	**54,556**
Debt securities	4,888	8,689	520	2,268	742	8,123
Equity securities	367	6	253	3	128	340
Loans to banks	7,083	1,114	98	1,115	96	9,399
Loans to customers	29,584	20,414	454	8,635	12,084	35,594
Other financial assets	69	12	-	199	53	1,100

The tables below give the breakdown of the Group securities portfolio by currency for the financial years ended 31 December 2015, 31 December 2014 and 31 December 2013.

	As at 31 December 2015					
	Currencies					
(in millions of Euros)	**US dollar**	**Zloty**	**Yen**	**Turkish Lira**	**Swiss Franc**	**Other currencies**
Financial assets	**46,603**	**30,516**	**1,794**	**16,128**	**13,806**	**53,761**
Debt securities	6,530	7,564	280	2,656	476	8,403
Equity securities	389	2	665	1	176	343
Loans to banks	8,696	1,920	491	499	113	12,670
Loans to customers	30,779	21,030	358	12,785	13,001	30,619
Other financial assets	209	-	-	187	40	1,726

	As at 31 December 2014					
	Currencies					
(in millions of Euros)	**US dollar**	**Zloty**	**Yen**	**Turkish Lira**	**Swiss Franc**	**Other currencies**
Financial assets	**49,052**	**29,393**	**2,252**	**18,366**	**14,330**	**52,092**
Debt securities	7,242	7,405	56	2,472	212	8,024
Equity securities	637	3	1,281	1	137	1,040
Loans to banks	11,676	2,025	467	3,696	605	9,140
Loans to customers	29,239	19,935	448	11,952	13,372	32,953
Other financial assets	258	25	-	245	4	935

	As at 31 December 2013					
	Currencies					
(in millions of Euros)	**US dollar**	**Zloty**	**Yen**	**Turkish Lira**	**Swiss Franc**	**Other currencies**
Financial assets	**52,031**	**30,341**	**2,138**	**11,419**	**16,226**	**57,249**
Debt securities	6,448	10,079	91	1,828	330	10,099
Equity securities	605	12	1,549	3	162	896
Loans to banks	18,356	1,730	112	518	1,359	9,524
Loans to customers	26,578	18,520	386	8,892	14,364	35,698
Other financial assets	44	-	-	178	11	1,032

3.7 Loan portfolio for the nine-month period ended 30 September 2016 and for the financial years ended 31 December 2015, 31 December 2014 and 31 December 2013

3.7.1 Group loans and receivables with banks and loans and receivables with customers

The table below gives the breakdown of the Group portfolio of loans and receivables with banks and with customers for the nine-month period ended 30 September 2016 and for the year ended 31 December 2015.

	As at		**% Change**
(in millions of Euros)	**30 September 2016**	**31 December 2015**	**2016 compared with 2015**
Loans and receivables with banks	76,750	80,073	*-4.1%*
% of total assets	*8.8%*	*9.3%*	
Loans and receivables with customers	480,926	473,999	*1.5%*
% of total assets	*55.0%*	*55.1%*	
Total	**557,676**	**554,072**	***0.7%***

The table below shows the portfolio of loans and receivables with banks and customers of the Group as at 31 December 2015, 31 December 2014 and 31 December 2013.

	As at 31 December				**% Change**	
(in millions of Euros)	**2015**	**2014**	**2013 (restated)**	**2013**	**2015 compared with 2014**	**2014 compared with 2013**
Loans and receivables with banks	80,073	68,730	63,310	61,119	*16.5%*	*8.6%*
% of total assets	*9.3%*	*8.1%*	*7.7%*	*7.2%*		
Loans and receivables with customers	473,999	470,569	483,684	503,142	*0.7%*	*-2.7%*
% of total assets	*55.1%*	*55.7%*	*58.6%*	*59.5%*		
Total	**554,072**	**539,299**	**546,994**	**564,261**	*2.7%*	*-1.4%*

3.7.2 Loans and receivables from customers by product type for the nine-month period ended 30 September 2016 and for the financial years ended 31 December 2015, 31 December 2014 and 31 December 2013

The tables below give the breakdown of loans and receivables from customers by product type for the nine-month period ended 30 September 2016 and for the year ended 31 December 2015.

	As at		**% Change**
(in millions of Euros)	**30 September 2016**	**31 December 2015**	**2016 compared with 2015**
Current accounts	42,727	44,550	*-4.1%*
Repos	26,699	28,705	*-7.0%*
Mortgages	176,901	171,995	*2.9%*
Credit cards and personal loans, incl. salary-backed loans	15,914	15,650	*1.7%*
Finance leases	25,315	26,467	*-4.4%*
Factoring	9,055	10,296	*-12.1%*
Other loans	171,671	164,582	*4.3%*
Debt securities	12,644	11,754	*7.6%*
Total loans and receivables from customers	**480,926**	**473,999**	***1.5%***

The Group's main credit instruments are medium-/long-term financing (mortgages, other loans in instalments, grants not in current accounts, credit cards, etc.) and current account overdrafts associated with repo income, finance leases and factoring transactions.

The tables below show the loans and receivables from customers by product type, net of impaired assets, as at 31 December 2015, 31 December 2014 and 31 December 2013.

	As at 31 December				**% Change**	
(in millions of Euros)	**2015**	**2014**	**2013 (restated)**	**2013**	**2015 compared with 2014**	**2014 compared with 2013 (restated)**
Current accounts	44,550	50,488	53,544	53,522	*-11.8%*	*-5.7%*
Repos	28,705	27,610	32,341	32,966	*4.0%*	*-14.6%*
Mortgages	171,995	167,908	169,052	170,068	*2.4%*	*-0.7%*
Credit cards and personal loans, incl. salary-backed loans	15,650	15,656	17,129	19,239	*0.0%*	*-8.6%*
Finance leases	26,467	28,293	29,839	30,437	*-6.5%*	*-5.2%*
Factoring	10,296	10,325	10,305	10,600	*-0.3%*	*0.2%*
Other loans	164,582	159,706	160,640	175,051	*3.1%*	*-0.6%*
Debt securities	11,754	10,583	10,834	11,259	*11.1%*	*-2.3%*
Total loans and receivables from customers	**473,999**	**470,569**	**483,684**	**503,142**	***0.7%***	***-2.7%***

3.7.3 Breakdown by time of loans by residual maturity for the nine-month period ended 30 September 2016 and for the financial years ended 31 December 2015 and 31 December 2014

The tables below give the breakdown by residual maturity of the Group loans as at 30 September 2016, 31 December 2015 and 31 December 2014. The tables include the financial assets included in all the portfolios and recorded at book value.

	As at 30 September 2016									
(in millions of Euros)	**On demand**	**1 to 7 days**	**7 to 15 days**	**15 days to 1 month**	**1 days to 3 month**	**3 to 6 months**	**6 months to 1 year**	**From 1 to 5 years**	**Over 5 years**	**Unspecified**
-Banks	19,107	14,805	3,657	3,877	20,793	3,332	4,324	2,165	1,442	5,648
-Customers	46,214	13,724	6,856	23,716	37,417	24,243	39,244	154,334	157,277	6,741
Total	**65,321**	**28,529**	**10,513**	**27,593**	**58,210**	**27,575**	**43,568**	**156,499**	**158,719**	**12,389**

	As at 31 December 2015									
(in millions of Euros)	**On demand**	**1 to 7 days**	**7 to 15 days**	**15 days to 1 month**	**1 days to 3 month**	**3 to 6 months**	**6 months to 1 year**	**From 1 to 5 years**	**Over 5 years**	**Unspecified**
-Banks	21,600	10,557	3,832	5,152	20,754	5,256	4,619	990	1,449	7,868
-Customers	49,670	17,725	9,391	21,775	29,873	22,691	45,141	150,312	152,838	6,769
Total	**71,270**	**28,282**	**13,223**	**26,927**	**50,627**	**27,947**	**49,760**	**151,302**	**154,287**	**14,637**

	As at 31 December 2014									
(in millions of Euros)	**On demand**	**1 to 7 days**	**7 to 15 days**	**15 days to 1 month**	**1 days to 3 month**	**3 to 6 months**	**6 months to 1 year**	**From 1 to 5 years**	**Over 5 years**	**Unspecified**
-Banks	22,734	6,592	5,023	4,880	16,490	3,019	3,928	1,209	1,392	2,730
-Customers	55,177	15,644	12,694	19,979	29,186	26,892	40,563	143,411	153,793	2,303
Total	**77,911**	**22,236**	**17,717**	**24,859**	**45,676**	**29,911**	**44,491**	**144,620**	**155,185**	**5,033**

3.7.4 Breakdown and concentration of credit exposures for the nine-month period ended 30 September 2016 and for the financial years ended 31 December 2015, 31 December 2014 and 31 December 2013

The tables below give information on the breakdown of credit exposures by portfolio and by credit quality.

Exposures/Balance sheet items	**Non-performing**			**Unlikely to pay**			**Non-performing past due**		
(in millions of Euros)	**Gross exposure**	**Impairment losses**	**Net exposure**	**Gross exposure**	**Impairment losses**	**Net exposure**	**Gross exposure**	**Impairment losses**	**Net exposure**
Financial assets held for trading	622	(254)	367	127	(35)	92	2	-	2
Available-for-sale financial assets	55	(49)	6	10	(5)	5	-	-	-
Held to maturity investments	-	-	-	17	(9)	8	-	-	-
Loans and receivables with banks	75	(66)	9	8	(2)	6	-	-	-
Loans and receivables with customers	51,310	(31,753)	19,557	23,373	(8,022)	15,351	2,100	(591)	1,508
Financial assets designated at fair value	-	-	-	24	-	24	-	-	-
Financial assets classified as held for sale	1,298	(552)	746	369	(180)	189	6	(1)	6
Total as at 30 September 2016	**53,360**	**(32,674)**	**20,685**	**23,928**	**(8,253)**	**15,675**	**2,108**	**(592)**	**1,516**

Exposures/Balance sheet items	**Other assets**			**Total**		
(in millions of Euros)	**Gross exposure**	**Impairment losses**	**Net exposure**	**Gross exposure**	**Impairment losses**	**Net exposure**
Financial assets held for trading	81,215	-	81,215	81,965	(290)	81,677
Available-for-sale financial assets	112,952	-	112,952	113,016	(54)	112,962
Held to maturity investments	2,187	-	2,187	2,204	(9)	2,195
Loans and receivables with banks	76,787	(52)	76,735	76,869	(119)	76,750
Loans and receivables with customers	446,643	(2,133)	444,510	523,426	(42,500)	480,926
Financial assets designated at fair value	29,424	-	29,424	29,448	-	29,448
Financial assets classified as held for sale	1,291	(9)	1,282	2,965	(741)	2,224
Total as at 30 September 2016	**750,499**	**(2,194)**	**748,305**	**829,895**	**(43,713)**	**786,182**

Exposures/Balance sheet items	**Non-performing**			**Unlikely to pay**			**Non-performing past due**		
(in millions of Euros)	**Gross exposure**	**Impairment losses**	**Net exposure**	**Gross exposure**	**Impairment losses**	**Net exposure**	**Gross exposure**	**Impairment losses**	**Net exposure**
Financial assets held for trading	183	(160)	23	118	(36)	82	6	-	6
Available-for-sale financial assets	56	(50)	6	10	(3)	6	-	-	-
Held to maturity investments	-	-	-	17	(9)	8	-	-	-
Loans and receivables with banks	95	(83)	12	11	(2)	9	-	-	-
Loans and receivables with customers	51,089	(31,165)	19,924	26,054	(8,968)	17,086	2,617	(707)	1,909
Financial assets at fair value through profit or loss	-	-	-	10	-	10	-	-	-
Financial assets classified as held for sale	1,194	(608)	586	489	(121)	368	62	(14)	48
Total as at 31 December 2015	**52,617**	**(32,066)**	**20,551**	**26,709**	**(9,139)**	**17,569**	**2,685**	**(721)**	**1,963**

Exposures/Balance sheet items	**Other assets**			**Total**		
(in millions of Euros)	**Gross exposure**	**Impairment losses**	**Net exposure**	**Gross exposure**	**Impairment losses**	**Net exposure**
Financial assets held for trading	77,923	-	77,923	78,230	(196)	78,034
Available-for-sale financial assets	106,637	-	106,637	106,703	(53)	106,650
Held to maturity investments	2,086	-	2,086	2,103	(9)	2,094
Loans and receivables with banks	80,105	(52)	80,053	80,211	(137)	80,074
Loans and receivables with customers	437,495	(2,417)	435,078	517,255	(43,257)	473,998
Financial assets at fair value through profit or loss	33,941	-	33,941	33,951	-	33,951
Financial assets classified as held for sale	593	(10)	583	2,338	(751)	1,585
Total as at 31 December 2015	**738,780**	**(2,479)**	**736,301**	**820,791**	**(44,405)**	**776,386**

Exposures/Balance sheet items	**Non-performing**			**Doubtful**			**Restructured**			**Non-performing past due**		
(in millions of Euros)	**Gross exposure**	**Impairment losses**	**Net exposure**	**Gross exposure**	**Impairment losses**	**Net exposure**	**Gross exposure**	**Impairment losses**	**Net exposure**	**Gross exposure**	**Impairment losses**	**Net exposure**
Financial assets held for trading	-	-	-	-	-	-	1	-	1	-	-	-
Available-for-sale financial assets	45	(39)	7	-	-	-	7	(2)	5	7	(1)	6
Held to maturity investments	1	-	-	-	-	-	8	(2)	6	-	-	-
Loans and receivables with banks	144	(101)	43	10	(3)	7	10	(1)	9	-	-	-
Loans and receivables with customers	52,143	(32,443)	19,701	23,301	(8,103)	15,199	6,324	(2,119)	4,205	2,591	(604)	1,987
Financial assets at fair value through profit or loss	-	-	-	-	-	-	3	-	3	-	-	-
Financial assets classified as held for sale	990	(553)	437	111	(30)	81	244	(47)	197	278	(68)	210
Total as at 31 December 2014	**53,323**	**(33,136)**	**20,188**	**23,422**	**(8,136)**	**15,287**	**6,597**	**(2,171)**	**4,426**	**2,876**	**(673)**	**2,203**

Exposures/Balance sheet items	**Other assets**			**Total**		
(in millions of Euros)	**Gross exposure**	**Impairment losses**	**Net exposure**	**Gross exposure**	**Impairment losses**	**Net exposure**
Financial assets held for trading	25,718	-	25,718	25,719	-	25,720
Available-for-sale financial assets	94,231	-	94,231	94,290	(41)	94,249
Held to maturity investments	2,578	-	2,577	2,587	(3)	2,584
Loans and receivables with banks	68,702	(32)	68,671	68,866	(135)	68,730
Loans and receivables with customers	431,982	(2,505)	429,477	516,342	(45,773)	470,569
Financial assets at fair value through profit or loss	31,316	-	31,316	31,319	-	31,319
Financial assets classified as held for sale	1,106	(15)	1,091	2,729	(714)	2,015
Total as at 31 December 2014	**655,633**	**(2,552)**	**653,081**	**741,882**	**(46,666)**	**695,186**

The tables below show information about the exposures of the Group to different customer groups as at the indicated dates. The data shown relates to balance sheet and off-balance sheet exposures to customers, irrespective of the portfolio to which they belong.

	Governments			**Other public entities**			**Finance companies**		
(in millions of Euros)	**Net exposure**	**Specific impairment losses**	**Portfolio impairment losses**	**Net exposure**	**Specific impairment losses**	**Portfolio impairment losses**	**Net exposure**	**Specific impairment losses**	**Portfolio impairment losses**
Balance sheet exposures									
Non-performing	22	16	-	274	67	-	363	1,107	-
Unlikely to pay	203	-	-	59	29	-	828	462	-
Non-performing past due	-	-	-	50	14	-	48	51	-
Performing exposures	129,774	-	7	38,796	-	65	67,436	-	86
Total as at 30.09.2016	**129,999**	**16**	**7**	**39,179**	**110**	**65**	**68,675**	**1,620**	**86**

	Insurance companies			Non-finance companies			Other entities		
(in millions of Euros)	Net exposure	Specific impairment losses	Portfolio impairment losses	Net exposure	Specific impairment losses	Portfolio impairment losses	Net exposure	Specific impairment losses	Portfolio impairment losses
Balance sheet exposures									
Non-performing	6	7	-	14,032	24,667	-	5,866	7,196	-
Unlikely to pay	4	-	-	12,563	7,086	-	2,206	737	-
Non-performing past due	1	-	-	921	231	-	666	340	-
Performing exposures	1,469	-	2	259,811	-	1,542	129,716	-	532
Total as at 30.09.2016	**1,480**	**7**	**2**	**287,327**	**31,984**	**1,542**	**138,454**	**8,273**	**532**

	Governments			Other public entities			Finance companies		
(in millions of Euros)	Net exposure	Specific impairment losses	Portfolio impairment losses	Net exposure	Specific impairment losses	Portfolio impairment losses	Net exposure	Specific impairment losses	Portfolio impairment losses
Balance sheet exposures									
Non-performing	22	17	n.a.	341	142	n.a.	430	1,123	n.a.
Unlikely to pay	-	-	n.a.	60	23	n.a.	694	378	n.a.
Non-performing past due	27	2	n.a.	11	2	n.a.	113	80	n.a.
Performing exposures	124,939	n.a.	10	38,432	n.a.	94	70,896	n.a.	134
Total as at 31.12.2015	**124,988**	**19**	**10**	**38,844**	**167**	**94**	**72,133**	**1,581**	**134**
Total as at 31.12.2014	**105,932**	**2**	**5**	**41,015**	**108**	**89**	**62,870**	**856**	**139**
Total as at 31.12.2013	**77,743**	**12**	**6**	**42,905**	**92**	**127**	**70,934**	**798**	**685**

	Insurance companies			Non-finance companies			Other entities		
(in millions of Euros)	Net exposure	Specific impairment losses	Portfolio impairment losses	Net exposure	Specific impairment losses	Portfolio impairment losses	Net exposure	Specific impairment losses	Portfolio impairment losses
Balance sheet exposures									
Non-performing	7	7	n.a.	14,245	23,860	n.a.	5,705	7,254	n.a.
Unlikely to pay	2	-	n.a.	14,593	7,927	n.a.	2,313	862	n.a.
Non-performing past due	-	-	n.a.	1,096	271	n.a.	850	403	n.a.
Performing exposures	1,468	n.a.	4	250,386	n.a.	1,548	127,639	n.a.	731
Total as at 31.12.2015	**1,477**	**7**	**4**	**280,320**	**32,058**	**1,548**	**136,507**	**8,519**	**731**
Total as at 31.12.2014	**1,276**	**10**	**17**	**272,562**	**33,880**	**1,751**	**148,134**	**9,715**	**621**
Total as at 31.12.2013	**1,562**	**11**	**4**	**280,204**	**33,267**	**2,013**	**150,966**	**10,166**	**776**

The tables below show the territorial breakdown of the credit exposures of the Group to banks and customers according to the country of the counterparty or the final guarantor of the exposure as at the indicated dates.

The data shown relates to balance sheet and off-balance sheet exposures to banks and customers, irrespective of the portfolio to which they belong.

Customers by country	Italy		Other European countries		America		Asia		Rest of the World	
(in millions of Euros)	Net exposure	Overall impairment losses	Net exposure	Overall impairment losses	Net exposure	Overall impairment losses	Net exposure	Overall impairment losses	Net exposure	Overall impairment losses
Balance sheet exposures										
Non-performing	16,262	25,054	3,856	7,234	69	70	79	29	298	672
Unlikely to pay	11,392	5,736	4,000	2,359	81	19	16	-	373	200
Non-performing past due	1,122	407	337	154	3	-	1	-	223	75
Performing exposures	254,131	933	333,375	1,122	7,781	29	5,170	32	26,546	119
Total as at 30.09.2016	**282,907**	**32,130**	**341,568**	**10,869**	**7,934**	**118**	**5,266**	**61**	**27,440**	**1,066**

Banks by country	Italy		Other European countries		America		Asia		Rest of the World	
(in millions of Euros)	Net exposure	Overall impairment losses	Net exposure	Overall impairment losses	Net exposure	Overall impairment losses	Net exposure	Overall impairment losses	Net exposure	Overall impairment losses
Balance sheet exposures										
Non-performing	-	-	-	23	-	6	9	38	-	-
Unlikely to pay	-	-	4	-	-	-	2	1	-	-
Non-performing past due	-	-	-	-	-	-	-	-	-	-
Performing exposures	19,139	1	67,563	44	3,851	2	2,330	3	5,676	1
Total as at 30.09.2016	**19,139**	**1**	**67,567**	**67**	**3,851**	**8**	**2,341**	**42**	**5,676**	**1**

Customers by country	Italy		Other European countries		America		Asia		Rest of the World	
(in millions of Euros)	Net exposure	Overall impairment losses	Net exposure	Overall impairment losses	Net exposure	Overall impairment losses	Net exposure	Overall impairment losses	Net exposure	Overall impairment losses
Balance sheet exposures										
Non-performing	16,072	24,561	4,149	7,161	58	54	130	43	341	584
Unlikely to pay	12,569	6,252	4,871	2,756	118	24	1	1	103	158
Non-performing past due	1,500	554	422	137	4	1	-	-	171	65
Performing exposures	257,068	1,051	319,904	1,326	6,747	25	3,716	22	26,326	96
Total as at 31.12.2015	**287,209**	**32,418**	**329,346**	**11,380**	**6,927**	**104**	**3,847**	**66**	**26,941**	**903**
Total as at 31.12.2014	**293,069**	**34,373**	**304,364**	**11,708**	**5,715**	**107**	**3,312**	**106**	**25,328**	**900**
Total as at 31.12.2013	**290,413**	**33,790**	**305,316**	**12,473**	**5,344**	**277**	**3,318**	**159**	**19,923**	**1,256**

Banks by country	Italy		Other European countries		America		Asia		Rest of the World	
(in millions of Euros)	Net exposure	Overall impairment losses	Net exposure	Overall impairment losses	Net exposure	Overall impairment losses	Net exposure	Overall impairment losses	Net exposure	Overall impairment losses
Balance sheet exposures										
Non-performing	-	-	1	31	1	6	9	45	1	-
Unlikely to pay	-	-	6	-	-	-	3	2	-	-
Non-performing past due	-	-	-	-	-	-	-	-	-	-
Performing exposures	18,681	5	72,460	41	4,191	2	2,110	2	4,449	1
Total as at 31.12.2015	**18,681**	**5**	**72,467**	**72**	**4,192**	**8**	**2,122**	**49**	**4,450**	**1**
Total as at 31.12.2014	**15,748**	**-**	**63,593**	**81**	**4,768**	**9**	**2,440**	**45**	**5,535**	**1**
Total as at 31.12.2013	**13,484**	**2**	**64,718**	**72**	**3,236**	**24**	**2,007**	**59**	**4,404**	**1**

3.7.5 Large exposures

As far as "larger exposures" are concerned, as defined in the regulatory provisions, note that as at 30 September 2016 there were 10 in line with the 9 recorded as at 31 December 2015. In terms of amounts they stood at €222.6 billion as at 30 September 2016, a rise compared with the year ending 2015 where they stood at €214.7 billion.

The table below gives information on "large exposures" as at 30 September 2016, 31 December 2015, 31 December 2014 and 31 December 2013 completed following the regulatory provisions available at any given time.

(in millions of Euros)	**30 September 2016**	**31 December 2015**	**31 December 2014**	**31 December 2013**
Number	10	9	10	6
Carrying Value	222,611	214,676	223,933	92,949
Weighted value	11,773	10,992	18,325	1,965
Large exposures (weighted value) / risk-weighted assets(1)	3.35%	3.15%	5.02%	0.53%

(1) Net of those which refer to operating risk.

3.7.6 Forborne exposures

From 1 January 2015, the Bank of Italy revised the classification methods for regulatory and reporting purposes of non-performing exposures (Circular 272 - "Accounts matrix", 7th update) for the purpose of adapting them to the new definitions of non-performing exposures and forborne exposures established by the implementing technical standards established by the European Commission, at the proposal of the EBA, through execution Regulation (EU) No 2015/227 ("**ITS**").

Pursuant to the ITS, to define a transaction as forborne two conditions need to be satisfied simultaneously:

- a concession, either (i) contractual modification and (ii) refinancing is granted in favour of the debtor;

- the debtor is facing or about to face financial difficulties.

As at 30 September 2016, "loans with customers" subject to concession (Forborne) in terms of gross exposure stood at €25.2 billion at Group level, of which €18.1 billion belonged to the category of non-performing exposures and the remaining €7.1 billion belonging to the category of performing financial assets.

The table below gives the amount of balance sheet exposures qualified as forborne for the UniCredit Group as at 30 September 2016.

(in millions of Euros)	**Gross exposure**	**Impairment losses**	**Net exposure**
Balance sheet exposures			
Bad exposures subject to concessions	5,369,324	2,644,053	2,725,271
Unlikely to pay exposures subject to concessions	12,985,670	4,313,938	8,671,732
Non-performing past due exposures subject to concessions	405,109	106,654	298,455
Performing past due exposures subject to concessions	2,093,913	91,452	2,002,461
Other performing exposures subject to concessions	4,804,994	101,931	4,703,063
Total	**25,659,010**	**7,258,028**	**18,400,982**

3.7.7 Balance sheet exposure with customers - dynamics of non-performing exposures for the nine-month period ended 30 September 2016 and for the financial years ended 31 December 2015 and 31 December 2014

The table below shows the changes in impairment losses for balance sheet exposures to customers of the Group for the period ended 30 September 2016.

(in millions of Euros)	**Non-performing**	**Unlikely to pay**	**Non-performing past due**
Opening gross exposure as at 1 January 2016	**53,153**	**26,852**	**2,854**
of which: sold but not derecognised	655	586	113
Increases	**7,233**	**8,067**	**3,385**
Transfers from performing exposures	1,247	3,080	3,138
Transfers from other categories of impaired exposures	4,782	1,945	76
Other increases	1,204	3,042	171
Reductions	**6,763**	**10,743**	**3,916**
Transfers to performing loans (including Performing past-due)	292	828	1,273
DE recognitions	2,843	634	9
Recoveries	2,283	3,969	165
Proceeds from sales	623	189	7
Losses on disposal	136	15	-
Transfers to other categories of impaired exposures	155	4,516	2,132
Other reductions	431	592	330
Closing gross exposure as at 30 September 2016	**53,623**	**24,176**	**2,323**
of which: sold but not derecognised	613	646	49

The table below shows the changes in Impaired Loans according to the overall balance sheet exposure to customers of the UniCredit Banking Group for the financial year ended 31 December 2015.

(in millions of Euros)	**Non-performing**	**Unlikely to pay**	**Non-performing past due**
Opening gross exposure as at 1 January 2015	**53,857**	**29,087**	**4,221**
of which: sold but not derecognised	6,927	277	84
Increases	**12,668**	**15,018**	**6,292**
Transfers from performing exposures	1,725	5,289	5,583
Transfers from other categories of impaired exposures	8,117	4,672	176
Other increases	2,826	5,057	533
Reductions	**13,372**	**17,253**	**7,659**
Transfers to performing loans (including Performing past-due)	515	1,560	2,604
Derecognitions	4,213	843	8
Recoveries	2,597	5,952	153
Proceeds from sales	673	208	7
Losses on disposal	90	31	1
Transfers to other categories of impaired exposures	1,180	7,818	3,967
Other reductions	4,104	841	919
Closing gross exposure as at 31 December 2015	**53,153**	**26,852**	**2,854**
of which: sold but not derecognised	655	586	113

The table below shows the changes in Impaired Loans according to the overall balance sheet exposure to customers of the UniCredit Banking Group for the financial year ended 31 December 2014.

(in millions of Euros)	**Non-performing**	**Doubtful**	**Restructured**	**Past-due**
Opening gross exposure as at 1 January 2014	**50,836**	**25,271**	**7,600**	**3,583**
of which: sold but not derecognised	539	269	17	63
Increases	**13,036**	**14,915**	**4,818**	**8,114**
Incoming from performing loans	2,102	5,819	1,603	6,806
Transfers from other categories of impaired exposures	8,582	5,882	1,323	773
Other increases	2,352	3,216	1,892	534
Reductions	**10,015**	**16,630**	**5,752**	**8,612**
Outgoing to performing loans	524	1,540	448	2,605
Derecognitions	4,770	615	1,329	10
Recoveries	2,592	3,918	676	598
Proceeds from sales	386	206	165	10
bis Losses on disposals	65	-	45	-
Transfers from other categories of impaired exposures	488	9,972	1,277	4,825
other decreases	1,190	379	1,812	564
Closing gross exposure as at 31 December 2014	**53,857**	**23,556**	**6,666**	**3,085**
of which: sold but not derecognised	6,927	288	9	64

3.7.8 Balance sheet exposure with banks - dynamics of non-performing exposures for the nine-month period ended 30 September 2016 and for the financial years ended 31 December 2015 and 31 December 2014

The table below shows the changes in impairment losses for balance sheet exposures to banks of the Group for the nine-month period ended 30 September 2016.

(in millions of Euros)	**Non-performing**	**Unlikely to pay**	**Non-performing past due**
Opening gross exposure as at 1 January 2016	**95**	**11**	**-**
of which: sold but not derecognised	-	-	-
Increases	**-**	**-**	**-**
Transfers from performing exposures	-	-	-
Transfers from other categories of impaired exposures	-	-	-
Other increases	-	-	-
Reductions	**20**	**3**	**-**
Transfers to performing loans (including Performing past-due)	1	-	-
Derecognitions	1	-	-
Recoveries	13	2	-
Proceeds from sales	-	-	-
Losses on disposal	-	-	-
Transfers to other categories of impaired exposures	-	-	-
Other reductions	5	1	-
Closing gross exposure as at 30 September 2016	**75**	**8**	**-**
of which: sold but not derecognised	-	-	-

The table below shows the changes in Impaired Loans according to the overall balance sheet exposure to customers of the Group for the financial year ended 31 December 2015.

(in millions of Euros)	**Non-performing**	**Unlikely to pay**	**Non-performing past due**
Opening gross exposure as at 1 January 2015	**144**	**13**	**8**
of which: sold but not derecognised	-	-	-
Increases	**20**	**8**	**-**
Transfers from performing exposures	-	-	-
Transfers from other categories of impaired exposures	-	6	-
Other increases	20	2	-
Reductions	**69**	**10**	**8**
Transfers to performing loans (including Performing past-due)	1	1	-
Derecognitions	26	-	-
Recoveries	38	6	-
Proceeds from sales	2	-	-
Losses on disposal	-	-	-
Transfers to other categories of impaired exposures	-	-	7
Other reductions	2	3	1
Closing gross exposure as at 31 December 2015	**95**	**11**	**-**
of which: sold but not derecognised	-	-	-

The table below shows the changes in Impaired Loans according to the overall balance sheet exposure to customers of the Group for the financial year ended 31 December 2014.

(in millions of Euros)	**Non-performing**	**Doubtful**	**Restructured**	**Past-due**
Opening gross exposure as at 1 January 2014	**296**	**33**	**-**	**-**
of which: sold but not derecognised	-	-	-	-
Increases	**56**	**17**	**11**	**20**
Incoming from performing loans	1	-	11	-
Transfers from other categories of impaired exposures	4	17	-	19
Other increases	51	-	-	1
Reductions	**208**	**40**	**1**	**20**
Outgoing to performing loans	-	-	-	-
Derecognitions	37	-	-	-
Recoveries	169	6	1	-
Proceeds from sales	2	-	-	-
bis Losses on disposals	-	-	-	-
Transfers from other categories of impaired exposures	-	23	-	17
other decreases	-	11	-	3
Closing gross exposure as at 31 December 2014	**144**	**10**	**10**	**-**
of which: sold but not derecognised	-	-	-	-

3.7.9 Loans and receivables from customers - credit quality for the nine-month period ended 30 September 2016 and for the financial years ended 31 December 2015 and 31 December 2014

From the first quarter of 2015 the classification of loans by risk classes was updated in order to include the changes made in Circular 272: the purpose of this update is to adapt the previous classification to the definition of "Non-Performing Exposure" (NPE) introduced by the EBA through the "EBA final draft Implementing Technical Standards on Supervisory reporting on forbearance and non-performing exposures under article 99(4) of Regulation (EU) No 575/2013". The total volume of loans classified in the previous categories that made up the perimeter of impaired loans as at 31 December 2014 (bad loans, doubtful, restructured, past-due) was reallocated to new risk classes (bad loans, unlikely to pay other than bad, past-due) through:

(a) the elimination of the Restructured loans class and the re-attribution of the loans therein in the "Unlikely to pay" class;

(b) for entities operating in Italy, the reallocation of loans previously classified as "doubtful" in the "unlikely to pay" and "non-performing past-due loans". In particular, loans for which the Bank believes that there is a condition of unlikely to pay as at the reporting date, regardless of the existence of days/instalments past-due, were reclassified in the "unlikely to pay" class. Conversely, the past due items for which this condition does not apply have been reclassified in the "non-performing past-due exposures" class;

(c) for other entities, the class of loans previously included in "doubtful loans" have been allocated in "unlikely to pay".

With special reference to the classification of loans from 2015, note the description of each impaired loan class below:

- Bad exposures: representing balance sheet and off-balance exposures to customers who are insolvent, even if they have not been legally declared as such, or in similar situations.

- Unlikely to pay: representing balance sheet and off-balance exposures that do not meet the definition of the debtor as a bad exposure and where it is unlikely that, if there is not action such as the enforcement of the guarantees, the debtor will be able to meet their credit obligations in full (capital and/or interest). This valuation is independent of any amounts (or instalments) overdue and unpaid. Classification under unlikely to pay is not necessarily linked to the explicit presence of problems (failure to repay) but, rather, it is associated with the existence of elements indicating a risk situation of the debtor defaulting.

- Non-performing/past due exposures: representing balance sheet exposures, other than those classified under bad exposures and unlikely to pay, which, at the reference date, are past-due. Non-performing/past-due exposures can be determined with reference either to the individual debtor or to the individual transaction. Specifically, they represent the entire exposure with regard to counterparties, other than those classified in the category of unlikely to pay and bad exposures which, at the reference date, present past-due loans of more than 90 days as well as the requirements established by local prudential regulations for their inclusion in "past-due exposures" (standardised banks) or "default exposures" (IRB banks).

With reference to the classification of loans before 2015, note the description of each impaired loan class below:

- Bad exposures - identify the area of formally impaired loans representing exposures to debtors who are insolvent, even if they have not been legally declared as such, or in similar situations.

- Unlikely to pay - define the credit area which includes relations with subjects who are in temporary difficulties but may be expected to recover within an adequate period of time. Unlikely to pay also includes exposures, not classified as bad exposures and granted to subjects other than public administrations, where both the following conditions are satisfied:

  - they are past-due and have not been paid continuously for more than 270 days (or between 150 and 180 days for consumer credit exposures respectively of originally less than or equal to and more than 36 months).

  - the overall amount of exposures in the previous point and other past-due portions of less than 270 days with the same debtor, equal to at least 10% of the entire exposure with this debtor.

- Restructured exposures - representing exposures to debtors with whom agreements have been reached for the granting of a repayment moratorium and simultaneous renegotiation of the conditions at below-market rates, conversion of part of the loans into shares (debt to equity swap) and/or possible capital sacrifices; these are valued analytically, with the impairments taking account of the updated expenses deriving from any renegotiation of the interest rate under conditions below the original contractual rate. Restructured exposures can only be reclassified under non-impaired loans after at least two years have elapsed since the signing of the restructuring agreement and only following the approval of the competent corporate bodies that the debtor has returned to full solvency conditions and there are no unpaid amounts on all existing lines of credit.

- Non-performing past-due exposures - represent the entire exposure with regard to counterparties, other than those classified in the previous categories, which, at the reference date, present past-due loans of more than 90 days as well as the requirements established by prudential regulations for their inclusion in "past-due exposures" (standardised banks) or "default exposures" (IRB banks).

The tables below give the breakdown of the quality of credit for Group loans and receivables with customers for the nine-month period ended 30 September 2016 and for the years ended 31 December 2015, 31 December 2014 and 31 December 2013. For further information on coverage percentages, see Chapter 9, Paragraph 9.1.2.2 of the Registration Document.

LOANS TO CUSTOMERS – CREDIT QUALITY

(in millions of Euros)	**Par value**	**As a percentage of total loans**	**Impairment losses**	**as a percentage of par value**	**Carrying Value**	**As a percentage of total loans**
Situation as at 30 September 2016						
Non-performing	51,311	*9.8%*	31,753	*61.9%*	19,557	*4.1%*
Unlikely to pay	23,373	*4.5%*	8,022	*34.3%*	15,352	*3.2%*
Non-performing past due	2,100	*0.4%*	592	*28.2%*	1,508	*0.3%*
Total impaired	**76,784**	***14.7%***	**40,367**	***52.6%***	**36,417**	***7.6%***
Non-impaired loans	446,642	*85.3%*	2,133	*0.5%*	444,509	*92.4%*
Total loans and receivables	**523,426**		**42,500**		**480,926**	

LOANS TO CUSTOMERS – CREDIT QUALITY

(in millions of Euros)	**Par value**	**As a percentage of total loans**	**Impairment losses**	**as a percentage of par value**	**Carrying Value**	**As a percentage of total loans**
Situation as at 31 December 2015 [(1)]						
Non-performing	51,089	*9.9%*	31,165	*61.0%*	19,924	*4.2%*
Unlikely to pay	26,054	*5.0%*	8,968	*34.4%*	17,086	*3.6%*
Non-performing past due	2,617	*0.5%*	707	*27.0%*	1,910	*0.4%*
Total non-performing [(2)]	79,760	*15.4%*	40,840	*51.2%*	38,920	*8.2%*
Non-impaired loans	437,495	*84.6%*	2,417	*0.6%*	435,079	*91.8%*
Total loans and receivables	**517,255**		**43,257**		**473,999**	

(1) Data extracted from the Consolidated Financial Statements as at 31 December 2015.

(2) The scope of bad exposures is essentially equivalent to the scope of NPE (Non-Performing Exposures) in accordance with the EBA definition.

LOANS TO CUSTOMERS – CREDIT QUALITY

(in millions of Euros)	**Par value**	**As a percentage of total loans**	**Impairment losses**	**as a percentage of par value**	**Carrying Value**	**As a percentage of total loans**
Situation as at 31 December 2014 (restated) [(1)]						
Non-performing	52,143	*10.1%*	32,442	*62.2%*	19,701	*4.2%*
Unlikely to pay	28,490	*5.5%*	9,902	*34.8%*	18,588	*4.0%*
Non-performing past due	3,726	*0.7%*	923	*24.8%*	2,803	*0.6%*
Total non-performing [(2)]	84,359	*16.3%*	43,267	*51.3%*	41,092	*8.7%*
Non-impaired loans	431,982	*83.7%*	2,505	*0.6%*	429,477	*91.3%*
Total loans and receivables	**516,341**		**45,772**		**470,569**	

(1) Data extracted from the Consolidated Financial Statements as at 31 December 2015.

(2) The scope of bad exposures is essentially equivalent to the scope of NPE (Non-Performing Exposures) in accordance with the EBA definition.

LOANS TO CUSTOMERS – CREDIT QUALITY

(in millions of Euros)	Par value	As a percentage of total loans	Impairment losses	as a percentage of par value	Carrying Value	As a percentage of total loans
Situation as at 31 December 2013 (restated)						
Non-performing	49,059	*9.2%*	30,947	*63.1%*	18,112	*3.7%*
Doubtful	24,935	*4.7%*	9,911	*39.7%*	15,024	*3.1%*
Restructured	6,150	*1.2%*	2,216	*36.0%*	3,934	*0.8%*
Past-due	3,446	*0.6%*	770	*22.3%*	2,676	*0.6%*
Total impaired	83,590	*15.8%*	43,844	*52.5%*	39,746	*8.2%*
Performing	446,866	*84.2%*	2,928	*0.7%*	443,938	*91.8%*
Total loans and receivables	**530,456**		**46,772**		**483,684**	

(1) Data extracted from the Consolidated Financial Statements as at 31 December 2014. In order to allow a standardised comparison, the data has been restated to take into account the introduction of IFRS 10 and IFRS 11 and the reclassification of loans and receivables with customers and with banks due to the change in the sector a counterparty belongs to.
The classification of loans by risk class does not yet include the changes that took place in Circular 272 introduced from the first quarter of 2015.

3.7.10 Credit quality indices for the nine-month period ended 30 September 2016 and for the financial years ended 31 December 2015, 31 December 2014 and 31 December 2013

The tables below give the credit quality indices for the Group for the nine-month period ended 30 September 2016 and for the year ended 31 December 2015.

	As at	
(in millions of Euros)	**30 September 2016**	**31 December 2015**
Net non-performing loans with customers/Net loans and receivables from customers	*4.1%*	*4.2%*
Net impaired loans with customers/Net loans and receivables from customers	*7.6%*	*8.2%*
Adjustments as percentage of gross loans and receivables from customers	*8.1%*	*8.4%*
Net impaired loans with customers/Gross receivables with customers	*7.0%*	*7.5%*

The tables below give the credit quality indices of the Group as at 31 December 2015, 31 December 2014 and 31 December 2013.

	As at 31 December			
(in millions of Euros)	**2015[(1)]**	**2014[(1)]**	**2013 (restated)[(2)]**	**2013[(3)]**
Net non-performing loans with customers/Net loans and receivables from customers	*4.2%*	*4.2%*	*3.7%*	*3.6%*
Net impaired loans with customers/Net loans and receivables from customers	*8.2%*	*8.7%*	*8.2%*	*7.9%*
Adjustments as percentage of gross loans and receivables from customers	*8.4%*	*8.9%*	*8.8%*	*8.4%*
Net impaired loans with customers/Gross receivables with customers	*7.5%*	*8.0%*	*7.5%*	*7.2%*

(1) Data extracted from the Consolidated Financial Statements as at 31 December 2015.

(2) Data extracted from the Consolidated Financial Statements as at 31 December 2014. The comparative values as at 31 December 2013 were restated, compared with those disclosed with reference to that date:
- As a result of the entry into force of the new IFRS 10, IFRS 11 and revisions of IAS 27 and IAS 28 from 1 January 2014 retroactively to 1 January 2013 as described in Part A – Accounting policies Section 5 – Other Aspects;
- As a result of the reclassification of the contribution to the FITD (Italian Bank Deposit Guarantee Scheme) relating to interventions already approved, from item 190 "net allocations to provisions for risks and charges" and from item 220 "other management provisions and charges" to item 130 d) "net write- downs/-backs" for impairment of other financial transactions.

(3) Data extracted from the Consolidated Financial Statements as at 31 December 2013.

3.8 Breakdown of direct funding for the nine-month period ended 30 September 2016 and for the financial years ended 31 December 2015, 31 December 2014 and 31 December 2013

The table below gives the breakdown of the Group's direct funding for the nine-month period ended 30 September 2016 and for the year ended 31 December 2015.

	As at				**% Change**
(in millions of Euros)	**30 September 2016**	*% of total direct deposits*	**31 December 2015**	*% of total direct deposits*	**2016 compared with 2015**
Current accounts and demand deposits	314,457	*44.6%*	296,632	*42.6%*	*6.0%*
Time deposits	82,479	*11.7%*	86,253	*12.4%*	*-4.4%*
Loans (including repos)	68,946	*9.8%*	59,341	*8.5%*	*16.2%*
Other liabilities	4,413	*0.6%*	7,564	*1.1%*	*-41.7%*
Deposits from customers	**470,295**	***66.7%***	**449,790**	***64.7%***	***4.6%***
Bonds	108,039	*15.3%*	122,403	*17.6%*	*-11.7%*
Other securities	11,764	*1.7%*	12,075	*1.7%*	*-2.6%*
Debt securities in issue	**119,803**	***17.0%***	**134,478**	***19.3%***	***-10.9%***
Deposits from banks	**114,983**	***16.3%***	**111,373**	***16.0%***	***3.2%***
Total direct deposits	**705,081**		**695,641**		***1.4%***

The table below shows the composition of the direct deposits of the Group as at 31 December 2015, 31 December 2014 and 31 December 2013.

	As at 31 December							
(in millions of Euros)	**2015[(1)]**	*% of total direct deposits*	**2014[(1)]**	*% of total direct deposits*	**2013 (restated) [(2)]**	*% of total direct deposits*	**2013[(2)]**	*% of total direct deposits*
Current accounts and demand deposits	296,632	*42.6%*	258,307	*38.7%*	241,473	*36.3%*	243,406	*35.7%*
Time deposits	86,253	*12.4%*	89,761	*13.5%*	94,670	*14.2%*	104,689	*15.4%*
Loans (including repos)	59,341	*8.5%*	55,673	*8.4%*	51,693	*7.8%*	52,212	*7.7%*
Other liabilities	7,564	*1.1%*	6,671	*1.0%*	5,277	*0.8%*	10,623	*1.6%*
Deposits from customers	**449,790**	***64.7%***	**410,412**	***61.6%***	**393,113**	***59.1%***	**410,930**	***60.3%***
Bonds	122,403	*17.6%*	136,645	*20.5%*	146,202	*22.0%*	142,029	*20.8%*
Other securities	12,075	*1.7%*	13,631	*2.0%*	18,064	*2.7%*	18,065	*2.7%*
Debt securities in issue	**134,478**	***19.3%***	**150,276**	***22.5%***	**164,266**	***24.7%***	**160,094**	***23.5%***
Deposits from banks	**111,373**	***16.0%***	**106,037**	***15.9%***	**107,830**	***16.2%***	**110,222**	***16.2%***
Total direct deposits	**695,641**		**666,725**		**665,209**		**681,246**	

(1) Data extracted from the Consolidated Financial Statements as at 31 December 2015.

(2) Data extracted from the Consolidated Financial Statements as at 31 December 2014. The comparative values as at 31 December 2013 were restated, compared with those disclosed with reference to that date:
- as a result of the entry into force of the new IFRS 10, IFRS 11 and revisions of IAS 27 and IAS 28 from 1 January 2014 retroactively to 1 January 2013 as described in Part A – Accounting policies Section 5 – Other Aspects;
- as a result of the reclassification of the contribution to the FITD (Italian Bank Deposit Guarantee Scheme) relating to interventions already approved, from item 190 Net allocations to provisions for risks and charges and from item 220 "other management provisions and charges" to item 130 d) "net write-downs/-backs" for impairment of other financial transactions.

(3) Data extracted from the Consolidated Financial Statements as at 31 December 2013.

The table below shows the composition of the average balances of each item of direct deposits of the Group as at 31 December 2015, 31 December 2014 and 31 December 2013.

	Average balances for the financial years			% Change	
(in millions of Euros)	**2015**	**2014**	**2013**	**2015 compared with 2014**	**2014 compared with 2013**
Current accounts and demand deposits	277,474	247,665	242,226	*12.0%*	*2.2%*
Time deposits	88,971	90,914	101,126	*-2.1%*	*-10.1%*
Loans (including repos)	64,912	56,088	52,602	*15.7%*	*6.6%*
Other liabilities	8,407	7,523	10,448	*11.8%*	*-28.0%*
Deposits from customers	**439,764**	**402,190**	**406,402**	*9.3%*	*-1.0%*
Bonds	130,187	141,134	138,635	*-7.8%*	*1.8%*
Other securities	11,702	15,885	21,325	*-26.3%*	*-25.5%*
Debt securities in issue	**141,889**	**157,019**	**159,960**	*-9.6%*	*-1.8%*
Deposits from banks	**120,950**	**112,783**	**122,141**	*7.2%*	*-7.7%*
Total direct deposits	**702,603**	**671,992**	**688,503**	*4.6%*	*-2.4%*

3.9 Time breakdown by contractual residual duration of financial liabilities for the nine-month period ended 30 September 2016 and for the financial years ended 31 December 2015 and 31 December 2014

	As at 30 September 2016							
	On demand	**Up to 3 months**	**3 to 6 months**	**6 months to 1 year**	**1 to 5 years**	**Over 5 years**	**Unspecified**	**Total**
Current accounts and deposits – banks	17,596	4,783	834	935	837	408	20	**25,413**
Current accounts and deposits – customers	308,037	68,532	11,213	12,862	14,013	828	-	**415,485**
Debt securities	2,745	7,057	10,264	15,658	50,036	42,933	3,046	**131,739**
Other liabilities	5,406	103,982	10,202	6,284	33,347	14,595	5,236	**183,052**
Total financial liabilities	**333,784**	**184,354**	**32,513**	**35,739**	**102,233**	**58,764**	**8,302**	**755,689**

The table below shows the breakdown by residual contractual maturity of the financial liabilities of the Group as at 31 December 2015.

	As at 31 December 2015							
	On demand	**Up to 3 months**	**3 to 6 months**	**6 months to 1 year**	**1 to 5 years**	**Over 5 years**	**Unspecified**	**Total**
Current accounts and deposits – banks	23,310	47,516	8,305	4,664	27,678	3,261	1,048	**115,782**
Current accounts and deposits - customers	307,344	103,952	16,032	23,756	14,213	688	882	**466,867**
Debt securities	2,823	45,163	10,951	15,007	40,036	19,587	3,854	**137,421**
Other liabilities	9	2	-	-	-	-	-	**11**
Total financial liabilities	**333,486**	**196,633**	**35,288**	**43,427**	**81,927**	**23,536**	**5,784**	**720,081**

The table below shows the breakdown by residual contractual maturity of the financial liabilities of the Group as at 31 December 2014.

	As at 31 December 2014							
	On demand	**Up to 3 months**	**3 to 6 months**	**6 months to 1 year**	**1 to 5 years**	**Over 5 years**	**Unspecified**	**Total**
Current accounts and deposits – banks	16,143	7,696	619	955	2,057	529	-	**27,999**
Current accounts and deposits – customers	250,020	71,786	12,821	14,057	14,402	1034	-	**364,120**
Debt securities	267	12,321	8,436	17,393	77,831	40,707	2,314	**159,269**
Other liabilities	4,175	78,594	14,637	10,436	28,789	11,725	6,469	**154,825**
Total financial liabilities	**270,605**	**170,397**	**36,513**	**42,841**	**123,079**	**53,995**	**8,783**	**706,213**

3.10 Profitability ratios for the nine-month period ended 30 September 2016 and for the financial years ended 31 December 2015, 31 December 2014 and 31 December 2013

The table below gives several financial indicators as at 31 December 2015 and for the nine-month period ended 30 September 2016.

	As at		**% Change**
(in millions of Euros)	**30 September 2016**	**31 December 2015**	**30 September 2016 compared with 31 December 2015**
Group share of net profit	1,768	1,694	*4.4%*
Average total assets	886,069	877,428	*1.0%*
Average shareholders' equity	54,128	53,890	*0.4%*

	As at		**Change (basis points)**
(in millions of Euros)	**30 September 2016**	**31 December 2015**	**30 September 2016 compared with 31 December 2015**
Group share of net profit/average assets	0.2%	*0.2%*	-
Group share of net profit/average net shareholders' equity (RoE)(1)	3.3%	*3.1%*	20
Average net shareholders' equity/average total assets	6.1%	*6.1%*	-
Dividend pay-out ratio(2)	n.a.	*41.7%*	n.a.

(1) RoE
The ROE is the ratio between the Group share of net profit over the average shareholders' equity.

(2) Dividend pay-out ratio
The dividend pay-out ratio is the ratio between the dividends paid and the Group share of net profit.
The calculation of the above-mentioned indices is in the tables below.

	As at	
(in millions of Euros)	**30 September 2016**	**31 December 2015**
A. Net Profit/Loss for the year	1,768	1,694
B. Shareholders' equity 31 March	53,944	55,042
C. Shareholders' equity 30 June	53,297	53,466
D. Shareholders' equity 30 September	55,143	53,566
E. Shareholders' equity 31 December	-	53,486
F. Average (B, C, D, E) = Average Shareholders' equity	54,128	53,890
G=A/F ROE	**3.3%**	**3.1%**

	As at	
(in millions of Euros)	**30 September 2016**	**31 December 2015**
A. Total dividends paid	-	706
B. Group share of net profit	1,768	1,694
C=A/B Dividend pay-out ratio	**0.0%**	**41.7%**

The table below shows selected financial ratios as at 31 December 2015, 31 December 2014 and 31 December 2013.

	As at 31 December			% Change	
(in millions of Euros)	**2015**	**2014**	**2013**	**2015 compared with 2014**	**2014 compared with 2013**
Group share of net profit	1,694	2,008	(13,965)	*-15.6%.*	*-114.4%.*
Average total assets	877,428	844,136	861,982	*3.9%.*	*-2.1%.*
Average shareholders' equity	53,890	52,673	61,665	*2.3%.*	*-14.6%.*

	As at 31 December			Change (basis points)	
(in millions of Euros)	**2015**	**2014**	**2013**	**2015 compared with 2014**	**2014 compared with 2013**
Group share of net profit/average assets	*0.2%*	*0.2%*	*-1.6%*	*0*	*180*
Group share of net profit/average net shareholders' equity (RoE) [(1)]	*3.1%*	*3.8%*	*-22.6%*	*(70)*	*n.s*
Average net shareholders' equity/average total assets	*6.1%*	*6.2%*	*7.2%*	*(10)*	*(100)*
Dividend pay-out ratio (dividends/group share of net profit) [(2)]	*41.7%*	*34.7%*	*-4.1%*	*700*	*n.s*

(1) RoE
The ROE is the ratio between the Group share of net profit over the average shareholders' equity.

(2) Dividend pay-out ratio
The dividend pay-out ratio is the ratio between the dividends paid and the Group share of net profit.
The calculation of the above-mentioned indices is in the tables below.

	As at 31 December		
(in millions of Euros)	**2015**	**2014**	**2013**
A. Net Profit/Loss for the year	1,694	2,008	(13,965)
B. Shareholders' equity 31 March	55,042	50,851	66,436
C. Shareholders' equity 30 June	53,466	52,172	65,026
D. Shareholders' equity 30 September	53,566	54,832	65,142
D. Shareholders' equity 31 December	53,486	52,836	50,056
E. Average (B, C, D, E) = Average Shareholders' equity	53,890	52,673	61,665
F=A/E ROE	**3.1%**	**3.8%**	**-22.3%**

4. RISK FACTORS

There are certain risk factors that investors should consider before deciding to invest in financial instruments issued by the Issuer.

Investors are therefore invited to carefully read the information on risk factors before making any investment decisions, with a view to understanding the general and specific risks related to the Issuer, the companies of the UniCredit Group and the sector in which the UniCredit Group operates, as well as the additional risk factors associated with subscribing and/or acquiring financial instruments issued by the Issuer, which will be described in the securities note pertaining to the financial instruments.

The risk factor descriptions given below should be read in conjunction with the other information contained in the Registration Document, including the documents and information referred to therein, as well as the information and other risk factors described in the securities note pertaining to the financial instruments.

4.1 RISK FACTORS RELATING TO THE ISSUER AND THE GROUP IT HEADS

4.1.1 Risks connected with the Strategic Plan

On 12 December 2016, the Board of Directors of the Issuer approved the 2016-2019 Strategic Plan which envisages, *inter alia*, a review of the business model.

The Strategic Plan was illustrated by the Issuer to the financial community on 13 December 2016 via the presentation documents respectively titled "One Bank, One UniCredit – Transform 2019", "One Bank, One UniCredit – Transform Operating Model and Maximise Commercial Bank Value", "One Bank, One UniCredit – Transform Operating Model", "One Bank, One UniCredit – Improve Group Asset Quality", "One Bank, One UniCredit – Compensation strategy", "One Bank, One UniCredit – CFO presentation", "One Bank, One UniCredit – Closing remarks" and "One Bank, One UniCredit – Glossary" which are available to the public on the Issuer's website (www.unicreditgroup.eu).

The actions envisaged in the Strategic Plan - in particular the Capital Increase and the actions aimed at improving the quality of the assets - were independently processed by the Issuer without having been the subject of a specific request by any Supervisory Authority.

Without prejudice to the foregoing, note that under the scope of the 2016 SREP (see Chapter 5, Paragraph 5.1.6 of the Registration Document), the ECB highlighted, *inter alia*, low capital buffers compared with competitors (see Chapter 4, Paragraph 4.1.1.1 of the Registration Document) and the Issuer's G-SIB status, as well as continued low profitability, due to both macro-economic factors (see Chapter 4, Paragraph 4.2.1 of the Registration Document) and idiosyncratic factors of the Issuer, represented by low interest rates and slow economic recovery in key countries, a high level of net adjustments on loans in Italy (see Chapter 4, Paragraph 4.1.3 of the Registration) and high operating costs in Austria and Germany, creating a structural weakness in the profitability of the commercial bank business model in Western European countries.

In this regard, the actions underpinning the Strategic Plan are aimed, among other things, at mitigating the weaknesses of the UniCredit Group, also highlighted by the ECB at the end of the 2016 SREP, however at the Date of the Registration Document there is the risk that the effects of the Strategic Plan measures are not capable of adequately dealing with the weaknesses identified by the ECB. Note that with regard to this the ECB will evaluate all the actions undertaken by the Group to execute the Strategic Plan together with the further evaluations under the scope of this process.

The Strategic Plan also involves risks that could impact on the effectiveness of the planned strategic initiatives, specifically as far as the growth of profitability is concerned.

The main risk factors connected to and/or resulting from the 2016-2019 Strategic Plan are described below.

4.1.1.1 Risks connected to the impacts of the action plans on capital requirements

As illustrated in Chapter 13 of the Registration Document, the 2016-2019 Strategic Plan includes, *inter alia*, actions aimed at strengthening and optimising the capital structure of the UniCredit Group and includes capital objectives until 2019, drawn up assuming a particular macroeconomic scenario, as well as the implementation of dedicated actions, including the M&A Asset Sale Transactions and the Share Capital Increase. The Share Capital Increase, specifically, constitutes one of the main measures of the Strategic Plan and is aimed at enabling the Group's capital requirements to be maintained following the implementation of the measures in the Strategic Plan, as well as aligning these requirements with those of the major European competitors (see Chapter 13, Paragraph 13.1.3 of the Registration Document).

The table below summarises the development of the RWAs and the Common Equity Tier 1 ratio (fully loaded), on a consolidated basis, as at 31 December 2015, 30 September 2016, 31 December 2017 and 31 December 2019. This balance sheet data has been restated (or calculated) on the basis of the new UniCredit Group perimeter, as illustrated in Chapter 13, Paragraph 13.1.2 of the Registration Document.

	As at			
(in billions of Euros; percent)	**31 December 2015 (pro-forma)**	**30 September 2016 (pro-forma)**	**31 December 2017 (estimated)**	**31 December 2019 (estimated)**
Total risk-weighted assets (RWAs)	361	362	389	404
Common Equity Tier 1 capital/risk-weighted assets (CET1 capital ratio)	13.46%	13.71%	12.0%	>12.5%

The capital ratios forecast for the end of the period of the 2016-2019 Strategic Plan are based on a series of assumptions, hypotheses and estimates that may not come to full and/or correct fruition (see Chapter 4, Paragraph 4.1.1.2 of the Registration Document).

Note that, specifically, the 2016-2019 Strategic Plan includes the strengthening of the UniCredit Group's capital structure together with the implementation of actions aimed at improving the quality of the balance sheet assets, including:

- the completion of the "Fino Project", involving the reduction of the non-core loan portfolio through a sale carried out at market conditions (for further information on the "Fino Project", see Chapter 13, Paragraph 13.1.5 and Chapter 20, Paragraph 20.2 of the Registration Document, as well as the framework agreements signed with two separate investors under the scope of the project, see Chapter 22, Paragraph 22.1 of the Registration Document).

- the execution of the "Porto Project", relating to the increasing of the coverage ratio on impaired loans and on unlikely-to-pay loans in the Italian loans portfolio (for more information on the "Porto Project", see Chapter 13, Paragraph 13.1.5 and Chapter 20, Paragraph 20.2 of the Registration Document).

The completion of the "Fino Project" and of the further actions indicated in the Strategic Plan results in expected non-recurrent negative impacts on the net result of the fourth quarter of 2016 amounting to €12.2 billion in total. These impacts (net of tax effects) are due to the estimated combined effect of the following phenomena:

(i) €-8.1 billion of net write-downs on loans, resulting from the increase in the *coverage ratio* on the portfolio subject to divestiture within the scope of "Fino Project", as well as from the increase in the *coverage ratio* for non-performing loans and on probable breaches in the rest of the non-core portfolio and of the Italian credit portfolio;

(ii) €-1.7 billion integration costs, net of tax impacts, aimed at financing the output of about 5,600 FTEs;

(iii) €-1.4 billion resulting from other write-downs on items of the assets balance sheet and risk provisions;

(iv) €+0.4 billion of profits on the sale of credit card processing activities;

(v) €-0.7 billion negative impact resulting from the cancellation of foreign exchange reserves under the sale of PJSC Ukrsotsbank;

(vi) €-0.3 billion resulting from the conclusion of the sale contract of Bank Pekao and consequent classification between discontinued operations (IFRS 5);

(vii) €-0.5 billion impairment of goodwill and other intangible assets.

As a result of these operations, the Issuer is not expected to be in the conditions referred to in art. 2446 of the Civil Code.

It is expected that only the phenomena referred to in points (i), (ii), (iii) and (iv) above will have negative impacts on the CET1, estimated at around 3%. (see Chapter 12 and Chapter 13 of the Registration Document regarding this point). In view of the time scale envisaged in the Strategic Plan, it is provided that said negative impacts will be registered during the fourth quarter of 2016, while the capital strengthening operations (*i.e.* the Capital Increase), and the completion of some M&A Asset Sale Transactions will be carried out in 2017.

Therefore, as a result of the time lag between said negative impacts and the execution of the Share Capital Increase and the M&A Asset Sale Transactions in the process of being Executed, the (phase-in) capital buffers of the Issuer as at 31 December 2016 are expected to be around 8% of the CET1 capital ratio, 9% of the tier1 capital ratio and 11.5% of the Total capital ratio.

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In this regard, as at 31 December 2016, only the capital buffer relating to the CET1 capital ratio will not be complied with[3] (see Chapter 4, Paragraph 4.1.5 of the Registration Document) by around 2 percentage points[4].

With reference, on the other hand, to the capital requirements applicable from 1 January 2017 (see Chapter 4, Paragraph 4.1.5 of the Registration Document), it is expected that the following will temporarily not be complied with:

- relating to the "OCR Requirements" [5]:
    - the CET1 capital ratio (equal to 8.755%) by around 1 percentage point;
    - the Tier1 capital ratio (equal to 10.255%) by around 1.5 percentage points;
    - the Total capital ratio (equal to 12.255%) by around 1 percentage point;
- relating to the "OCR Requirements + 'Pillar 2 capital guidance'" (applicable only with reference to the CET1 capital ratio):
    - the CET1 ratio (equal to 10.005%) by around 2 percentage points[6].

Failure to comply with the CET1 capital ratio at 31 December 2016 and the "OCR Requirements" applicable from 1 January 2017, based on applicable regulations, involves:

- prompt reporting (at the verification date) to the Regulatory Authority (ECB), with a capital conservation plan to restore the capital requirements; and
- the impossibility of:
    - distributions in relation to Common Equity Tier 1 capital (dividends);
    - making payments on Additional tier 1 capital instruments and making payments or undertaking obligations to pay variable remuneration or discretionary pension benefits, in excess of the Maximum Distributable Amount (MDA).

Following the confirmation of the failure to comply with the capital requirements at 31 December 2016 has taken place, the Issuer will also be bound to proceed, pursuant with applicable regulations, with reporting this situation to the ECB and sending the Regulatory Authority a capital strengthening plan (capital plan), which should include the capital strengthening measures of the Strategic Plan which the market and the Regulatory

[3] The "SREP Requirements including the Countercyclical and G-SII buffers" equal to 10.005% are taken into consideration for the CET1 capital ratio.

[4] This negative difference is entirely attributable to the non-compliance of the Combined buffer (Capital conservation, Countercyclical capital and G-SII) of 2.755%.

[5] The negative differences mentioned are entirely attributable to the non-compliance of the Combined buffer (Capital conservation, Countercyclical capital and G-SII) of 1.755%.

[6] This negative difference is attributable by around 1 percentage point to the non-compliance of the Pillar 2 capital guidance (which is equal to 1.25%) and by around 1 percentage point to the non-compliance of the Combined buffer (Capital conservation, Countercyclical capital and GSII) which is equal to 1.755%.

Authority have already been notified of (specifically, the Share Capital Increase and the M&A Asset Sale Transactions). In spite of the fact that capital strengthening measures set out in the Strategic Plan are suitable, in the opinion of the Issuer, to restore the capital requirement levels demanded by applicable regulations, the capital plan with remain subject to the evaluations and the approval of the ECB.

Taking into consideration the failure to comply with the capital requirements applicable from 1 January 2017, it will not be possible for the Issuer to proceed - until these capital requirements are met - with the distribution of dividends and the payment of coupons for the Additional tier 1 instruments and the variable remuneration of the Issuers' employees.

In this regard, without prejudice to the above, note that the completion of the Share Capital Increase (whose estimated impact on the CET1 ratio is expected to be positive and equal to approximately 3.5%[7], see Chapter 13, Paragraph 13.1.5 of the Registration Document) is suitable in itself to restore compliance of all the above-mentioned requirements, while the M&A Asset Sale Transactions in the process of being Executed (whose estimated impact on the CET1 ratio is expected to be positive and equal to approximate 1.5%[8], see Chapter 13, Paragraph 13.1.5 of the Registration Document) are not sufficient to restore the "OCR Requirements + Pillar 2 capital guidance" requirements for the CET1 capital ratio whose negative difference in relation to the requirement, mentioned previously, is approximately 2 percentage points and (ii) may not be enough on their own to restore the OCR Requirement applicable from 1 January 2017 for the tier 1 capital ratio, whose negative difference in relation to the requirements, mentioned previously, is around 1.5 percentage points (while they would be sufficient to restore the OCR Requirement for the CET1 capital ratio and for the Total capital ratio[9], whose negative difference in relation to the requirements is approximately 1 percentage point).

Note that the Issuer has taken into account the temporary failure to comply with the capital requirements mentioned previously in the preparation of the Strategic Plan through actions aimed remedying them (the Share Capital Increase and the M&A Asset Sale Transactions).

In consideration of the above, given the failure to comply with the prudential limits attributable to the time lag, the failure to subscribe or partial subscription of the Capital Increase, would determine – in the absence of further capital strengthening actions suitable to deal with the capital absorptions generated by the Strategic Plan actions – significant negative impacts on the economic situation, the financial assets of the Group itself up to the extent of compromising the existence of conditions for business continuity. In such an event, UniCredit could also be subject to interventions, even invasive, by the Supervisory Authorities in its management, such as the imposition of restrictions or limitations, even significant, of the activity and/or the disposal of assets that present excessive risks for the Issuer's solidity. Finally, there is the risk that if the Issuer is not able to meet the applicable capital requirements, even resorting to extraordinary measures other than those laid down in the Strategic Plan, it might be necessary to apply the resolution instruments referred to in Legislative Decree no. 180 of 16 November 2015, implementing the BRRD.

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[7] Note that this impact was constructed with the same base data as used for calculating the capital ratio discrepancies at 31 December 2016 and applicable with effect from 1 January 2017 indicated in the previous sections.

[8] Note that this impact was constructed with the same base data as used for calculating the capital ratio discrepancies at 31 December 2016 and applicable with effect from 1 January 2017 indicated in the previous sections.

[9] Also note that, in spite of the fact that following the M&A Asset Sale Transactions the Tier1 capital ratio may not be complied with, the Total capital ratio, on the other hand, would be complied with as a result of the additional (Tier 2) capital instruments issued by the Issuer.

In case of non-subscription or a partial subscription of the Capital Increase, the Issuer could also be unable to pay out the coupons provided for by *Additional tier 1* instruments due in March 2017. This circumstance could cause difficulty for it and/or for the other UniCredit Group companies in accessing the capital market, resulting in a (possibly significant) increase in the cost of funding, and possibly having negative effects on the activities, operating results and capital and/or financial position of the Issuer and/or of the Group.

It is specified that, with regard to the Share Capital Increase, the Issuer has signed Pre-Underwriting Agreements with a pool of leading national and international financial institutions, pursuant to which the latter are obliged to sign - at conditions in line with market practice for similar transactions - the Underwriting Agreement for the subscription of the New Shares that are not taken up at the end of the auction for rights not taken up for a maximum amount equal to the value of the Share Capital Increase. If the Underwriting Agreement is not signed and the Issuer were to decide not to proceed with the Share Capital Increase, albeit without an underwriting commitment from the syndicate banks, in the same way as in the event that once the Underwriting Agreement was signed it were to be terminated, the Share Capital Increase could not be completed in full taking into consideration its divisible nature thereby generating the consequences described above.

As it is anticipated that, among other things, the M&A Asset Sale Transactions in the process of being executed at the Date of the Registration Document will not be sufficient on their own to allow the restoration of the applicable prudential limits, the Issuer could find itself needing to seek recourse to further capital strengthening measures in order to reach said prudential limits, generating the consequences described above.

During the period of the Strategic Plan, the compliance on the part of UniCredit Group with minimum levels of capital ratios applicable on the basis of prudential rules in force and/or those imposed by the Supervisory Authorities (for example in the context of the SREP) and the achievement of the Forecasts of a regulatory nature indicated therein (*see* Chapter 13, Paragraph 13.1.7) depends, inter alia, on the implementation of strategic actions, which may have a positive impact on the capital ratios (including, in particular, the Capital Increase and the M&A Asset Sale Transactions). Therefore, if the Capital Increase and/or the M&A Asset Sale Transactions are not carried out in whole or in part, or if the same should result in benefits other than and/or lower than those envisaged in the 2016-2019 Strategic Plan, which could result in deviations, even significant, with respect to the Plan Objectives, as well as producing negative impacts on the ability of the UniCredit Group to meet the constraints provided by the prudential rules applicable and/or identified by the Supervisory Authorities and the economic situation, the financial assets of the Group itself. For the risks arising from failure to comply with the provisions relating to the capital adequacy, *see* Chapter 4, Paragraph 4.1.5 of the Registration Document.

Also in consideration of the above, compliance by the UniCredit Group with the minimum capital ratio levels applicable on the basis of prudential regulations in force and/or imposed by the Supervisory Authority from time to time (for example under the scope of the SREP) over the duration of the Strategic Plan depends, among other things, on the implementation of the strategic actions planned to have a positive impact on the capital ratios (including, specifically, the Share Capital Increase and M&A Transactions). Therefore, if the Share Capital Increase and/or the M&A Transactions were not realised, in full or in part, or if different and/or less benefits were derived from them than anticipated in the 2016-2019 Strategic Plan, this would produce negative impacts on the capacity of the UniCredit Group to comply with the constraints set by prudential regulations and/or identified by the Supervisory Authority and on the economic and financial situation to the extent of compromising the satisfaction of the going concern requirements. Lastly, if the Issuer is not able to comply with the applicable capital requirements, even though recourse to other extraordinary measures than those set out in the 2016-2019 Strategic Plan, it is not possible to rule out the application of the resolution tools pursuant to Legislative Decree 180 of 16 November 2015, which transposes the BRRD.

Also note that the development of the regulatory capital ratios in the Strategic Plan includes, among other things, estimates made by the UniCredit Group based on the quantitative information available at the Registration Document Date and the interpretation of the existing regulations where relevant, concerning the impacts resulting from the implementation of the new guidelines relating to the calculation of: (i) the requirements relating to market risks connected to the Fundamental Review of the Trading Book proposed by the Basel Committee; (ii) the accounting and regulatory effects connected to the application of the new IFRS 9. The above- mentioned estimates also took into consideration the future recalibrations and updates of the internal models used for the calculation of the risk-weighted assets, forecast losses and provisions relating to the credit assets held by the UniCredit Group. Future changes surrounding borrowing methods and the parameters used could determine amounts of the aforementioned components that are significantly different to those projected with the consequent risk of negative capital ratios.

Also note that, even if the Strategic Plan is implemented in full and the Plan Objectives therein are achieved, at the Date of the Registration Document there is the risk that at the end of the Plan period the Issuer could have capital buffers that are not in line with those recorded by its main competitors in the same period.

For the sake of completeness, note, lastly, that the Projected Data relating to the capital requirements does not take into account the impacts resulting from the introduction of the Basel 4 regulatory provisions, the entry into force of which – also taking into account the cancellation of the GHOS ("*Group of Governors and Heads of Supervision*") meeting which should have been held on 8 January – is envisaged after the time frame of the 2016-2019 Strategic Plan (see Chapter 6, Paragraph 6.1.8 and Chapter 13, Paragraph 13.1.4 of the Registration Document). In this regard, note that if the Supervisory Authority were to ask financial institutions to comply with the Basel 4 requirements early, this could involve significant deviations from the forecasts made in the Projected Data relating to some of the capital requirements, and they may not be achieved, with consequent negative effects on the operations, balance sheet and/or income statement of the Issuer and/or the Group.

For more information on the 2016-2019 Strategic Plan, *see* Chapter 13 of the Registration Document.

4.1.1.2 Risks connected with the new perimeter of the UniCredit Group

The 2016-2019 Strategic Plan was developed on the basis of a UniCredit Group perimeter that was different from the one at the Registration Document Date, anticipating the effects of several extraordinary transactions, several of which have already been completed at the Registration Document Date, while others are in the process of being executed.

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Specifically, the extraordinary sales transactions in the process of being executed at the Registration Document Date are:

(i) the disposal of the equity investment of approximately 40.1% in Bank Pekao, the Polish bank of the UniCredit Group which the Bank Pekao Group is the parent company of, with regard to which the Issuer signed a binding purchase and sale agreement with Powszechny Zakład Ubezpieczeń S.A. and Polski Fundusz Rozwoju S.A. relating to an equity investment of 32.8% of the share capital of Bank Pekao, as well as the issue of *s*ecured equity-linked certificates with mandatory regulation in ordinary shares of Bank Pekao equal to 7.3% of the share capital (see Chapter 22, Paragraph 22.3 of the Registration Document);

(ii) the sale of almost all the assets of PGAM, the parent company of the Pioneer Investments Group, operating in the asset management sector, with regard to which the Issuer signed a binding agreement with Amundi (see Chapter 22, Paragraph 22.2 of the Registration Document); and

(iii) the sale, through disposal of the individual assets, of the entire equity investment in Immo Holding, an Austrian property company which is the parent company of the Immobilien Group;

(hereinafter, jointly, the "**M&A** Asset Sale **Transactions in the process of being Executed**").

The M&A Asset Sale Transactions in the process of being Executed involve typical execution risks of extraordinary operations and, specifically, the risk of their realisation in time and/or in significantly different ways to those provided for by the Issuer at the Registration Document Date, or even the risk that the effects deriving from said M&A Asset Sale Transactions in the process of being Executed differ significantly from those provided for by the Issuer (for the risks connected with the impacts on the capital requirements of the UniCredit Group, see Chapter 4, Paragraph 4.1.1.1 of the Registration Document).

The completion of the M&A Asset Sale Transactions in the process of being executed is subject, among other things, to fulfilment of the commitments and obligations of the contracting parties, as well as the verification of various conditions precedent, some of which are outside of the Issuer's control. Among these conditions, note, specifically, the obtaining of authorisation from the Supervisory Authorities (including the antitrust authorities) involved (see Chapter 22, Paragraphs 22.2 and 22.3 of the Registration Document).

If the M&A Asset Sale Transactions in the process of being Executed are not completed, in full or in part, or if they are completed in a manner that is partly or totally different from that projected by the Issuer, this could have negative impacts on the activities of the Group and/or on its capacity to achieve the Plan Objectives, with consequent significant negative effects on the operating results and capital and financial position of the Issuer and/or the Group.

The agreements which regulate M&A Asset Sale Transactions, as well as the agreements relating to further extraordinary transactions, include certain declarations and guarantees released by the Issuer and/or by other UniCredit Group companies on behalf of their contractual counterparties, as well as certain indemnity and/or compensation liabilities pertaining to UniCredit and/or certain UniCredit Group companies. The verification of violations, alleged or confirmed, by the Issuer and/or UniCredit Group companies, of the declarations and guarantees issued or the occurrence of events that cause the activation of the indemnity and/or compensation clauses, could result in UniCredit and/or certain companies of the UniCredit Group being obliged to incur payments of even significant sums, with consequent negative effects, possibly significant ones, on the operating results and capital and financial position of the Issuer and/or the Group. Specifically, in the case of particularly significant violations – as identified by the parties – the occurrence of these circumstances could prevent the completion of the transaction or limit and/or cancel out the economic benefits expected from it (due to the amounts that could be requested by way of compensation by the contractual counterparties), with consequent negative impacts on the capacity of the Group to reach the Plan Objectives and therefore on the operating results and capital and financial position of the Issuer and/or the Group.

The agreements that regulate the M&A Asset Sale Transactions also contain lock-up clauses in relation to shares not subject to sale which, apart from several exceptions in line with market practice, which restrict the right of UniCredit and/or certain UniCredit Group companies to implement deeds of settlement for the shares of companies being sold for a certain period of time. Therefore, where market conditions and/or other favourable situations for the disposal of the shares occur during the lock-up period, the presence of these clauses restricting the transfer of the equity investments could make it impossible for the Issuer and/or certain UniCredit Group companies to take advantage of these conditions, with possible negative effects on the operations, balance sheet and/or income statement of the Issuer and/or the Group.

For more information on the declarations and guarantees and the compensation clauses, see Chapter 22 of the Registration Document.

Lastly, note that on the completion of the 2016 SREP the ECB stressed the need for the Issuer to strengthen its leadership and coordination activities, as parent company, with regard to the other Group entities, taking into consideration the size and complexity of the actual Group (see Chapter 5, Paragraph 5.1.6 of the Registration Document).

4.1.1.3 Risks associated with the Assumptions at the base of the Plan Objectives

The Strategic Plan contains certain objectives to be reached, respectively, by 2017 and 2019 (the "**Plan Objectives**" or the "**Projected Data**") based on assumptions of both a general nature and a discretionary nature linked to the impact of specific operational and organisational actions that the Issuer intends to take during the period of time covered by the 2016-2019 Strategic Plan.

RISK FACTORS

The Strategic Plan, developed on the basis of the assumptions described in Chapter 13, Paragraphs 13.1.4 and 13.1.5 of the Registration Document, include, *inter alia*, the data for 2017 and 2019 listed below.

Data of an accounting nature

(billions of Euros, %)	Pro-forma data		Estimated	
	2015	9m 2016	2017	2019
Brokerage margin	19.9	15.2	-	20.4
Operating costs	-12.2	-8.9	-11.7	-10.6
Net profit	- 2.7	- 5.6	-	4.7

Accounting derived data not defined by the reference accounting standards

(billions of Euros, %)	Pro-forma data		Estimated	
	2015	9m 2016	2017	2019
C/I (%)(1)	61.6			< 52
Cost of risk (base points) (2)	270	254	65	49
RoTE(3)	-5%			> 9%
Group NPE Coverage ratio(4)	61.2%	63.0%	> 54%	> 54%
Group Bad loan Coverage ratio(5)	73.7%	74.5%	> 65%	> 63%
Group UTP Coverage ratio(6)	40.3%	40.8%	> 38%	> 38%
Non-Core Net NPE(7)	17.5bn	15.8bn	Euro 11.4bn	Euro 8.1bn
Non-Core NPE coverage ratio(8)	66.3%	68.2%	56.5%	> 57%
Core Net NPE(9)	12.7bn	11.9bn		12.1bn
Core Net NPE ratio(10)	3.1%	2.8%		2.5%
Group Gross NPE(11)	77.8bn	74.8bn		44.3bn
Group Gross NPE ratio(12)	16.0%	15.1%		8.4%
Group Net NPE(13)	30.2bn	27.7bn		20.2bn
Group Net NPE ratio(14)	6.9%	6.2%		4.0%

Data of a management/regulatory nature

(billions of Euros, %)	Pro-forma data		Estimated	
	2015	9m 2016	2017	2019
Common Equity Tier 1 FL ratio	-13.46%	13.71%	12.0%	> 12.5%
RWA	361	362	389	404

(1) Cost/Income: the ratio between operating costs and the brokerage margin.

(2) Cost of risk: the ratio between net adjustments on loans and receivables from customers.

(3) RoTE (Return on Tangible Equity): the ratio between annualised net earnings and tangible average equity (excluding AT1). Tangible average equity is calculated from net equity excluding intangible assets (i.e. goodwill and other intangible assets) and AT1.

(4) *Group NPE Coverage ratio*: indicates the ratio between the amount of the value adjustments relating to portfolio of *non-performing exposures* (which includes the deteriorated financial assets broken down into the categories of bad debts, likely defaults and deteriorated overdue amounts and/or overdrafts, as defined by the "*Implementing Technical Standards on Supervisory reporting on forbearance and non performing exposures*" (ITS) approved by the European Commission on 9 January 2015) and gross exposure of this portfolio at the group level.

(5) *Group Bad loan coverage ratio*: indicates the ratio between the amount of the value adjustments relating to the non-performing loan portfolio and overall gross exposure of this portfolio at the group level.

(6) *Group UTP Coverage ratio*: indicates the ratio between the amount of the value adjustments relating to portfolio of likely defaults ("*unlikely to pay*", which represent the exposures, for which there is an assessment of unlikelihood that the debtor is able to fulfil its credit obligations in full) and gross exposure of this portfolio at the group level.

(7) *Non-Core Net NPE*: indicates the credit exposures net of value adjustments of *non-performing exposures* relating to the "*non-core*" portfolio (which includes exposures relating to areas of activity indicated in Chapter 6, Paragraph 6.1.2 of the Registration Document).

(8) *Non-Core NPE coverage ratio*: indicates, as regards the "*non-core*" loan portfolio (which includes exposures relating to areas of activity indicated in Chapter 6, Paragraph 6.1.2 of the Registration Document), the ratio between the amount of the value adjustments relating to *non-performing exposures* and gross exposure of this portfolio.

(9) *Core Net NPE*: indicates the credit exposures net of value adjustments on *non-performing exposures* relating to the "*core*" portfolio.

(10) *Core Net NPE ratio*: indicates, as regards the "*core*" loan portfolio, the ratio between the amount of the *non-performing exposures* net of value adjustments thereto relative to overall exposure of this portfolio net of value adjustments.

(11) *Group Gross NPE*: indicates the total amount, gross of value adjustments, of *non-performing exposures* relating to credit portfolio of Group customers.

(12) *Group Gross NPE ratio:* Indicates the ratio between the amount of the *non-performing exposures*, gross of value adjustments, and the overall exposure of credit portfolio of customers of the group, gross of value adjustments.

(13) *Group Net NPE:* Indicates the credit exposures net of value adjustments on *non-performing exposures*.

(14) *Group Net NPE ratio:* Indicates the ratio between the amount of the *non-performing exposures*, net of value adjustments, and the overall exposure of credit portfolio of customers of the group, net of value adjustments.

For the Divisional Forecasts included in the Strategic Plan please refer to Chapter 13, Paragraph 13.1.8 of the Registration Document.

The Issuer's capacity to fulfil the actions and to fulfil the Plan Objectives depends on various assumptions and circumstances, some of which are outside the Issuer's control, such as hypotheses relating to the macroeconomic context and the evolution of the regulatory context (on this point see also Chapter 4, Paragraph 4.2.1 of the Registration Document), hypothetical assumptions relating to the effects of specific actions or concerning future events over which the Issuer has a limited degree of influence.

Among the main assumptions of a general and hypothetical nature at the base of the Plan Objectives are:

- a scenario of moderate growth in both the Eurozone and above-average growth in Central and Eastern European countries, essentially in line with the consensus;
- a scenario of interest rates affected by the continued accommodating monetary policy of the ECB. These dynamics produce a constantly negative projection over the time scale of the plan of the 3-month Euribor rate, albeit with progressive growth in recent years;
- expected growth in deposits at system level both in Western European countries and in Central and Eastern European countries together with moderate growth in loans in the Eurozone and the higher growth in Central and Eastern European countries; and
- a development of the legal and regulatory framework in accordance with the contents of Chapter 13, Paragraph 13.1.4 of the Registration Document.

For more information on the assumptions of a general and hypothetical nature at the base of the Plan Objectives, see Chapter 13, Paragraph 13.1.4 of the Registration Document.

In addition to the assumptions of a macroeconomic nature indicated above, the Plan Objectives are also based on certain assumptions that include actions already undertaken by management or actions that management should undertake over the course of the plan, such as, *inter alia*, the capital strengthening measures (including, *inter alia*, the Share Capital Increase and the M&A Asset Sale Transactions) and the preparatory activities for improving the quality of balance sheet assets (the latter in relation, specifically, to the reduction of the non-core loans portfolio and the increase of the coverage ratio of impaired loans and unlikely-to-pay loans in the Italian loan portfolio), the proactive reduction of the risk of balance sheet assets and the improvement of the quality of new loans, the transformation of the operating model, the maximisation of the value of the commercial bank and the adoption of a lean governance model that is strongly directed at the coordination of activities. To this extent, certain assumptions of the Strategic Plan refer to the implementation of measures – as well as the prosecution of such measures in accordance with the previous industrial plan announced on November 2015 – within the UniCredit Group and in relation to the activities of certain subsidiaries. These activities include, *inter alia*, the reduction of the number of branches and FTEs, as well as further measures aimed at transforming the operation model of UniCredit into a structure with lower and sustainable costs and achieving the maximisation of value as a commercial bank (for more information on the principal assumptions of a discretionary nature at the base of the Plan Objectives, see Chapter 13, Paragraph 13.1.5 of the Registration Document).

In this regard, note that based on the strategic actions of the Plan, which takes into account the change in the scope of consolidation as a result of the M&A Asset Sale Transactions, the brokerage margin is expected to increase to a very limited extend in the period 2015-2019 (CAGR of 0.6%) through the combined effect of an interest margin and "other revenues" anticipated to be essentially stable and growth in net commissions. Supporting the brokerage margin will depend, among other things, on the effects of the Distribution Agreements to be signed under the partnership with Amundi S.A. (expected from the agreements involving the sale of the Pioneer Investments Group) as well as from further measures set out in the Plan.

In addition, support for operating profitability will also depend on the successful outcome of the actions aimed at transforming the Group operating model into a lower cost, sustainable structure with a greater reduction in terms of personnel expenses.

Taking into consideration that at the Date of the Registration Document there is no certainty that the above-mentioned actions will be realised in full, in the absence of the anticipated benefits from the actions designed to support profitability (and, specifically, the anticipated impacts from the Distribution Agreements or, if they cease to exist, the anticipated impacts from other agreements with more or less similar economic conditions) or if the above-mentioned Group operating model transformation actions are not completed in full, it is possible to the forecasts in the Projected Data may not be achieved and, as a result, there could be negative impacts, including significant ones, on the operating results and capital and financial position of the Issuer and/or the Group.

The Strategic Plan is therefore based on numerous assumptions and hypotheses, some of which refer to events that are out of the Issuer's control. Specifically, the Strategic Plan contains a collection of hypotheses, estimates and forecasts that are based on the realisation of external future events and actions that could be undertaken by management and by the Board of Directors in 2016-2019 which include, among other things, hypothetical assumptions of various natures subject to the risks and uncertainties of the current macroeconomic scenario and the regulatory context, relating to future events and actions of directors and management that may not necessarily take place, and events, actions and other assumptions including those surrounding the performance of the main capital and economic parameters or other factors that affect development over which the directors and management cannot influence or can only partly influence.

The assumptions at the base of the Plan Objectives could turn out to be inaccurate and/or such circumstances could not be fulfilled, or could be fulfilled only in part or in a different way, or could change during the course of the reference period of the Strategic Plan. Also, note that as a result of the precariousness associated with the realisation of any future event both as far as the event taking place is concerned and as far as the measurement and timing of its manifestation is concerned, the differences between the actual values and the projected values could be significant, even if the events were to occur.

Furthermore, in light of the uncertainty that characterises not only the Projected Data, but also the expected effects as a result of the above assumptions taking place, investors are reminded that they should not make their investment decisions based exclusively on these data.

The failure or partial occurrence of the assumptions or the positive effects anticipated as a result could lead to differences, including significant ones, compared with the forecasts in the Projected Data and mean that they cannot be achieved, with consequent negative effects – including significant - on the assets and the operations, balance sheet and/or income statement of the Issuer and/or the Group. In particular, it cannot be ensured that the Issuer and/or the relevant Group companies will be able to successfully implement the measures provided for in the 2016-2019 Strategic Plan (also including the measures to be carried out in accordance with the previous industrial plan announced in November 2015). Failure to do so, as well as the partial realisation of one or more of such measures, could lead to divergences, even significant, with the provisions of the Projected Data and hinder the realisation of such provisions, with consequent negative effects on the Issuer and/or the Group's operating results and capital and financial position.

For further information on the 2016-2019 Strategic Plan, see Chapter 13 of the Registration Document.

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Lastly, note that the data for 2015 and for the first nine months of 2016 presented to the market on 13 December 2016 under the scope of the presentation of the 2016-2019 Strategic Plan partly differ from the pro-forma numbers indicated as the comparative data of the Projected Data. The difference is attributable to the fact that data presented to the market does not contain one-off impacts, such as those relating to the net adjustments to credits of €8.1 billion mainly associated with the "Porto Project" and the "Fino Project" and those relating to the M&A Asset Sale Transactions.

For the sake of completeness note that the marginal impacts on the *CET1 capital ratio* do not differ from the information disclosed to the market on 13 December 2016 because it was calculated on the same basis as the *CET1 capital* and risk-weighted assets ("RWA").

For further information, see Chapter 13, Paragraph 13.1.2 of the Registration Document.

4.1.2 Risks associated with the inclusion of pro-forma data

The Registration Document contains the pro-forma consolidated balance sheet, as at 30 September 2016 and as at 31 December 2015, the pro-forma consolidated income statement and cash flow statement for the financial position for the period ended 30 September 2016 and for the financial year ended 31 December 2015 (the "**Pro-Forma Consolidated Financial Statements**"), and the relevant explanatory notes, prepared solely for the purposes of retroactively reflecting the significant effects of the (i) M&A Asset Sale Transactions; (ii) actions aimed at improving the quality of assets; and (iii) management actions aimed at capital strengthening, as if they had taken place during the period to which the aforementioned pro-forma data relate.

RISK FACTORS

The table below contains the shareholders' equity pertaining to the UniCredit Group and the net result of the UniCredit Group as at 30 September 2016 and 31 December 2015 compared with the respective *pro-forma* taken from the Pro-Forma Consolidated Statements.

(in millions of Euros)	**30 September 2016 (historical)**	**30 September 2016 (*pro-forma*)**	**As at 31 December 2015 (historical)**	**31 December 2015 (*pro-forma*)**
Group portion of shareholders' equity	51,237	58,185	50,087	60,045
Group share of net profit	1,768	(5,624)	1,694	(2,653)

The information in the Pro-Forma Consolidated Statements reflects all aspects of the transactions in question in accordance with the methods, terms and conditions strictly adhering to the agreements and contracts stipulated. Where the pro-forma information reflects aspects of transactions not completed or not defined at the Date of the Registration Document, specific information is provided under the scope of the Pro-Forma Consolidated Statements.

Also note that the pro-forma CET 1 ratios in Chapter 20, Paragraph 20.2 of the Registration Document were not examined by the External Auditors.

The information contained in the Pro-Forma Consolidated Financial Statements represents a simulation of the possible effects that could have arisen if the aforementioned operations had been carried out as at the aforementioned dates, and is provided purely for illustrative purposes. Specifically, since the Pro-Forma Consolidated Financial Statements are prepared in order to retroactively reflect the significant effects of subsequent operations, despite compliance with the commonly accepted rules and the use of reasonable assumptions, accompanied by the necessary certifications, there are limits related to the nature of the pro-forma data. Therefore, the risk remains that, if the aforementioned operations were actually carried out on the dates used as a reference for the preparation of the Pro-Forma Consolidated Financial Statements, the same results that are represented in the Pro-Forma Consolidated Financial Statements would not necessarily have been obtained.

It should also be pointed out that the pro-forma data do not reflect prospective data and are not intended in any way to represent a projection of the future results of the UniCredit Group following the completion of the aforementioned operations – the execution of some of which is subject to various conditions that have not yet been satisfied at the Registration Document Date – insofar as they have been prepared in such a way as to represent only the isolable and objectively measurable effects of the aforementioned operations, without taking into account the potential effects due to changes in management policies and to operational decisions resulting from or subsequent to the completion of the operations, and must not be used in that sense. For the sake of completeness it should be noted that while the pro-forma data gives account retrospectively, *inter alia*, of all the economic effects of Completed M&A Asset Sale Transactions, M&A Asset Sale Transactions in the process of Execution and of the Capital Increase, the Consolidated Financial Statements of the Issuer for the financial year ended 31 December 2016 will not reflect the effects of the M&A Asset Sale Transactions in the process of Execution and the Capital Increase in view of the fact that such operations were not finalised before 31 December 2016 and the same shall remain subject to the occurrence, inter alia, of the respective suspensive conditions. Such transactions, where completed, might be reflected in the accounting data relating to the financial year that will end at 31 December 2017.

In addition, with reference to the non-performing loans subject to the securitisation transaction named "Fino Project", it should be noted that the Pro-Forma Consolidated Financial Statements represent only the effect of the correction on credits determined by the increase in the *coverage ratio* on the bad debts of the credit portfolio linked to the Fino operation in order to adapt it to a level consistent with the prices defined in the *Framework Agreement*. In preparing the Consolidated Financial Statements at 31 December 2016 account will also be taken of the fact that the recovery of the value of the activities will take place through the transaction ("Fino Project") and that the conclusion of the same is considered highly likely within twelve months, also in the light of the resolutions taken by the Board of Directors on 12 December 2016. Therefore, in the Consolidated Financial Statements as at 31 December 2016, the loan portfolio subject of divestment will be classified within the non-current assets held for sale in accordance with international accounting standards of reference.

In consideration of the differing purposes of the pro-forma data compared with the historical financial statement data and the differing methods of calculating the effects in relation to the balance sheet, income statement and cash flow statement, the pro-forma financial statements must be read and interpreted separately from the historical data, without seeking accounting connections with said data.

Investors are therefore invited not to rely exclusively on the Pro-Forma Consolidated Financial Statements when making their investment decisions.

For the sake of completeness, lastly, note that the pro-forma data in the Pro-Form Consolidated Statements differ for some information items compared with that in the Directors' Report to the Extraordinary Shareholders' Meeting of 12 January 2017, also taking into account the development of the information background, progress of the evaluations regarding the conditions of agreements relating to the holdings subject to transfer (which led to consideration of the one-off results of such transactions within the pro forma data included in the Registration Document) and the further analysis activities conducted by the Issuer after 12 January 2017.

Any significant new fact, material error or imprecision relating to the pro-forma financial information in the Registration Document, that may influence the evaluation of the financial products and which occurs or is identified between the time the Registration Document is approved and the time the offer to the public is definitively closed will be mentioned in a supplement to this Registration Document pursuant to Article 94, paragraph 7 of the TUF.

For further information on the Pro-Forma Consolidated Financial Statements, see Chapter 20, Paragraph 20.2 of the Registration Document.

4.1.3 Credit risk and risk of credit quality deterioration

The activity, financial and capital strength and profitability of the UniCredit Group depend on the creditworthiness of its customers, among other things.

In carrying out its credit activities, the Group is exposed to the risk that an unexpected change in the creditworthiness of a counterparty may generate a corresponding change in the value of the associated credit exposure and give rise to the partial or total write-down thereof. This risk is always inherent in the traditional activity of providing credit, regardless of the form it takes (cash loan or endorsement loan, secured or unsecured, etc.).

In the context of credit activities, this risk involves, among other things, the possibility that the Group's contractual counterparties may not fulfil their payment obligations, as well as the possibility that Group companies may, based on incomplete, untrue or incorrect information, grant credit that otherwise would not have been granted or that would have been granted under different conditions.

The main causes of non-fulfilment relate to the borrower's loss of its autonomous capacity to service and repay the debt (due to a lack of liquidity, insolvency, etc.), the emergence of circumstances not related to the economic/financial conditions of the debtor, such as "country risk", and the effect of operating risks.

Other banking activities, besides the traditional lending and deposit activities, can also expose the Group to credit risks. "Non-traditional" credit risk can, for example, arise from: (i) entering into derivative contracts; (ii) buying and selling securities, futures, currencies or goods; and (iii) holding third-party securities. The counterparties of said transactions or the issuers of securities held by Group entities could fail to comply due to insolvency, political or economic events, a lack of liquidity, operating deficiencies, or other reasons.

The Group has adopted procedures, rules and principles aimed at monitoring and managing credit risk at both individual counterparty and portfolio level. However, there is the risk that, despite these credit risk monitoring and management activities, the Group's credit exposure may exceed predetermined levels pursuant to the procedures, rules and principles it has adopted. Therefore, the deterioration of certain particularly important customers' creditworthiness and, more generally, any defaults or repayment irregularities, the launch of bankruptcy proceedings by counterparties, the reduction of the economic value of guarantees received and/or the inability to execute said guarantees successfully and/or in a timely manner, as well as any errors in assessing customers' creditworthiness, could have major negative effects on the activity, operating results and capital and financial position of the Issuer and/or the Group.

As at 30 September 2016, net loans to customers totalled €481 billion (equal to 54.9% of the consolidated assets on the same date), up by 1.5% compared with the €474 billion recorded as at 31 December 2015. This total can be broken down into performing loans to customers, which amounted to €445 billion, net of write-downs, and non-performing loans, worth €36 billion net of the related write-downs, corresponding respectively to 92.4% and 7.6% of total customer loans.

As at 30 September 2016, net non-performing loans amounted to €36 billion, down by €2.5 billion (or 6.4%) compared with the figure recorded as at 31 December 2015. Within non-performing loans, as at 31 December 2015, impaired loans were down by €367 million (or 1.8%), unlikely-to-pay loans were down by €1.7 billion (or 10.2%), and past-due loans were down by €402 million (or 21%).

The majority of the non-performing loans present in the Condensed Interim Consolidated Financial Statements for 2016 relate to Italian activities and derive from lending activities dating back to the years preceding the financial crisis that hit the Italian and European banking system. Over 80% of the non-performing loans as at 30 September 2016 were generated before 2010.

RISK FACTORS

The following table lists the amounts of customer loans outstanding as at 30 September 2016, classified by administrative status, gross and net of value adjustments, with the relative comparison data for 31 December 2015.

	As at 30 September 2016			As at 31 December 2015		
(in millions of Euros)	Gross Loans and receivables	Value adjustments	Net Loans and receivables	Gross Loans and receivables	Value adjustments	Net Loans and receivables
Non-performing	51,310	31,753	19,557	51,089	31,165	19,924
Unlikely-to-pay loans	23,373	8,022	15,351	26,054	8,968	17,086
Past-due loans	2,100	592	1,508	2,617	707	1,910
Non-performing loans	**76,784**	**40,367**	**36,417**	**79,760**	**40,840**	**38,920**
Performing loans	**446,643**	**2,133**	**444,510**	**437,495**	**2,417**	**435,079**
Total	**523,426**	**42,500**	**480,926**	**517,255**	**43,257**	**473,999**

The table below illustrates the item loans with customers as at 30 September 2016 according to their classification by administrative status, gross and net of adjustments in value, compared with the pro-forma financial information at the same date.

	As at 30 September 2016			As at 30 September 2016 "pro-forma"		
(in millions of Euros)	Gross loans and receivables	Adjustments in value	Net loans and receivables	Gross loans and receivables	Adjustments in value	Loans and receivables loans and receivables
Non-performing	51,310	31,753	19,557	50,088	37,338	12,750
Unlikely to pay	23,373	8,022	15,351	22,679	9,246	13,433
Non-performing/past-due exposures	2,100	592	1,508	2,062	582	1,480
Impaired Loans	**76,784**	**40,367**	**36,417**	**74,829**	**47,166**	**27,663**
Non-impaired loans	**446,643**	**2,133**	**444,510**	**419,354**	**2,030**	**417,324**
Total	**523,427**	**42,500**	**480,926**	**494,183**	**49,196**	**444,987**

The table below shows the coverage ratio, compared with the historical data as at 30 September 2016.

(in millions of Euro)	**30 September 2016** ***Coverage ratio%***	**30 September 2016 "*pro-forma*"** ***Coverage ratio %***
Non-Performing Loan Portfolio	52.6%	63%

With regard to the definition of "non-performing loans", it should be pointed out that as of the interim report on operations relating to the first quarter of the financial year ended on 31 December 2015, the classification of loans by risk class has been updated in order to incorporate the amendments introduced by Circular 272. This update aims to adapt the classification previously in force to the definition of "Non-Performing Exposure" (NPE) introduced by the EBA. Consequently, "non-performing loans" have been divided into the categories of (i) "impaired loans"; (ii) "unlikely-to-pay loans"; and (iii) "past-due loans", which have replaced the previous categories of "doubtful loans" and "restructured loans". It is therefore not possible to compare the data relating to non-performing loans as at 30 September 2016, 31 December 2015 and 31 December 2014 against the data for the financial year ended on 31 December 2013, insofar as said loans are identified using different criteria and are not at all comparable.

The following table lists the amounts of customer loans outstanding as at 31 December 2015, classified by administrative status, gross and net of value adjustments, with the relative comparison data for 31 December 2014, restated to take into account the aforementioned new classification for non-performing loans.

	As at 31 December 2015			As at 31 December 2014 (restated)		
(in millions of Euros)	Gross Loans and receivables	Value Adjustments	Net Loans and receivables	Gross Loans and receivables	Value adjustments	Net Loans and receivables
Non-performing	51,089	31,165	19,924	52,143	32,442	19,701
Unlikely-to-pay loans	26,054	8,968	17,086	28,490	9,902	18,588
Past-due loans	2,617	707	1,910	3,726	923	2,803
Non-performing loans	**79,760**	**40,840**	**38,920**	**84,359**	**43,267**	**41,092**
Performing loans	**437,495**	**2,417**	**435,079**	**431,982**	**2,505**	**429,477**
Total	**517,255**	**43,257**	**473,999**	**516,341**	**45,772**	**470,569**

The following table lists the amounts of customer loans outstanding as at 31 December 2014, with the relative comparison data for 31 December 2013, gross and net of value adjustments, according to the classification by administrative status in force as at the approval date of the relevant financial statements.

It is not possible to reconstruct the classification of non-performing loans as at 31 December 2013 in accordance with the new definitions introduced by Banca d'Italia as of the first quarter of 2015, insofar as the conditions that underpin the different representation criteria required are not at all homogeneous or comparable.

	As at 31 December 2014			As at 31 December 2013 (restated)(1)		
(in millions of Euros)	Gross Loans and receivables	Value adjustments	Net Loans and receivables	Gross Loans and receivables	Value adjustments	Net Loans and receivables
Non-performing	52,143	32,442	19,701	49,059	30,947	18,112
Doubtful	23,301	8,102	15,199	24,935	9,911	15,024
Restructured loans	6,324	2,119	4,205	6,150	2,216	3,934
Past-due	2,591	604	1,987	3,446	770	2,676
Non-performing loans	**84,359**	**43,267**	**41,092**	**83,590**	**43,844**	**39,746**
Performing loans	**431,982**	**2,505**	**429,477**	**446,866**	**2,928**	**443,938**
Total	**516,341**	**45,772**	**470,569**	**530,456**	**46,772**	**483,684**

(1) The restatement of the data concerns the introduction - in the 2014 financial year - of the accounting principles IFRS 10 and IFRS 11, and the reclassification from customer loans and receivables to bank loans and receivables, due to the change in the sector to which a counterparty belongs.

Though there have not been any significant effects deriving from the first application on 1 January 2015 of the new Circular 272 on the overall size of non-performing loans, the exposure in non-performing loans, with the entry into force of the changes in the classification process for risk introduced by the new EBA definitions, could show a different dynamic from that which it would have had if the previous risk classes had continued to apply, reflecting the differences in the detailed classification criteria compared with the regime previously in force.

Based on the data shown in the tables above, the tables below show some indicators of the UniCredit Group's credit quality as at 30 September 2016, 31 December 2015, 31 December 2014 and 31 December 2013.

	As at 30 September 2016			**As at 31 December 2015**		
	% weight of gross loans and receivables	**% coverage**	**% weight of net loans and receivables**	**% weight of gross loans and receivables**	**% coverage**	**% weight of net loans and receivables**
Non-performing	9.8%	61.9%	4.1%	9.9%	61.0%	4.2%
Unlikely-to-pay loans	4.5%	34.3%	3.2%	5.0%	34.4%	3.6%
Past-due loans	0.4%	28.2%	0.3%	0.5%	27.0%	0.4%
Non-performing loans	**14.7%**	**52.6%**	**7.6%**	**15.4%**	**51.2%**	**8.2%**
Performing loans	**85.3%**	**0.5%**	**92.4%**	**84.6%**	**0.6%**	**91.8%**

	As at 31 December 2015			**As at 31 December 2014 (restated)**		
	% weight of gross loans and receivables	**% coverage**	**% weight of net loans and receivables**	**% weight of gross loans and receivables**	**% coverage**	**% weight of net loans and receivables**
Non-performing	9.9%	61.0%	4.2%	10.1%	62.2%	4.2%
Unlikely-to-pay loans	5.0%	34.4%	3.6%	5.5%	34.8%	3.9%
Past-due loans	0.5%	27.0%	0.4%	0.7%	24.8%	0.6%
Non-performing loans	**15.4%**	**51.2%**	**8.2%**	**16.3%**	**51.3%**	**8.7%**
Performing loans	**84.6%**	**0.6%**	**91.8%**	**83.7%**	**0.6%**	**91.3%**

	As at 31 December 2014			**As at 31 December 2013 (restated)**		
	% weight of gross loans and receivables	**% coverage**	**% weight of net loans and receivables**	**% weight of gross loans and receivables**	**% coverage**	**% weight of net loans and receivables**
Non-performing	10.1%	62.2%	4.2%	9.2%	63.1%	3.7%
Doubtful	4.5%	34.8%	3.2%	4.7%	39.7%	3.1%
Restructured loans	1.2%	33.5%	0.9%	1.2%	36.0%	0.8%
Past-due	0.5%	23.3%	0.4%	0.7%	22.3%	0.6%
Non-performing loans	**16.3%**	**51.3%**	**8.7%**	**15.8%**	**52.5%**	**8.2%**
Performing loans	**83.7%**	**0.6%**	**91.3%**	**84.2%**	**0.7%**	**91.8%**

As at 31 December 2015, the total proportion of non-performing loans – whether considered as a whole or broken down into the categories of impaired loans and unlikely-to-pay loans - as a percentage of the Group's total loans was slightly lower than the comparable average system data for Italian banks and banking groups. However, taking into consideration exclusively non-performing loans generated in Italy (the "**Italian Perimeter**") and relating to the business segments Commercial Banking Italy, Non-Core and Corporate &

Investment Banking (the latter relating only to activities carried out in Italy), the proportion of non-performing loans as a percentage of the UniCredit Group's loans and receivables as at 31 December 2015 was higher than the average for Italian banks and banking groups, amounting to 24.9% of total gross loans and receivables (compared with 18.1% for the Italian banking system) and 14.1% of total net loans and receivables (against 10.8% for the Italian banking system).

As regards the European context, however, the average data for the continent's banks shows a percentage of non-performing loans that is considerably lower than the average for Italian banks and banking groups, as shown in the table below. Specifically, the average NPL ratio for European banks was 5.4% as at 30 June 2016, a decrease compared to 31 December 2015 and 31 December 2014, when the ratio was equal to 5.7% and 6.5% respectively[10].

In this regard also note that, as at 30 September 2016, the average percentage of impaired loans of gross loans for the Issuer's main competitors (G-SII Europe) was 2.8%[11] compared with the figure of 14.7% recorded by the UniCredit Group. In spite of the Strategic Plan including actions aimed at improving the quality of capital assets (see Chapter 13, Paragraph 13.1.5 of the Registration Document), at the Date of the Registration Document there is the risk that, even if the Strategic Plan is implemented in full and the Plan Objectives achieved, at the end of the Plan period the Issuer may have a level of impaired loans that is not in line with regard to the figures recorded by its main competitors in the same period. Specifically, note that the percentage of gross impaired loans of the UniCredit Group is expected to be at a higher level than the average percentage of gross impaired loans of the Issuers' main European competitors with regard to 30 September 2016.

10 Source: EBA, Risk Assessment of the European Banking System, December 2016, page 20 and EBA, Risk Dashboard Q2 2016, p. 10. The NPL ratio is defined by the EBA as the ratio between "non-performing loans and advances" and "total gross loans and advances". The figure for European banks includes the UniCredit Group's figures.

11 Source: calculations of the Issuer from internal data and based on publicly available data. Note that as far as the data about competitors is concerned, the percentage of gross impaired loans out of the total of gross loans was created as the ratio between gross impaired loans and total loans reported in the publicly available interim financial statements. The item "gross impaired loans" recorded in the financial statements of competitors could partly differ from the item "gross impaired receivables" indicated in the financial statements of the Issuer taking into consideration, among other things, the different criteria applicable in the various jurisdictions in which the respective competitors operate for the purpose of identifying impaired loans.

RISK FACTORS

The tables below show a summary of the information relation to some indicators of the quality of UniCredit Group customer loans and receivables, compared with the corresponding sectoral data for 31 December 2015, 31 December 2014 and 31 December 2013.

Weight of gross loans and receivables	As at 31 December 2015			As at 31 December 2014 (restated)			As at 31 December 2013 (restated)		
	Group	Top 4 Italian banking groups (different from the UniCredit Group) (1)	Italian banks and banking groups (1)	Group	Top 4 Italian banking groups (different from the UniCredit Group) (2)	Italian banks and banking groups (2)	Group	Top 4 Italian banking groups (different from the UniCredit Group) (3)	Italian banks and banking groups (3)
Non-performing	9.9%	11.7%	10.6%	10.1%	11%	10.0%	9.2%	9.5%	8.7%
Unlikely-to-pay loans (4)	5.0%	8.6% (5)	7.6% (5)	5.5%	8.5%	6.0%	5.9%	4.7%	6.3%
Past-due loans	0.5%			0.7%	0.5%	0.7%	0.7%	2.8%	1.0%
Non-performing loans	**15.4%**	**20.3%**	**18.1%**	**16.3%**	**20%**	**17.7%**	**15.8%**	**17%**	**15.9%**
Performing loans	**84.6%**	**79.7%**	**81.9%**	**83.7%**	**80%**	**82.3%**	**84.2%**	**83%**	**84.1%**

(1) Source: Banca d'Italia, Report on financial stability, no 1, April 2016, p. 34.

(2) Source: Banca d'Italia, Report on financial stability, no 1, April 2015, p. 21.

(3) Source: Banca d'Italia, Report on financial stability, no 1, May 2014, p. 26.

(4) For the financial year ended on 31 December 2014, the figure relates to the restatement made in the Consolidated Financial Statements as at 31 December 2015; for the financial year ended on 31 December 2013, the figure for "*Unlikely-to-pay loans*" should be read as the sum of "*Doubtful loans*" and "*Restructured loans*", as defined in accordance with the classification in force at the time.

(5) The figures relating to the financial year ended on 31 December 2015 are available in the aggregate of "*Unlikely-to-pay loans*" and "*Past-due loans*".

In the table above: "Group" indicates the UniCredit Group; "Top 4 groups", indicates the banks belonging to the banking groups headed by Intesa Sanpaolo S.p.A., Banca Monte dei Paschi di Siena S.p.A., UBI Banca S.p.A. and Banco Popolare Soc. Coop., and therefore excludes from the "Top 5 groups" provided in the reports on financial stability the UniCredit Group data; "Italian banks and banking groups" indicates the Italian banking system as a whole.

RISK FACTORS

Weight of net loans and receivables	**As at 31 December 2015**			**As at 31 December 2014 (restated)**			**As at 31 December 2013 (restated)**		
	Group	**Top 4 Italian banking groups (different from the UniCredit Group) (1)**	**Italian banks and banking groups (1)**	**Group**	**Top 4 Italian banking groups (different from the UniCredit Group) (2)**	**Italian banks and banking groups (2)**	**Group**	**Top 4 Italian banking groups (different from the UniCredit Group) (3)**	**Italian banks and banking groups (3)**
Non-performing	4.2%	6%	4.8%	4.2%	5%	4.5%	3.7%	4.6%	4.0%
Unlikely-to-pay loans (4)	3.6%	7% (5)	6.1% (5)	3.9%	7%	5.7%	3.9%	4.2%	5.0%
Past-due loans	0.4%			0.6%	0%	0.6%	0.6%	2.4%	0.9%
Non-performing loans	**8.2%**	**13%**	**10.8%**	**8.7%**	**12%**	**10.8%**	**8.2%**	**11%**	**10.0%**
Performing loans	**91.8%**	**87%**	**89.2%**	**91.3%**	**88%**	**89.2%**	**91.8%**	**89%**	**90.0%**

(1) Source: Banca d'Italia, Appendix to the Annual Report for 2015, May 2016, no 1, p. 118.

(2) Source: Banca d'Italia, Appendix to the Annual Report for 2014, May 2015, no 1, p. 129.

(3) Source: Banca d'Italia, Appendix to the Annual Report for 2013, May 2014, no 1, p. 170.

(4) For the financial year ended on 31 December 2014, the figure relates to the restatement made in the Consolidated Financial Statements as at 31 December 2015; for the financial year ended on 31 December 2013, the figure for "*Unlikely-to-pay loans*" should be read as the sum of "*Doubtful loans*" and "*Restructured loans*", as defined in accordance with the classification in force at the time.

(5) The figures relating to the financial year ended on 31 December 2015 are available in the aggregate of "*Unlikely-to-pay loans*" and "*Past-due loans*".

In the table above: "Group" indicates the UniCredit Group; "Top 4 groups", indicates the banks belonging to the banking groups headed by Intesa Sanpaolo S.p.A., Banca Monte dei Paschi di Siena S.p.A., UBI Banca S.p.A. and Banco Popolare Soc. Coop., and therefore excludes from the "Top 5 groups" provided in the reports on financial stability the UniCredit Group data; "Italian banks and banking groups" indicates the Italian banking system as a whole.

The table below provides evidence of the average levels of coverage for the various categories of non-performing loans.

Coverage rates	**As at 31 December 2015**			**As at 31 December 2014 (restated)**			**As at 31 December 2013 (restated)**		
	Group	**Top 4 Italian banking groups (different from the UniCredit Group) (1)**	**Italian banks and banking groups (1)**	**Group**	**Top 4 Italian banking groups (different from the UniCredit Group) (2)**	**Italian banks and banking groups (2)**	**Group**	**Top 4 Italian banking groups (different from the UniCredit Group) (3)**	**Italian banks and banking groups (3)**
Non-performing	61.0%	57.6%	58.7%	62.2%	59%	58.7%	63.1%	55.4%	56.9%
Unlikely-to-pay loans (4)	34.4%	25.2% (5)	26.7% (5)	34.8%	25.7%	27.5%	39.0%	20.9%	25.3%
Past-due loans	27.0%			24.8%	8%	13.9%	22.3%	7.5%	10.9%
Non-performing loans	**51.2%**	**43.9%**	**45.4%**	**51.3%**	**43.8%**	**44.4%**	**52.5%**	**39.3%**	**41.8%**
Performing loans	**0.6%**	**0.8%**	**0.7%**	**0.6%**	**0.8%**	**0.7%**	**0.7%**	**0.7%**	**0.07%**

(1) Source: Banca d'Italia, Report on financial stability, no 1, April 2016, p. 34.

(2) Source: Banca d'Italia, Report on financial stability, no 1, April 2015, p. 21.

(3) Source: Banca d'Italia, Report on financial stability, no 1, May 2014, p. 26.

(4) For the financial year ended on 31 December 2014, the figure relates to the restatement made in the Consolidated Financial Statements as at 31 December 2015; for the financial year ended on 31 December 2013, the figure for "*Unlikely-to-pay loans*" should be read as the sum of "*Doubtful loans*" and "*Restructured loans*", as defined in accordance with the classification in force at the time.

(5) The figures relating to the financial year ended on 31 December 2015 are available in the aggregate of "*Unlikely-to-pay loans*" and "*Past-due loans*".

In the table above: "Group" indicates the UniCredit Group; "Top 4 groups", indicates the banks belonging to the banking groups headed by Intesa Sanpaolo S.p.A., Banca Monte dei Paschi di Siena S.p.A., UBI Banca S.p.A. and Banco Popolare Soc. Coop., and therefore excludes from the "Top 5 groups" provided in the reports on financial stability the UniCredit Group data; "Italian banks and banking groups" indicates the Italian banking system as a whole.

For completeness, the following tables contain a summary of the information on some indices expressing the quality of credits to customers of the UniCredit Group and on the average levels of coverage of the different categories of impaired loans in comparison with the corresponding sectoral data as at 30 June 2016 (the last date available as at the Date of the Registration Document).

Impact on gross loans	As at 30 June 2016 Group	Significant Banks (1)(2)	Total (1)(3)
Non-performing	9.6%	10.7%	10.6%
Unlikely-to-pay loans	4.5%	6.7%	6.5%
Past-due loans	0.4%	0.5%	0.5%
Non-performing loans	**14.5%**	**17.9%**	**17.7%**
Performing loans	**85.5%**	**82.1%**	**82.3%**

Impact on net loans	As at 30 June 2016 Group	Significant Banks (1)(2)	Total (1)(3)
Non-performing	4.0%	4.8%	4.8%
Unlikely-to-pay loans	3.2%	5.2%	5.1%
Past-due loans	0.3%	0.4%	0.5%
Non-performing loans	**7.5%**	**10.5%**	**10.4%**
Performing loans	**92.5%**	**89.6%**	**89.6%**

Coverage rates	As at 30 June 2016 Group	Significant Banks (1)(2)	Total (1)(3)
Non-performing	61.6%	58.8%	59.0%
Unlikely-to-pay loans	34.8%	28.5%	28.3%
Past-due loans	27.4%	21.6%	17.7%
Non-performing loans	**52.4%**	**46.6%**	**46.4%**
Performing loans	**0.5%**	**0.6%**	**0.6%**

(1) Source: Banca d'Italia, Report on financial stability, no. 2, November 2016.
(2) "Significant banks" indicates the significant banks supervised directly by the ECB.
(3) "Total" also includes the subsidiaries of foreign banks that are not classified either as Italian significant nor as "less significant Italian" (*i.e.* those supervised by the Bank of Italy in close collaboration with the ECB) and represent approximately 9 per cent of the total gross loans to customers. Subsidiaries of foreign banks are excluded.

The Group has adopted valuation policies for customer loans and receivables that take into account write-downs recorded on asset portfolios for which no particular impairment has been identified. These portfolios are subject to a write-down which, taking into account the relevant risk factors with similar characteristics, is calculated partly through statistically defined coverage levels based on available information and historical sequences. However, in the event of a deterioration in economic conditions and a consequent increase in non-performing loans, it cannot be ruled out that there may be significant increases in the write-downs to be performed on the various categories of such loans, and that credit risk estimates may need to be amended. Finally, there is a possibility that losses on loans may exceed the amount of the write-downs performed, which would have a significant negative impact on the operating results and capital and financial position of the Issuer and/or of the UniCredit Group.

It should also be pointed out that as part of its ordinary banking supervision activities, and within the framework of its 2016 activity plans, the European Central Bank has proposed carrying out an assessment on non-performing loans, which will also concern other banks and will involve requests for data and documentation. As at the Registration Document Date, the Group has not received confirmation of this.

Lastly, under the scope of the 2016 SREP (see Chapter 5, Paragraph 5.1.6 of the Registration Document), the ECB notified the Issuer of vulnerable areas relating to credit risk.

Specifically, with regard to the high level of non-performing exposures in Italy, higher than the average level of non-performing loans (NPL) of other European Union banking institutions, the ECB, while acknowledging the effectiveness of the actions undertaken by the Issuer to reduce the level of impaired loans, stressed how they represent a risk to the Issuer's capacity to generate profits, to the business model and to the capital position. In addition, the ECB noted the lack of a detailed strategic and operating plan to actively reduce the gross and net non-performing loan level. For the measures in the Strategic Plan aimed at improving the quality of the balance sheet assets, see Chapter 13, Paragraph 13.1.5 of the Registration Document.

In relation to the results of recent inspections, the ECB recalls the findings relating to the classification of credits, provisions and credit collection processes (see Chapter 20, Paragraph 20.8.4 of the Registration Document).

In addition, the ECB conducted a consultation process between 12 September and 15 November 2016 relating to the "Draft guidance to banks on non-performing loans". These guidelines involve the main aspects of the management of non-performing loans, from the definition of the strategy and the operating plan to governance and transactions, providing several recommendations and illustrating some of the best practices that will, in future, be part of the expectations of the ECB. Specifically, the guidelines require all banks with a high degree of non-performing loans to establish a clear strategy in line with their own business plan and risk management framework, aimed at credibly reducing the amount of non-performing loans, which can be achieved quickly. The above-mentioned guidelines are among the factors that have determined the execution of the "Porto Project" through the increasing of the coverage ratio on impaired loans and on unlikely-to-pay loans in the Italian loans portfolio, following the changes in estimates, in turn resulting from the changed management approach to non-performing loans approved by the Issuers' Board of Directors and aimed at accelerating the reduction, adopted by the Issuer and other Italian Group companies in December 2016 (see Chapter 13, Paragraph 13.1.5 and Chapter 20, Paragraph 20.2 of the Registration Document).

Loss Given Default (LGD)

As far as the Loss Given Default (LGD) parameter is concerned, note that the 2016-2019 Strategic Plan assumes that for the purpose of estimating the weighted assets for the 2017-2019 period, part of the impact associated with the non-performing loans portfolio generated before 2009 (e.g. the "**Aspra and Legacy Portfolio**") is subject to an adjustment in the treatment for the purpose of calculating the LGD.

The Aspra and Legacy Portfolio is a portfolio of bad loans that mainly includes the notes issued by a securitisation vehicle ("Arena"), wholly owned by the Issuer. The gross value of the Aspra and Legacy Portfolio loans stood at approximately €7.2 billion as at 30 September 2016 and the net value amounted to approximately €1.2 billion on the same date.

The Aspra and Legacy Portfolio has exceptional characteristics in relation to the Issuer's loan portfolio as it originated from and is classified under "bad loans" mainly before 2009 from various banks which, at the time, belonged to the UniCredit Group (a significant number of banks under the perimeter of the former Capitalia), based on the underwriting, monitoring and recovery policies that were different from those later adopted by the UniCredit Group. For these reasons, and consistent with the characteristics of the portfolio, under the scope of the 2016-2019 Strategic Plan the adjustment of the treatment in the calculation of the LGD was considered for the Aspra and Legacy Portfolio in its entirety, not only for the component relating to the "Fino Project" amounting to €4.9 billion.

The adjustment of the treatment of all the components of the Aspra and Legacy Portfolio, as described above for the purpose of calculating the LGD, requires the approval of the ECB. At the Registration Date discussions in this regard are ongoing. It is therefore not possible to guarantee that the ECB will allow the adjustment of the treatment of the impact of the Aspra and Legacy Portfolio for the purpose of calculating the LGD. Failure to adjust the treatment of all components of the Aspra Portfolio for the purpose of calculating the LGD, or even some of them, would have a negative impact – *inter alia* – on the future capital ratios of the Issuer, with consequent negative effects on the operating results and the capital and/or financial position of the Issuer and/or the UniCredit Group (also see Chapter 4, Paragraphs 4.1.1.1 and 4.1.5 of the Registration Document).

Guidelines for estimating the PD and the LGD and for dealing with exposures at default

In addition to the above, in November 2016, the EBA published a consultation paper with regard to the revision of the methods for estimating Probability of Default (PD) and Loss Given Default (LGD) indicators, as well as the handling of impaired loans. At the Registration Document Date this consultation is still in progress and the provisions of the final text are expected to apply from 1 January 2021, or sooner if the competent Supervisory Authority decides that this should be the case.

The consultation involves in-depth and detailed guidelines on the PD and LGD calculation models. At the Registration Document Date, there is an ongoing consultation period during which operators can make observations to the EBA in response to the questions posed by the Supervisory Authority. In consideration of the questions drawn up by the EBA and the possibility for operators to draw up alternative proposals, at the Registration Document Date there is the risk that there could be further amendments to the final version of the guidelines compared with the text of the consultation paper.

At the Registration Document Date, in consideration of the complexity and extent of the amendment proposals drawn up in the EBA consultation paper and the differences between the various jurisdictions, it is not possible to estimate exactly the impacts resulting from the implementation of the guidelines described in the UniCredit Group consultation document (also taking into account the amendments that could be made to the final text of the guidelines).

From a qualitative point of view it is expected that the major impacts on the UniCredit Group (and specifically on the Italian portfolio) could result from the amendment proposals relating to: (i) the inclusion in the LGD calculation model of the open defaults and possible future recovery estimates; and (ii) the inclusion of the unexpected component of LGD losses for default loans. Further potential impacts on all UniCredit Group companies could come from changes relating to: (i) the introduction of a fixed discount margin of 5% for the calculation of the economic LGD; (ii) the inclusion of all default interest not paid on exposures and losses; and (iii) the different management methods for disbursements following the confirmed default of an exposure.

In this regard note, lastly, that in preparing the 2016-2019 Strategic Plan and the Projected Data, the Issuer partly included several of the amendments subject to consultation under the scope of the activities for the revision and updating of the models (see Chapter 13, Paragraph 13.1.4 of the Registration Document).

Also note that the possible impact in 2021 will not depend exclusively on the final text of the guidelines, but also on the projected economic development until 2020 that should be incorporated in the parameters of the revised model. Lastly, note that this impact should be felt beyond the time span of the Strategic Plan and, therefore, it has not been indicated in it.

Forborne exposures

With effect from 1 January 2015, Banca d'Italia revised the method used to classify, for regulatory and reporting purposes, non-performing exposures (Circular 272 – "Account matrix", 7th update) in order to adapt it to the new definitions of "non-performing exposures" and "forborne exposures" established by the implementing technical standards drawn up by the European Commission, at the proposal of the EBA, with Implementing Regulation (EU) 2015/227 ("**ITS**").

Pursuant to the ITS, in order to define a transaction as "forborne", two conditions must be simultaneously fulfilled:

- the existence of forbearance, understood as (i) the amendment of the contractual terms in favour of the debtor ("contractual modification"); and (ii) the provision of new financing to enable the pre-existing obligation to be fulfilled ("re-financing");
- the existence of the customer's financial difficulty.

As at 30 September 2016, "forborne customer loans and receivables" amounted, in terms of gross exposure, to €25.2 billion at Group level, of which €18.1 billion pertained to the category of non-performing exposures and the remaining €7.1 billion pertained to the category of performing exposures.

The table below shows the value of the UniCredit Group's cash exposures classified as "forborne" as at 30 September 2016.

(in millions of Euros) **Cash exposures**	**Gross exposure**	**Value adjustments**	**Net exposure**
Forborne impaired loans	5,369,324	2,644,053	2,725,271
Forborne unlikely-to-pay loans	12,985,670	4,313,938	8,671,732
Forborne past-due loans	405,109	106,654	298,455
Forborne not-yet-due loans	2,093,913	91,452	2,002,461
Other forborne performing exposures	4,804,994	101,931	4,703,063
Total	**25,659,010**	**7,258,028**	**18,400,982**

With regard to the implementation of the definition of "forborne", the following should be pointed out:

- the UniCredit Group's approach makes it possible to trace the forborne exposures if: (i) the loan has been renegotiated pursuant to collective agreements, or through internal initiatives implemented to support specific categories of debtors, or through initiatives aimed at supporting the customer following disastrous events; and (ii) the loan has been renegotiated pursuant to a specific resolution of the bank, in order to support specific needs of the customer;

- during the course of the financial year ended on 31 December 2016, the refinement of the IT platform and the adaptation of managerial processes were continued, in order to optimise the identification and management of forborne exposures;

- in order to include the cases of forbearance within the scope of forborne exposures, it is necessary, as defined by the ITS, to assess the existence of the debtor's financial difficulty, by carrying out checks on specific criteria by means of a "troubled debt test". The intrinsic characteristics of each local system have involved certain differences in terms of methods of recognition of either the type of forbearance or the financial difficulty status, despite being consistent with the EBA definition; and

- in view of the use of an approach based on the best estimates that can be made at the time and the emergence of a reference implementation practice, the exposures identified in this phase as "forborne" could differ from those corresponding to a specific, standard application of the new definition in future periods.

Large exposures

As at 30 September 2016, the number of "large exposures", as defined by the regulatory provisions applicable at the time, was 10, up from the nine recorded as at 31 December 2015. In terms of value, they totalled €222.6 billion as at 30 September 2016, an increase compared with the end of the 2015 financial year, when they amounted to €214.7 billion.

The table below provides information on the "large exposures" as at 30 September 2016, 31 December 2015, 31 December 2014 and 31 December 2013, compiled in accordance with the regulatory provisions in force at the relevant time.

(in millions of Euros)	**30.09.16**	**31.12.15**	**31.12.14**	**31.12.13**
Number	10	9	10	6
Book value	222,611	214,676	223,933	92,949
Weighted value	11,773	10,992	18,325	1,965
Large exposures (weighted value) / risk-weighted assets(1)	3.35%	3.15%	5.02%	0.53%

(1) Net of those relating to operating risk.

For further information, see Chapter 3, Paragraph 3.7 of the Registration Document.

Breakdown by sector and by geographical area of exposures with regard to customers

The table below shows the EAD (*exposure at default*) of the UniCredit Group, calculated according to a managerial view, for counterparts *in bonis* and net of securitisation, as at 31 December 2015 and as at 30 September 2016, with a breakdown by geographical area. The following table indicates how the UniCredit Group, while having a risk profile diversified from the geographical point of view, has a higher concentration toward the Italian, German, Austrian and Polish counterparts, the main countries where the UniCredit Group operates at the date of the Registration Document (for the risks associated with the activity of the Group in different geographical areas, see Chapter 4, paragraph 4.1.14 of the Registration Document).

Country	Impact (%) at (*)	
	30 September 2016	31 December 2015
Italy	34.3%	34.5%
Germany	18.6%	17.6%
Austria	9.9%	9.9%
Poland	5.2%	5.2%
Turkey	4.3%	4.8%
Czech Republic	2.5%	2.4%
Spain	2.5%	2.5%
United Kingdom	2.5%	1.9%
Russian Federation	2.1%	2.3%
France	2.0%	1.7%
United States	1.6%	1.7%
Croatia	1.6%	1.6%
Bulgaria	1.3%	1.3%
Netherlands	1.1%	0.9%
Hungary	1.0%	1.2%
Romania	1.0%	1.1%
Switzerland	0.9%	0.7%
Slovakia	0.9%	0.8%
Luxembourg	0.7%	0.7%
Japan	0.7%	0.5%
Other	5.4%	6.7%
Total	**100.0%**	**100.0%**

(*) Data referable to the UniCredit Group (*performing counterparties*).

The tables below contain the EAD (*Exposure at Default*) of the UniCredit Group, calculated according to a managerial view, for counterparts *in bonis* and net of securitisation, as at 31 December 2015 and as at 30 September 2016, with a macro sector and for *sectoral cluster* breakdown. The following table indicates that the UniCredit Group, while having a risk profile diversified risk from the sectoral point of view of, has a higher concentration toward manufacturing enterprises and businesses operating in the real estate sector (for the risks associated with the development of the real estate market, see Chapter 4, Paragraph 4.1.22 of the Registration Document).

Macro sector	Impact (%) at (*)	
	30 September 2016	**31 December 2015**
Central Governments / Central Banks	19.6%	20.5%
Governments and Local Authorities	5.2%	5.2%
Public Sector Entities	0.9%	1.4%
Banks	7.2%	7.7%
Other financial entities	6.7%	5.9%
Corporate	36.4%	34.9%
Individual /SME	23.9%	24.1%
Other	0.1%	0.3%
Total	**100.0%**	**100.0%**

(*) Data referable to the UniCredit Group (*performing counterparties*). Macro sectors identified based on the criteria of internal allocation of the UniCredit Group.

Distribution of production undertakings by NACE Macro Sector	Impact (%) at (*)	
	30 September 2016	**31 December 2015**
A Agriculture, forestry and fisheries	1.3%	1.3%
B Mining activities	2.4%	2.8%
C Manufacturing activities	25.8%	25.2%
D Supply of electricity, gas, steam and air conditioning	6.1%	6.4%
E Water supply	0.9%	1.1%
F Construction	7.4%	7.2%
G Wholesale and retail trade	14.8%	14.2%
H Transport and storage	5.8%	6.8%
I Hospitality and restaurant activity	1.4%	1.3%
J Information and communication	4.2%	4.2%
L Real estate activities	17.2%	17.7%
M Professional, scientific and technical activities	8.5%	7.3%
N Administrative activities and support services	1.9%	1.9%
O Public administration and defence; compulsory social insurance	0.2%	0.2%
P Education	0.1%	0.1%
Q Activities of health services and social assistance	1.0%	1.0%
R Art, entertainment and leisure	0.6%	0.6%
S Other services	0.7%	0.8%
Total	**100.0%**	**100.0%**

(*) Data referable to the UniCredit Group (*performing counterparties*). Macro sectors identified based on the criteria of internal allocation of the UniCredit Group.

4.1.4 Risks associated with forbearance on non-performing loans

The deterioration of credit quality (see Chapter 4, Paragraph 4.1.3 of the Registration Document) and the growing focus shown both at regulatory level and by the financial community on reducing the value of non-performing loans recorded on banks' balance sheets suggest the opportunity for the Issuer to be able to dispose of non-performing loans.

In this case, following the initial recognition at fair value, which usually corresponds, depending on the case, to the fee paid or the sum disbursed, including transaction costs and revenues that are directly attributable to the acquisition or disbursement of the financial asset (even if not yet settled), the loans are valued at amortised cost and adjusted to their presumed realisation value in case of objective evidence of value reduction.

The Group calculates the book value of its non-performing loans based on an estimate of the financial flows that can be obtained considering the range of possible recovery measures, taking into account the debtor's capacity for repayment and the presumed realisable value arising from the execution of any guarantees in place in relation to the loan (net of relative direct costs), which in turn are impacted by the time frames in place for the implementation procedures.

In line with the provisions of the reference International Accounting Standards, the book value at which these loans are recorded is obtained by discounting the expected capital and interest flows at a discount rate equal to the interest rate originally applied to the debtor, where applicable, or its best approximation; for the purposes of determining the current value of the flows, the fundamental elements are represented by identifying expected collections and the relative collection dates.

In recent financial years, the Supervisory Authorities have focused on the value of non-performing loans and the effectiveness of the processes and organisational structures of the banks tasked with their recovery. The importance of reducing the ratio of non-performing loans to total loans has been stressed on several occasions by the Supervisory Authorities, both publicly and in the context of ongoing dialogue with Italian banks and, therefore, with the UniCredit Group (see Chapter 4, Paragraph 4.1.3 on the "Draft guidance to banks on non-performing loans" from the ECB and Chapter 5, Paragraph 5.1.6 of the Registration Document with regard to the qualitative measures indicated by the ECB in relation to the level of impaired loans). In this regard, it is stressed that the ECB asked the Issuer, pursuant to Article 16(2) (j) and (c) of the SSM Regulation to provide a strategic and operating plan to deal with the high level of NPL by 28 February 2017 (see Chapter 5, Paragraph 5.1.6 of the Registration Document).

Furthermore, since 2014, the Italian market has seen a slight increase in the number of disposals of non-performing loans, characterised by sale prices that are lower than the relative book values, with discounts greater than those applied in other European Union countries. Specifically, sale prices on the Italian market are affected by the time frames in place for the completion of the implementation procedures (which are generally longer than in other European Union countries), and by the value of the properties under guarantee, which, particularly in the industrial sector, tend to present actual realisable values that are lower than their expected values.

In this context, the UniCredit Group, as of 2014, has launched a structured activity for selling non-performing loans on the market, in order to reduce the amount of problematic loans on its books, whilst simultaneously seeking to maximise its profitability and strengthen its capital structure. Specifically, from the financial year ended on 31 December 2014 until the Registration Document Date, disposals were completed for loans with a gross value of around €12.6 billion (corresponding to a book value, net of the component disposed of[12], of €9.8 billion of gross loans), without taking into account the "Fino Project" indicated below.

[12] The component of alleged credit cleared from the gross value of the budget.

The Issuer intends to continue pursuing its strategy of disposing of non-performing loans. Specifically, the Issuer has identified the capital risk reduction and the improvement of the quality of new loans as a strategic action under the scope of the 2016-2019 Strategic Plan to be achieved through increasing the coverage ratio of non-performing loans and selling impaired loans. The completion of the sales could involve the entry in the income statement of greater write-downs of loans for a significant amount as a result of the possible differential between the value at which non-performing loans (and in particular impaired loans) are recorded in the financial statements of the Group and the consideration that market operators specialised in the management of distressed assets are prepared to offer for their purchase. In this regard note that the potential impacts (i.e. debiting the income statement with greater write-downs of loans) of these transactions depend on various factors, including, specifically, the different return expected by specialist market operators compared with that of the Issuer and the recovery costs that are immediately discounted in the purchase prices. In this context, insofar as new operations were completed (particularly if concerning loans of lower quality, in terms of coverage level and/or asset class, than the operations already carried out) or in any case where the conditions existed to modify the forecasts concerning the recovery of the non-performing loans identified as subject to probable future disposal, it could be necessary to record in the financial statements additional value adjustments to said loans, with consequent (possibly significant) negative effects on the operating results and capital and financial position of the Issuer and/or of the Group.

Also note that the actions aimed at improving the quality of balance sheet assets included the execution of the "Fino Project", which involves the sale of several impaired loans portfolios for a total amount of €17.7 billion gross as determined as at 30 June 2016.

At the Registration Document Date, with regard to the "Fino Project", the Issuer has signed two separate framework agreements (the "**Framework Agreements**"), respectively with FIG LLC, an affiliate company of Fortress Investment Group LLC (later, FIG LLC, in conformity with the provisions of the Framework Agreement, replacing Fortress Italian NPL Opportunities Series Fund LLC, Series 6 in contractual relations resulting from the Framework Agreement) and with LVS III SPE I LP, a subsidiary of the PIMCO BRAVO Fund III, L.P. Specifically, the "Fino Project" is expected to be implemented in two phases, pursuant to each Framework Agreement:

(i) "phase 1" of the "Fino Project", under the scope of which the parties of each Framework Agreement are obliged to negotiate and finalise the contractual documentation required to implement one or more of the securitisation transactions through the creation of one or more special purpose vehicles ("**SPVs**") which will buy the non-performing loans being sold in each Framework Agreement. Specifically, pursuant to each Framework Agreement, the investors are obliged to subscribe 50.1% of each class of ABS securities (the "**Notes**") issued by the related SPV while the remaining 49.9% of the Notes will be subscribed by UniCredit. Each Framework Agreement constitutes binding obligations on UniCredit and the respective investors to negotiate and finalise the contractual documentation necessary for implementing the transactions relating to "phase 1" as described previously; and

(ii) "phase 2" of "Fino Project", with respect to which the parties have identified preliminary guidelines and strategies to regulate, inter alia: (a) a progressive transfer, also to third-party investors, by UniCredit, of Notes subscribed by it, in compliance with the requirements of the maintenance of a net economic interest in securitisation transactions identified by each Framework Agreement[13]; and (b) the optimization of the financial structure of the Notes issued in the context of the "phase 1", including the possible obtaining of the guarantee on securitisations of defaults ("**GACS**") introduced by Legislative Decree no. 18 of 14 February 2016, (converted with amendments by Law no. 49 of 8 April 2016), which provides, *inter alia*, the possibility to receive a guarantee on the part of the MEF on the *senior tranches* of the securitisation of receivables classified as "defaults". It should be noted that the procedures for implementing the "phase 2" have not yet been agreed upon in a timely and definitive manner by the parties and shall remain subject to further agreements between the parties based on guidelines and strategies agreed in the respective Framework Agreements.

For further information on the Framework Agreements, see Chapter 22, Paragraph 22.1 of the Registration Document. Note that the meeting where the Board of Directors was mandated to approve the execution of the "Fino Project" will take place before the approval of the preliminary data for the financial year ending 31 December 2016.

The costs related to the "Fino Project" refer to legal and financial consulting costs typical of securitisation and structuring transactions observable on the market and are mainly attributable to the preparation of the contracts, the saturation activities of the financial transaction and related access to the market, as well as the activities of preparing and maintaining the data rooms in order to allow the due diligence activities conducted by investors.

Pursuant to each Framework Agreement, one of the objectives of "phase 1" is obtaining the accounting derecognition of the portfolio sold. According to IAS 39, portfolios sold will be subject to accounting derecognition from the financial statements of the Issuer (i) once essentially all risks and associated benefits are transferred to independent third parties or (ii) once a sufficient part of the risks and benefits is transferred to third parties provided that the control of the credit components of said portfolios is not maintained. As at the date of the Registration Document, the Issuer is performing the necessary qualitative-quantitative analyses, in particular those related to the pricing mechanism of deferred subscription and to the structure of the securitisation transactions covered by the Framework Agreement, aimed at supporting prospectively the verification of the existence of the conditions mentioned above and the verification of the *significant risk transfer* as well as the related regulatory treatments of the "Fino Project".

The analysis will be completed upon completion of the contractual documentation and could highlight the lack of conditions laid down by the accounting principle of reference for the accounting cancellation (derecognition) of the portfolio. In such case, it may be necessary to review the provisional information contained in Chapter 13 Paragraph 13.1.7, of the Registration Document.

If the above analysis shows the lack of conditions laid down by the accounting principle of reference for the accounting cancellation (derecognition) of the portfolio, or if the planned divestment of the portfolio at each SPV and related securitisation transactions are not completed, even for reasons independent of the will of the Issuer, such as - for example - the default on the part of the respective contractual partners in relation to the Framework Agreement and the related and connected additional contracts, the Issuer may not pursue the goal of obtaining the accounting cancellation of the entire portfolio of the "Fino Project". This circumstance may

[13] It is expected that this transfer in the context of the "phase 2" can also include co-sale obligations (so-called "*tag along*") and dragging (so-called "drag along").

highlight the non-suitability of the use of the transfer price for the purposes of the evaluation of the portfolio and in addition it would not allow the reduction of impaired loans with negative impacts on the achievement of the objectives of the 2016-2019 Strategic Plan (on this point see Chapter 4, Paragraph 4.1.1.2 of the Registration Document), as well as on ratings assigned to the Issuer (on this point see Chapter 4, Paragraph 4.1.32 of the Registration Document). This circumstance may also cause negative impacts both in terms of reputation nature and on the economic, asset and financial situation of the Issuer and/or Group.

In this regard, note that, irrespective of the outcome of the above-mentioned analyses involving the existence of the requirements for the derecognition of the portfolio sold, the objective and the improvement process for the quality of the capital assets (to be implemented through actions aimed, specifically, at the reduction of the non-core loans portfolio and the increase of the coverage ratio on bad and unlikely-to-pay loans in the Italian loan portfolio) remains valid overall under the scope of the 2016-2019 Strategic Plan (see Chapter 13, Paragraph 13.1.5 of the Registration Document).

The uncertainties and the consequent risks of the failure to realise the securitizations and the "Fino Project" associated with the conditions precedent in the Framework Agreement could involve the risk for the Issuer of initiating new sell-out procedures for these portfolios (including through the launch of a new competitive auction) which could, as a result, involve a postponement of the transaction, in addition to the risk related to the need to further increase the adjustments to the portfolios in question if, following the new sell-out procedures, the changed market conditions lead to a lower price. In addition, these uncertainties and the consequent risk of the failure to execute the "Fino Project" could also lead to changes in the strategic and operating plan to deal with the high level of NPLs taking into account the results of the 2016 SREP conducted by the ECB with regard to the UniCredit Group's income-generating capacity.

Notwithstanding the above, the implementation of the "Fino Project", pursuant to each Framework Agreement provides that, in order to finance the purchase of each loan portfolio transferred, in "Step 1" each SPV will issue three classes of Notes within each securitisation: Class A Notes, Class B Notes and Class C Notes. The reimbursement of Class A Notes will precede the repayment of Class B Notes and Class C Notes; the repayment of the Class B Notes will follow the repayment of the Class A Notes but will precede the repayment of Class C Notes; the repayment of the Class C Notes will follow the repayment of Class A Notes and Class B Notes. Each SPV may also issue additional classes of Notes subscribed entirely by UniCredit in order to establish certain cash reserves within each securitisation transaction, as provided for in the context of the so-called "phase 2". As of the Date of the Registration Document, the Issuer is performing the necessary qualitative-quantitative analyses, in particular those related to the pricing mechanism of deferred subscription and to the structure of the securitisation transactions covered by the Framework Agreement, aimed at supporting prospectively the verification of the *significant risk transfer* as well as the related regulatory treatments of the "Fino Project".

The maintenance of Notes by UniCredit following the implementation of the "Fino Project" could result in asset impact, even negative, depending on: (i) The absorption of related assets weighted by the credit risk for the purposes of the determination of the regulatory capital ratios; and (ii) the possible future value adjustments arising from the portion of the risk retained. The residual share of the Notes held in the future will also be considered for the purposes of calculation of the Issuer's short and medium/long-term Issuer liquidity coefficients, as in "use not in the short term", thus implying the need for long-term funding of such use on the part of the Issuer.

It should also be noted that each Framework Agreement has a draft sales agreement attached, agreed between the parties which, once signed, in accordance with the time scales and arrangements for the implementation of the "Fino Project", will include, among other things, declarations and guarantees issued by UniCredit in relation to each loan portfolio sold and the related compensation liability if these declarations and guarantees are not correct (as an alternative to the compensation liability, UniCredit could, in certain circumstances, ask to buy back the loan). These declarations and guarantees cover, among other things, the existence of loans sold, if the loans sold are owned by UniCredit and can be sold, the validity and existence of guarantees in relation to loans with collateral or personal guarantees. Where the contracts of sale were signed in the agreed form within the meaning of the relevant Framework Agreement as of the date of the Registration Document, any incorrect or untrue representations and guarantees issued by UniCredit in relation to each loan portfolio transferred would entail for the Issuer the risk to pay compensation to the relative SPV equal to the damage suffered for a maximum amount that ranges from 15% to 30% (depending on securitisation) of the sale price of credit, in relation to which the breach of the representations and guarantees refers, or in the case of repurchase, pay to the corresponding SPV the corresponding repurchase price determined on the basis of the original price of sale of the corresponding credit net of any amounts cashed for such credit and plus any collection costs incurred up to the repurchase date.

Finally, it is reported that in the course of 2016 reforms were introduced in Italy, whose intention is to facilitate the management of impaired loans, including (i) the GACS introduced by L.D. of 14 February 2016, no. 18 (converted with amendments by the Law of 8 April 2016, no. 49); and (ii) the introduction of art. 48-*bis* of the TUB that foresees the possibility for banks and other intermediaries authorised pursuant to art. 106 of the TUB to grant financing to enterprises guaranteed by the transfer of a specific immovable property, with certain suspensive conditions of default (so-called "Marciano Pact"). As mentioned above, in "phase 2" of the "Fino Project", the parties have identified on a preliminary basis guidelines and strategies to regulate, inter alia, the optimization of the financial structure of the Notes issued during the "phase 1", including the possible obtaining of guarantee on securitisations of impaired loans ("**GACS**"). However, as of the Date of the Registration Document is not yet possible to assess with certainty the impacts of these reforms on the market of impaired loans in Italy nor, in the light of the fact that the possible obtaining of GACS will only occur upon the outcome of further negotiations for the implementation of the "phase 2" of the "Fino Project", the actual implementation of the requirements laid down by the regulations for the purposes of obtaining of the GACS.

On this point, see Chapter 3, Paragraph 3.7 of the Registration Document.

4.1.5 Risks associated with capital adequacy

The rules on capital adequacy for banks define the prudential minimum capital requirements, the quality of capital resources, and risk mitigation instruments.

In implementation of the Basel III accords, 26 June 2013 saw the approval of Directive 2013/36/EU of the European Parliament and of the Council on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (the "CRD IV"). The same date also saw the approval of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (the "CRR"). Subsequently, on 17 December 2013, Banca d'Italia issued Circular 285, which combines the prudential supervision provisions applicable to Italian banks and banking groups, as reviewed and updated to adapt the internal regulation to the changes introduced by the European regulatory framework (the "**Supervisory Provisions**"). The aforementioned regulatory instruments are applied as of 1 January 2014 (see Section 1, Chapter 6, Paragraph 6.1.8 of the Registration Document).

Furthermore, as of 4 November 2014, the ECB has assumed the specific prudential supervision tasks provided for by the SSM Regulation, within the framework of the Single Supervisory Mechanism (SSM), in cooperation with the national supervisory authorities of the participating countries. On the same date, the Regulatory Provisions were amended in accordance with the aforementioned European regulations.

The table below shows indicators for the Issuer's capital and supervisory capital coefficients on a consolidated basis, as at 30 September 2016 (phase-in), 31 December 2015 (phase-in), as at 31 December 2014 (phase-in) and as at 31 December 2013 (phase-in). The amounts are inclusive of transitional adjustments, according to the regulatory percentages applicable from time to time.

	As at			
(in millions of Euros; per cent)	**30 September 2016**	**31 December 2015**	**31 December 2014**	**31 December 2013**(2)
Common Equity Tier 1 (CET1) capital	42,980	41,375	41,998	n.a.
Additional Tier 1 capital	3,172	3,545	3,502	n.a.
Tier 1 capital	46,152	44,920	45,500	42,737
Tier 2 capital	10,515	10,659	9,357	14,914
Total capital	56,667	55,579	54,857	57,651
Total risk-weighted assets (RWA)	390,901	390,599	409,192	423,739
Common Equity Tier 1 capital / risk-weighted assets (CET1 capital ratio)	11.00%	10.59%	10.26%	n.a.
Tier 1 capital / risk-weighted assets (Tier 1 capital ratio)	11.81%	11.50%	11.12%	10.09%
Total capital / risk-weighted assets (Total capital ratio)	14.50%	14.23%	13.41%	13.61%
Total risk-weighted assets as a proportion of total assets(1)	43.39%	44.01%	46.90%	50.10%

(1) "Total assets" is represented by the amount recorded in the financial reporting as at the respective reference dates.

(2) The figures at 31 December 2013 are calculated in line with the regulatory forecasts in force at that date and are reported only for the aggregates provided by these statutory provisions; for more details, see note 1 to the table in Chapter 3, Paragraph 3.2.6 of the Registration Document.

RISK FACTORS

The following tables show the data concerning the minimum requirements of the capital ratios of the UniCredit Group provided for by the legislation of reference for the years 2016, 2015, 2014 and 2013 and, where applicable, the specific requirements of UniCredit established by the ECB within the framework of the MVU.

Capital adequacy indicators applicable in 2017 (percent)	**Minimum regulatory requirements (Article 92, CRR, Pillar I)**	**TSCR Requirements (Pillar I + Pillar II Requirements)**	**Combined buffer (Capital conservation, Countercyclical and G-SII)**	**OCR Requirements (TSCR + Combined buffer)**
Common Equity Tier 1 capital / risk-weighted assets (CET1 capital ratio)	4.500%	2.755%	7.255%	10.005%
Equity Tier 1 capital / risk-weighted assets (T1 capital ratio)	6.000%	2.755%	8.755%	
Total own funds / risk-weighted assets (Total capital ratio)	8.000%	2.755%	10.755%	

(1) Includes the *countercyclical buffer* specific for the Group, calculated as of September 2016. The reserve applicable to December 2016 may differ according to the decisions of the designated national authorities and the evolution of the breakdown of the overall exposure to credit risk by nationality of residence of the counterparty.

(2) The ECB - with the decision communicated to the Issuer on 8 December 2015 - has indicated to the Issuer to maintain, starting from 1 January 2016, the minimum capital requirement in terms of *common equity tier 1 ratio* equal to 9.75%, which adds the G-SII *buffer* equal to 0.25% in 2016 and the *countercyclical capital buffer* equal to 0.005% calculated at September 2016.

Capital adequacy ratios applicable in 2015 (percent)	**Minimum regulatory requirements (art. 92 of CRR)**	***Combined Buffer (Capital Conservation)***	**Minimum requirements and *Combined Buffer***	**SREP[1] requirements**
Common Equity Tier 1 capital / risk-weighted assets (CET1 capital ratio)	4.5%	2.5%	7.0%	9.5%
Equity Tier 1 capital / risk-weighted assets (T1 capital ratio)	6.0%	2.5%	8.5%	
Total own funds / risk-weighted assets (Total capital ratio)	8.0%	2.5%	10.5%	13.0%

(1) The ECB - with the decision communicated to the Issuer on 20 February 2015 - has established the following requirements for the Issuer on a consolidated basis: *Common equity tier* 1 *ratio* equal to 9.5% and *total capital ratio* equal to 13%.

Capital adequacy ratios applicable in 2014 (percent)	**Minimum regulatory requirements (art. 92 of CRR)**	***Combined Buffer (Capital Conservation)***	**Minimum requirements and *Combined Buffer***
Common Equity Tier 1 capital / risk-weighted assets (CET1 capital ratio)	4.5%	2.5%	7.0%
Equity Tier 1 capital / risk-weighted assets (T1 capital ratio)	5.5%	2.5%	8.0%
Total own funds / risk-weighted assets (Total capital ratio)	8.0%	2.5%	10.5%

Capital adequacy ratios applicable in 2013 (percent)	**Minimum regulatory requirements**
Total own funds / risk-weighted assets (Total capital ratio)	8.0%

As at the date of the Registration Document, the Italian banking groups must meet the following regulatory capital ratios: a CET1 ratio requirement of 4.5%, a Tier 1 ratio of 6% and a total capital ratio of 8%.

In addition to these own funds requirements, there is also a combined capital reserve requirement, which is equal to the sum of the following buffers, where applicable:

- capital conservation buffer, fixed at 2.5% for all Italian banking groups until 31 December 2016[14] (1.25% for 2017);
- institution-specific countercyclical capital buffer[15], to be applied in periods of excessive credit growth, equal to 0.005% for the UniCredit Group as at 30 September 2016;
- Global Systemically Important Institutions (G-SII) buffer, equal to 0.25% for the UniCredit Group on a transitional basis as of 1 January 2016; the level will be increased by 0.25% each year (0.50% for 2017) until it reaches 1%, on a "fully loaded" basis, in 2019;
- Other Systemically Important Institutions (O-SII) buffer, equal to 0% for UniCredit for 2016; Banca d'Italia has identified the UniCredit Group as a national systemically important institution, deciding to apply an additional O-SII buffer of 0% for 2016 and 2017; as from 2018 the level will be increased by 0.25% per year, reaching 1% on a "fully loaded" basis in 2021. It should, however, be taken into consideration that Article 131, paragraph 14 of CRD IV requires the application of the higher reserve out of the capital reserve for G-SII and the capital reserve for O-SII (therefore the UniCredit Group should comply with the requirement connected to the G-SII capital reserve equal to 0.50% for 2017);
- systemic risk buffer, aimed at preventing and mitigating long-term, non-cyclical, systemic or macroprudential risk that is not provided for by the CRR (not applicable as at the Registration Document Date).

During the course of 2015, the UniCredit Group has been subject to the Supervisory Review and Evaluation Process (SREP), through which the Supervisory Authority – within the framework of the tasks assigned to it under the SSM – has carried out an evaluation of the risks of credit institutions, their governance mechanisms, and their capital and financial position.

In light of the results of the SREP, for 2016, the Issuer must retain a Common Equity Tier 1 level (phase-in) on a consolidated basis of 9.75%; in addition to this, it must maintain: (i) the aforementioned buffer for systemically important banks, equal to 0.25% for 2016; and (ii) the institution-specific countercyclical capital buffer for UniCredit applicable from time to time (equal to 0.005% as at 30 September 2016), which, overall, means maintaining a minimum coefficient equal to 10.005%. For 2016, the SREP requirements apply only to the Common Equity Tier 1 ratio.

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[14] In October 2016, Banca d'Italia published an update to Circular 285 that provides for a different application of the transitional rules in relation to the capital conservation buffer: as of 1 January 2017, the buffer shall be equal to: 1.25% for 2017 (compared with 2.5% for 2016); 1.875% for 2018; and 2.5% as of 1 January 2019.

[15] In application of the transitional regime defined by Article 160, paragraphs 1 to 4 of the CRD IV, in accordance with the provisions set out by Banca d'Italia, for the period between 1 January 2016 and 31 December 2016, this must consist of Common Equity Tier 1 capital equal to a maximum of 0.625% of the total value of risk-weighted exposures. For subsequent years, the reserve provides the following maximum values in the transitional period: (i) 1.25% for 2017; and (ii) 1.875% for 2018.

RISK FACTORS

The table below shows the Issuer's Common Equity Tier 1 coefficient, on a consolidated basis, as at 30 September 2016 (phase-in), compared with the minimum regulatory requirement indicated by the SREP.

(per cent)	**30.09.16**	**Minimum requirements including "buffers"**
Common Equity Tier 1 capital / risk-weighted assets (CET1 capital ratio)	11.00%	10.005%
Tier 1 capital / risk-weighted assets (T1 capital ratio)	11.81%	8.755%
Total capital / risk-weighted assets (Total capital ratio)	14.50%	10.755%

It should also be pointed out that the aforementioned capital requirements for the UniCredit Group were calculated in accordance with the provisions of the CRR and of the relative technical standards directly applicable within the national rules that make up the "Single Rulebook". The regulations contained in the Single Rulebook provide for a transitional regime for the gradual introduction of some new rules ("phase-in"). In this context, it should be pointed out that the application period for the transitional regime is expected to come to an end in 2017 (which therefore represents the last year of the transitional regime[16]) and that the grandfathering of capital instruments will cease to have effect as of 2022.

The common equity tier 1 ratio of the UniCredit Group, equal to 11.00% (phase-in) as at 30 September 2016 and to 10.59% (phase-in) as at 31 December 2015, would correspond, respectively, to approximately 10.82% (fully loaded) and to approximately 10.38% (fully loaded), this being understood to mean the common equity tier 1 ratio calculated based on the rules that will be in force at the end of the transitional period. The fully loaded figure as at 30 September 2016 (10.82%) is compared with the average figure for the main competitors (G-SII European) of 13.1% fully loaded. It should be pointed out that the figure relating to the common equity tier 1 ratio (fully loaded) of the UniCredit Group as at 30 September 2016 and as at 31 December 2015 is merely a projection, which has not been subject to a full or review, provided exclusively for information purposes, to demonstrate the impact that the provisions of Basel III would have if a transitional period were not provided for, during which the new regulatory measures can be introduced gradually. It does not constitute a guarantee of the capital levels that will be in place at the end of the transitional period.

With regard to the development of the regulatory buffers, note that the growth of the UniCredit Group's common equity tier 1 ratio transitional between 31 December 2015 and 30 September 2016 equal to 41 basis points (from 10.59% to 11.00% phased in) is almost entirely due to the increase in the common equity tier 1 capital equal to €1.6 billion with a positive impact on the ratio of approximately 42 basis points, while the risk-weighted assets (RWA) demonstrate a light increase of €0.3 billion, corresponding to a negative impact of around 1 basis point. The net profits of the first half of 2016 (+1.3 billion) contributed mainly to the increase in common equity tier 1 transitional capital, and were recognised in full because there was no distribution of dividends on the 2016 result (the profit for the third quarter, on the other hand, was not included because UniCredit did not request prior authorisation from the competent Authority pursuant to the CRR), plus the benefits of the scrip dividend transactions for the 2015 dividends (+0.5 billion); the contribution of valuation reserves (relating to net actuarial losses, assets available for sale and exchange rate fluctuations reserve) including the effect associated with provisional adjustments was, however, negative (-0.7 billion). In addition, the transaction involving the sale of 10% of Bank Pekao and FinecoBank generated a benefit of €0.7 billion and €0.3 billion, respectively. The increase in the Tier 1 ratio in the period of 31 basis points is lower than that

[16] For the transitional adjustment connected with IAS 19, the last application period for the transitional adjustment is the year 2018.

of the CET 1 Ratio because of the reduction of the Additional Tier 1 capital (AT1) (-0.4 billion) essentially due to the effects of the additional tier 1 instruments public tender offer. The increase in the period of the Total Capital ratio was 27 basis points and includes a reduction in the Tier 2 capital of - 0.1 billion as well as the Tier 1 changes.

With regard to the indications set out in Banca d'Italia Supervisory Bulletin 12 of December 2013 on the transitional provisions for capital, concerning the treatment of unrealised profits and losses relating to exposures to Central Authorities, classified in the category "Financial assets available for sale – AFS)" of IAS 39, the Issuer has exercised the option provided for in the Supervisory Provisions (Part 2, Chapter 14, Section II, Paragraph 2, last indent) with regard to consolidated capital.

In line with the application of the aforementioned option, as of 31 March 2014 and in continuity with the previous periods, the Issuer has, exclusively for securities issued by Central Authorities of countries belonging to the European Union included in the portfolio "Financial assets available for sale - AFS", not included in "Capital" any unrealised profits or losses relating to exposures to central authorities classified in the category "Financial assets available for sale" of IAS 39, in accordance with the procedures provided for by Article 467 of the CRR.

The treatment described above was applied until 30 September 2016; as of 1 October 2016, in consideration of the issuance of Regulation (EU) 2016/445 of the ECB of 14 March 2016 on the exercise of options and discretions available in Union law (ECB/2016/4), Paragraph 3 of Articles 14 and 15 of the aforementioned Regulation takes into account unrealised profits and losses relating to exposures to Central Authorities classified in the AFS category in line with unrealised profits and losses connected to all other debt and capital securities.

Therefore, as of the regulatory reports referring to 31 December 2016, the calculation of capital shall include the admissible percentage, in accordance with the transitional provisions, of unrealised profits and losses relating to exposures to Central Authorities classified in the AFS category.

In addition to the above, also in 2016 the UniCredit Group was subject to a SREP conducted by the Supervisory Authority. Following this process from 1 January 2017, the Issuer must comply with a total SREP capital requirement ("**TSCR**") (phase in) on a consolidated basis of 10.50%, which includes:

- a minimum Total Capital Ratio of 8% in line with Article 92, paragraph 1 of the CRR;
- an additional requirement of 2.50% (SREP add-on), in line with Article 16, paragraph 2, letter (a) of the SSM Regulation, which should be entirely made up of Common Equity Tier 1 capital.

The Issuer is also subject to an overall capital requirement ("**OCR**"), which, in addition to the TSCR, includes the combined capital buffer requirement mentioned above.

The table below contains the minimum OCR regulatory requirements requested upon the outcome of the 2016 SREP, on a consolidated basis, which will come into force from 1 January 2017 (phase in).

Asset adequacy indicators applicable in 2017 (percent)	**Minimum Regulatory Requirements (Article 92 CRR, Pillar I)**	**TSCR Requirements (Pillar I + Pillar II Requirements)**	***Combined buffer (Capital conservation, Coutercyclical* and G-SII)**	**OCR Requirements (TSCR + *Combined buffer*)**
Common Equity Tier 1/risk-weighted assets (CET1 *capital ratio*)	4.500%	7.000%	1.755%	8.755%
Tier 1 capital/risk-weighted assets (*T1 capital ratio*)	6.000%	8.500%	1.755%	10.255%
Total own funds/risk-weighted assets (*Total capital ratio*)	8.000%	10.500%	1.755%	12.255%

These requirements assume that the Issuer's Institution Specific Countercyclical Capital Buffer remains constant at the applicable level for the UniCredit Group as at 30 September 2016 equal to 0.005%.

The Issuer's Institution Specific Countercyclical Capital Buffer applicable at 1 January 2017 was not estimated, and will be calculated *ex-post* at the end of the first quarter of 2017. This could differ from what was taken into consideration, potentially creating an increase in the requirements of the Group, depending on the decisions of the designated national authorities and the development of the distribution by residency nationality of the counterparty of the overall exposure to credit risk.

Under the scope of the 2016 SREP, also following the stress test conducted by the EBA in 2016 (see Chapter 5, Paragraph 5.1.6 of the Registration Document), the ECB notified the Issuer that it expected the Group to additionally comply with (i) the minimum Common Equity Tier 1 capital requirement of 4.5% (Pillar I), (ii) the additional requirement of 2.5% (SREP add-on or Pillar II requirement) and (ii) the combined capital buffer requirement, a further capital guideline (so-called *"Pillar 2 capital guidance"*) equal to 1.25% that should be entirely made up of Common Equity Tier 1 capital (for more information see Chapter 5, Paragraph 5.1.6 of the Registration Document).

The table below contains the minimum regulatory requirements, on a consolidated basis, that the ECB expects the UniCredit Group to comply with pursuant to the Pillar II capital guideline[17].

(percent)	**OCR requirements (+ "Pillar 2 capital guidance") as at 1 January 2017**
Common Equity Tier 1 capital / risk-weighted assets (CET1 capital ratio)	10.005%
Tier 1 capital / risk-weighted assets (T1 capital ratio)	10.255%
Total capital / risk-weighted assets (Total capital ratio)	12.255%

The 2016 SREP letter introduces the capital guideline ("Pillar 2 capital guidance"), as requested to fully satisfy with common equity tier 1 capital, in addition to the OCR regulatory minimum requirement only in terms of CET 1 and not in addition to the Tier 1 and Total capital OCR regulatory minimum requirements (for which, therefore, the requirements remain unchanged with respect to the OCR requirements).

With reference to the above, note that non-compliance with this capital guidance does not amount to failure to comply with the capital requirements, but should be considered by the Issuer as a "pre-alarm warning" to be used in its risk management process. If the capital level goes below the "Pillar 2 capital guidance", the Regulatory Authority, which should be promptly informed in detail by the Issuer of the reasons of the failure to comply with the "Pillar 2 capital guidance", will take into consideration any appropriate and proportional measures on a case by case basis (including, by way of example, the possibility of implementing a plan aimed at restoring conformity to the capital requirements - including capital strengthening requirements -, consistent with Article 16, paragraph 2 of the SSM Regulation).

Also note that the Issuer, as a result of the ongoing evolution of the regulatory framework (on this point, see Chapter 4, Paragraph 4.2.3 of the Registration Document), will also have to maintain the leverage ratio, expressed as a percentage representing Tier 1 capital as a proportion of the Issuer's total exposure, the latter being calculated as the sum of the exposure values of all off-balance sheet elements and activities not deducted from Tier 1 capital. As at the Registration Document Date, the leverage ratio is subject to reporting to the Supervisory Authorities in the context of an observation period that will conclude in 2017, with the aim of transforming the indicator into a minimum requirement as part of Pillar I, as of 1 January 2018.

[17] Assuming that the Issuer's Institution Specific Countercyclical Capital Buffer remains constant at the applicable level for the UniCredit Group as at 30 September 2016 equal to 0.005%.

The following table shows the Issuer's leverage ratio on a consolidated basis, as at 30 September 2016 (phase-in), with the relative comparison data as at 31 December 2015 (phase-in). The amounts are inclusive of transitional adjustments, according to the regulatory percentages applicable from time to time.

(per cent)	**30.09.16**	**31.12.15**
Consolidated leverage ratio	4.70%[(1)]	4.63%[(2)]

(1) The leverage ratio as at 30 September 2016 was calculated in accordance with the provisions of Implementing Regulation (EU) 2016/428 of the Commission of 23 March 2016, which establishes the implementing technical standards concerning institutions' reporting for supervisory purposes with regard to the leverage ratio (introducing the Implementing Technical Standards – ITS), in line with Delegated Regulation 62/2015.

(2) The leverage ratio as at 31 December 2015 was calculated in accordance with the provisions of Delegated Regulation 62/2015, for the purposes of the disclosure made within the Disclosure by Institutions (Pillar III) insofar as it is required pursuant to specific provisions, although the reporting to the Supervisory Authority was carried out in accordance with the provisions in force at the time.

The minimum level to be maintained as at 1 January 2018 has not yet been defined, while the Basel Committee has proposed a level of 3% during the observation period.

The assessment of the level of capital adequacy is influenced by a series of potential variables, including the need to tackle the impacts of the new and more demanding regulatory requirements and/or the assessment of market contexts that are expected to be particularly challenging, and which will require the availability of adequate capital resources to support the Group's investment and activity levels. Furthermore, although as at the Registration Document Date the UniCredit Group is not included on the list of "financial conglomerates" pursuant to Legislative Decree 142 of 30 May 2005, there is the risk that in future, in view of the Group's business structure (on this point, see Chapter 6, Paragraph 6.1.2 of the Registration Document), it may be included on the list. Specifically, if, as a result of the application of mechanisms for withdrawing from joint ventures with insurance companies (on this point, see Chapter 4, Paragraph 4.1.20 of the Registration Document), the UniCredit Group were to temporarily own 100% of one or more of its bank assurance joint ventures, this could result in the risk that UniCredit could be included on the list of financial conglomerates, resulting in the need to comply with the relative additional regulatory requirements required.

In light of the above, it is possible that the UniCredit Group will record a reduction in its capital ratios compared with the current situation. Therefore, there is the risk that in future the Issuer may find, in light of external factors and unpredictable events that are outside the Group's control and/or as a result of additional requests by the Supervisory Authority, that it needs to adopt a capital conservation plan, and to take measures to strengthen its capital in order to achieve the capital adequacy standards set out by the prudential regulations applicable at the time.

The UniCredit Group's capital ratio level also impacts on the Issuer's capacity to distribute dividends (partly in view of the need to comply with fully loaded requirements - which are stricter than those in force as at the Registration Document Date – as of 2018; on this point, see also Chapter 4, Paragraph 4.1.7 of the Registration Document), as well as on the possibility for the Group to pay out coupons related to the Additional Tier 1 instruments and on other hybrid capital instruments that provide for "coupon stopper" mechanisms linked to the UniCredit Group's capital ratios. If the Issuer were unable to pay out the coupons provided for by said hybrid capital instruments, this could cause difficulty for it and/or for the other UniCredit Group companies in accessing the capital market, resulting in a (possibly significant) increase in the cost of funding, and possibly having negative effects on the activities, operating results and capital and/or financial position of the Issuer and/or of the Group.

Furthermore, the Supervisory Review and Evaluation Process (SREP) is carried out at least annually by the ECB (without prejudice, in any case, to the latter's powers and supervisory prerogatives, which can be exercised on an ongoing basis throughout the year) and, therefore, there is the risk that, following future review and prudential valuation processes, the Supervisory Authority may order the Group, *inter alia*, to maintain higher capital adequacy standards than those applicable as at the Registration Document Date. In these circumstances, the Issuer could find it necessary to take additional measures to strengthen its capital in order to achieve said standards and/or undergo potentially invasive interventions in the management thereof, such as the imposition of restrictions or limitations on assets and/or the disposal of assets that present excessive risks to the Issuer's stability.

For further information on the UniCredit Group's capital ratios, see Chapter 3, Paragraph 3.2 and Chapter 9, Paragraph 9.1 of the Registration Document.

For completeness, the pro-forma CET ratio figures of the UniCredit Group for the nine-month period ended 30 September 2016 and for the year ended 31 December 2015 are given below.

As at 30 September 2016, the pro-forma CET1 ratio is equal to 13.71% taking into consideration the effects of the following transactions: (i) Bank Pekao which involves an increase of 58 basis points; (ii) Pioneer which involves an increase of 91 basis points; (iii) FinecoBank which involves an increase of 12 basis points; (iv) PJSC Ukrsotsbank which involves an increase of 6 basis points; (v) Immo Holding which involves an increase of 2 basis points; (vi) "Fino Project" which involves a decrease of 99 basis points; (vii) the "Porto Project" which involves a decrease of 125 basis points; and (viii) the Share Capital Increase which involves an increase of 345 basis points.

Similarly, as at 31 December 2015, the pro-forma CET1 ratio is equal to 13.46% taking into consideration the effects of the following transactions: (i) Bank Pekao which involves an increase of 67 basis points; (ii) Pioneer which involves an increase of 91 basis points; (iii) FinecoBank which involves an increase of 19 basis points; (iv) PJSC Ukrsotsbank which involves an increase of 6 basis points; (v) Immo Holding which involves an increase of 2 basis points; (vi) "Fino Project" which involves a decrease of 100 basis points; (vii) the "Porto Project" which involves a decrease of 124 basis points; and (viii) the Share Capital Increase which involves an increase of 347 basis points.

Detailed information regarding the effects of individual operations and the methodological aspects of the pro-forma data are reported in Chapter 20, Paragraph 20.2 of the Registration Document.

4.1.6 Risks related to the variability of the income results of the Group for the years ending 31 December 2015, 2014 and 2013 as well as for the interim period closed on 30 September 2016 and the limits to the non-comparability of future results after this last period

The present risk factor highlights the risks related to investment in the capital of the Issuer, in consideration of the variability of the income results of the Issuer, also in relation to current market conditions, as well as the risks associated with the limits of non-comparability of results following 30 September 2016 due to changes in the scope of consolidation following the M&A Asset Sale Transactions and, limited to the results at 31 December 2016, to non-recurring negative components recorded in the fourth quarter of 2016.

RISK FACTORS

The following table contains the main data of the reclassified consolidated profit and loss account of the Group as at 31 December 2015, 2014 and 2013.

RECLASSIFIED ECONOMIC DATA	At 31 December				
(in millions of euro)	2015	2014 (restated)	2014	2013 (restated)	2013
Net interest	11,916	12,442	12,442	12,303	12,990
Dividends and other income from equity investments	829	794	794	964	324
Net fees and commissions	7,848	7,593	7,572	7,361	7,728
Net trading, hedging and fair value income	1,644	1,536	1,557	2,505	2,657
Intermediation profits and various profits	**166**	**188**	**149**	**203**	**273**
BROKERAGE MARGIN	**22,405**	**22,552**	**22,513**	**23,335**	**23,973**
Personnel costs	(8,339)	(8,201)	(8,201)	(8,375)	(8,649)
Other administrative expenses	(5,159)	(5,244)	(5,575)	(5,357)	(5,559)
Recovery of expenses	808	834	834	716	715
Adjustments in value of tangible and intangible assets	(929)	(896)	(896)	(1,238)	(1,307)
Operating costs	**(13,618)**	**(13,507)**	**(13,838)**	**(14,253)**	**(14,801)**
OPERATING PROFIT (LOSS)	**8,787**	**9,045**	**8,675**	**9,082**	**9,172**
Other charges and provisions	(1,585)	(728)	(358)	(984)	(996)
Integration costs	(410)	(20)	(20)	(727)	(727)
Net impairment losses on loans and provisions for guarantees and commitments(1)	(4,114)	(4,292)	(4,292)	(13,481)	(13,658)
Net profits from investments	(6)	87	87	890	1,322
GROSS PROFIT ON CONTINUING OPERATIONS	**2,671**	**4,091**	**4,091**	**(5,220)**	**(4,888)**
Income tax for the period	(137)	(1,297)	(1,297)	1,716	1,607
Profit (Loss) after tax from discontinued operations	(295)	(124)	(124)	(639)	(639)
PROFIT (LOSS) FOR THE PERIOD	**2,239**	**2,669**	**2,669**	**(4,143)**	**(3,920)**
Minorities	(352)	(380)	(380)	(382)	(382)
NET PROFIT ATTRIBUTABLE TO THE GROUP	**1,887**	**2,289**	**2,289**	**(4,524)**	**(4,302)**
Purchase Price Allocation effect	(193)	(281)	(281)	(1,673)	(1,673)
Impairment of goodwill	-	-	-	(7,767)	(7,990)
NET PROFIT ATTRIBUTABLE TO THE GROUP	**1,694**	**2,008**	**2,008**	**(13,965)**	**(13,965)**

(1) For the dynamics of the credit adjustments *see*. Chapter 9, Paragraph 9.1.2.1 of the Registration Document.

Notes:

The comparative values on 31 December 2014 differ from what is published with reference to that date because of:

- the reclassification of the income arising from the placement fees of Debt Capital Markets "best effort" transactions (i.e. placement of financial instruments without underwriting risks) from "Gains and losses on financial assets and liabilities held for trading" to "Fee and commission income";
- the reclassification of the margins arising from currency trading with customers of a subsidiary from "Net Fee and Commission income" to "Gains and losses on financial assets and liabilities held for trading";
- the reclassification of costs relating to so-called *Bank Levy* and contributions related to pre-existing schemes guaranteeing deposits and local *resolution funds* from "Other administrative expenditure" and "Other income/management charges" items to "Other charges and provisions" (formerly called "Provisions for risks and charges").

  The comparative values as at 31 December 2013 have been restated, with respect to what is published with reference to that date for the reasons set out below.

  Starting from the first quarter of 2014, in order to better represent the result of purely banking activity in the individual items of the income statement, the economic results of the fully consolidated industrial companies are exposed in a single entry (Balance of other income/expense). The comparison period was consistently restated.

It should also be noted that the impact on the income statement of equity investments consolidated through the equity method following the adoption of IFRS 10 -11 which were originally owned as a result of debt-to-equity transactions, is reported under the item "Net profit (loss) from investments" rather than "dividends and other income from equity investments", in order not to influence the representation of the operating results and to make them similar to write-downs on equity investments. The comparison period was consistently restated.

In addition to the above-mentioned effects, the comparative values as at 31 December 2013 have been restated:

- as a result of the introduction of accounting principles IFRS 10 and IFRS 11;
- as a result of the reclassification of the contribution to the FITD (Italian Bank Deposit Guarantee Fund) relating to the interventions already approved, from the item "balance of other income/expense" to the item "provision for risks and charges".

In 2013 the Group recorded a net loss of €13,965 million, principally attributable to:

- €-7,990 million relating to the write-down of goodwill;
- €-1,311 million due to the almost complete devaluation of *customer relationship*;
- €-7,151 million of additional accruals on loans, of which €-5,755 million related to changes in the estimate of the recoverable amount of the credits within the Italian perimeter and the remaining €-1,079 million related to an activity of review of the credit positions held by UniCredit;
- €-699 million for restructuring costs linked to the implementation of the projects for the restructuring of the commercial networks;
- €-632 million relating to the subsidiary PSJC Ukrsotsbank.

Net of the above-mentioned one-off items, the net profit in 2013 would have amounted to over €3,818 million, also supported by the revaluation of the stake in Banca d'Italia (equal to €1,374 million); the result net of this item would have been €2,444 million. In more detail:

Specifically:

- The intermediation margin of the year was characterized by the erosion of the interest margin primarily as a result of the contraction of the volumes of loans to customers, and of the result of the negotiation, which in 2012 had benefited, to a greater extent, from profits arising from public offerings of repurchase promoted on bond instruments issued by the Group;
- Operating costs in 2013 are slightly down with respect to the 2012 thanks to the reduction in staff costs.

In 2014 the Group recorded a net profit of 2,008 million. Specifically:

- The intermediation margin totalled €22,513 million, down 3.5% compared to 2013 restated, mainly due to the contraction of the result of *trading*;
- Operating costs amounted to €13,838 million, a decline of 2.9% with respect to 2013 restated;
- Net corrections of loans and provisions for guarantees and commitments represented €4,292 million, in significant reduction compared with the previous year restated (-68.2%), also as a result of the coverage strengthening actions performed in the fourth quarter of 2013.

In 2015 the Group recorded a net profit of €1,694 million.

The result of the year was affected by some extraordinary items such as:

- the allocation of integration costs for the implementation of the new strategic plan;
- Write-downs of Ukrainian subsidiary PSJC Ukraine Ukrsotsbank in relation to its sale;
- the systemic contributions for saving 4 Italian banks and 1 Polish bank;
- the additional allocations for credit adjustments in Croatia as a result of the need to convert loans in Swiss francs into local currency;
- the benefits associated with the sale of several pension liabilities in Austria;
- several non-recurring tax items.

Net of the aforementioned extraordinary items, the net profit for the year 2015 would have amounted to over 2,200 million. Specifically:

- The intermediation margin was €22,405 million, a decrease of 0.7% compared to 2014 restated, substantially due to the change of the interest margin;
- Operating costs amounted to €13,618 million, growing by 0.8% compared to 2014 restated;
- An increase of other charges to €1,585 million was recorded. The item included estimated legal proceedings and contingent liabilities of various nature for a total of €684 million, in addition to the systemic charges, which were equal to €901 million. These recorded the contribution to the new *Single Resolution Fund* and charges for the *Deposit Guarantee Scheme*, as well as the so-called *bank levy*. The extraordinary contributions to the rescue of the 4 Italian banks in crisis (Popolare dell' Etruria, Cassa di Risparmio di Ferrara, Banca Marche and Cassa di Risparmio di Chieti) and a Polish bank (Bank Wolomin) were also included in the amount mentioned.

Net of the one-off items mentioned, which had a significant impact specifically on the 2013 results, the Group's net profit developed as follows: €2,444 million in 2013, €2,008 million in 2014 and €2,200 million in 2015.

Over the course of the three-year period 2013-2015, UniCredit at operating level UniCredit recorded stable profitability, with a negative interest margin performance (from €12.3 billion in 2013 to €11.9 billion in 2015) caused mainly by the downward trend in interest rates offset by the growth in net commissions (from €7.4 billion in 2013 to €7.8 billion in 2015). Similarly, the reduction in costs (from €14.2 billion to €13.6 billion in 2015) made it possible to mitigate the performance of the more volatile components of the brokerage margin, *in primis* the results from trading, hedging and fair value (from €2.5 billion in 2013 to €1.6 billion in 2015), creating essentially stable operating results (from €9.1 billion in 2013 to €8.8 billion in 2015). The volatility of the net result (from €-14 billion in 2013 to €1.7 billion in 2015)) is therefore mainly attributable to the net adjustments to receivables (from €13.5 billion in 2013 to €4.1 billion in 2015) and to other income components, *in primis* the value adjustments to goodwill (€7.8 billion in 2013).

The following table contains the main data of the reclassified consolidated profit and loss account of the Group for the nine-month periods closed on 30 September 2016 and 30 September 2015.

RECLASSIFIED ECONOMIC DATA	**At 30 September**		**% Change**
(in millions of euro)	**2016**	**2015**	**2016 compared with 2015**
Net interest	8,644	8,887	*-2.7%*
Dividends and other income from equity investments	700	579	*20.9%*
Net fees and commissions	5,736	5,914	*-3.0%*
Net trading, hedging and fair value income	1,820	1,342	*35.6%*
Intermediation profits and various profits	170	94	*80.9%*
BROKERAGE MARGIN	**17,070**	**16,816**	***1.5%***
Personnel costs	(6,013)	(6,287)	*4.4%*
Other administrative expenses	(3,628)	(3,869)	*6.2%*
Recovery of expenses	562	599	*-6.2%*
Adjustments in value of tangible and intangible assets	(728)	(678)	*7.4%*
Operating costs	(9,807)	(10,235)	*4.2%*
OPERATING PROFIT (LOSS)	**7,263**	**6,581**	***10.4%***
Other charges and provisions	(1,231)	(777)	*58.4%*
Integration costs	(398)	(12)	*n.a.*
Net adjustments to credits and provisions for guarantees and commitments	(2,677)	(2,898)	*7.6%*
Net profits from investments	(24)	33	*-172.7%*
GROSS PROFIT ON CONTINUING OPERATIONS	**2,933**	**2,926**	***0.2%***
Income tax for the period	(821)	(778)	*5.5%*
Profit (Loss) after tax from discontinued operations	13	(152)	*-108.6%*
PROFIT (LOSS) FOR THE PERIOD	**2,125**	**1,996**	***6.5%***
Minorities	(343)	(280)	*22.5%*
NET PROFIT ATTRIBUTABLE TO THE GROUP	**1,781**	**1,716**	***3.8%***
Purchase Price Allocation effect	(13)	(174)	*-92.5%*
Impairment of goodwill	-	-	-
NET PROFIT ATTRIBUTABLE TO THE GROUP	**1,768**	**1,541**	***14.7%***

In the first nine months of 2016, the Group recorded a net profit of €1,768 million, an increase of 14.7% compared to 1,541 million recorded in the same period of 2015. Specifically:

- The intermediation margin of the Group amounted to €17,071 million, up by 1.5% compared to the same period of 2015, mainly thanks to the dynamic of the result from *trading*, dividends and other operational income;

- The Group's operating costs in the first nine months of 2016 amounted to 9,808 million, down 4.2% compared to the same period of 2015. Net impairment losses on loans and provisions for guarantees and commitments of the Group amounted in the first nine months of 2016 to €2,677 million, a decrease compared to the same period of 2015 (-7.6%);

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- Other charges and provisions of the Group amounted to €1,231 million and include charges for legal proceedings and estimated contingent liabilities of various nature for a total of €325 million, in addition to the systemic charges, which in the first nine months of the year were equal to €907 million;

- The integration costs were accounted for at €398 million against €12 million recorded in the first nine months of 2015 and were primarily used for the restructuring of the pension system in Bank Austria and to the termination of employment plan of managerial personnel in Italy.

As of the Date of the Registration Document an uncertainty situation is still present regarding an improvement in the general macroeconomic situation (*see* Chapter 4, Paragraph 4.2.1 of the Registration Document) and, therefore, the economic results of the Issuer may be adversely affected in the future by the continuation of the economic-financial crisis and in general by the persistent situation of uncertainty concerning the economic recovery, with possible negative effects on the activity and economic, equity and/or financial situation of the Issuer and/or Group.

In addition to the above, note that there could be further negative effects on the Issuer from:

- the results of the consultation process regarding the review of the methods for estimating the Probability of Default (PD) and Loss Given Default (LGD) indicators, as well as the treatment of impaired loans, launched by the EBA in November 2016 (see Chapter 4, Paragraph 4.1.3 of the Registration Document);

- the development of the regulatory framework or interpretive guidelines, which could involve implementation and/or adjustment costs or impacts on the operations of the Issuer and/or the Group (see Chapter 4, Paragraph 4.2.3 of the Registration Document).

It should also be noted that, as at the Date of the Registration Document, the Issuer has performed some extraordinary operations (including, inter alia, the sale of 30% of FinecoBank, conferring of the entire shareholding in PJSC Ukrtosbank upon ABH Holding S.A. and the transfer of 10% of Bank Pekao) (the "**Completed M&A Asset Sale Transactions**"), some of which were completed after 30 September 2016 (i.e. the sale of 20% of FinecoBank and conferring of the entire shareholding upon PJSC Ukrsotsbank), and whose effects are not reflected in the Consolidated Condensed Interim Financial Statements as of 30 September 2016 and which will lead to a positive change in equity for the financial year 2016 equal to €433 million (it is estimated that the conferral of PJSC Ukrsotsbank will have a zero impact on the assets of the Group).

In addition to the Completed M&A Asset Sale Transactions, as at the Date of the Registration Document agreements relating to M&A Asset Sale Transactions in the process of Execution (still in phase of completion at the Date of the Registration Document) have been concluded. Once completed and in conjunction with the Completed M&A Transactions, they will lead to a significant change in the consolidation perimeter of the Group. In view of this fact, it should be noted that the Consolidated Financial Statements and the Condensed Interim Consolidated Financial Statements for 2016 will only be partially comparable with future financial statements of the Group and therefore investors are asked to take due account of this fact in making investment decisions.

With reference to the M&A Asset Sale Transactions in the process of being Executed, note that, specifically, with regard to the distribution agreements that will be completed under the sale to Amundi S.A. of the assets of PGAM (see Chapter 22, Paragraph 22.2 of the Registration Document) the parties intend to establish and regulate a commercial relationship aimed at the Issuer distributing the financial products of some Pioneer companies, on an non-exclusive basis, to investors. In spite of the fact that the Issuer is not intending to depend on these distribution agreements (see Chapter 6, Paragraph 6.4 of the Registration Document) if they should cease to exist and/or the Issuer were not capable of replacing them quickly with other agreements with more or less similar conditions, this could involve negative impacts on the assets and the operations, balance sheet and/or income statement of the Issuer and/or the Group.

In addition, note that, under the scope of the preparation of the 2016-2019 Strategic Plan objectives, the Issuer has taken into account the revenues from the above-mentioned distribution agreements for the purpose of the anticipated dynamics during the period of the 2016-2019 Strategic Plan of the brokerage margin, therefore if these agreements should cease to exist the Issuer may not be capable of achieving the Plan Objectives, with consequent negative effects, including significant ones, on the operating results and capital and financial position of the Issuer and/or the Group (see Chapter 13, Paragraph 13.1.7 of the Registration Document).

Note that the data in the consolidated financial statements as at 31 December 2016 record discontinuity, compared with the data as at 30 September 2016, indicated in the Condensed Interim Consolidated Financial Statements as at 30 September 2016 (because a significant loss is anticipated for 2016 compared with an actual profit for the first nine months of 2016), also as a result of the negative one-off impacts on the net result for the fourth quarter of 2016 of €12.2 billion, as projected in the Strategic Plan (see Chapter 12, Paragraph 12.2 and Chapter 13, Paragraph 13.1.6 of the Registration Document), albeit not including the total impacts of the M&A Asset Sale Transactions in the process of being executed, which are expected to be completed in 2017, therefore investors are invited to take this situation into account when making investment decisions.

For more information on the income results of the Group, *see* Chapter 20 of the Registration Document. For information on the perimeter for the definition of the 2016-2019 Strategic Plan see Chapter 13, Paragraph 13.1.2 of the Registration Document.

4.1.7 Risks related to the distribution of dividends

In the three-year period 2014-2016, the Issuer approved the distribution of dividends of: (i) €0.10 gross for each ordinary share and savings share with regard to the year ended 31 December 2013; (ii) €0.12 gross for each ordinary share and €1.065 for each savings share with regard to the year ended 31 December 2014; and (iii) €0.12 gross for each ordinary share and savings share with regard to the year ended 31 December 2015.

The capacity of the Issuer to distribute dividends also depends on the compliance of the minimum applicable capital requirements based on the regulations in force, specifically the OCR Requirements (see Chapter 4, Paragraph 4.1.5 of the Registration Document) where failure to comply involves the need to calculate the Maximum Distributable Amount (MDA), as defined on the basis of Article 141 of CRD IV, therefore, albeit in the presence of distributable profits pursuant to its statutory financial statements, the Issuer could not pay dividends in the case of failure to comply with these prudential regulatory provisions.

RISK FACTORS

In this respect, it should be noted that, on the basis of the information available at the Date of the Registration Document, the MAD capital requirements for 2017 are respectively: 8.755% for *common equity tier 1 ratio*, 10.255% for the *tier 1 ratio* and 12.255% for the *total capital ratio* (see Chapter 5, Paragraph 5.1.6 of the Registration Document). As at the Date of the Registration Document, the Issuer complies with the relevant capital requirements for the AMD threshold provided for by applicable law. Also, in the implementation of the 2016-2019 Strategic Plan, due to the effect of the time lag between said negative impacts and the execution of the Capital Increase and of M&A Asset Sale Transactions, it is expected that the capital requirements applicable as of 1 January 2017 relative to the OCR requirement will not be met, thus forcing to proceed with the calculation of the Maximum Amount Distributable (MAD) with the risk of negatively impacting in particular the dividend distribution policy. These figures are expected to be approved by 9 February 2017, the date on which the *Financial Reporting – FinRep.* will be sent to the ECB.

The Issuer could, albeit in the presence of distributable operating profit for the period, decide not to proceed with the distribution or distribute fewer dividends than the maximum distributable in conformity with the applicable legal and statutory provisions. In this regard, note that the 2016-2019 Strategic Plan involves no dividend being paid out for the year ending 31 December 2016, while a pay-out of 20% is planned over the time frame of the plan. On the basis of the Groups' effective results that will be achieved in the years of the plan, this pay-out ratio could increase by up to 50% without prejudice to the need of the ordinary Shareholders' Meetings to accept the necessary resolutions (see Chapter 13, Paragraph 13.1.5 of the Registration Document). Also note that the pay-out ratio is calculated on the net profit of the Group reduced for the extraordinary contribution of the M&A Asset Sale Transactions.

The distribution of dividends could, also, in future, be excluded or limited by the need to comply with the capital requirements laid down by the legal and/or regulatory rules applicable to the Group or imposed by the supervisory authority as prescribed by the applicable prudential regulations ("maximum distributable amount") or any future amendments to the regulations of the countries in which the UniCredit Group operates. It should be remembered that, albeit in the presence of distributable profits, the ECB, through the Recommendation of 13 December 2016, required all banks to adopt dividend distribution policies that are based on conservative and prudent assumptions that allow them to maintain - at individual and consolidated level - conditions of capital adequacy, current and prospective taking into account the fully loaded capital ratios, consistent with the combination of risks assumed, suitable for facilitating alignment to the prudential requirements established by the CRD IV and by the CRR and for guaranteeing the coverage of the internal capital levels calculated under the scope of the SREP.

In view of the nature of UniCredit Group parent companies, the capacity of the Issuer to distribute dividends also depends on the dividends and reserves paid by subsidiaries and associate companies and therefore it is strictly related to the economic results achieved by the latter. The capacity of the companies controlled directly or indirectly by the Issuer to distribute dividends depends, among other things, on various factors, including any covenants in the loan agreements or prohibitions and/or limitations laid down by regulations in the various countries pursuant to which the UniCredit Group companies operate, including the need to obtain authorisation from government or supervisory authorities which could stop or restrict the distribution of dividends or limited to certain subsidiaries in the CEE area, by covenants in certain loan agreements. In this regard, note that in the financial years ended, respectively, as at 31 December 2016, 31 December 2015, 31 December 2014 and 31 December 2013 the circumstances governed by the above-mentioned loan agreements such that would limit the possibility of UniCredit Group companies distributing dividends were not verified. In relation to the constraints resulting from government or regulatory authorisation, please note that certain subsidiaries, directly or indirectly controlled by the Issuer, operate in regulated areas (e.g. banking and/or financial services). In certain countries in which the Group operates, these companies may be prohibited and/or excluded from distributing dividends by the supervisory authorities if, inter alia, they do not comply with the capital ratios provided on an individual basis for their respective subsidiaries and/or in order to comply with the financial stability of the subsidiaries (see Chapter 6, Paragraph 6.1.8 of the Registration Document).

The By-Laws of the Issuer also make provision that the shareholders' meeting, at the proposal of the Board of Directors, can grant shareholders the right to request that the payment of dividends approved by the shareholders' meeting is regulated, in full or in part, in cash or by handing over ordinary and/or savings shares, with the same characteristics as the outstanding shares at the grant date ("Scrip dividend"). If the above option is granted, the By-Laws make provision that the shareholders' meeting shall, based on the Board of Director's proposal, determine the methods for calculating and assigning ordinary shares and establish the methods for settling payment of the dividend if the above option is not exercised by shareholders.

The shareholders' meeting of the Issuer resolved during the approval of the financial statements as at 31 December 2015, 2014 and 2013, respectively, to grant a dividend from accumulated profits, to be implemented in the form a scrip dividend, giving shareholders who own ordinary shares and owners of savings shares, new shares of the same kind from a free of charge capital increase, without prejudice to the right of renouncing the granting of these shares and receiving the payment of the dividend in cash. For the payment of the dividend relating to the financial year ended 31 December 2015, approximately 78% of those having the right received the dividend in shares (compared with percentages of approximately 75% and 70% recorded for the payment of the dividends for the financial years ended, respectively as at 31 December 2014 and 31 December 2013).

If in the presence of profits for the period the Issuer were to decide to distribute dividends in the form of scrip dividends, this transaction would involve dilutive effects for the Issuer's shareholders who do not avail themselves of this right or, depending on the scrip dividend allocation methods, for those who do not express a preference in this regard.

With reference to the financial year ending on 31 December 2016, under the scope of the UniCredit Group rationalisation process (see Chapter 5, Paragraph 5.1.5 of the Registration Document), the demerger of the business unit for the Central and Eastern Europe area ("CEE") of UCB Austria was transferred to the Issuer. The transfer took place through a demerger, pursuant to the Austrian law on demergers (*Spaltungsgesetz*) of the above-mentioned business unit of UCB Austria to UCG Beteiligungsverwaltung GmbH, a wholly-owned company of the Issuer, and the simultaneous cross-border merger of UCG Beteiligungsverwaltung GmbH into the Issuer pursuant to the Austrian law on cross-border mergers (*EU-Verschmelzungsgesetz*), of Legislative Decree no. 108 of 30 May 2008 and of the Civil Code. Pursuant to the above-mentioned Austrian laws, Legislative Decree no. 108 of 30 May 2008 and the Civil Code, the assets and liabilities of the "CEE" business unit of UCB Austria were transferred through universal legal succession by operation of law.

The accounting of this transaction gave rise to a negative effect, even significant, on the Issuer's separate shareholders' equity, to be hedged by using other types of reserves and which could impact on the capacity of the latter to distribute dividends.

For further information on the dividend distribution policy, see Chapter 20, Paragraphs 20.6 and 20.7 of the Registration Document.

4.1.8 Risks associated with the Issuer's participation in the Atlante Fund and the Atlante II Fund

As at the Registration Document Date, UniCredit is one of the major subscribers of: (i) the Atlante Fund, a closed-end alternative investment fund intended to support the recapitalisation of Italian banks and to facilitate the disposal of non-performing loans (the "**Atlante Fund**"); and (ii) the Atlante II Fund, a closed-end alternative investment fund intended to facilitate the disposal of non-performing loans (the "**Atlante II Fund**" and, together with the Atlante Fund, the "**Atlante Funds**"). The Atlante Funds are managed by Quaestio SGR and the subscribers of the Atlante Funds, in addition to UniCredit, are Cassa depositi e prestiti S.p.A., banks, insurance companies and foundations.

With reference to the Atlante Fund, the Issuer is committed to subscribe 845 units for a total value of €845 million. Between the date of its creation and the Registration Document Date, the Atlante Fund has participated in two operations to recapitalise Italian banks – Banca Popolare di Vicenza S.p.A. ("**BPVi**") and Veneto Banca S.p.A. ("**Veneto Banca**") – whereas, as at the Registration Document Date, the Atlante II Fund has not yet participated in any operations for the purchase of non-performing loans (although it has launched its activities – see Chapter 5, Paragraph 5.1.6 of the Registration Document).

With reference specifically to the Atlante Fund, as at 30 September 2016, UniCredit had paid an amount equal to around €504 million, which was recognised under financial assets available for sale for an amount equal to the subscription value. During the fourth quarter 2016, the Issuer paid an additional €182 million against the commitment by Atlante Fund to make a payment of an aggregated amount of €938 million to BPVi and Veneto Banca; therefore UniCredit irrevocable commitment for subsequent payments into the Atlante Fund amounts to €159 million as at 31 December 2016.

From an accounting point of view, the units of the Atlante Fund were initially recognised at their subscription value, which was deemed an expression of the fair value of the investment as at the initial recognition date; this valuation was confirmed by a valuation supplied by Quaestio SGR with the support of an independent third party, which expresses a range of values for the investment, the top end of which coincides with the subscription value and the initial recognition value of the investment. This value was also maintained for the quarter ended on 30 September 2016 also given the consistency with the value provided by the valuer appointed by Quaestio SGR. Moreover, it cannot be ruled out that, after 30 September 2016, the analysis of valuation components consistent with the provisions of the International Accounting Standards (and, in particular, of IFRS 13 - "Fair value measurement" in order to determine an exit price) may involve the need to record a reduction, even significant, in the value of the investment, with possible negative effects on the operating results and capital and/or financial position of the Issuer and/or of the Group.

With regards to the Atlante II Fund, in August 2016, the Issuer undertook to subscribe units for a total value of €155 million, of which €1.1 million had been paid in as at the Registration Document Date.

From a regulatory point of view, as at 31 December 2016, the treatment associated with the Atlante Fund is the one outlined below:

- the treatment of the units of the investment involved the application of the look-through method to the Atlante Fund underlying assets (unlike the financial statements, in which reference is made to the Fund units), i.e. the equity investments indirectly held in BPVi and Veneto Banca and the payment associated with the additional share capital increases; the assets were classified as equity investments of an insignificant size in the financial sector, in application of Regulation (EU) No 923/2015;

- With reference to the commitments held by UniCredit towards the Atlante Funds, the regulatory treatment provides – as at 31 December 2016 – for the application of a conversion factor of 100% ("full risk", in application of Annex I to the CRR).

It therefore cannot be ruled out that, if the value of the assets in which the Atlante Funds are invested and/or will invest were to be reduced, among other things, as a result of write-downs or because of the disposal thereof at a lower price than the acquisition price, or due to the replacement of the same with assets with a greater risk profile or characterised by a greater degree of capital absorption (e.g. acquisition of non-performing loans), this situation could give rise to the need to write down the units of the Atlante Funds, with consequent impacts on the capital ratios of the UniCredit Group (see Chapter 4, Paragraph 4.1.5 of the Registration Document) and which could have negative effects on the operating results and capital and/or financial position of the Issuer and/or of the Group.

For further information on the Group's participation in the Atlante Fund and the Atlante II Fund, see Chapter 5, Paragraph 5.1.6 of the Registration Document.

4.1.9 Risks associated with the Group's exposure to sovereign debt

The UniCredit Group has exposure to governments and other public bodies in the major European countries, as well as in countries outside the Eurozone.

As at 30 September 2016, the book value of the Group's sovereign exposures represented by "debt securities" amounted to €134,972 million (up from €131,365 million as at 31 December 2015), of which, as at 30 September 2016, 89.5% was concentrated in eight countries, including Italy, which, with €56,482 million as at the same date, represented 41.8% of the total.

RISK FACTORS

For each of these eight countries, the tables below show the value of the exposures represented by "debt securities" of the UniCredit Group as at 30 September 2016 and 31 December 2015, 2014 and 2013 respectively.

	As at 30 September 2016		
(in millions of Euros)	**Par value**	**Book value**	**Fair value**
Exposures to the top eight countries			
- Italy	51,470	56,482	56,505
- Germany	21,123	21,739	21,739
- Spain	14,302	15,917	15,917
- Austria	8,338	9,629	9,643
- Poland (*)	8,220	8,664	8,697
- France	4,085	4,219	4,219
- Czech Republic	1,996	2,294	2,294
- Hungary	1,560	1,874	1,874
Total	**111,094**	**120,819**	**120,889**

	As at 31 December 2015		
(in millions of Euros)	**Par value**	**Book value**	**Fair value**
Exposures to the top eight countries			
- Italy	53,554	58,595	58,627
- Germany	19,286	19,740	19,740
- Spain	13,673	15,297	15,297
- Austria	8,545	9,686	9,695
- Poland	6,511	6,896	6,935
- France	3,188	3,145	3,145
- Czech Republic	2,011	2,331	2,331
- Hungary	1,564	1,795	1,795
Total	**108,332**	**117,486**	**117,565**

	As at 31 December 2014		
(in millions of Euros)	**Par value**	**Book value**	**Fair value**
Exposures to the top eight countries			
- Italy	54,495	59,387	59,408
- Germany	24,028	24,749	24,749
- Austria	8,701	10,117	10,130
- Poland	5,536	5,955	6,004
- Spain	3,032	3,305	3,305
- Czech Republic	2,487	2,653	2,653
- France	1,995	2,075	2,075
- Romania	1,389	1,451	1,451
Total	**101,663**	**109,691**	**109,775**

(in millions of Euros)	As at 31 December 2013		
	Par value	**Book value**	**Fair value**
Exposures to the top eight countries			
- Italy	45,139	47,202	47,194
- Germany	25,341	25,842	25,854
- Poland	6,575	6,888	6,953
- Austria	6,705	7,172	7,181
- Turkey	2,284	2,501	2,501
- Czech Republic	2,428	2,547	2,547
- Romania	1,262	1,301	1,301
- Hungary	927	983	984
Total	**90,662**	**94,435**	**94,515**

With regard to the figures as at 30 September 2016, the remaining 10.5% of the total sovereign exposures in debt securities, equal to €14,153 million, is divided between 47 countries, including: Russia (€1,386 million), Slovenia (€482 million), United States (€462 million), Portugal (€106 million), Ireland (€36 million) and Argentina (€7 million). The exposures in sovereign debt securities relating to Greece, Cyprus and Ukraine as at the same date are immaterial.

The aforementioned remainder of the sovereign exposures held as at 30 September 2016 also included debt securities relating to supranational organisations, such as the European Union, the European Financial Stability Facility and the European Stability Mechanism, worth €3,941 million.

For the purposes of analysing the exposures in debt securities in the banking book as at 30 September 2016, the table below shows their amount and their percentage share of the total portfolio to which they pertain.

Exposures in sovereign debt securities broken down by financial asset portfolio (in thousands of Euros)					
	Amount as at 30 September 2016				
	Financial assets at fair value through profit or loss	**Available-for-sale financial assets**	**Loans and receivables**	**Held-to-maturity financial assets**	**Total**
Book value	20,232,252	103,253,874	2,578,206	2,012,155	128,076,487
% of relevant portfolio	68.16%	88.64%	0.46%	91.67%	18.14%

In addition to the Group's sovereign exposure in debt securities, there were also "loans"[18] issued to central and local governments and government bodies.

Total loans to countries to which the total exposure is greater than €140 million – which represented more than 94% of said exposures as at 30 September 2016 – amounts to €23,710 million (lower than the €25,802 million recorded as at 31 December 2015).

[18] The "loans" issued to central and local governments and government bodies do not include deferred tax assets and any tax receivables and/or prepaid expenses.

The table below shows the value of the loans in the receivables portfolio, as at 30 September 2016 and 31 December 2015, 2014 and 2013 respectively, to countries to which the total exposure is greater than €150 million for 2013 and greater than €140 million for subsequent financial years, which represent around 94% of the total as at 30 September 2016 and around 95% of the total as at 31 December 2015, 2014 and 2013.

	As at 30 September	As at 31 December		
(in millions of Euros)	**2016**	**2015**	**2014**	**2013**
Country				
- Germany	7,265	8,050	7,366	7,742
- Italy	5,583	6,617	5,800	6,463
- Austria	5,519	5,477	6,030	5,428
- Croatia	2,551	2,551	2,482	2,568
- Poland	1,290	1,461	1,598	1,556
- Indonesia	289	333	400	468
- Serbia	291	327	294	-
- Slovenia	204	210	241	234
- Turkey	161	207	182	224
- Gabon	202	195	169	-
- Bosnia and Herzegovina	187	192	-	216
- Bulgaria	166	182	680	167
- Brazil	-	-	151	164
- Hungary	-	-	-	187
Total cash exposures	**23,710**	**25,802**	**25,395**	**25,418**

The table below shows a summary comparison of the long-term ratings, as at 28 December 2016, issued by the rating agencies Standard & Poor's, Moody's, Fitch Ratings and DBRS for the main sovereign states[19] in relation to which the UniCredit Group is exposed as at 30 September 2016.

	Rating agency							
	Moody's		Standard & Poor's		Fitch		DBRS	
	Rating	Outlook	Rating	Outlook	Rating	Outlook	Rating	Outlook
Italy	Baa2	Negative	BBB-	Stable	BBB+	Negative	BBB (high)	Stable
Germany	Aaa	Stable	AAA	Stable	AAA	Stable	AAA	Stable
Spain	Baa2	Stable	BBB+	Stable	BBB+	Stable	A (low)	Stable
Austria	Aa1	Stable	AA+	Stable	AA+	Stable	AAA	Stable
Poland	A2	Negative	BBB+	Stable	A-	Stable	A	Neg
France	Aa2	Stable	AA	Stable	AA	Stable	AAA	Stable
Czech Republic	A1	Stable	AA-	Stable	A+	Stable	Not present	
Hungary	Baa3	Stable	BBB-	Stable	BBB-	Stable	Not present	

19 For the sake of completeness, note that the majority of debt securities issued by Poland are owned by Bank Pekao, a company in relation to which at the Registration Document Date the Issuer has concluded agreements involving the sale of the entire stakeholding (see Chapter 22, Paragraph 22.3 of the Registration Document).

Between 13 January 2017 and the Registration Document Date, there were no significant changes to the ratings shown above.

The UniCredit Group was therefore exposed, as at the individual reference dates and in the terms indicated above, to changes in government securities in general and, in particular, to changes in Italian, German and Spanish government debt securities. Furthermore, a possible rating downgrade for the countries to which the UniCredit Group is exposed could lead to a revision of the weighting criteria for the calculation of risk-weighted assets (RWA), with consequent negative effects on UniCredit's capital ratios, and/or to a revision of the haircut criteria applied by the counterparties in refinancing operations (e.g. in the ECB's TLTRO refinancing operations), resulting in an increase in the collateral required or a reduction in the liquidity obtained in relation to said collateral. For information on the impacts of unrealised profits and losses relating to exposures to Central Authorities classified under the category "Financial assets available for sale - AFS)" of IAS 39, see Chapter 4, Paragraph 4.1.5, of the Registration Document, while for information on the potential impacts of a possible revision of the treatment of government securities for the purposes of calculating RWA, see Chapter 4, Paragraph 4.2.3 of the Registration Document. In this respect, it should be noted that as a result of the downgrading by DBRS on 13 January 2017, the exposures of the Group toward sovereign Italian debt issues that can be used as a guarantee of refinancing operations at the European Central Bank have recorded an increase of the haircuts applied on different time scales of operations, with a consequent reduction, although limited, of the liquidity equivalent value. This has involved a reduction, albeit limited, in the value of these guarantees in terms of the amount of liquidity that can effectively be received by the ECB once these guarantees are set aside with regard to the Group's participation in the refinancing transactions.

As at 30 September 2016, the sensitivity of the fair value of sovereign exposures classified as AFS as the interest rate curves varied by 1 basis point, was -€10,755 million, of which -€9,110 million related to the change in Euro interest rates.

By analysing the change in credit spreads of government bonds classified as AFS, note that a change of 1 basis point involves a change in the fair value of securities as highlighted in the table below:

	As at 30 September 2016
(in thousands of Euros)	***Change in Fair Value***
Total	-36,266
Exposures to the 8 major countries	
- Italy	-15,363
- Spain	-5,362
- Austria	-3,649
- Poland	-2,437
- France	-1,753
- Czech Republic	-1,131
- Bulgaria	-981
- Germany	-872

These variations translate into impacts on the valuation reserves relating to "financial assets available for sale"; see Chapter 4, Paragraph 4.1.5 of the Registration Document.

In this sense, the occurrence of tensions on the government securities market, the volatility of said securities and/or a change in the interest rates applied on the market, as well as the end of quantitative easing (on this point, see Chapter 4, Paragraph 4.2.7 of the Registration Document), could have (potentially significant) negative effects on the activities, operating results and capital and/or financial position of the Issuer and/or of the Group. For financial assets recognised under "Financial assets available for sale", the effects of changes in fair value (if different from long-term losses in value, for which an impairment to the asset must be recorded in the income statement) are recorded in a dedicated reserve of shareholders' equity, under "Valuation reserves". Consequently, a deterioration in the creditworthiness of the aforementioned sovereign states, together with a consequent decrease in the value of the securities, would give rise to a negative impact on the "valuation reserve" relating to said asset.

With reference to the percentage of financial income from assets in debt securities issued by central governments on the brokerage margin of the UniCredit Group as at 30 September 2016, it is estimated to be approximately 7% of the Group's brokerage margin at the same date. Note that as it is not required for the Consolidated Interim Report as at 30 September 2016, that figure has not been verified or subjected to a review.

For further information on exposure to sovereign credit risk, see Chapters 3 and 10 of the Registration Document.

4.1.10 Liquidity risk

Liquidity risk refers to the possibility that the UniCredit Group may find itself unable to meet its current and future, anticipated and unforeseen cash payment and delivery obligations without impairing its day-to-day operations or financial position. The activity of the UniCredit Group is subject in particular to funding liquidity risk, market liquidity risk, mismatch risk and contingency risk.

Funding liquidity risk refers to the risk that the Issuer may not be able to meet its payment obligations, including financing commitments, when due. In light of this, the availability of the liquidity needed to carry out the Group's various activities and the ability to access long-term loans are essential for the Group to be able to meet its anticipated and unforeseen cash payment and delivery obligations, so as not to impair its day-to-day operations or financial position. The crisis that hit international financial markets and the subsequent instability gave rise to a considerable reduction in the liquidity accessible through private financing channels, resulting in major monetary policy interventions by the ECB, the reduction of which (on this point, see Chapter 4, Paragraph 4.2.7 of the Registration Document) could lead the Issuer and/or the Group companies to access the wholesale debt market to a greater extent than in the past. With reference to the funding liquidity risk note that as at 30 September 2016, the cash horizon of the UniCredit Group was more than one year. This management indicator identifies the number of days beyond which each reference bank is no longer capable of meeting its payment obligations for the management of liquidity. For this purpose, the cash horizon also takes into account the use of readily marketable securities both at the central reference banks for the Group and at market counterparties.

In this context, the Group's access to liquidity could be damaged by the inability of the Issuer and/or the Group companies to access the debt market, including forms of borrowing from retail customers, such as issuing financial instruments and increasing deposits and other forms of funding.

The Group's self-imposed restrictions include limiting growth of the imbalance between loans and direct customer deposits. As at 30 September 2016, the Group's loan-to-deposit ratio, understood as the ratio between customer loans and deposits, excluding central counterparties, was 102.3%, compared with a ratio of 105.4% as at 31 December 2015 and an average for the Italian banking system, as at the same date, of 118.4%. As at 31 December 2014, the Group's loan-to-deposit ratio was 114.7%, compared with a system average of 123.3%, whereas as at 31 December 2013, the figure for the Group was 122%, compared with a system average of 130.9%[20].

Specifically, as far as the dynamics of direct deposits are concerned, please note that they featured an increase in volumes in 2014, 2015 and in the first nine months of 2016.

Compared with the volumes recorded at the end of 2013, loans and advances to Group customers recorded an increase in 2014 of €17.3 billion mainly relating to current accounts and demand deposits (an increase of €16.8 billion). Loans at the end of 2014 increased (€+4.0 billion), like other liabilities (€+1.4 billion), while time deposits fell (€- 4.9 billion).

At the end of 2015 Group deposits from customers, on the other hand, stood at €449.8 billion, a rise of €39.4 billion compared with the end of 2014 as a result of the increase in current accounts and demand deposits (an increase of €38.3 billion), loans (an increase of €3.7 billion) and other liabilities (an increase of €0.9 billion) only partly offset by the fall in time deposits (€- 3.5 billion in total).

Lastly, during the first nine months of 2016 and, specifically, at the end of September 2016, loans and advances to Group customers stood at €470.3 billion (an increase of €20.5 billion compared with 31 December 2015) with current accounts and demand deposits recording an increase of €17.8 billion compared with the end of 2015, loans recording an increase of €9.6 billion and a fall in time deposits and other liabilities (a change compared with 31 December 2015 of €-3.8 billion and €-3.2 billion, respectively).

At the end of September 2016, the UniCredit Group did not have particular concentrations of debt towards counterparties operating either on the secured deposits market or the unsecured deposits market (mainly "Banks and Corporate" counterparties). As far as the former type of deposits are concerned, the exposure with regard to the top 10 counterparties totalled €113 billion, in other words 14% of total deposits, bonds, financial liabilities and hedging derivatives. It is also necessary to take into consideration that the majority of these secured deposits, equal to 13%, was with regard to two counterparties appointed to act as intermediaries for the transactions of market operators, specifically repos (clearing houses). With regard to unsecured deposits

[20] Source: produced by the Issuer, based on "ABI – Monthly Outlook, October 2016" for the Italian banking system data as at 31 December 2015 and 31 December 2014, and on "ABI – Monthly Outlook, December 2015" for the data as at 31 December 2013. The loan-to-deposit ratios for the Italian banking system were calculated as the ratio between the item "customer loans in the private sector" and the item "resident customer deposits". Please note that the Italian banking system refers to the collection of banks operating in Italy according to the definition assigned by the ABI (Italian Banking Association) Department of Economic Analysis.

(sight deposits and term deposits, issues via Deposit Certificates and Commercial Cards), the exposure to the top 10 counterparties stood at €23 billion, in other words 3% of the above total.

To assess the UniCredit Group's liquidity profile, the Issuer uses the following main indicators:

- the short-term indicator Liquidity Coverage Ratio (LCR), which expresses the ratio between the value of available highly liquid assets (cash and highly liquid securities held by the Issuer) and the gradual cash imbalance accumulated over a 30-day stress period; as of 1 January 2016, the indicator is subject to a regulatory minimum requirement of 70%, which will rise to 80% as of 1 January 2017 and subsequently to 100% as of 1 January 2018;

- the Net Stable Funding Ratio (NSFR), an indicator of structural liquidity over a 12-month period that corresponds to the ratio between the available amount of stable funding and the required amount of stable funding. This requirement will be finalised in regulatory terms and, in particular, on 23 November 2016 the European Commission published a legislative proposal that, in the context of a comprehensive package comprising measures to enhance the resilience of credit institutions, also includes the introduction of the NSFR. The calibration phase of the NSFR serves as preparation for the definition of the rules for calculating the indicator and, therefore, the minimum requirements to be met.

As at the Registration Document Date, the UniCredit Group is in line with the communication methods required with regard to the LCR (Liquidity Coverage Ratio) and NSFR (Net Stable Funding Ratio) indicators, as provided for by Basel III, the CRD IV, the CRR and Delegated Regulation (EU) 2015/61 of the European Commission of 10 October 2014 ("**Delegated Regulation 2015/61**"). Specifically, following the approval of Delegated Regulation 2015/61 and of the relative implementing technical standards, reporting on the liquidity coverage ratio – at both consolidated and individual level for UniCredit – was carried out on 30 October 2016, with a reference date of 30 September 2016.

As at 30 September 2016, the Group's LCR was 144% (compared with a regulatory minimum of 70%). In the period 2013 - 2015 the indicator was always above 130%.

As at 30 September 2016 and in the period 2013 -2015 the Group NSFR indicator was always above 100%.A decrease in customer confidence could limit the Group's capacity to access retail funds, both through the deposits channel and through financial instruments. This could limit the Group's capacity to access the liquidity required to meet prospective regulatory requirements, with consequent negative effects on the operating results and capital and/or financial position of the Issuer and/or of the Group.

The Group also uses financing from the ECB for its activities. Any changes to the policies and requirements for accessing funding from the ECB, including any changes to the criteria for identifying the asset types admitted for guarantee purposes and/or their relative valuations, could impact the Group's activities, with significant negative effects on the operating results and capital and/or financial position of the Issuer and/or the Group (on this point, see also Chapter 4, Paragraph 4.2.7 of the Registration Document).

As regards market liquidity, the effects of the highly liquid nature of the assets held are considered as a cash reserve. Sudden changes in market conditions (interest rates and creditworthiness in particular) can have significant effects on the time to sell, including for high-quality assets, typically represented by government securities. The "dimensional scale" factor plays an important role for the Group, insofar as it is plausible that significant liquidity deficits, and the consequent need to liquidate high-quality assets in large volumes, may change market conditions. In addition to this, the consequences of a possible downgrade of the price of the securities held could make it difficult to guarantee that the securities can be easily liquidated under favourable economic terms.

In addition to risks closely connected to funding risk and market liquidity risk, an additional risk that could impact day-to-day liquidity management is represented by differences in the amounts or maturities of incoming and outgoing cash flows (mismatch risk). In addition to its day-to-day management, the Issuer must also manage the risk that (potentially unexpected) future requirements (i.e. use of credit lines, withdrawal of deposits, increase in guarantees offered as collateral) may use a greater amount of liquidity than that considered necessary for day-to-day activities (contingency risk).

Lastly, under the scope of the 2016 SREP (see Chapter 5, Paragraph 5.1.6 of the Registration Document), the ECB notified the Issuer of vulnerable areas relating to liquidity risk. These areas of vulnerability specifically involve the definition of a robust limit setting process under the domain of liquidity risk and the demonstration of how the liquidity trap is taken into consideration at strategic level. The ECB recommended that the Issuer review its internal processes to allow more fluid, reliable and frequent calculation procedures for regulatory ratios. In addition, the ECB asked that the information in the Asset & Liabilities Committee report should be improved to include a more detailed description of the subjects discussed. In the opinion of the Regulatory Authority the involved of the Internal Audit Department in the ILAAP (Internal Liquidity Adequacy Assessment Process) should also be extended in terms of its scope and the frequency of the audits carried out by the Internal Audit function.

The framework of the Issuer's ILAAP was judged to be reliable, however, in relation to the results of recent inspections (see Chapter 20, Paragraph 20.8.4 of the Registration Document), the ECB recalled the areas of improvement involving the adequacy of the governance, reporting and control of liquidity risk.

For further information on the UniCredit Group's liquidity, see Chapters 3 and 10 of the Registration Document.

4.1.11 Risks associated with relations with Related Parties

During the course of the last three financial years and the interim period ended on 30 September 2016, the Group has maintained relations with Related Parties. As at 30 September 2016, Related Party transactions represented 3.54% of the Group's brokerage margin for that period.

Related-Party transactions involve the typical risks associated with transactions that take place between parties belonging to or close to the Issuer and/or its decision-making structures which could compromise the objectivity and impartiality of the decisions relating to these transactions. These situations could: (i) involve inefficiencies in the process of allocating resources, (ii) expose the Issuer to risks that are not adequately measured or safeguarded; as well as (iii) causing potential damage to the actual Issuer or its various stakeholders. The Issuer has adopted procedures to ensure the monitoring of matters relating to Related-Party transactions pursuant to the regulations applicable to companies with listed stocks (Related-Party Regulations) and with Associated Entities pursuant to the New Prudential Supervision Provisions (Title V, Chapter 5 "*Risky* *activities and conflicts of interest vis-à-vis associated entities*") and with banking representatives pursuant to Article 136 of the TUB.

Specifically, the Issuer has adopted the "Global policy for the management of transactions with entities in conflict of interest", aimed at establishing investigatory and deliberative rules with regard to transactions put in place by UniCredit, including through subsidiaries, with Related Parties (CONSOB) and Associated Entities (Banca d'Italia), as well as procedures for reporting to corporate bodies and the market.

During the course of the 2015, 2014 and 2013 financial years and the interim period ended on 30 September 2016, the Issuer has not put in place any significant operation that does not fall within the exemptions provided for by the Related-Party Regulations, and it has not been necessary to activate any disclosure safeguards.

For further information on relations with Related Parties, see Chapter 19 of the Registration Document.

4.1.12 Risks related to intra-group exposure

The UniCredit Group companies have historically financed other Group companies, in line with the practices of other banking groups operating in multiple territories, by transferring excess liquidity from one Group company to another. In the past, one of the most significant intra-group exposures was that of UCB AG vis-à-vis the Issuer. UCB AG also has considerable continuous intra-group credit exposures, because the Group's investment banking activities are centralised within it and it acts as an intermediary between Group companies and market counterparties in financial risk hedging transactions. Due to the nature of this activity, UCB AG's intra-group credit exposure is volatile and may undergo significant changes from day to day. As at 30 September 2016, the total net exposure was approximately €7 billion, obtained in accordance with the definition of significant exposures for the purposes of the major risk regime, including around €2.6 billion of exposures to the Issuer.

In addition to the exposure with regard to UCB AG, the Issuer has a significant debt exposure to several Group banks with regard to which it constitutes the direct liquidity reference bank.

The liquidity reference bank is a company which, in the capacity of a sub-holding, assumes a series of responsibilities in the management of the liquidity of the companies that come under its sphere of reference. Specifically, the liquidity reference bank intervenes in the process of the liquidity flow management and concentration process of these companies and is responsible for optimising the funding process in the main local markets as well as coordinating access to short- and long-term markets.

For the reasons indicated above, UniCredit has a net debt exposure with regard to FinecoBank, UniCredit Ireland Plc and UniCredit International Luxembourg S.A. of €21.6 billion, of which €13.4 billion is with regard to FinecoBank and €6.6 billion with regard to UniCredit Ireland Plc. Both exposures are mainly in the technical form of bonds.

As a result of the financial crisis, in many of the territories in which the Group operates, the supervisory authorities have adopted measures aimed at reducing the exposure of banks operating within these territories to associated banks that operate in territories other than those in which the said authorities exercise their regulatory powers. In this context, some supervisory authorities have asked that the Group companies reduce their credit exposure to other Group companies and, in particular, their exposure to UniCredit. This has prompted the Issuer to implement self-sufficiency policies, based essentially on improving the funding gap and using financing from outside the Group where necessary.

In view of the significance of the exposure and the considerations relating to UCB AG's role, as described above, we will now look at the Issuer's exposure to UCB AG in more detail.

Pursuant to the applicable German regulations, when certain conditions are fulfilled, credit institutions can exclude intra-group exposures from their overall limit for major risks, or apply weights of less than 100% to said exposures. UCB AG applies this exemption for intra-group exposures. If this exemption were no longer available due to changes in the regulatory framework or for other reasons, UCB AG may have to increase its regulatory capital in order to maintain the minimum solvency ratio established by the regulations for major risks (see Chapter 4, Paragraph 4.1.5 of the Registration Document).

In Germany, in light of the overall level of intra-group exposure of UCB AG and the consequent discussions between UniCredit, UCB AG, BaFin and Banca d'Italia, the Issuer and UCB AG have agreed to reduce the net intra-group exposure of UCB AG by providing appropriate guarantees, which include liens on financial instruments held by UniCredit.

The adoption of the principle of self-sufficiency by the Group companies has led, as previously mentioned, to the adoption of very strict policies to reduce the funding gap, not only in Italy, but in all subsidiaries. The combined action of such policies could result in a deterioration, whether real or perceived, in the credit profile (particularly in Italy) and could have a significant negative effect on borrowing costs and, consequently, on the operating and financial results of the Issuer and of the Group.

For further information on intra-group exposures, see Chapter 19, Paragraph 19.4 of the Registration Document.

4.1.13 Market risks

Market risk derives from the effect that changes in market variables (interest rates, securities prices, exchange rates, etc.) can have on the economic value of the Group's portfolio, where said portfolio comprises both the assets held in the trading book and those in the banking book, i.e. operations related to day-today commercial banking business and strategic investment choices. The UniCredit Group's market risk management therefore involves all activities connected with cash and capital structure management operations, within both the Issuer and the individual companies that make up the Group.

Specifically, the trading book includes positions in financial instruments or commodities held either for trading purposes or to hedge other elements of the trading book. In order to be subject to the capital treatment for the trading book in accordance with the applicable policy "Eligibility Criteria for the Regulatory Trading Book Assignment", the financial instruments must be free from any contractual restrictions on their being traded, or the relative risk must be able to be totally immunised. Furthermore, the positions must be frequently and accurately valued and the portfolio must be actively managed.

The risk that the value of a financial instrument (asset or liability, liquidity or derivative instrument) may change over time is determined by five standard market risk factors: (i) credit risk: the risk that the value of an instrument may decrease due to a change in credit spreads; (ii) share price risk: the risk that the value of an instrument may decrease due to changes in share prices or indices; (iii) interest rate risk: the risk that the value of an instrument may decrease due to a change in interest rates; (iv) exchange rate risk: the risk that the value of an instrument may decrease due to a change in exchange rates; and (v) commodity price risk: the risk that the value of an instrument may decrease due to a change in the prices of commodities (e.g. gold, crude oil).

The UniCredit Group manages and monitors its market risk using two sets of measures: (i) comprehensive market risk measures; and (ii) specific market risk measures.

The comprehensive risk measures comprise:

- Value at Risk (VaR), which represents the potential loss of value of a portfolio in a given period for a given interval of confidence;
- Stressed VaR (SVaR), which represents the potential VaR of a portfolio subject to a period of 12 months of significant financial stress;
- Incremental Risk Charge (IRC), which represents the regulatory capital intended to cover the credit losses (default and migration risks) that may occur in a portfolio in a given period and for a given interval of confidence;
- Loss Warning Level (LWL), which is defined as the economic profit and loss accumulated over a period of 60 (calendar) days of a unit of risk; and
- Combined Stress Test Warning Level (STWL), which represents the potential loss of value of a portfolio calculated on the basis of a stress scenario.

The specific market risk measures, on the other hand, include sensitivity measures, which represent the change in the market value of a financial instrument due to changes in significant market risk factors.

Based on the aforementioned measures, two sets of limits are defined:

- Overall Market Risk Limits (LWL, STWL, VaR, SVaR, IRC): these have the purpose of defining a limit to the absorption of economic capital and to the economic loss accepted for trading activities; these limits must be consistent with the revenue budget allocated and the risk-taking capacity assumed;
- Specific Market Risk Limits (limits on sensitivity, stress scenarios and nominal values): these exist independently, but act in parallel to the Overall Limits, and operate on a consolidated basis in all Entities (where possible); in order to monitor efficiently and specifically various types of risks, portfolios and products, these limits are generally associated with specific sensitivities or stress scenarios. The levels set for the Specific Market Risk Limits aim to limit concentrated exposure to individual risk factors or excessive exposure to risk factors that are not sufficiently represented by the VaR.

As at 30 September 2016 with time horizon equal to 1 day and confidence range equal to 99%, the Group diversified VaR for the regulatory trading book amounted to €14.8 million, in line with the average recorded during 2016. By analysing its make-up based on the risk factors identified above within market risk, we can see that the predominant components are interest rate risk and credit spread risk, totalling €7 million, while share price risk and exchange rate risk account for the smallest portion, at €4.5 million.

With reference, specifically, to the risk resulting from the change in credit spreads, this risk stems mainly from market marking activities involving government bonds (Italian and other Euro Zone countries as well as supranational bodies and agencies) and securities of financial issuers as well as secondary market activities in securities of third-party issuers placed with customers. As at 30 September 2016, the sensitivity of the trading book to a change of 1 basis point in the credit spread resulted in a total of €-0.84 million, of which €-0.15 million related to government issuers and €-0.43 million to financial issuers.

As well as being a fundamental metric for calculating the required capital for the trading book, VaR is also used for managerial purposes, as a measure of risk for the trading book and banking book together.

Please note that as at 30 September 2016, the regulatory capital requirement for market risk stood at €1,456,564 million, including the credit valuation adjustment risk (CVA) and the regulatory risk for DVP transactions.

The following paragraphs illustrate the main risks that affect the market risk of the UniCredit Group's banking book.

4.1.13.1 Risks connected with interest rate fluctuations

The Group's activities are affected by fluctuations in interest rates in Europe and the other markets in which the UniCredit Group operates. Interest rate trends are, in turn, affected by various factors outside the Group's control, such as the monetary policies, macroeconomic context and political conditions of the countries in question; the results of banking and financing operations also depend on the management of the UniCredit Group's exposure to interest rates, that is, the relationship between changes in interest rates in the markets in question and changes in net interest income. More specifically, an increase in interest rates may result in an increase in the Group's financing cost that is faster and greater than the increase in the return on assets, due, for example, to a lack of correspondence between the maturities of the assets and the liabilities that are affected by the change in interest rates, or a lack of correspondence between the degree of sensitivity to changes in interest rates between assets and liabilities with a similar maturity. In the same way, a fall in interest rates may also result in a reduction in the return on the assets held by the Group, without an equivalent decrease in the cost of funding.

These events, as well as the protracted, ongoing situation with interest rates at historically low levels, in some cases, even negative, could lead to continued pressure to reduce interest margins as well as having effects on the value of the assets and liabilities held by the Group.

The UniCredit Group implements a hedging policy of risks related to the fluctuation of interest rates. The UniCredit Group implements a hedging policy of risks related to the fluctuation of interest rates. The degree of coverage of the risk generated by collection and commercial uses, respectively in the form of loans and deposits, measured in terms of reduction of the sensitivity of their economic value to variations of one basis point of the entire curve of interest rates, at the date of 30 September 2016, was equal to 44%.

The UniCredit Group implements a policy to hedge the risks connected with interest rate fluctuations. Such hedges are based on estimates of behavioural models and interest rate scenarios, and an unexpected trend in the latter may have major negative effects on the activity, operating results and capital and financial position of the Group.

A significant change in interest rates may also have a major negative impact on the value of the assets and liabilities held by the Group and, consequently, on the operating results and capital and/or financial position of the Issuer and/or the Group.

As far as the banking book is concerned, the main metrics adopted are:

- the analysis of the sensitivity of the interest margins following exogenous changes in rates, in different scenarios of changes to rate curves involving maturity and time frames of 12 months. As at 30 September 2016, the sensitivity of the interest margin at an immediate and parallel shift of +100 basis points was +€681 million;

- the analysis of changes in the economic value of capital following various rate curve change scenarios in the long-term. The sensitivity of the economic value of capital as at 30 September 2016 as a result of an immediate and parallel shift in rat*e*s of +200 basis points (regulatory standard shock) was -€2,065 million.

Lastly, please note that under the scope of the 2016 SREP (see Chapter 5, Paragraph 5.1.6 of the Registration Document), the ECB notified the Issuer of vulnerable areas relating to interest rate risk in the banking book. Specifically, the ECB reported the lack of an adequate infrastructure for the aggregation, management and consolidation of exposures at Group level and vulnerabilities in the capacity of the existing systems to correctly reflect the impact of negative rates.

4.1.13.2 Risks connected with exchange rates

A significant portion of the business of the UniCredit Group is done in currencies other than the Euro, predominantly in Polish zloty[21], Turkish lira, US dollars, Swiss francs and Japanese yen. This means that the effects of exchange rate trends could have a significant influence on the assets and the operations, balance sheet and/or income statement of the Issuer and/or the Group. This exposes the UniCredit Group to the risks connected with converting foreign currencies and carrying out transactions in foreign currencies. As at 30 September 2016, the value of the assets and liabilities in currencies other than the Euro held by the Group totalled €131 billion (15% of total assets) and €114 billion (13% of total liabilities), respectively. In addition to these amounts, the Group also had long and short positions in financial derivatives, expressed at their notional value/settlement value or, in the case of options, according to the delta equivalent value, for amounts of €321 billion and €329 billion, respectively.

If one considers the exchange risk deriving from the *trading book* as well as the *banking book*, including the commercial bank, which then can affect the Group's operating results, the UniCredit Group is exposed mainly to foreign-exchange risk toward the US dollar (*delta equivalent value* equal to €1.533 billion), mainly due to the effect of the collection resulting from the issue of the *Additional Tier* 1 bond in US dollars of UniCredit; other currencies for which the *delta equivalent value* exceeds €100 million are the Bulgarian Lev (€367

[21] For the sake of completeness, note that the UniCredit Groups' activities in Polish zloty are mainly conducted by Bank Pekao and its subsidiaries. For information on the sale of Bank Pekao including in relation to non-competition clauses, see Chapter 22, Paragraph 22.3 of the Registration Document.

million) and British Pound (€250 million); the *sensitivity* to residual currencies totals a *delta equivalent value* of €77 million. These values are calculated excluding the position resulting from Ukrsotsbank, whose sale was completed on 31 October 2016.

The significance of the level of exposures denominated in currencies other than the euro, in terms of both fluctuations in rates and forced conversion risk, is also indicated by the ECB as an area of vulnerability, uncertainty and potential risk, in terms of the deterioration of the credit quality of assets at the conclusion of the 2016 SREP (see Chapter 5, Paragraph 5.1.6 of the Registration Document).

The financial statements and interim reports of the UniCredit Group are prepared in Euro and reflect the currency conversions necessary to comply with International Accounting Standards.

The Group implements an economic hedging policy for dividends from its subsidiaries outside the Eurozone. Market conditions are taken into consideration when implementing such strategies. However, any negative change in exchange rates and/or a hedging policy that turns out to be insufficient to hedge the related risk could have major negative effects on the activity, operating results and capital and financial position of the Issuer and/or the Group.

For further information, refer to the 2016 Condensed Consolidated Interim Financial Statements (Notes to the Consolidated Financial Statements, Part E – “Market risks”, pages 186-207), in the annex to the Registration Document, and Consolidated Financial Statements as at 31 December 2015 (Notes to the Consolidated Financial Statements, Part E – “Market risks”, pages 400-432). The Issuer makes use of the inclusion scheme through reference to the Consolidated Financial Statements as at 31 December 2015, pursuant to Article 7 of the Issuers’ Regulation and Article 28 of Regulation (EC) No 809/2004.

The above-mentioned page numbers refer both to the Italian version and the English version of the Condensed Interim Consolidated Financial Statements for 2016 and the Consolidated Financial Statements as at 31 December 2015.

4.1.14 Risks connected with the UniCredit Group’s activities in different geographical areas

The UniCredit Group operates in different countries and, therefore, the Group’s activities are affected by the macroeconomic context of the markets in which it operates.

In spite of the geographical diversity of the UniCredit Group’s activities, at the Registration Document Date Italy (from which 48% of the Group’s total revenues came as at 30 September 2016) was the main market in which the Group operates and, as a result, its activities are closely connected to the Italian macroeconomic context and could, therefore, be negatively impacted by any changes of the same (also see Chapter 4, Paragraph 4.2.1 of the Registration Document). Specifically, economic forecasts and the current political context generate considerable uncertainty surrounding the future growth of the Italian economy.

In addition to any other factors that could emerge in the future, economic stagnation and/or a reduction in gross domestic product in Italy, a fall in consumer prices, a rise in unemployment and a negative performance of capital markets could create a drop in consumer confidence, fewer investments in the financial system, an increase in impaired loans and insolvency, causing, among other things, a general reduction in the demand for the services provided by the Group.

Therefore, should these adverse economic conditions persist in Italy, or a lasting situation of political and economic uncertainty continue and/or the economic recovery prove to be slower than in other OECD countries, this could have a further significant negative impact on the assets and the operations, balance sheet and/or income statement of the Issuer and/or the Group.

The UniCredit Group also operates and has a significant presence in Austria and Germany (from where 8% and 20% of the Group' total revenues come as at 30 September 2016, respectively), as well as in CEE countries including, among others, Poland[22], Turkey, Russia, Croatia, the Czech Republic, Bulgaria and Hungary, which accounted for 24% of the Group's total revenues as at 30 September 2016. The risks and uncertainties to which the UniCredit Group is exposed, are of a different nature and magnitude depending on the country, and whether or not the country belongs to the European Union is only one of the major factors to take into consideration when evaluating these risks and uncertainties.

With special reference to Austria and Germany, there is the risk that a deterioration in the macroeconomic conditions in both countries, an increase in the volatility of their capital markets, a significant increase in the cost of funding, the end of the current period of ready availability of liquidity on the respective markets or an increase in political instability could lead to making the situation in the two countries harsh and have a negative impact on profitability as well as the assets and the operations, balance sheet and/or income statement of the Issuer and/or the Group. The Austrian and German macroeconomic conditions, as well as the Italian macroeconomic conditions, are affected, in particular, by the uncertainty relating to the European Union and the Eurozone's current situation (on this point, see Chapter 4, Paragraphs 4.2.1 and 4.2.8 of the Registration Document). In particular, Germany's economy, which is the second market in which the Group operates as at the Registration Document Date, significantly depends on the economies of certain countries with which German has various commercial relations, including, in particular, the United States, France, Italy and other countries of the European Union. Therefore, a worsening in the economic situation of these countries may have a significant adverse impact on the strongly export-orientated German economy, with potential negative consequences on the subsidiaries of the UniCredit Group operating in Germany (in particular, on UCB AG).

Central and Eastern European countries have also historically featured extremely volatile capital and foreign exchange markets, as well as a certain degree of political, economic and financial instability. In some cases, Central and Eastern European countries have a less developed political, financial and legal system. In countries where there is greater political instability, there is the risk of political or economic events affecting the transferability and/or limiting the operations of one or more of the UniCredit Group companies, as well as the risk that local governments could implement nationalisation policies (or introduce similar restrictions), which directly affect Group companies and/or which could have negative consequences on the assets and the operations, balance sheet and/or income statement of the Issuer and/or the Group.

As far as the outlook of some Central and Eastern European countries is concerned, note that developments in Russia over the last two years have increased uncertainty for the future of this country, while domestic and geopolitical developments in Turkey have introduced an element of uncertainty which was heightened following the attempted coup d'état in July 2016. Specifically, note that following the attempted coup d'état in Turkey, as a result of the uncertainties for the rule of law, the ratings agency Standard & Poor's downgraded

[22] For the sake of completeness, note that the 2016-2019 Strategic Plan includes, among other things, the sale of Bank Pekao (for the agreements relating to the sale of Bank Pekao, see Chapter 22, Paragraph 22.3 of the Registration Document).

the Turkish sovereign credit rating from “BB+” to “BB”. Similarly, in September 2016, Moody’s also cut the long-term rating of the government to “Ba1” from “Baa3”.

In this regard, please note that, under the 2016 SREP, (see Chapter 5, Paragraph 5.1.6 of the Registration Document), as areas of vulnerability, uncertainty and potential risk, in terms of the deterioration of the credit quality of assets. the ECB reported the Groups’ operations in Russia and Turkey on account of possible macro-economic and political developments in these countries.

It also not possible to rule out that in Central and Eastern European countries, also as a result of the introduction of more restrictive regulations than those projected at international level, the UniCredit Group might have to implement further recapitalisation operations for its subsidiaries taking into account the risk of being subject to - among other things - regulatory and governmental initiatives of these countries. In addition to this, and to a similar extent as the risks in all the countries in which the Group operates, local authorities could adopt measures that: (a) require the cancellation or reduction of the amount due with regard to existing loans, with a consequent increase in the provisions required with regard to the levels applied normally consistent with Group policies; (b) require additional capital; (c) introduce additional taxes on banking activity. As a result, the UniCredit Group may be called upon to ensure a greater level of liquidity for its subsidiaries in these areas, in an international context where access to same could become increasingly more difficult. Furthermore, the Group may have to increase impairments on loans issued due to a rise in estimated credit risk. Negative implications in terms of quality of credit could, specifically, involve the UniCredit Group’s exposures denominated in Swiss francs (CHF) in Central and Eastern European countries, also as a result of the decision by the Swiss Central Bank in January 2015 to remove the Swiss franc/Euro ceiling.

In addition to the above, the lower growth rates in Central and Eastern European country economies than those recorded in the past, together with negative repercussions in these countries resulting from the uncertainties of the economies of Eastern European countries, could have a negative impact on the Group reaching its strategic objectives and, therefore, on the assets and the operations, balance sheet and/or income statement of the Issuer and/or the Group.

For further information, see Chapter 6, Paragraph 6.2, of the Registration Document.

4.1.15 Risks associated with borrowings and evaluation methods of the Issuer’s assets and liabilities

In conformity with the framework dictated by International Accounting Standards, the Issuer should formulate evaluations, estimates and theories that affect the application of accounting standards and the amounts of assets, liabilities, costs and revenues reported in the financial statements, as well as information relating to contingent assets and liabilities. The estimates and related hypotheses are based on past experience and other factors considered reasonable in the specific circumstances and have been adopted to assess the assets and liabilities whose book value cannot easily be deduced from other sources.

The application of International Accounting Standards by the UniCredit Group reflects the interpretation decisions made with regard to said principles. In particular, the measurement of fair value is regulated by IFRS 13 “Fair Value Measurement”.

Specifically, the Issuer adopts estimation processes and methodologies in support of the book value of some of the most important entries in the financial statements, as required by the accounting standards and reference standards described above. These processes, based to a great extent on estimates of the future recoverability of the values recorded in the financial statements, bearing in mind the developmental stage of the evaluation models and practices in use, were implemented on a going concern basis, in other words leaving aside the theory of the compulsory liquidation of the items subject to valuation.

In addition to the risks implicit in the "market" valuations for listed instruments (also with reference to the sustainability of values over a period of time, for causes not strictly related to the intrinsic value of the actual asset), the risk of uncertainty in the estimate is essentially inherent in calculating the value of: (i) the fair value of financial instruments not listed on active markets; (ii) receivables, equity investments and, in general, all other financial assets/liabilities; (iii) severance pay and other employee benefits; (iv) provision for risks and charges and contingent assets; (v) goodwill and other intangible assets; (vi) deferred tax assets (see Chapter 4, Paragraph 4.1.16 of the Registration Document); and (vii) real estate, specifically held for investment purposes.

The quantification of the above-mentioned items subject to estimation can vary quite significantly in time depending on trends in: (i) the national and international socio-economic situation and consequent reflections on the profitability of the Issuer and the solvency of customers; (ii) the financial markets, which influence the fluctuation of interest and foreign exchange rates, prices and actuarial bases; (iii) the real estate market, with consequent effects on the real estate owned by the Group and received as guarantees; and (iv) any changes to existing regulations.

The quantification of fair value can also vary in time as a result of the corporate capacity to effectively measure this value based on the availability of adequate systems and methodologies and updated historical-statistical parameters and/or series.

In addition to the above-mentioned explicit factors, the quantification of the values can also vary as a result of changes in managerial decisions, both in the approach to evaluation systems and as a result of the revision of corporate strategies, also following changed market and regulatory contexts.

The following financial statements items have been affected by fair value estimates in the preparation of the Group's financial statements and financial reports: (i) financial assets held for trading (as at 30 September 2016 standing at €94.1 billion); (ii) financial assets valued at fair value (as at 30 September 2016 standing at €29.7 billion); (iii) financial assets available for sale (as at 30 September 2016 standing at €116.5 billion); (iv) hedging derivatives (as at 30 September 2016 standing at €5.4 billion relating to the hedging of assets and €5.7 billion relating to the hedging of liabilities); (v) financial liabilities held for trading (as at 30 September 2016 standing at €68.4 billion); (vi) financial liabilities valued at fair value (as at 30 September 2016 standing at €1.5 billion); (vii) property, plant and equipment held for investment valued at fair value (as at 30 September 2016 standing at €57.7 million); and (viii) liabilities relating to defined-benefit plans for employees (as at 30 September 2016 standing at €7.3 billion).

As required by IFRS 13, the UniCredit Group values instruments at fair value based on the decreasing extent of the quality of the inputs used for the valuation. Specifically:

- Level 1 (prices quoted on active markets): (not adjusted) prices quoted on listed markets for identical assets or liabilities which the entity can access at the valuation date. An active market is such if the transactions involving the asset or the liability subject to valuation occur at a sufficient frequency and with sufficient volumes to provide useful information for determining the price on a continuous basis (e.g. the MTS with regard to the prices of many government bonds traded there);

- Level 2 (observable inputs): inputs other than the market prices already included in Level 1, which can be observed for the activity or the liability, directly or indirectly. Inputs are considered observable if they are developed on the basis of information available to the market regarding current events and transactions and they reflect the assumption that market counterparties would use to value the asset or liability; and

- Level 3 (non-observable inputs)*:* these are inputs other than those included in Level 1 and Level 2, not directly observable on the market for the valuation of the asset or liability, or used in determining the significant adjustments to the fair value. Non-observable inputs should therefore reflect the assumptions that market players would use in the valuation of the asset or liability, including risk assumptions.

The breakdown of these exposures by levels of fair value as at 30 September 2016 was as follows:

- assets classified as "Level 1" totalled €150.7 billion, those as "Level 2" totalled €91.1 billion and those as "Level 3" totalled €3.2 billion;

- liabilities classified as "Level 1" totalled €12.3 billion, those as "Level 2" totalled €62.0 billion and those as "Level 3" totalled €1.3 billion;

Due to the measurement at fair value of its liabilities, the Group could benefit financially if its credit spread or that of its subsidiaries worsens. This benefit (lower value of liabilities, net of associated hedging positions), could lessen if said spread improves, with a negative effect on the Group's income statement. These effects, positive and negative, are, in any event, destined to be reabsorbed as the liabilities come to a natural end.

Specifically with reference to the measurement of investments in associates and joint ventures (as defined by IAS 28) or unconsolidated control or control for the purpose of the separate financial statements of the Issuer, note that in line with the provisions of IAS 36, the adequacy of the book value of equity investments is regularly checked through impairment tests. Note that the measurements were made particularly complex in view of the macroeconomic and market context, the regulatory framework and the consequent difficulties and uncertainties involving the long-term income forecasts. Therefore the information and parameters used for recoverability checks, which were significantly affected by the factors mentioned above, could develop in different ways to those envisaged. If the Group were forced, as a result of extraordinary and/or sales transactions, as well as changing market conditions, to review the value of equity investments held, it could be compelled to make write-downs, including significant ones, with possible negative effects on the assets and the operations, balance sheet and/or income statement of the Issuer and/or the Group.

In this regard, the significant equity investments are:

(i) in subsidiaries jointly totalling €3,008 million as at 30 September 2016 and refer essentially to the Turkish sub-group reporting to Koç Finansal Hizmetler AS;

(ii) in companies subject to considerable influence totalling €3,483 million as at 30 September 2016, of which €756 involves Mediobanca – Banca di Credito Finanziario S.p.A., €949 million relates to three companies operating in the Italian insurance sector, €1,778 million relates to four companies operating in the Austrian banking sector.

As far as the measurement of liabilities relating the defined-benefit plans for employees is concerned, measured in line with IAS 19 provisions, the Issuer and other Group companies make use of actuarial experts, also in selecting demographic contexts ("mortality tables"). For the risks associated with pensions, see Chapter 4, Paragraph 4.1.24 of the Registration Document.

For further information, see the 2016 Condensed Consolidated Interim Financial Statements (Part A – "Accounting Policies", pages 61-120), in the annex to the Registration Document, and the Consolidated Financial Statements as at 31 December 2015 (Notes to the Consolidated Financial Statements, Part A – "Accounting Policies", pages 181-194). The Issuer makes use of the inclusion scheme through reference to the Consolidated Financial Statements as at 31 December 2015, pursuant to Article 7 of the Issuers' Regulation and Article 28 of Regulation (EC) No 809/2004. The above-mentioned page numbers refer both to the Italian version and the English version of the Condensed Interim Consolidated Financial Statements for 2016 and the Consolidated Financial Statements as at 31 December 2015.

4.1.16 Risks relating to deferred taxes

Deferred tax assets and liabilities are recorded in the financial statements in accordance with IAS 12. As at 30 September 2016, deferred tax assets (DTA) totalled €14,156 million (compared with €14,371 million as at 31 December 2015), of which €11,340 million (compared with €11,685 million as at 31 December 2015) could be converted into tax credits pursuant to Law 214 of 22 December 2011 ("**Law 214/2011**").

Law 214/2011 involved the conversion of DTAs which refer to write-downs and losses on credits into tax credits, as well as those relating to the value of goodwill and certain intangible assets ("**Convertible DTAs**") if the company (to which these DTAs pertain) records a loss for the period in its individual financial statements. The conversion into tax credit operates with regard to Convertible DTAs recorded in the financial statements (of the above mentioned company) where a statutory loss is recorded and for a fraction of them equal to the ratio between the amount of the loss and the shareholders' equity of the actual company.

Law 214/2011 also made provision for the conversion of Convertible DTAs in the presence of a tax loss, on an individual basis; in these circumstances the conversion operates on the Convertible DTAs recorded in the financial statements following a tax loss limited to the percentage of said tax loss generated by the deduction of the negative income components described above (write-downs and losses on receivables, goodwill and other intangible assets).

In the current regulatory context, therefore, the recovery of Convertible DTAs is also guaranteed in regulatory terms if adequate future taxable income is not generated that is capable of ordinarily absorbing the corresponding deductions from the Convertible DTAs recorded. The tax regime introduced by Law 214/2011, as confirmed in the Banca d'Italia/CONSOB/ISVAP (currently IVASS) Document "*Accounting treatment of deferred tax assets resulting from Law 214/2011*" no. 5 of 15 May 2012, in conferring "certainty" on the recovery of Convertible DTAs, particularly impacts the test of sustainability/recoverability set out in IAS 12, making it, actually, always automatically satisfied with regard to this particular category of deferred tax assets. The regulations also involve more favourable treatment for Convertible DTAs compared with other types of DTAs; the former, for the purpose of the capital adequacy requirements to which the Group is subject, are actually not included in the deductions from Own Funds like other DTAs and contribute to the calculation of Risk-Weighted Assets (RWA) with a weighting of 100%.

With specific reference to Convertible DTAs pursuant to Law 214/2011, note that Decree Law 59/2016, converted into law on 30 June 2016, made provision, among other things, on the subject of deferred tax assets on the basis of which the companies involved in the laws governing Convertible DTAs can continue to apply the regulations in force on the conversion of tax credits for prepaid tax assets (precisely Convertible DTAs) provided that they exercise the irrevocable option and pay an annual fee with reference to each of the financial years from 2015 onwards, if the assumptions have contributed annually, until 2029. As clarified in the press release of the Council of Ministers of 29 April 2016, this regulation is aimed at overcoming the doubts raised by the European Commission concerning the existence of state aid elements in the current regulatory framework relating to certain deferred tax assets and their conversion into tax credits. More specifically, the fee for a given financial year is calculated by applying the rate of 1.5% to a "base" obtained by adding the total amount of tax credit conversions made in the financial year in question, net of direct taxes, as identified by the above-mentioned Decree, paid with regard to the specific tax periods established by said Decree to the difference between the Convertible DTAs recorded in the financial statements for that financial year and the corresponding Convertible DTAs recorded in the 2007 financial statements. This fee is deductible, by law, for the purpose of indirect taxes.

The Issuer has exercised the above-mentioned option by paying the fee of €126.9 million due for 2015 from Group companies "involved" by the deadline of 31 July 2016.

In addition, as a result of the provisions introduced by Legislative Decree 83/2015 (converted by Law 132 of 6 August 2015), the amount of Convertible DTAs cannot increase in the future. Specifically, it should be stressed that from 2016 the assumption for recording DTAs from write-downs and losses on receivables ceased to exist, as these negative income components became fully and immediately deductible by being recorded in the financial statements. Like DTA relating to goodwill and certain intangible assets, if recorded in the financial statements from 2015 it will no longer be possible to convert them into tax credits as a result of aforementioned Legislative Decree 83/2015.

Note that, for the years after 2015, the immediate deductibility of write-downs and losses on receivables causes a greater alignment of the IRES and IRAP taxable base with the results of the financial statements and, as a result, lower taxable income.

That having been stated, the main cases of deferred tax assets recorded in the Consolidated Financial Statements as at 31 December 2015 and in the 2016 Condensed Interim Consolidated Financial Statements are listed below.

Deferred tax assets relating to the write-downs and losses on receivables as at 30 September 2016 (Convertible DTAs) stood at €5,870 million (€6,171 million as at 31 December 2015) and is naturally intended to decrease over a period of time as a result of its progressive conversion from deferred taxes to current taxes, until it reaches zero in 2025, according to the time mechanism defined by the tax provisions in force (Legislative Decree 83/2015). This amount stems from the pre-existing tax treatment of these write-downs and losses, which, until 2015, were only deductible from taxable income to a limited extent in relation to the year in which they were recorded in the financial statements and, the excess amount could only be deducted in amounts set by the tax provisions, unlike what took place in other countries, where these negative components were fully deductible in the year of recording.

Like deferred tax assets with regard to goodwill and certain other tax-free intangible assets (Convertible DTAs), which at 30 September 2016 stood at €5,743 million (€5,781 million at 31 December 2015), they are naturally intended to decrease in time as a result of their progressive conversion from deferred taxes to current taxes. The tax amortisation and depreciation of the above-mentioned assets takes place at constant rates over several financial years. It is not currently possible to predict increases that could result exclusively from the tax exemption of goodwill recorded following the possible acquisition of new equity investments or business units (without prejudice to the fact that, in any event, any DTAs recorded could not be converted).

The residual deferred tax assets (non-convertible DTAs) relating to costs and capital losses that can be deducted in later financial years after the one they are recorded in the financial statements in (typically provisions for risks and charges, costs connected with share capital increases, etc.) stood at €5,185 million at 30 September 2016 gross of the offsetting between DTA and DTL (Deferred Tax Liabilities) (€5,021 million at 31 December 2015 gross of offsetting between DTA and DTL).

As at 30 September 2016, non-convertible DTAs for tax losses of €492 million were recorded (€487 million as at 31 December 2015), which refer mainly to the German subsidiary HVB and for €89 million (zero as at 31 December 2015) to the Issuer. According to the provision of above-mentioned IAS 12, DTAs for tax losses together with other DTAs which cannot be converted into tax credits pursuant to Law 214/2011 were recorded in the 2016 Condensed Interim Consolidated Financial Statements (like in the Consolidated Financial Statements as at 31 December 2015) to the extent in which the existence of future taxable income deduced from the 2015-2018 Business Plan, sufficient to guarantee their reabsorption in future financial years, was reasonably demonstrated (probability tests or also sustainability tests).

In this regard, please note that where, for any reason, there are significant changes to current tax regulations, which cannot presently be foreseen, or the updating of income statement estimates with the latest official projections available were to give rise to lower future taxable income than that estimated in the sustainability test as at 30 September 2016, and therefore not sufficient to guarantee the reabsorption of the DTAs in question, there could be negative effects, including significant ones, on the assets and on the operating results and capital and financial position of the Issuer and/or the Group. Specifically, it is reasonable to expect that the planned deconsolidation of impaired loans and the change in the tax regime for adjustments to loans to customers (which currently involves their full deductibility in the financial year in which they are recorded) will together lengthen the recovery time horizon of deferred tax assets, with possible consequent effects for the purpose of the evaluation of the non-convertible DTAs recorded previously and the recording in Italy of DTAs associated with tax losses in the making as at 31 December 2016, without prejudice to the fact that the current IRES tax

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framework involves the recovery, without time limits, of any tax losses that may subsequently occur. In the same way it is reasonable to expect that the introduction of the next sustainability tests for the 2016 actual results and the new income statement projections for the years 2017, 2018 and 2019 from the new Strategic Plan could cause a revision of the future estimated tax bases underlying the sustainability tests of DTAs in Italy. In this regard, note that the underlying theories of the new Strategic Plan do not include the possibility of recording DTAs under tax losses.

For more information, see Chapter 20, Paragraph 20.1 of the Registration Document.

4.1.17 Risks connected with interests in the capital of Banca d'Italia

From the third quarter of 2015, the Issuer started disposing of the stake held in Banca d'Italia, for a consideration in line with the book value. Until the Registration Document Date, UniCredit has sold approximately 4.3% of the share capital of Banca d'Italia, thereby reducing its stakeholding to 17.8% (book value as at 30 September 2016 of €1,334 million).

The stake already held by the Issuer was revalued following Banca d'Italia share increase transaction which took place in 2013, where in order to promote the reallocation of the actual equity investments, a holding limit of 3% was introduced, which meant that, after a maximum adjustment period of 36 months from December 2013, the rights to dividends in excess of this limit, among other things, will cease to be due. In this regard note that the Issuer has received dividends from its equity investment in Banca d'Italia equal to respectively €61 million for the financial year ending 31 December 2015, €75.2 million for the financial year ending 31 December 2014 and €84 million for the financial year ending 31 December 2013.

Interests in the share capital of Banca d'Italia can, by law, belong to: (i) banks and insurance and reinsurance companies with registered offices and headquarters in Italy; (ii) foundations pursuant to Article 27 of Legislative Decree 153 of 17 May 1999; (iii) welfare and insurance organisations and institutions with registered offices in Italy; and (iv) pension funds established pursuant to Article 4, paragraph 1 of Legislative Decree 252 of 5 December 2005.

During the course of the financial year ended 31 December 2015, surplus shareholders (including the Issuer) began selling, which ended up with approximately 10.0% of the total share capital of Banca d'Italia being sold. With the goal of facilitating the reallocation of the excess portions, the Board of Directors of Banca d'Italia launched the process for the dematerialisation of the interests in the share capital of Banca d'Italia, approving their issuing under the centralised management of Monte Titoli with effect from 18 January 2016.

The book value as at 30 September 2016, in line with the one for the year ending 31 December 2015 and with the results of the valuation conducted by the very senior committee of experts on behalf of Banca d'Italia during the 2013 capital increase, is supported by the price of the sales transactions that took place in 2015 and 2016. Therefore, the valuation was confirmed at level 2 of the fair value hierarchy (see also Chapter 4, Paragraph 4.1.15 of the Registration Document).

With regard to the regulatory treatment of the investment in the share capital of Banca d'Italia, note that: (i) an RWA weighting of 100% is applied to the investment recorded in the financial statements as at 30 September

2016 (applying Article 133 of the CRR "Exposures in capital instruments); and (ii) the revaluation that passed through the income statement at 31 December 2013 was not filtered.

At the Registration Document Date initiatives are under way aimed at the sale of further shares in excess of the 3% limit, whose effective completion is a significant factor in the sustainability of the book value in the immediate near future. In consideration of the above, if the Issuer does not manage to complete the disposal process as planned, it may not be able to benefit in the future from the part of the dividend relating to the investment in excess of the above-mentioned 3% limit. In these circumstances, the value of the interest in the share capital of Banca d'Italia could suffer potentially significant impairment, with possible negative effects on the assets and the operations, balance sheet and/or income statement of the Issuer and/or the Group.

In addition, the Issuer may not manage to dispose of its stakeholding in the share capital of Banca d'Italia at financial conditions in line with those anticipated, with consequent negative effects on the assets and the operations, balance sheet and/or income statement of the Issuer and/or the Group.

For further information, see Chapter 20, Paragraph 20.1 of the Registration Document.

4.1.18 Counterparty risk in derivative and repo operations

The UniCredit Group negotiates derivative contracts and repos on a wide range of products, such as interest rates, exchange rates, share prices/indices, commodities (precious metals, base metals, oil and energy materials) and credit rights, as well as repos, both with institutional counterparties, including brokers and dealers, central counterparties, central governments and banks, commercial banks, investment banks, funds and other institutional customers, and with non-institutional Group customers.

With regard to the UniCredit Group's derivatives business, the positive fair value of the trading derivatives stipulated with customers totalled €19,315 million as at 30 September 2016, of which €1,811 million related to Italian companies and €17,504 million to foreign companies. As at the same date, the negative fair value of trading derivatives stipulated with customers totalled €7,496 million, of which €697 million related to Italian companies and €6,799 million to foreign companies. As at 30 September 2016, the percentage of (i) hedging derivatives is 10% of total derivative assets and 11% of the total of derivative liabilities; and (ii) trading derivatives is 90% of total derivative assets and 89% of total derivative liabilities. The trading derivatives classified within the level 3 of the hierarchy of *fair value* are equal to 2% of the total number of asset derivatives and to 1% of the total number of liability derivatives (for more information about the characteristics of level 3 financial instruments see Chapter 4, Paragraph 4.1.22 of the Registration Document).

With regard to the UniCredit Group's repo business, the positive fair value of repos stipulated with customers totalled €6,029 million as at 30 September 2016, of which €823 million related to Italian companies and €5,206 million to foreign companies. As at the same date, the negative fair value of repos stipulated with customers totalled €1,025 million, of which €111 million related to Italian companies and €914 million to foreign companies. As at 30 September 2016, the impact of repos trading is respectively equal to 17% of the total of asset repos and 6% of the total of liability repos. All the repos are classified at the level 2 of the fair value hierarchy (for more information about the characteristics of level 2 financial instruments see Chapter 4, Paragraph 4.1.22 of the Registration Document).

These operations expose the UniCredit Group to the risk that the counterparty of said derivative contracts or repos may fail to fulfil its obligations or may become insolvent before the contract matures, when the Issuer or one of the Group companies still holds a credit right against the counterparty.

This risk, which was increased by the volatility of the financial markets, may also manifest itself when netting agreements and collateral guarantees are in place, if such guarantees provided by the counterparty in favour of the Issuer or one of the Group companies in connection with exposures in derivatives are not realised or liquidated at a value that is sufficient to hedge the exposure relating to said counterparty.

The counterparty risk associated with derivatives and/or repo operations is monitored by the Group via guidelines and policies aimed at managing, measuring and controlling such risk. Specifically, the entire framework involves rules for the admission of risk mitigation, such as netting agreements only if there is a positive clear legal opinion in the jurisdiction in which the counterparty operates and stringent rules regarding the collateral accepted (cash in the currency of low risk countries, quality in terms of issuer and country ratings, liquidity of the instrument, type of instrument accepted), in order to reduce the risks consistent with the current regulation and operate within the defined risk appetite. It cannot, however, be ruled out that failure by the counterparties to fulfil the obligations they assumed pursuant to the derivative contracts stipulated with the Issuer or one of the Group companies and/or the realisation or liquidation of the related collateral guarantees, where present, at insufficient values may have major negative effects on the activity, operating results and capital and financial position of the Issuer and/or Group.

Under the scope of its operations the Group also concludes derivative contracts with central governments and banks. Any changes in applicable regulations or in case-law guidelines, as well as the introduction of restrictions or limitations to such transactions, may have impacts (including potentially retroactive impacts) on the Group's operations with said counterparties, with possible negative effects on the activity, operating results and capital and financial position of the Issuer and/or Group. In this regard it should be noted that at the Registration Document Date, the Court of Auditors is conducting investigations into transactions in derivative contracts between the Public Administration and certain counterparties (not including the UniCredit Group), the outcome of which remains uncertain at the Registration Document Date. However, it cannot be excluded that, as a result of such proceedings and their findings, guidelines capable of causing negative consequences for the UniCredit Group may become consolidated.

For further information, see Chapter 20, Paragraph 20.1 of the Registration Document.

4.1.19 Risks connected with exercising the Goodwill Impairment Test and losses in value relating to goodwill

As at 30 September 2016, the UniCredit Group's tangible fixed assets stood at €5.7 billion (of which €3.6 billion related to goodwill) representing 11.1% of the Group's consolidated shareholders' equity and 0.65% of consolidated assets.

The parameters and information used to verify the sustainability of the goodwill (specifically the financial projections and discount rates used) were greatly influenced by the macroeconomic and market context, which could be affected by unforeseeable changes at the Registration Document Date. The effect of these changes, as well as changes in corporate strategies, could lead to a revision in the financial statements of future years of

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the cash flow estimates relating to individual operating sectors and the adoption of the main financial parameters (discount rates, expected growth rates, common equity tier 1 ratio, etc.) which could have repercussions on the future results of impairment tests, with consequent possible further adjustments in value to goodwill and impacts, including significant ones, on the operations, balance sheet and/or income statement of the Issuer and/or the Group. In this regard, note that in the three-year period 2013-2015, following the results of the impairment tests, the UniCredit Group made total adjustments of €7.99 billion to the value of goodwill in the financial year ending 31 December 2013.

For further information, see Chapter 20, Paragraph 20.1 of the Registration Document.

4.1.20 Risks connected with existing alliances and joint ventures

At the Registration Document Date, the UniCredit Group has several alliance agreements, as well as several shareholders' agreements stipulated by the Group and other parties under the scope of co-investment agreements (e.g. agreements for the establishment of joint ventures), with special reference to the insurance sector (Aviva S.p.A., CNP UniCredit Vita S.p.A., Creditras Assicurazioni S.p.A., Creditras Vita S.p.A. and Incontra Assicurazioni S.p.A.) and with reference to which there are also distribution agreements. As at 30 September 2016, the Group's contribution to the brokerage margin from these distribution agreements was €462 million.

With reference to the aforementioned agreements, it should be noted that (i) on 29 December 2016 agreements were signed for the extension related to Encounters Assicurazioni S.p.A. until 31 May 2017, with the objective to sign new agreements by this date. In addition, under the scope of the existing partnership with CNP UniCredit Vita S.p.A. the preliminary contacts to evaluate possible options for developing relations were made.

Under the scope of these agreements, as per market practice, there are investment protective clauses which, depending on the case, allow the parties to negotiate their respective positions on the underlying investment in the case of their "exit", through mechanisms that require purchase and/or sale. These provisions are usually applied after a certain period of time and/or when specific events occur, also connected to the underlying distribution agreements.

At the Registration Document Date, the underlying assumptions of the above-mentioned protective investment clauses have not been met and therefore, as at the Registration Document Date, the Issuer does not have definitive obligations to purchase the equity investments pertaining to one or more contractual counterparties. If these assumptions were to be met and UniCredit and/or one or more of the UniCredit Group companies were to be compelled to buy the investments pertaining to one or more contractual counterparties, they may have to cope with possibly significant outlays in order to fulfil their obligations which may have negative effects on the operations, balance sheet and/or income statement of the Issuer and/or the Group.

In addition, as a result of these purchases the UniCredit Group might see its own investment share in these parties increase (thereby also gaining control), with impacts on the calculation of deductions relating to positions held in entities in the financial sector and/or with the consequent need to deal with subsequent investments, all of which could have negative impacts on the Group's capital ratios (for risks resulting from capital adequacy, see Chapter 4, Paragraph 4.1.5 of the Registration Document).

In addition, under the scope of the transaction relating to the sale of the PGAM assets, the Issuer, UCB AG and UCB Austria will sign separate distribution agreements with several companies of the group whose parent company is PGAM. These agreements involve UniCredit Group companies meeting specific annual targets in terms of sales volumes, which, if they fail to reach will result in the activation of specific compensation liabilities pertaining to the respective UniCredit Group companies, which could result in negative impacts on the operating results and capital and financial position of the Issuer and/or the Group. In addition, if the distribution agreements are terminated in certain situations identified in the Master Sale and Purchase Agreement (relating mainly to the termination of distribution agreements through the violation by UniCredit or one of the subsidiaries of the UniCredit Group of the obligations and/or commitments therein and/or interventions by the supervisory authorities), the price reduction mechanisms could be activated on behalf of the purchaser (i.e. Amundi S.A.). Note that as at 30 September 2016 the contribution of the group whose parent company is PGAM to the Group's brokerage margin was €630 million.

For further information, see Chapter 22, Paragraph 22.2 of the Registration Document.

4.1.21 Risks connected with the collection, storage and processing of personal data

The activity conducted by the UniCredit Group is subject to the regulations governing the protection, collection and processing of personal data in the jurisdictions in which it operates.

The UniCredit Group has adapted its internal procedures to the various applicable regulations and has adopted the necessary technical arrangements to conform to the legal provisions in force at the Registration Document Date with regard to access and handling bank details (including, specifically, provision 192/2011 issued by the Italian Data Protection Authority).

The Group, however, remains exposed to the risk that the data could be damaged or lost, or removed, disclosed or processed for purposes other than those authorised by the customer, also by unauthorised parties (either third-parties or employees of the UniCredit Group).

The possible destruction, damage or loss of customer data, in the same way as its removal, unauthorised processing or disclosure, would have a negative impact on the activity of the UniCredit Group, in reputation terms too, and could lead to the competent body imposing fines, with consequent negative effects on the operations, balance sheet and/or income statement of the Issuer and/or the Group.

In addition, any changes to the applicable regulations, even at an EU level, could have a negative impact on the Group's activities, because it could create the need to incur costs for adapting to the new regulations. In this regard, note, among other things, that in June 2016 Regulation (EU) No 679 on the protection of physical persons with regard to the processing of personal data, as well as the free circulation of this data, came into force. This regulation, which will apply from May 2018, introduced more restrictive provisions as far as the processing of personal data is involved also in relation to the methods of obtaining consent from the parties concerned, among other things, creating more stringent sanctions applicable to the data processor if the provisions of the regulation are violated.

4.1.22 Risks connected with operations conducted through structured credit products

The UniCredit Group operates in structured credit products, acting as originator, sponsor, investor and lender, depending on the circumstances.

The UniCredit Group values its structured credit securities portfolios by monitoring their fair value and their economic value.

To this end, a standardised monthly Independent Price Verification ("**IPV**") process has been approved and has been in force on a monthly basis since March 2008 for the various legal entities within the UniCredit Group, in relation to the structured credit securities portfolios acquired by the Group and relating to operations performed by third parties. The process is co-ordinated by the Risk Management department. Under the IPV process, financial instruments are classified into 3 classes (fair value hierarchy levels) according to the inputs used to calculate the fair value and representing, by extension, their liquidity and price reliability level. The classifications are level 1 for instruments where there are listed prices that can be obtained from markets active at the reference date; level 2 for instruments whose value is calculated from inputs (i.e. prices or credit spreads of comparable securities) that can be observed on the market at the reference date; while level 3 is for instruments whose value is determined from inputs that cannot be observed directly on the market. Note that in current market conditions, structured credit securities are usually classified as level 2 or 3.

The valuation models used are inherently complex, and the assumptions, estimates and valuations on which they are based often take into consideration uncertain and unpredictable data, such as expected cash flows, the debtor's solvency and the appreciation or depreciation of assets, which need to be periodically updated to reflect changes in trends or market conditions.

In view of the current market situation, the fair value of some of the securities that the Group has acquired from third parties has been reduced significantly compared with their carrying amount. Therefore, the disposal of such positions based on an economic value that is lower than their carrying amount, or – with regard to the instruments belonging to the investment portfolio – the write-down to be recorded if the relevant conditions are met pursuant to International Accounting Standards could have major negative effects on the capital and financial position of the UniCredit Group, the extent of which will vary in proportion to the difference between the carrying amount and the market value/economic value. Information on the Group's structured credit products operations is provided below.

(a) *Securitisations and covered bond programmes established by the UniCredit Group*

The UniCredit Group acts as the originator of portfolios of receivables recorded in the balance sheet of special-purpose securitisation entities pursuant to the applicable provisions of law. More generally, the Group carries out both traditional securitisations, whereby the receivables portfolio is sold to the special-purpose entity, and synthetic securitisations, which use guarantees or credit default swaps to purchase protection over all or part of the underlying credit risk of the portfolio of assets of the Group.

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As at 30 September 2016, the Group's net cash exposure arising from own-asset securitisations totalled €13.0 billion and can be broken down as follows:

- exposure arising from traditional securitisations of assets that were fully derecognised in the financial statements: €36 million;
- exposure arising from securitisations of assets that were not derecognised in the financial statements: €3.7 billion; and
- exposure arising from synthetic securitisations: €9.3 billion.

The same exposure can be broken down by level of subordination as follows:

- exposures in the junior tranche of €2.1 billion;
- exposures in the mezzanine tranche of €0.4 billion; and
- exposures in the senior tranche of €10.5 billion.

In addition to the aforementioned exposures, the Group has also carried out traditional securitisations, acquiring all liabilities issued by the special-purpose entities for a total of €13 billion of underlying assets ("self-securitisations").

In its role as originator of securitisations (both traditional and synthetic), the Group aims mainly to optimise the credit risk by freeing up regulatory and economic capital and to provide new liquidity, whilst simultaneously diversifying its funding sources. With specific reference to traditional securitisations, to deal with the market crisis situation in the second half of 2007, traditional securitisations were also used mainly for the purpose of increasing the capacity of having assets immediately available that could be used as collateral in funding transactions (counterbalancing capacity) keeping the securities issued by the special-purpose entity within the Group.

Under traditional securitisations the Group usually retains the first loss in the form of junior bonds or similar exposure, and in some cases provides further credit enhancement. This enables the Group to benefit from the portion of the sold receivables' yield in excess of the yield due to the senior and mezzanine tranches, if applicable.

Retention by the Group of the first loss risk and the corresponding yield means that most of the risk and return on the portfolio is retained. Consequently, these transactions are recognised in the financial statements as loans; no profits from the sale of the assets are recognised, and the sold receivables are not derecognised.

The Group then implements synthetic securitisations via financial guarantees that transfer the credit risk of the tranche of credit portfolios issued by the Group (usually the junior tranche or the junior and the mezzanine tranches, in their entirety, or a portion of them). With regard to the nature of the guarantor, these guarantees are often collateralised by a cash deposit at the originator bank. The purpose of the transactions is usually to achieve a significant transfer of the credit risk with consequent effects on the Group's regulatory and economic capital requirements. The guarantees used to implement the transactions usually contain early termination clauses in line with the provisions of existing regulations; exercising these options involves the resumption of the residual credit risk at the time of exercising and the effects of the transaction cease to exist. Some synthetic securitisations are implemented with the involvement of public and/or supranational bodies such as, for example, the Central Guarantee Fund and the European Investment Fund with the aim of encouraging access to credit for small and medium businesses served by the Group.

For each securitisation where a significant transfer of risk has been recognised, following the development of the securitised portfolio or in relation to other factors, the regulatory and/or internal conditions for this transfer may no longer exist with a consequent impact on the capital requirements of the UniCredit Group and therefore with possible negative effects, including significant ones, on the operations, balance sheet and/or income statement of the Issuer and/or the UniCredit Group.

In addition, at the Registration Document Date, the UniCredit Group has two covered bond programmes ("**OBG**" or Italian covered bonds) as medium and long-term funding tools, subject, in line with the Supervisory Provisions, to period checks regarding:

- the quality, suitability and integrity of the assets guaranteeing the bonds;
- compliance with the maximum ratio between the covered bonds issued and the assets given as a guarantee;
- compliance with the assignment limits and the integration methods;
- the effectiveness and the adequacy of the risk cover offered by any derivative contracts agreed with regard to the transaction;
- the annual balance between the financial flows produced by the cover pool and those absorbed by the Italian covered bonds issued.

As at 30 September 2016 under the two 30 series Italian covered bond programmes the total amount issued stood at €25,156 million, of which €11,450 million was held within the Issuer.

As they are structured credit products, the covered bonds are very complicated to manage and feature risks associated with failure to comply with the constraints listed above. Failure to comply with these constraints could lead, in addition to reputational damage, to the restriction or interruption in the use of the above-mentioned issue programmes – which represent a source of funding for the UniCredit Group at far more advantageous conditions than other instruments – with consequent impacts on the Issuer's liquidity position and possible negative effects on the operations, balance sheet and/or income statement of the Issuer and/or the UniCredit Group.

(b) *Securitisations in which the UniCredit Group acts as sponsor and exposures to other consolidated special-purpose entities*

The UniCredit Group acts as a promoter (sponsor) through UCB AG, of special-purpose entities which issue commercial papers (Asset Backed Commercial Paper Conduit) established in order to fund the credit portfolios of customers through access to the securitisation market (Multi Seller Customer Conduits).

As at 30 September 2016, the total amount of exposures in which the Group has the role of sponsor stood at €4.7 billion, of which €1.5 billion related to cash exposure and the overall lines of credit of €3.2 billion required to cover the maximum risk exposure towards the Asset Backed Commercial Paper Conduit (funding commitments).

The lines of credit highlighted represent, as at the Registration Document Date, the exposure under provided funding commitments. Total funding commitments under these lines of credit stood at €3.2 billion as at 30 September 2016. The difference between the total funding commitments granted and the total exposure amount represents the possible additional risk related to the Group's various commitments to purchase further assets under the programme.

In addition to the activity described above, the Group carries out various other activities via consolidated special-purpose entities. The most significant of such activities include: (i) leasing activities; (ii) project financing activities; and (iii) funding for the purchase of real estate. In these cases, the Group bears most of the risk and receives most of the returns associated with granting loans and credit lines and/or underwriting liabilities issued by these special-purpose entities.

As at 30 September 2016, exposures to these special-purpose entities totalled €6.3 billion, of which €6,195 million related to cash exposures and €62 million to credit lines.

(c) *Other structured credit products in which the UniCredit Group acts as an investor or lender*

The Group also invests in structured credit products issued by special-purpose entities that are not consolidated pursuant to the accounting rules in force, insofar as such instruments do not bear most of the risk or receive most of the returns associated with the activity carried out by these special-purpose entities. Lastly, the Group also acts as a lender of vehicle companies established for specific business purposes, which may be subject to consolidation pursuant to the accounting rules in force.

With regard to these activities, the Group holds:

- as an investor: exposures to securitisations established by third-parties: RMBS, CMBS, CDO, CBO/CLO and other ABS (including covered bonds issued by third-parties);

- as a lender: exposures with regard to other special purpose entities with specific aims (exposures to SPVs) with regard, *inter alia*, to real estate, project financing and leverage buy-out activities.

As at 30 September 2016, these portfolios totalled:

- €6.9 billion and represented just 0.86% of the total financial assets portfolio at the same date; and

- €8.1 billion for positions in relation to Business SPV, of which €6.1 billion is subject to consolidation.

The breakdown of the portfolio of credit-structured products by type is given below.

(in thousands of Euros)		
	Structured credit product exposures	
	Outstanding amounts as at 30 September 2016	**Outstanding amounts as at 31 December 2015**
Type of exposure	**Net exposure**	**Net exposure**
RMBS	2,985,179	3,415,420
CMBS	184,932	302,139
CDO	60,606	67,019
CLO/CBO	1,959,373	1,075,246
Other ABS	1,724,301	1,602,367
Total	**6,914,391**	**6,462,191**

In line with the development of the financial markets and, specifically, the securitisation market, the Global ABS Portfolio was transformed from a separate portfolio in liquidation to strategic investment portfolio for the Group in 2011 and was integrated into the Markets Strategic Portfolio ("MSP"), managed with a view to generating a profit margin and creating an appreciable capital return through long-term investments in fixed-income securities. The development of client-related operations is also an integral part of MSP activities and includes actions to strengthen the customer base and support securitisations. This portfolio is subject to monitoring and reporting by the business and risk management functions. All activities relating to the MSP are carried out in conformity with established policies and procedures, specifically credit approval procedures.

The analysis of investments in ABS focuses specifically on the following elements:

- Structural analysis of all internal and external risks inherent to a similar investment, e.g. Default Risk, Dilution Risk, Residual Value Risk, Servicer Risk, Interest Rate Risk, Liquidity Risk, Commingling Risk, Legal Risk, Adequacy of performance triggers, etc. These risks may differ according to the underlying assets class;

- Analysis of the underlying portfolio, including the analysis of all performance indicators significant for each underlying asset class;

- Cash flows/quantitative analysis/modelling;

- Credit rating and experience of the participants e.g. vendor/servicer - financial soundness, capacity and availability to service assets.

If the Group were to decide to divest the Global ABS Portfolio investments, or in a scenario in which it was forced to liquidate them, it could suffer a loss equal to the difference between the book value and the sale price of these instruments at the date of the transaction.

Note that a portion of the Global ABS Portfolio was subject to reclassification from the trading portfolio to the banking portfolio (which took place in 2008 and, marginally, in 2009).

For the purpose of the financial statements, the reclassified exposures in question are classified under "receivables due from customers". These financial instruments are measured at amortised cost and subject to impairment pursuant to the provisions of IAS 39. This amortised cost value, which includes any adjustments in value for impairment losses, could differ significantly from the fair value of the actual instruments. As at 30 September 2016, the book value of the ABS instruments stood at €1.1 billion.

For further information, see Chapter 20, Paragraph 20.1 of the Registration Document.

4.1.23 Risks connected with the performance of the property market

The UniCredit Group is exposed to the risks of the property market, both as a result of investments held directly in properties owned (both in Italy and abroad), and as a result of loans granted to companies operating in the property sector where the cash flow is generated mainly by the rental or sale of properties (commercial real estate), as well as due to granting loans to individuals where the collateral is property.

With regard to the property held by the Group, note that as at 30 September 2016, this totalled €6,399 million, of which €3,910 million was for carrying out business activities (compared with €3,998 million as at 31 December 2015) and €2,489 million for investment purposes (compared with €2,590 as at 31 December 2015).

Any downturn in the property market (already seen in recent years through a fall in market prices) could result in the Group having to make impairments to the property investments it owns at a value that is higher than the recoverable value, with consequent negative effects, including significant ones, on the operating results and capital and financial position of the Issuer and/or the Group.

Under the scope of property transactions, commercial real estate is the sector that has seen a greater fall in market prices and the number of transactions in recent years; as a result, the subjects operating in this section have had to deal with a decrease in transaction volumes and margins, an increase in commitments resulting from financial expenses, as well as greater difficulties in refinancing, with negative consequences on the profitability of their activities, which could have a negative impact on the ability to repay the loans granted by the Group.

On the other hand, with regard to loans granted to private individuals, note that as at 30 September 2016, loans provided by the Issuer and guaranteed by residential property stood at €52,375 thousand. With regard to loans granted to private individuals in the geographical area of "Italy", also note that the Loan to Value of new loans stood at 57% as at 30 March 2016 (the latest figure available at the Registration Document Date) an increase compared with 54.8% as at 31 December 2015. Note that a fall in property prices could translate into a reduction in the value of the guarantees that could be realised in the case of enforcement if the debtor defaults. As far as the value of residential properties in Italy guaranteeing loans granted by the Issuer is concerned, note that they recorded a fall in value year on year of respectively -4% at 31 December 2014 and -1% at 31 December 2015 (essentially in line with the negative performance of the house price index in Italy[23] which recorded figures of -4% at 31 December 2014 and -2.6% at 31 December 2015).

[23] Source: house price index (IPAB) available at www.istat.it.

With reference to commercial real estate transactions and granting loans to individuals where the collateral is property, note that any deterioration of the property market could result in the need of the Group to make value adjustments to the loans supplied to companies operating in the sector and/or to private individuals and/or to loans guaranteed by properties, with consequent negative effects, including significant ones, on the operations, balance sheet and/or income statement of the Issuer and/or the Group.

In this scenario, in spite of the fact that the provision of loans is usually accompanied by the issuing of collateral and the Group has valuation procedures at the time of the issuing as well as monitoring processes for the value of the guarantees received, the Group still remains exposed to the risk of price trends in the property market.

Specifically, the continuation of poor market conditions and/or, more generally, the protracted economic-financial crisis could lead to a fall in value of the collateral properties as well as difficulties in terms of monetisation of said collateral under the scope of enforcement procedures, with possible negative effects in times of realisation times and values, as well as on the operations, balance sheet and/or income statement of the Issuer and/or the Group.

In October 2016, the German Federal Ministry of Finance published a draft legislation containing potential restrictions by the supervisory authorities on the granting of residential property loans as far as deemed necessary for the prevention of imminent serious risks threatening the financial stability of credit institutions. According to this draft legislation the supervisory authorities shall in particular be able to set limits concerning loan-to-value, debt-service-to-income and debt-service-coverage-ratio as well as overall debt-to-income. If this legislation comes into force as at the Registration Document Date, or implies stricter provisions, it could have adverse effects on the residential real estate activities operated by UniCredit Group companies in Germany.

For more information, see Chapter 8 of the Registration Document.

4.1.24 Risks connected with pensions

The UniCredit Group is exposed to certain risks relating to commitments to pay pension benefits to employees following the termination of their employment. These risks vary depending on the nature of the pension plan in question.

A distinction therefore needs to be made between: (i) defined-benefit plans, which guarantee employees a series of benefits that depend on factors such as age, years of service and compensation requirements; and (ii) defined-contribution plans, whereby the company pays fixed contributions and the benefit is based on the accumulated amount (made up of the contributions themselves and the return on them).

More specifically, in relation to the commitments connected to defined-benefit plans, the UniCredit Group assumes both the actuarial risk and the investment risk. The assumed liability reflects an estimate, which is calculated based on International Accounting Standards. Therefore, depending on the actuarial risk and investment risk, as well as the demographic and market contexts, the amount of said liability could be lower than the amount of the benefits to be paid over time, potentially resulting in major negative effects on the UniCredit Group's capital and financial position.

Specifically, at the Registration Document Date, there are numerous defined-benefit plans within the UniCredit Group, established in Italy and abroad. As at 30 September 2016, the plans in Austria, Germany and Italy, in total, accounted for over 90% of the Group's pension obligations.

The Group's plans do not include assets held for sale with the exception of the defined-benefit plans in Germany - including the Direct Pension Plan (namely an external fund managed by independent trustees), the "HVB Trust Pensionfonds AG" and the "Pensionkasse der Hypovereinsbank WaG", all three established by UCB AG – and the defined-benefit plans established by the Issuer and by UCB AG in the United Kingdom and in Luxembourg by the Issuer.

From 1 January 2013, as a result of the entry into force of the amendments to IAS 19 ("IAS 19R"), the elimination of the corridor approach has had an impact on the shareholders' equity of the Group connected with the recognition in the "valuation reserve" of actuarial profits or losses not previously recognised.

The negative valuation reserve balance, net of taxes, was -€2,939 million as at 30 September 2016 (compared with -€2,135 million as at 31 December 2015).

In addition to the above, in the context of the restructuring activities of UCB Austria, UCB Austria and the Workers' Council signed an agreement that involves the definitive move of its employees to the state pension system (on the other hand the employees of UCB Austria already retired at this date will not be involved). The Austrian Parliament approved a new law which involves the framework governing the transfer of pension obligations relating to UCB Austria employees from the company to the national pension system; however, there is the risk that the retirees could oppose to the agreement signed by UCB Austria and the Workers' Council, challenging the transfer to the state pension system, with possible negative consequences, also of a reputational nature, on the activities and the capital and financial position of the Issuer and/or the Group (see Chapter 5, Paragraph 5.1.5 of the Registration Document).

For further information, see Chapter 20, Paragraph 20.1 of the Registration Document.

4.1.25 Risks connected with risk monitoring methods and the validation of such methods

The UniCredit Group has an organisational structure, corporate processes, human resources and expertise that it uses to identify, monitor, control and manage the various risks that characterise its operations, and develops specific policies and procedures for this purpose.

The Issuer's Risk Management division oversees and controls the various risks at Group level and guarantees the strategic planning and definition of the risk management policies implemented locally by the Risk Management structures of the Group entities. Some of the methods used to monitor and manage such risks involve observing historic market trends and using statistical models to identify, monitor, control and manage risks.

The Group uses internal models for measuring both credit risk and market and operating risk. As at the Date of the Registration Document, these models - where used for the purpose of calculating the capital requirements - were validated by the Regulatory Authority.

However, the above-mentioned methods and strategies could prove to be inadequate or the valuations and assumptions underpinning these policies and procedures could turn out to be incorrect, exposing the Issuer to unexpected risks or risks which may not have been correctly quantified so therefore UniCredit and/or the Group could suffer losses, even significant ones, with possible negative effects on the operations, balance sheet and/or income statement of the Issuer and/or the Group.

In addition, in spite of the presence of the above-mentioned internal procedures aimed at identifying and managing the risk, the occurrence of certain events, which cannot currently be budgeted for or assessed, as well as the incapacity of the Group's structures and human resources to include elements of risk in carrying out certain activities, could, in the future, lead to losses and therefore have a significant negative impact on the operations, balance sheet and/or income statement of the Issuer and/or the Group.

Over the course of routine inspections, the ECB and the Regulatory Authorities of the countries in which the Group operates have identified a series of areas of improvement in the Group models, specifically the Italian ones (see Chapter 20, Paragraph 20.8.4 of the Registration Document). The implementation of these improvements, which will involve a greater capital requirement given the same assets, is already reflected in the 2016-2019 Strategic Plan. Moreover, these actions to adapt the internal models will be subject, in any event, to the approval of the Regulatory Authorities. Their overall impact in terms of capital will therefore depend on the regulatory developments for the regulatory capital calculation rules as well as on the development of the volumes of assets and how it differs compared with the Strategic Plan.

There is a possibility that, following investigations or checks carried out by supervisory authorities in the countries in which the Group operates, the internal models may be considered no longer sufficient, potentially having a significant negative impact on the calculation of capital requirements.

In this regard, please note that under the scope of the 2016 SREP (see Chapter 5, Paragraph 5.1.6 of the Registration Document), the ECB notified the Issuer of vulnerable areas relating to the risk culture and the overall governance of the risk of internal models. Specifically, in the ECB's opinion, there are still weaknesses in the IT infrastructure in terms of governance, aggregation at Group level, reconciliation and reporting of risk data, although it acknowledges the significant investments made by the Issuer to strengthen IT systems. In addition, with special reference to credit risk, weaknesses have been identified in data quality and in the development of the internal models reviewed by the ECB, which call into question the effectiveness of the internal validation function.

The ECB acknowledged that the Issuer's ICAAP (Internal Capital Adequacy Assessment Process) covers all categories of significant risk, however, several areas requiring attention have been identified involving intra-risk methodologies and correlation, concentration and diversification assumptions under the scope of the loan portfolio model. Therefore, the ECB has asked the Issuer to improve the supporting information justifying the reliability of the model assumptions.

Lastly, in the light of the regulatory developments involving the adoption of internal models, it will probably be necessary to revise some models to ensure that they conform in full to the new regulatory requirements. For the specific segments currently managed through internal models it may also be necessary to impose the adoption of the standardised approach, also being reviewed at the Date of the Registration Document. The new regulatory features, which involve the entire banking system, could therefore involve changes to capital measures, but they will, however, come into force after the time horizon of the 2016-2019 Strategic Plan.

For further information, see Chapter 6, Paragraph 6.1.7 of the Registration Document.

4.1.26 Operating risks

The complexity and geographical distribution of the UniCredit Group's activities requires, among other things, a capacity to carry out a large number of transactions efficiently and accurately, in compliance with the various different regulations applicable. The UniCredit Group is therefore exposed to operating risk, namely the risk of suffering losses due to errors, violations, interruptions, damages caused by internal processes, personnel, strikes, systems (including IT systems on which the UniCredit Group depends to a great extent) or caused by external events.

Operating risk also includes legal risk and compliance risk, but not strategic risk and reputational risk. The main sources of operating risk statistically include the instability of operating processes, poor IT security, excessive concentration of the number of suppliers, changes in strategy, fraud, errors, recruitment, staff training and loyalty and, lastly, social and environmental impacts. It is not possible to identify one consistent predominant source of operating risk.

The UniCredit Group has a system for managing operating risks, comprising a collection of policies and procedures for controlling, measuring and mitigating Group operating risks. These measures could prove to be inadequate to deal with all the types of risk that could occur and one or more of these risks could occur in the future, as a result of unforeseen events, entirely or partly out of the control of the UniCredit Group (including, for example, fraud, deception or losses resulting from the disloyalty of employees and/or from the violation of control procedures, IT virus attacks or the malfunction of electronic and/or communication services, possible terrorist attacks). The realisation of one or more of these risks could have significant negative effects on the activity, operating results and capital and financial position of the Issuer and/or the Group.

In September 2016, the Group's capital requirement for operating risks stood at €3.2 billion (equal to €39.5 billion of RWA), down 4% compared with the same figure in December 2015. The Group's operating losses at September 2016 stood at €212 million, down 93% compared with the same period in the previous financial year.

As far as operating risk is concerned, note that under the scope of the 2016 SREP (see Chapter 5, Paragraph 5.1.6 of the Registration Document), the ECB highlighted areas of vulnerability, stressing the need to closely monitor the risk resulting from judicial proceedings in progress or potential ones (see Chapter 4, Paragraph 4.1.29.1 and 4.1.31 of the Registration Document) and organisational and procedural weaknesses in the compliance function which expose the Issuer to risks in that area that are far from negligible (see Chapter 4, Paragraph 4.1.30 of the Registration Document). The ECB also highlighted that where the provisions in Croatia and Hungary for the forced conversion of exposures denominated in currency and the giving in payment law in Romani where to be classified as operating risk events, this could have a negative impact on the capital requirements of the Issuer. Lastly, the ECB recalled the findings from the latest IT inspection which refer to insufficient uniformity and comprehensiveness of the processes implemented within the Group (see Chapter 20, Paragraph 20.8.4 of the Registration Document).

Moreover, in the context of its operation, the UniCredit Group outsources the execution of certain services to third companies, regarding, *inter alia*, banking and financial activities, and supervises outsourced activities according to policies and regulations adopted by the Group. The execution of the outsourced services is regulated by specific service level agreements entered into with the relevant outsourcers. The failure by the outsourcers to comply with the minimum level of service as determined in the relevant agreements might cause adverse effects for the operation of the Group. In particular, the Issuer and the other Group companies are subject to the risk resulting from omissions, mistakes, delays or interruptions by the suppliers in the execution of the services offered, which might cause discontinuity with respect to the contractually agreed levels, in the service offered. Moreover, the continuity of the service level might be affected by the occurrence of certain events negatively impacting the suppliers, such as, for example, a declaration of insolvency, as well as the incurrence of certain suppliers in insolvency procedures.

Furthermore, if the existing agreements with the outsourcers terminated or ceased to have effect, it would not be possible to ensure that the Issuer can promptly enter into new agreements or enter into new agreements with non-negative terms and conditions in respect of the existing agreements as at the Registration Document Date.

For further information, see Chapter 6, Paragraph 6.1.7 of the Registration Document.

4.1.27 Risks relating to IT system management

The UniCredit Group's operations depend on, among other things, the correct and adequate operation of the IT systems that the Group uses as well as their continuous maintenance and constant updating.

The UniCredit Group has always invested a lot of energy and resources in upgrading its IT systems and improving its defence and monitoring systems. However, possible risks remain with regard to the reliability of the system (disaster recovery), the quality and integrity of the data managed and the threats to which IT systems are subject, as well as physiological risks related to the management of software changes (change management), which could have negative effects on the operations of the UniCredit Group, as well as on the capital and financial position of the Issuer and/or the Group.

Some of the more serious risks relating to the management of IT systems that the UniCredit Group has to deal with are possible violations of its systems due to unauthorised access to its corporate network, or IT resources, the introduction of viruses into computers or any other form of abuse committed via the Internet. Like attack attempts, such violations have become more frequent over the years throughout the world and therefore can threaten the protection of information relating to the Group and its customers and can have negative effects on the integrity of the Group's IT systems, as well as on the confidence of its customers and on the actual reputation of the Group, with possible negative effects on the capital and financial position of the Issuer and/or the Group.

In addition, the investment by the UniCredit Group in important resources in software development creates the risk that when one or more of the above-mentioned circumstances occurs, the Group may suffer financial losses if the software is destroyed or seriously damaged, or will incur repair costs for the violated IT systems, as well as being exposed to regulatory sanctions.

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In this regard, note that the possibility of capitalising the costs incurred for the development of IT systems and related software depends, among other things, on the possibility of demonstrating, on a recurring basis, the technical and financial feasibility of the project as well as its future usefulness.

The disappearance of these conditions as a result of the supervening technical or financial impossibility of bringing the project to a conclusion and/or technological obsolescence and/or changes in the business pursued and/or other unforeseeable causes, could determine the need to (i) consider removing, in full or in part, by recording write-downs in the income statement, the assets capitalised following the irrecoverability of the investments recorded in the statement of assets and liabilities and/or (ii) shortening the useful life calculated previously by increasing the amortisation rates in the income statement in the residual useful life period, with consequent negative effects, including significant ones, on the capital and financial position of the Issuer and/or the Group.

For further information, see Chapter 6, Paragraph 6.1.7 of the Registration Document.

4.1.28 Risks connected with non-banking activities

In addition to the traditional banking activities of collecting deposits and granting loans, the UniCredit Group also carries out activities that may expose it to a higher level of credit and/or counterparty risk. This increased risk may arise from the following activities, by way of example:

- trading in financial instruments, futures contracts, currencies or raw materials that may not be regulated in a timely manner due to the counterparty's failure to fulfil their delivery obligation or defaults by settlement agents, markets, liquidation systems or other financial intermediaries (including the Group itself);
- holding financial instruments pertaining to third parties; and
- granting credit via various different methods.

There is a risk that the counterparties of this type of operation, such as counterparties of trading operations or issuers of securities held by UniCredit Group companies, may not be able to fulfil their obligations towards the Group due to insolvency, political or economic events, a lack of liquidity, operating problems or other reasons. Default by the counterparties of a series of operations, or by the counterparty of one or more operations of considerable value, could have major negative effects on the activity, operating results and capital and financial position of the Issuer and/or the Group.

The UniCredit Group has also made a series of significant equity investments, some of which arose from the conversion of debt into a stake in the borrower's share capital as part of a debt restructuring process. Any operating or financial losses or risks that the subsidiaries or affiliates may be exposed to could, first of all, limit the possibilities for the UniCredit Group to dispose of the aforementioned equity investments and considerably reduce the value of said investments, with possible major negative effects on the Group's operating results and capital and financial position.

Furthermore, following the enforcement of guarantees and/or the signing of debt restructuring agreements, the Group holds and could in future acquire controlling or minority equity investments in companies operating in sectors other than those in which the Group operates, including, by way of example and not exhaustively, the real estate, oil, energy, infrastructures, transport, telecommunications and IT and consumer goods sectors. Specifically, note that as at 30 September 2016 the value of the investment portfolio held by the Group in companies which carry out non-financial activities was equal to a total of €3,166.2 million (of which €516.4 million refers to equity investments owned directly by the Issuer and €2,599.8 million refers to equity investments owned indirectly) of which €118.58 million relates to equity investments owned by the Group in companies in temporary financial difficulties under the scope of restructuring processes or credit recovery. In the first nine months of 2016, under the above-mentioned portfolio, decreases of a total of €219.6 million were recorded compared with 31 December 2015 (€62.6 million referring to equity investments owned directly and €157 million referring to equity investments owned indirectly). Any operating or financial losses or risks that subsidiaries or affiliates may be exposed to could limit the possibilities for the Group to dispose of the above-mentioned equity investments and considerably reduce the value of said investments, with possible major adverse effects on the operating results and capital and/or financial position of the Group and/or Issuer.

These sectors require specific knowledge and management expertise that the Group does not have. However, during the course of any disposal operations, the Group may have to manage such companies and possibly include them, depending on the extent of the stake acquired, in its Consolidated Financial Statements. This exposes the Group to both risks relating to the activities carried out by the individual subsidiaries or affiliates and risks arising from inefficient management of such equity investments, with possible major negative effects on the operating results and capital and financial position of the Issuer and/or the Group.

4.1.29 Risks connected with legal proceedings in progress and supervisory authority measures

4.1.29.1 Risks connected with legal proceedings in progress

As at the Registration Document Date, there are legal proceedings (which may include disputes of a commercial nature, investigations and other contentious issues of a regulatory nature) pending with regard to the Issuer and other companies belonging to the UniCredit Group. Specifically, as at 30 September 2016, there were approximately 26,000 legal proceedings (other than labour law, tax and debt recovery related under the scope of which counterclaims were submitted or objections raised with regard to the credit claims of Group companies) and 545 labour law proceedings pending with regard to the Issuer. In addition, from time to time, directors, representatives and employees, including former ones, may be involved in civil and/or criminal cases, the details of which the UniCredit Group may not be entitled to know or disclose. In many of these cases, there is considerable uncertainty with regard to the possible outcome of the proceedings and the scale of any loss suffered. These cases include criminal proceedings, administrative proceedings brought by supervisory authorities or investigators and/or rulings for which the amount of any claims for compensation and/or potential liabilities that the Group is responsible for is not and cannot be determined according to the claim presented and/or the nature of the actual proceedings. In such cases, until it is impossible to reliably predict the outcome, no provisions are set aside. On the other hand, where it is possible to reliably estimate the scale of any losses suffered and where such loss is considered probable, provisions are set aside in the balance sheet in an amount considered suitable given the circumstances and in accordance with IAS.

As at 30 September 2016, the UniCredit Group had around €601 million of provisions for risks and charges to cover the liabilities that may arise from the pending cases in which it is a defendant (not including labour law, tax or debt recovery cases). As at 30 September 2016, the total amount claimed with reference to legal proceedings excluding labour law, tax cases and credit recovery actions was €11,839 million. That figure reflects the inconsistent nature of the pending disputes and the large number of different jurisdictions, as well as the circumstances in which the UniCredit Group is involved in counterclaims. As regards the Issuer's pending labour law dispute, the overall amount of the *petitum* on 30 September 2016 was equal to €481 million and the related risk provision, on the same date, was equal to €18 million.

The estimate of the above-mentioned obligations which could reasonably arise as well as the extent of the above-mentioned provision are based on the information available at the date the financial statements or the interim financial position are approved, but also, as a result of the many uncertainties arising from legal proceedings, involve a significant degree of assessment. More specifically, sometimes it is not possible to produce a reliable estimate, as in cases in which the proceedings have not yet begun or where there are legal or factual uncertainties that make any estimate unreliable. Therefore, it cannot be ruled out that in the future the provisions could be insufficient to fully cover the charges, expenses, fines and claims for compensation and payment of costs connected to pending cases and/or that the Group may, in the future, be obliged to deal with expenses from claims for compensation or refunds not covered by the provisions, with possible negative effects, including significant ones, on the operating results and capital and/or financial position of the Issuer and/or the Group. Any unfavourable outcomes for the UniCredit Group in the disputes in which it is involved - specifically those with a greater media impact - or the emergence of new disputes (see Chapter 4, Paragraph 4.1.24 of the Registration Document) could have reputational impacts, including significant ones, on the UniCredit Group, with possible consequent negative effects on the assets and the operations, balance sheet and/or income statement of same as well as its ability to comply with capital requirements.

It is also necessary for the Group to comply in the most appropriate way with the various legal and regulatory requirements in relation to the different aspects of the activity such as the rules on the subject of conflict of interest, ethical questions, anti-money laundering, customers' assets, rules governing competition, privacy and security of information and other regulations. In spite of the fact that at the Registration Document Date there have been no significant negative consequences from confirmed or alleged violations of these regulations, there is the risk that in future there could be violations that could have negative consequences, including significant ones, on the operating results and capital and/or financial position of the Issuer and/or the Group. Specifically, the actual or alleged failure to comply with these provisions could lead to further disputes and investigations, making the Group subject to claims for compensation, fines imposed by the supervisory authority, other sanctions and/or reputational damage. In view of the nature of the Group's activities and the reorganisation it has been involved in over a period of time, there is also the risk that requests or questions initially relating to only one of the companies could involve or have effects on other Group companies, with possible negative effects on the operating results and capital and financial position of the Issuer and/or the Group.

With regard to criminal proceedings, note that at the Registration Document Date, the UniCredit Group and its representatives (including those no longer in office), are involved in various criminal proceedings and/or, as far as the Issuer is aware, are the subject of investigations by the competent authorities aimed at checking any liability profiles of its 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 the Registration Document Date, these criminal proceedings have not had significant negative impacts on the operating results and capital and/or financial position of the Issuer and/or the Group; however there is the risk that if the Issuer and/or other UniCredit Group companies or their representatives (including ones no longer in office) were to be convicted following the confirmed violation of provisions of criminal significance, this situation could have an impact on the reputation of the Issuer and/or UniCredit Group (for the risks associated with the organisation and management model pursuant to Legislative Decree 231/2001, see Chapter 4, Paragraph 4.1.34 of the Registration Document).

For more details on the most significant legal proceedings in progress, including – where relevant and/or identified – those relating to individual claims, as well as the main labour disputes, see Chapter 20, Paragraphs 20.8.1 and 20.8.2 of the Registration Document. For the risks related to US and international sanctions imposed, see Chapter 4, Paragraph 4.1.30 of the Registration Document and for risks resulting from disputes of a tax nature, see Chapter 4, Paragraph 4.1.31 of the Registration Document.

4.1.29.2 Risks connected with Supervisory Authority measures

During the course of its normal activities, the UniCredit Group is subject to structured regulations (see Chapter 4, Paragraph 4.2.3 of the Registration Document) and supervision by various Supervisory Authorities, each according to their respective area of responsibility.

In exercising its supervisory powers, the ECB, Banca d'Italia, CONSOB and other Supervisory Authorities subject the UniCredit Group to inspections on a regular basis, which could lead to the demand for measures of an organisational nature and to strengthen safeguards aimed at remedying any shortcomings that may be discovered, with possible adverse effects on the operating results, capital and/or financial position of the Group. The extent of any shortcomings could also cause the launch of disciplinary proceedings against company representatives and/or related Group companies, with possible adverse effects on the operating results, capital and/or financial position of the Group.

In particular it is noted that as at the Registration Document Date the following investigations are being conducted by the ECB: (i) "IRRBB management and risk control system" launched in September 2016; (ii) "Governance structure and business organisation of the foreign branches of UCB AG" launched in September 2016; (iii) "Governance and RAF" (Risk Appetite Framework) launched in November 2016; and (iv) "Business Model and Profitability – Funding transfer price" launched in November 2016.

Moreover, in June 2016, the ECB launched an investigation into Market Risk models, which was concluded at the end of July 2016, and the Issuer has not yet been notified of the findings of the inspection as at the Registration Document Date.

In November 2016, an inspection launched by CONSOB on 23 May 2016 was also concluded (pursuant to Article 115, paragraph 2 of the TUF) with regard to UniCredit for the purpose of acquiring documentary evidence and information relating to (i) the exercising, with regard to Feidos 11 S.r.l., of the purchase option set out in the shareholders' agreement signed on 31 July 2013 (the "Fenice Agreement"); (ii) the "Centauro Transaction", the extraordinary transaction and the part played by UniCredit and the other parties involved in the above-mentioned transaction under the scope of the share capital increase approved by the Board of Directors of Prelios S.p.A. on 12 January 2016 and (iii) relations with regard to the "Centauro Transaction" with shareholders of the Prelios S.p.A. shareholders' agreement signed on 26 February 2016. At the

Registration Document Date, the Issuer has still not received any further documents or notices related to the same inspection.

In addition to the above, note that (i) in January 2016, the ECB launched an inspection into the "Capital position calculation accuracy" of the Group also with regard to GroupWide credit models, with the inspection at the Issuer concluding in May 2016; (ii) in February 2016, the ECB launched an inspection into the "Management of distressed assets/bad loans", as far as Italy was concerned, with the inspection at the Issuer concluding in May 2016; and (iii) in April 2016 Banca d'Italia began looking into the remuneration methods of loans and overdrafts at the Issuer, which was concluded at the end of May 2016.

With regard to these inspections, the above-mentioned Supervisory Authorities notified the Issuer of:

(i) the findings of the inspection relating to the "Management of distressed assets/bad loans". The ECB highlighted possible areas of improvement with regard to organisation, classification, monitoring, recovery, provision policy and the management of guarantees and the Issuer was advised to continue with the activities – that the Supervisory Authority deems essential – already undertaken to remedy the findings. The action plan discussed with the ECB was sent to the latter by the end of December 2016;

(ii) the findings of the inspection involving "Capital position calculation accuracy". In December 2016, the possible measures and deadlines, identified by the Issuer for the purpose of solving the problems identified during the inspection regarding, in particular, the process for calculating capital and risk-weighted assets, were submitted to the ECB and discussed with it. The action plan will be finalised and sent to the ECB by 31 March 2017;

(iii) the findings of the analysis of remuneration methods of loans and overdrafts. The Issuer's reply and action plan will be sent to Banca d'Italia in February 2017.

Lastly, with regard to the action plans currently in progress, relating to the findings of inspections prior to 2016 (refer to Chapter 20, Paragraph 20.8.4 of the Registration Document), there have been no differences in relation to the planned implementation of the corrective measures. It is not possible, however, to rule out that in future there will be differences, both with regard to the action plans being implemented at the Registration Document Date and in relation to the action plans that the Issuer will present involving the above-mentioned inspections. This eventuality could involve further intervention requests by the competent Supervisory Authorities and/or the launch of disciplinary proceedings against representatives of the company and/or Group companies, with possible negative effects on the operating results and capital and/or financial position of the Group.

Note that in April 2016, the AGCM announced the extension to UniCredit (as well as to another 10 banks) of the I/794 ABI/SEDA proceedings launched in January 2016 with regard to ABI, aimed at confirming the existence of any concentration activity with regard to the Sepa Compliant Electronic Database Alignment (SEDA). On 26 January 2017 the Issuer received from AGCM communication of the investigatory findings and the end of the closure of phase for the acquisition of the evidence. As at the Registration Document Date, the AGCM proceedings are still ongoing.

The risks resulting from the ABI/SEDA proceedings launched by the AGCM (common to all banks that are parties of these proceedings) can be identified as: (a) the risk of the AGCM imposing a monetary administrative fine if it confirms in the final ruling that the adoption of the SEDA service remuneration model constitutes a violation of the competition laws. Also taking into consideration that, alongside the proceedings in question, activities are being concluded for a special "technical round-table" in which the AGCM and the parties to the proceedings will take place in order to redefine the SEDA service remuneration model, two possible further risk factors can be envisaged, namely: (b) the economic risk relating to possible lower earnings from the service if the new remuneration structure that may be adopted involves lower levels than the current ones; (c) the economic risk relating to the costs of adjusting the IT procedures that will be necessary for any new service remuneration structure.

There is also the risk that interested parties injured by the alleged anti-competitive behaviour can institute legal proceedings at the competent courts to ask for compensation for damage suffered in a civil case.

From a sanctions aspect, taking into account the nature and the effects of the disputed infraction (anti-competitive arrangements for directly indirectly fixing sales prices and other contractual conditions) the possible sanction imposed on the Issuer will be decided by the AGCM taking the following criteria into account: (i) a percentage of up to 30% of the value of the sales of goods or services subject to investigation (during the course of the financial year ended 31 December 2016, this value was approximately Euro 21.5 million); (ii) a coefficient for the number of years of involvement in the infraction; (iii) the possible inclusion in the basic amount of the fine of an additional sum of between 15% and 25% of the value of the sales of goods and services which are the subject of the infraction; (iv) an adjustment upwards or downwards depending on the existence of aggravating or extenuating circumstances; in this regard, it is probable that the activities and the outcome of the technical round-table mentioned above will constitute mitigating circumstances for any fine; (v) a possible increase in the final fine of up to 50% as a deterrent, without prejudice to the fact that this fine cannot, in any event, exceed 10% of the sales of the company in the last financial year ended prior to the notification of the final provision. Should the above risks materialise, such an event could cause consequent negative impacts on the operating results and capital and/or financial position of the Issuer and/or the Group.

In this regard note that as at 30 September 2016, the Issuer had not set aside any funds in the provision for risks and charges for above proceedings. At the Date of the Registration Document, the Issuer is evaluating the development of these proceedings and therefore it is not possible to rule out that provisions will made during the approval of the financial statements for the year ended 31 December 2016.

For more details on the interventions of the supervisory authorities in the various countries in which the Group operates, see Chapter 20, Paragraph 20.8.4 of the Registration Document.

4.1.30 Risks related to international sanctions with regard to sanctioned countries and to investigations and/or proceedings by the US authorities

The Issuer and, in general, the UniCredit Group, have clients and partners located around the world. For this reason, the Issuer and the Group are subject to sanctions regimes in the jurisdictions where they operate. In particular, the Issuer and the Group must comply with economic sanctions imposed, pursuant to the above-mentioned sanctions regimes, by the United States of America, the European Union and the United Nations on certain countries ("sanctioned countries"), in each case to the extent applicable, and these regimes are subject to change, which cannot be predicted.

As at the Registration Document Date, the Issuer and/or the UniCredit Group are not affected by penalty proceedings and/or subjected to international sanctions. Such sanctions may limit the ability of the Issuer and the UniCredit Group to continue to transact with clients or to maintain commercial relations with sanctioned counterparties and/or counterparties that are located in sanctioned countries. As of the Registration Document Date, the Issuer and the UniCredit Group have limited commercial relationships with certain counterparties located in sanctioned countries, but these are carried out in compliance with applicable laws and regulations.

Also note that, at the Registration Document Date, the Issuer and the UniCredit Group are subject to certain investigations in the United States of America. Certain companies in the UniCredit Group are cooperating with various U.S. 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**"), regarding potential violations of U.S. sanctions involving U.S. dollar payments and related practices. More specifically, in March 2011, UCB AG received a *subpoena* from the NYDA relating to historical operations 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 internal 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. The Issuer 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 have commenced and are ongoing as at the Date of the Registration Document. Each UniCredit Group entity subject to investigations is updating its regulators as appropriate.

It is not however possible to rule out that the investigations into historical compliance with sanctions could be extended to other UniCredit Group companies or that new proceedings may be commenced against the Issuer and/or the Group.

These investigations and/or proceedings into certain Group companies could result in the Issuer and/or the Group being required to pay material fines and/or being the subject of criminal or civil penalties.

Lastly, note that the Issuer 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 may occur in connection therewith.

While the timing of any agreement with the various U.S. authorities is not determinable at the Registration Document Date, 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 the Registration Document Date, the Issuer and the Group companies have no reliable basis on which to compare the ongoing investigations relating to any settlements involving other European institutions; however, it is not possible to exclude the possibility that any such settlement concluded by the Issuer and Group companies with the competent U.S. authorities will not be material.

The investigation costs, remediation required and/or payment or other legal liability incurred in connection with above-mentioned 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 from the reputational point of view and impact on the Group's business and capital and/or financial position as well as on its capacity to comply with capital requirements.

For further information, see Chapter 20, Paragraph 20.8, of the Registration Document.

4.1.31 Risks arising from tax disputes

At the Registration Document Date, there are various tax-related proceedings pending with regard to the Issuer and other companies belonging to the UniCredit Group, as well as tax inspections by the competent authorities in the various countries in which the Group operates.

Specifically, as at 30 September 2016, there were 734 tax disputes involving counterclaims pending with regard to the Issuer and other companies belonging to the UniCredit Group "Italian" perimeter, net of settled disputes, for a total amount equal to €480,4 million

As far as the tax inspections which were concluded during the course of the financial year ended at 31 December 2016 are concerned, note, among other things, that:

- in July 2016 the company UniCredit Business Integrated Solutions S.C.p.A. was served with a formal notice of assessment for IRES and IRAP purposes for the years 2011 and 2012. The total amount of the contested taxes is €11.8 million. As at 31 December 2016, an assessment notice relating to 2011 was served, which confirmed the findings relating to 2011 (for a total of €5.2 million relating to higher taxes) and sanctions were imposed amounting to €4.1 million. As at 31 December 2016, the deadline had not yet passed for the notification of tax assessments relating to 2012;

- in September 2016 the company UniCredit Leasing S.p.A. was served with a formal notice of assessment for IRES and IRAP purposes for the years 2011 and 2012. As at 31 December 2016, an assessment notice relating to 2011 was served, in which the findings relating only to IRAP and VAT were put forward, for a total of €19.8 million (of which 7.3 million was for tax and €12.5 million for penalties). As at 31 December 2016, the deadline for assessment notices relating to 2012 had not yet passed; and

- in October 2016, UCB AG - a permanent establishment in Italy, was served with a formal notice of assessment which contests €0.2 million of withholdings on capital income which were allegedly missed. Assessments are being made in order to obtain a reliable estimate of the increased contested taxes.

The Revenue Agency has also implemented checks pursuant to Decree-Law 185 of 29 November 2008 ("preferential scheme") with regard to the Issuer and other UniCredit Group companies forming part of the "Italy" perimeter, launched, respectively, during the financial years ended on 31 December 2014 and 31 December 2015 as well as during the financial year ended on 31 December 2016. No claim or challenge has yet been formalised with regard to these activities. The "preferential scheme" pursuant to Decree-Law 185 of 29 November 2008 consists of a particular form of checking large contributions and translates into a request for data and information relating to the declarations submitted in the previous year.

In consideration of the uncertainty that defines the tax proceedings in which the Group is involved, there is the risk that an unfavourable outcome and/or the emergence of new proceedings, could lead to an increase in risks of a tax nature for the Issuer and/or for the Group, with the consequent need to make further provisions and/or outlays, with possible negative effects on the operating results and capital and financial position of the Issuer and/or the Group.

Finally, it should be pointed out that in the event of a failure to comply with or a presumed breach of the tax law in force in the various countries, the UniCredit Group could see its tax-related risks increase, potentially resulting in an increase in tax disputes and possible reputational damage.

For further information on tax proceedings, see Chapter 20, Paragraph 20.8.3 of the Registration Document.

4.1.32 Risks connected with the ratings assigned to the Issuer and to the UniCredit Group

The risk related to the capacity of an issuer to comply with its obligations, following the issue of debt instruments and money market instruments is actually defined through reference to the credit ratings assigned by independent ratings agencies.

These evaluations and the related research can be of help to investors in analysing the credit risks associated with financial instruments since they provide indications surrounding the capacity of issuers to meet their obligations. The lower the rating assigned on the respective scale, the higher the risk assessed by the ratings agency that an issuer will not meet its obligations or that they will not be complied with in full and/or on time. The outlook, on the other hand, is the parameter indicating the expected trend in the near future concerning the ratings assigned to an issuer.

At the Registration Document Date, the Issuer has ratings assigned by the international ratings agencies Standard & Poor's, Moody's and Fitch Ratings (solicited ratings). As at 31 October 2011, these agencies were registered in accordance with Regulation 1060/2009/EC of the European Parliament and Council of 16 September 2009 regarding credit ratings agencies.

The table below gives the ratings assigned to the Issuer by the above-mentioned international ratings agencies at the Registration Document Date.

Ratings agency	Short-term debt		Long-term debt		Latest update date
	Rating	Outlook	Rating	Outlook	
Standard & Poor's	A-3	-	BBB-	Stable	20 December 2016
Moody's	P-2	-	Baa1	Stable	19 December 2016

Fitch Ratings	F2	-	BBB+	Negative	22 December 2016

The credit ratings assigned to the Issuer are the assessment by the ratings agencies of the Group's capacity to meet its financial commitments.

The main areas of interest and critical points in the most recent assessments of the ratings agencies, published following the presentation of the 2016-2019 Strategic Plan, are summarised below:

– Standard & Poor's (20 December 2016) confirmed the "A-3" and "BBB-" ratings relating, respectively, to the short-term debt and long-term debt of the Issuer. According to the ratings agency, although the implementation of the 2016-2019 Strategic Plan could have positive effects for the Issuer, it is improbable that this will be sufficient to result in UniCredit being awarded a higher rating than the sovereign debt of the Italian government. This reflects the opinion of the ratings agency that, based on the models developed by it, it considers it improbable that the Issuer could pass the stress tests after a theoretical sovereign debt crisis (because of the exposure of the Italian credit system and the parameters drawn up in relation to the stress test). In its opinion, Standard & Poor's has also highlighted how a downgrading in the classification of Italian sovereign debt could also involve a downgrading of the Issuer's ratings;

– Moody's (19 December 2016) confirmed the "P-2" rating as far as short-term debt is concerned, the "Baa1" rating for long-term debt as well as the "stable" outlook awarded to the Issuer. The ratings agency believes that the Share Capital Increase and the sale of impaired loans (where implemented) place the Issuer in a better position to deal with the challenges arising from negative developments in Italy. The ratings agency has, however, highlighted that it could proceed with a downgrading of the Issuer's stand-alone baseline credit assessment if and when: (i) the reduction of impaired loans is lower than expected; or (ii) the capital requirements are not satisfied; or (iii) the targets relating to more efficient cost management are not met;

– Fitch Ratings (22 December 2016) confirmed the rating relating to long-term debt at "BBB+" and the outlook as "negative". These opinions reflect the long-term classification of Italian government sovereign debt (BBB+/Negative). The ratings agency is actually convinced that any downgrading of Italy would also lead to a downgrading of the Issuer's ratings. The negative outlook is also based on the consideration that the Italian economic situation will make it more difficult for the Issuer to achieve the goals set out in the Strategic Plan. In addition, if the objectives of the Strategic Plan (including, specifically, the completion of the Share Capital Increase and the reduction of non-performing loans) were not achieved, the agency could downgrade the ratings awarded to the Issuer (with every likelihood of different ratings).

When calculating the rating assigned to the Issuer, the agencies take into consideration and continue to monitor various indicators relating to the credit worthiness of the UniCredit Group including profitability, liquidity, quality of the assets and the capacity to maintain its capital coefficients above certain levels. If the Issuer and/or one of the subsidiaries to which a rating is assigned does not maintain one or more of these indicators at adequate levels, the rating assigned by the agencies could be downgraded.

If the rating assigned by the agencies is downgraded, this could have an unfavourable effect on the UniCredit Group's possibilities of gaining access to various liquidity instruments, as well as its capacity to compete on the capital market, with an increase in funding costs and consequent negative effects on the operating results and capital and financial position of the Issuer and/or the UniCredit Group.

In addition, the sovereign rating of Italy and the other countries in which the Group has a significant presence are also considered to be important factors as well as the performance of the macroeconomic context. For the ratings of sovereign states, see Chapter 4, Paragraph 4.1.9 of the Registration Document. In this sense, the downgrading of the sovereign rating of Italy and the other sovereign countries in which the Group has a significant presence and/or a deterioration in the above-mentioned income performance could result in the downgrading of one or more of the ratings assigned by the ratings agencies to UniCredit and/or to one of the subsidiaries to which a rating is assigned. In this regard, note that at the Registration Document Date the rating awarded to the Issuer by the ratings agencies is in line with that assigned to the Italian sovereign debt, with the exception of Moody's rating (19 December 2016), according to which the rating for the long-term debt and the related outlook of the Issuer are higher than those for the Italian government sovereign debt.

In light of the above, a possible worsening of the sovereign rating of Italy and/or the other countries where the Group is present (including, specifically, Germany, Austria and Poland[24]) could have negative effects on the operating results and capital and financial position of the Issuer and/or the Group.

For more information on the ratings assigned to the Issuer and on the rationales of the opinions issued by the rating agencies, see Chapter 6, Paragraph 6.1.1 of the Registration Document.

4.1.33 Risks related to the key figures of the Group and to the ability of the Group to keep or attract certain professionals

The results of the Group and the future success of its activities depend to a significant extent on the capacity of the same to attract, retain and motivate, at all levels, certain professionals with considerable experience in the sectors of activity, in which the Group operates, with particular reference to the banking sector.

In the future, the loss of one or more key figures and/or the inability to attract and retain qualified and/or professionals with solid experience in the management of banking firms, could lead to a reduction in the competitive capacity of the Group and affect the attainment of the objectives, with possible negative effects on the activities and on the economic, equity and/or financial position of the Issuer and/or the Group.

For the sake of completeness, it should be noted that in the years respectively closed at 31 December 2016, 31 December 2015, at 31 December 2014 and 31 December 2013 and until the Date of the Registration Document there were no unexpected losses of key figures by the UniCredit Group.

It should be noted that upon the outcome of the SREP 2016 (see Chapter 5, Paragraph 5.1.6 of the Registration Document), the ECB - within an adequate *governance framework* - identified an area for improvement for the Issuer in the composition and functioning of the Board of Directors, taking into consideration, in particular, the limited number of directors with a practical experience in banking and the need to improve the constructive discussion with the Issuer's management, suggesting an *ad hoc induction* plan as a risk mitigation action. It has already been approved by the Board of Directors and is in a phase of the operative development.

For further information, see Chapter 14 of the Registration Document.

[24] For the sake of completeness, note that the 2016-2019 Strategic Plan includes, among other things, the sale of Bank Pekao (for the agreements relating to the sale of Bank Pekao, see Chapter 22, Paragraph 22.3 of the Registration Document).

RISK FACTORS

4.1.34 Risks connected with the organisational and management model pursuant to Legislative Decree 231/2001 and the accounting administrative model pursuant to Law 262/2005

On 13 October 2016 the Issuer was served a notice of the conclusion of the preliminary investigations by the Public Prosecutor at the Court of Tempio Pausania pursuant to Article 415-*bis* of the Code of Civil Procedure as the party responsible for the administrative offence under 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 at the Date of the Registration Document merged by incorporation into the Issuer, as well as Sofipa SGR S.p.A. and Capitalia S.p.A. (at the Date of the Registration Document merged by incorporation into the Issuer). This concerns a complex case involving the Issuer 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 refer to the years 2003/2011 (in May 2011 UniCredit Merchant S.p.A. actually sold its shareholding) (for more information, see Chapter 20, Paragraph 20.8.1 of the Registration Document).

In May 2004 the Issuer adopted the organisational and management model set out in Legislative Decree 231/2001 in order to create a system of rules designed to prevent unlawful behaviour by top management, directors and employees. On 10 November 2016 the Issuer's Board of Directors approved the new version of the organisational and management model in force at the Registration Document Date. The model of Legislative Decree 231/2001 applies also to Italian companies controlled directly or indirectly by the Issuer, as well as the stable organisations operating in Italy by foreign companies controlled directly or indirectly by the Issuer.

However, it is possible that the model adopted by the Issuer could be considered inadequate by the judiciary authority that may be called upon to verify the cases under these regulations.

In this event, and if the Issuer is not exonerated from responsibility based on the provisions in said decree, the Issuer may be responsible for a financial penalty as well as, in more serious cases, the possible application of a ban, such as a prohibition on carrying out activities, the suspension or revocation of authorisations, licences or concessions, a ban on entering into contracts with the public administration, as well as, lastly, a ban on publicising goods and services, with negative effects – including of a reputational nature - on the operating results and capital and financial position of the Issuer and/or the Group.

Without prejudice to the foregoing and taking into account the preliminary stage of the proceedings, at the Registration Document Date, the Issuer and/or its subsidiaries belonging to the UniCredit Group are not involved in legal proceedings and have not been the subject of significant provisions pursuant to Legislative Decree 231/2001.

For the purpose of the analysis and definition of the Administrative Accounting Model for the application of Law 262/2005*,* the Issuer also relied on the framework defined by the Committee of Sponsoring Organization of the Treadway Commission (COSO) and the Control Objective for IT and Related Technologies (COBIT), which represent the benchmark standards for the evaluation of the internal control system and for financial reporting in particular, generally accepted at international level.

This internal control system is constantly updated. It is therefore not possible to rule out that in the future there may be the need to subject processes which are not mapped at the Registration Document Date to controls and certification, which could imply shortcomings in the process and control system which cannot be foreseen at the Registration Document Date and whose impact cannot be estimated with possible consequent negative effects on the reputation of the Issuer and/or for the UniCredit Group.

For information on the Issuer's organisation and management model, see Chapter 16, Paragraph 16.4 of the Registration Document.

4.1.35 Risks connected with the limits on voting rights set out in the Corporate By-Laws of the Issuer

As per Article 5 of the Corporate By-Laws, no one entitled to vote may vote, for any reason whatsoever, for a number of shares exceeding 5% of the share capital bearing voting rights. For the purpose of calculating this threshold, the total shareholding pertaining to the parent company, individual – legal entity or company – to all the direct or indirect subsidiaries and to the associated companies should be taken into account, as well as shares held through trustees and/or nominees and/or those for which the voting rights are allocated to any party other than the holder; on the other hand, it is not necessary to take into account shareholdings included in the mutual investment funds portfolio managed by subsidiaries or associated companies.

For further details, also see Chapter 21, Paragraph 21.2.6 of the Registration Document.

4.1.36 Risks connected with key statements and information on the outlook of the reference market and the Group's competitive position

The Registration Document contains several key statements regarding the activity of the Issuer and the UniCredit Group and its position in the reference market as well as forecasts about the future of the market in which the Group operates, formulated by the Issuer based on its specific knowledge of the sector, the available data and its experience. This information is set out in the description of the Group's activity, markets and competitive position, its future plans and strategies, and forecast trends, and has not been independently verified.

Furthermore, the results, competitive position and performance of the Group in its sectors of activity and/or in the various geographical areas could reveal significant shortfalls in future compared with the projections contained in said statements, due to known and unknown risks, uncertainties and other factors listed in Chapter 4 of the Registration Document.

For more information, see Chapter 6, Paragraph 6.2 and Chapter 13 of the Registration Document.

4.1.37 Risks connected with Alternative Performance Indicators (APIs)

In order to facilitate the understanding of the Group's economic and financial performance, the Issuer has identified several Alternative Performance Indicators ("**APIs**"). These indicators are also the instruments that help the Issuer to identify operating trends and take decisions surrounding investments, the allocation of resources and other operating decisions.

With regard to the interpretation of these APIs, note the explanations given below:

(i) these indicators are constructed exclusively from UniCredit Group historical data and are not indicative of the Group's future performance;

(ii) the APIs are not provided for in international accounting standards ("**IFRS**") and, although derived from the Consolidated Financial Statements, they are not subject to auditing;

(iii) APIs should not be seen as replacing the indicators laid down by International Accounting Standards;

(iv) APIs should be read together with the Group' financial information taken from the 2016 Condensed Interim Consolidated Financial Statements and Consolidated Financial Statements;

(v) as the definitions of the indicators used by the UniCredit Group do not come from international accounting standards, they may not be standardised with those adopted by other companies/groups and therefore are not comparable with them; and

(vi) the APIs used by the Group are continuously processed with standardised definitions and representations for all periods for which financial information is included in the Registration Document.

For further information on the APIs, see Chapters 3 and 9 of the Registration Document.

4.1.38 Risks connected with the disciplinary proceedings against company representatives of the Issuer

Note that, as at the Date of the Registration Document, several members of the Board of Directors of the Issuer are involved or have been involved in criminal proceedings or disciplinary proceedings in relation to the offices held in companies other than the Issuer or the Group. In this regard, it should be pointed out that:

- the Vice Chairman Luca Cordero di Montezemolo is a party in proceedings pending before the Appeal Court of Naples, accused of environmental and planning violations.

- as far as the Issuer is aware, in 2010 the AMF (*Autorité des Marchés Financiers*) imposed a monetary fine on the current CEO Jean Pierre Mustier (in his capacity as Head of the Corporate & Investment Banking Division of Société Générale) of € 100,000 in relation to the liquidation of his personal portfolio which took place in August 2007 (a portfolio that included less than 4% of Société Générale S.A. shares) because the transaction took place on the basis of some information he received in July 2007 which was considered price-sensitive.

These proceedings, as well as any future proceedings, investigations, inquiries and/or inspections involving company representatives of the Issuer and/or the Group, could have negative effects on the reputation, assets and/or the operating results and capital and financial position of the Issuer and/or the Group.

For more information on the company representatives of the Issuer, see Chapter 14 of the Registration Document.

4.2 RISK FACTORS RELATING TO THE SECTOR AND MARKETS IN WHICH THE ISSUER AND THE UNICREDIT GROUP OPERATE

4.2.1 Risks associated with the impact of the current macroeconomic uncertainties and the volatility of the markets on the UniCredit Group's performance

4.2.1.1 Risks associated with the impact of the current macroeconomic uncertainties and the volatility of the markets on the UniCredit Group's performance

The UniCredit Group's performance is affected by the financial markets and the macroeconomic context of the countries in which it operates. Expectations regarding the performance of the global economy remain uncertain both from a short-term and a medium-term perspective. Added to these factors of uncertainty are those relating to the geopolitical context.

This situation of uncertainty which has characterised the global economy since the 2008 crisis has caused, among other things, significant problems for the ordinary activities of a number of leading commercial banks, investment banks and insurance companies, some of which have become insolvent or have had to be incorporated into other financial institutions or request assistance from governmental authorities or central banks and the International Monetary Fund, which have intervened by injecting liquidity and capital into the system and by participating in the recapitalisation of certain financial institutions. Added to this are other negative factors, such as an increase in unemployment levels and a general fall in demand for financial services.

At the Registration Document Date the macroeconomic situation featured a high level of uncertainty in relation to: (a) the recent developments associated with the referendum in the United Kingdom (see Chapter 4, Paragraph 4.2.8 of the Registration Document) and the consequences resulting from the failed approval of the constitutional reform subject to the referendum on 4 December 2016; (b) the trends of the real economy and specifically the prospects of recovery and consolidation of the domestic economic growth dynamics and the economies in those countries, like the United States and China; (c) future developments of ECB and FED monetary policies and the policies implemented by various countries aimed at promoting competitive devaluations of their currencies; (d) a continuous change in the banking sector at global level, and specifically at European level, which has led to a progressive reduction in the spread between lending and borrowing rates (see Chapter 4, Paragraph 4.2.2 of the Registration Document); (e) the sustainability of the sovereign debts of several countries and the related tensions recorded, more or less repeatedly, on the financial markets; and (f) the potential renegotiation or failed agreement of international commercial agreements.

Specifically, note the recent development of the crisis related to Greece's sovereign debt which raised considerable uncertainty over Greece remaining in the Eurozone in the future and, except in an extreme case, at least the possible contagion among the sovereign debt markets of the various countries on retaining the European monetary system founded on a single currency, with one or more countries possibly leaving the Eurozone. The risk therefore remains that the future development of the contexts referred to could have negative effects on the operating results and capital and financial position of the Issuer and/or the Group. With regard to Italy, the main market in which the Group operates as at the Registration Document Date, the macroeconomic situation also features considerable uncertainty surrounding the future growth of the Italian economy, whose historical GDP figures published by ISTAT are 0.7% in 2015, 0.1% in 2014 and -1.7% in 2013.

The economic slowdown in the countries where the Group operates has had (and may continue to have) a negative effect on the Group's activities and the cost of borrowing, as well as on the value of its assets, and could result in further costs related to write-downs and impairment losses. Specifically, note that, according to the estimates of the Issuer, economic growth will be limited in Western Central European countries, with an average growth rate of GDP for the period 2016-2019 estimated at, respectively, 1.3% for the Euro Zone, 0.8% for Italy and 1.5% for Germany and Austria (see Chapter 13, Paragraph 13.1.4 of the Registration Document). The UniCredit Group's performance is affected, among other things, by factors such as the expectations and confidence of investors, the liquidity of the financial markets, the availability and cost of borrowing on capital markets, elements, by their very nature, connected to the general macroeconomic situation. Adverse changes in these factors, particularly at times of economic-financial crisis, could create increases for the UniCredit Group in the cost of funding, as well as cause the partial or incomplete realisation of the Group funding plan, with a potential negative impact on the financial situation and the short and long-term liquidity of the Issuer and/or the Group.

This situation could be further affected by provisions regarding the currencies adopted in the countries in which the Group operates as well as by political instability and difficulties for governments to implement suitable measures to deal with the crisis, as well as acts of terrorism and/or, in general, political instability at a global level or in the countries in which the Group operates (see Chapter 4, Paragraph 4.1.14 of the Registration Document). All this could, in turn, result in decreased profitability, with significant negative consequences on the operating results and capital and financial position of the Issuer and/or the Group.

In addition, there is the risk that following the entry into force of the BRRD, one or more credit institutions could be subject to the restructuring arrangements in this Directive and to the related implementing regulations, including the bail in. This refers to the power of the competent supervisory authority to make a reduction, with the possibility of zeroing the par value of shares and the write-down of receivables due to the bank with their conversion into shares to absorb the losses and recapitalise the bank in difficulty or a new entity that continues the essential functions. These circumstances could aggravate the macroeconomic situation and, specifically, have adverse effects on the business segments and on the markets in which the UniCredit Group operates, with possible adverse consequences on the operating results and on the capital and/or financial position of the Issuer and/or the Group.

For further information, see Chapter 6, Paragraph 6.2, of the Registration Document.

4.2.1.2 Risks connected with the volatility of markets on the performance of the UniCredit Group

In recent years, for the reasons indicated in Chapter 4, Paragraph 4.2.1.1 above, globally, the financial system suffered from considerable volatility and great uncertainty.

The high degree of uncertainty and volatility, including in the countries where the Group operates, has led to significant distortions of the financial markets and a high degree of volatility in the bond and share market, making access to these markets increasingly complex with a consequent rise in credit spreads and the cost of funding. This context also led to a reduction in the depth of the market with a consequent fall in the realisation value resulting from the disposal of financial assets.

The volatility and uncertainty of the financial markets has had, and could continue to have, a negative effect on the assets of the Group and, specifically, on the Issuer's share price and the cost of borrowing on capital markets, causing - among other things - the partial or incomplete realisation of the Group funding plan, with a potential negative impact on the financial situation and the short and long-term liquidity of the Issuer and/or the Group.

The volatility of the financial markets has also created and continues to create a risk associated with operations in asset management, asset gathering and brokerage sectors and other activities remunerated through fees in the sectors in which the Group operates, with possible negative consequences on the operating results and capital and financial position of the Issuer and/or the Group.

For further information, see Chapter 6, Paragraph 6.2, of the Registration Document.

4.2.2 Risks connected with operations in the banking and financial sector

The Issuer and the companies belonging to the UniCredit Group are subject to the risks arising from competition in their respective sectors of activity, both in Italy and abroad (particularly in the German, Austrian, Polish and CEE markets). The UniCredit Group in particular operates in the main credit and financial brokerage sectors.

The international market for banking and financial services is an extremely competitive market and, in spite of geographical diversification, Italy is the main market in which the UniCredit Group operates. As at 30 September 2016, Italy represented 44% of the Group's total deposits and 48% of its brokerage margin.

With regard to this, note how the banking sector in Italy, as well as in Europe, is going through a consolidation phase featuring a high degree of competition due to the following factors: (i) the introduction of EU directives aimed at liberalising the European Union banking sector; (ii) the deregulation of the banking sector and the connected development of "shadow banking" throughout the European Union, and specifically in Italy, which has encouraged competition in the traditional banking sector with the effect of progressively reducing the spread between lending and borrowing rates; (iii) the behaviour of competitors (also following the changes introduced by Law 33 of 24 March 2015, which converted Decree Law 3 of 24 January 2015 regarding "people's banks" and the aggregative processes which followed or which could follow); (iv) consumer demand; (v) the trend of the Italian banking industry focused on revenues from fees, which leads to increased competition in the field of asset management and investment banking services; (vi) the change in several Italian tax and banking laws; (vii) the advance of services with a strong element of technological innovation, such as internet banking and mobile banking; (viii) the influx of new competitors, and other factors not necessarily under the Group's control. Furthermore, a deterioration of macroeconomic conditions could result in greater competitive pressure due to factors such as increased pressure on prices and lower business volumes.

In addition, this competitive pressure could increase as a result of various factors not necessarily under the control of the Group, including aggregation processes both in Italy (particularly following and/or in the context of the transformation of "people's banks" into joint stock companies), and in Europe, which could involve large groups, comparable to the UniCredit Group, applying increasingly comprehensive economies of scale.

If the Group were unable to meet this growing competitive pressure by, for example, offering innovative and rewarding products and services that can meet customers' needs, it could lose market share in various sectors, with consequent significant negative effects on the operating results and capital and financial position of the Issuer and/or the Group.

The banking and financial sector is influenced by the uncertainties surrounding the stability and overall situation of the financial markets. In spite of the various measures adopted at European level, international financial markets continue to record high levels of volatility and a general reduction in the depth of the market. Therefore a further worsening of the economic situation or a return to tensions over the European sovereign debt could have a significant impact on both the recoverability and measurement of debt securities held and the liquidity of the Group's customers which are holders of these instruments, resulting in major negative effects on the operating results and capital and financial position of the Issuer and/or the Group.

In addition, should the current situation with low interest rates in the Eurozone persist, this could have a negative impact on the profitability of the banking sector and, as a result, the UniCredit Group.

For more information, see Chapter 6, Paragraph 6.2 of the Registration Document.

4.2.3 Risks connected with the outlook for regulation of the banking and financial sector and other rules applicable to the Group

The UniCredit Group is subject to structured regulations and the supervision of various supervisory authorities in all the countries in which it operates. In addition, since 4 November 2014, the UniCredit Group has also been subject to the supervision of the European Central Bank (ECB), which requires it, under the provisions of the Single Supervisory Mechanism, *inter alia,* to ensure the consistent application of the regulatory provisions of the Eurozone.

The European and domestic structured regulations to which the Group is subject is aimed, among other things, at preserving the stability and solidity of the banks, limiting exposure to risk, combating and preventing money laundering, as well as safeguarding customers in the provision of banking and financial services and the security and protection of data and information.

Although the UniCredit Group has internal procedures and policies in place aimed at complying correctly with the regulatory requirements in force at any given time, it is not possible to rule out violations with possible negative effects on the operating results and capital and financial position of the Issuer and/or the Group.

Moreover, the development of the regulatory framework, or the interpretive guidelines could lead to implementation and/or adjustment costs or impacts on the operations of the Issuer and/or the Group.

The banking sector prudential standards applicable to the UniCredit Group govern, *inter alia*, the activities of the banks for the purpose of preserving their stability and solidity, thereby limiting exposure to risk.

Specifically, the Issuer and the UniCredit Banking Group companies are bound to comply with the capital adequacy requirements laid down by the applicable regulations (i.e. the provisions for the capital and liquidity of banks known as "Basel III" and the related European and national introduction and implementation legislation) and/or requests by the supervisory authorities.

The main innovations introduced by the Basel III Accords - which are coming into force gradually until 2019 - include the raising of the capital level and strengthening of the asset quality, better risk hedging, containing financial leverage and the introduction of liquidity requirements.

These provisions have been introduced at EU level by the CRD IV and by the CRR. The EU regulatory framework defined by these regulations involves integration through successive regulatory or implementation technical standards adopted by the European Commission at the proposal of the European Banking Authority (EBA) or other European supervisory authorities and are directly applicable through national laws. Many of these technical standards are still in the process of being defined.

The application of these provisions by the UniCredit Group reflects the interpretive decisions made with regard to said provisions. It is not possible to rule out that these decisions could prove to be incorrect or, in any event, be subject to change, following different interpretive guidelines by the supervisory authorities, possibly after inspections.

With special reference to the supervisory capital coefficients, Italian banking groups must comply with the requirements laid down by the above-mentioned prudential standards, as well as the requirements at individual level set out by the supervisory authorities (for the minimum requirements of the UniCredit Group and for the risk connected with the capital adequacy of the Issuer, see Chapter 4, Paragraph 4.1.5 of the Registration Document).

On the other hand, as far as liquidity is concerned, the Basel III Accords have made provision, among other things, for the introduction of a short-term liquidity coverage ratio or LCR, the objective of which is to create and maintain a liquidity buffer that allows the survival of the bank for a period of thirty days in the case of serious stress (which is planned to be introduced gradually from 1 October 2015) and a structural liquidity indicator (net stable funding ratio of NSFR) with a time frame of more than one year, introduced to guarantee that assets and liabilities have a sustainable structure for due dates (this should come into force from 1 January 2018). The framework of the NSFR within the European Union has come under the "CRD V" ("**CRD V**") draft legislation, which was published on 23 November 2016 and whose implementation date will depend on the timetable of the legislative process (for the liquidity risk, see Chapter 4, Paragraph 4.1.10 of the Registration Document).

In addition, the Basel III prudential regulations have introduced the obligation to calculate, report and publish a financial leverage index (leverage ratio) which will be an additional regulatory requirement to the risk based indicators. The objective of the financial leverage index is to contain the accumulation of financial leverage in the banking sector, as well as strengthen capital requirements through an additional instrument not based on risk (see also Chapter 4, Paragraph 4.1.5 of the Registration Document). At the Registration Document Date, comparisons at global and European level are under way to revise the rules for the calculation of the leverage ratio compared with those currently set out in the CRD IV and the CRR. The possibility of introducing a leverage ratio buffer for systemically important banks on a global basis (including the Issuer) is also being assessed. Once an agreement has been reached at international level, the leverage ratio rules in the European legislation could be revised in the context of the CRD V. If necessary, the supervisory authorities responsible for limiting excessive leverage risk could introduce additional measures to the leverage ratio.

The strengthening of capital requirements, the provision of new rules on liquidity and the raising of coefficients applicable to the Group based on the new Basel III provisions, as well as laws and/or regulations that will be adopted in the future, could have an impact on the assets, the financial position, the cash flow and the operating results of the Group and, therefore, directly or indirectly, on the possibility of distributing dividends to shareholders.

Under the scope of the rules establishing and governing the Banking Union (which Eurozone and other Member State banks are subject to), also note that these rules, require, *inter alia*, the establishment (i) from 1 January 2016, of a Single Resolution Fund for banks for 2015) funded through contributions from the latter which will be gradually created over the next ten years and (ii) a single guarantee scheme (DGS – Deposit Guarantee Schemes) aimed at increasing and standardising the protection of depositors.

Also note among the new regulations supplementing the Single Supervisory Mechanism, the issuing of directive 2014/59/EU of 15 May 2014 (BRRD – Bank Recovery and Resolution Directive) for the resolution of crises or other crisis management procedures, transposed in Italy through Legislative Decrees 180 and 181 of 16 November 2015, published in the Official Gazette of 16 November 2015, concerning the establishment of a crisis restructuring and resolution framework for credit institutions and investment companies. The regulatory framework governed by these provisions changes the civil and banking framework previously in force, introducing standardised rules for the prevention and management of banking crises. Specifically, the BRRD makes provision, among other things, for the banks to draw up preparation and prevention measures, including the formulation and periodic updating by the organisations or companies of the parent company of a restructuring plan indicating the measures to adopt for the restoration of the financial situation following a significant deterioration with compulsory periodic reporting to the competent authority (i.e. the ECB within the scope of the SRM), as well as the possibility of the latter and the National Resolution Authority and/or the SRB undertaking (i) early interventions, which supplement traditional prudential measures, calibrated according to the problems of the intermediary involved, until arriving at a request to the administrative body to adopt specific measures or to appoint one or more temporary administrators; and (ii) "resolution" instruments for failing banks or banks at risk of failure, as an alternative to compulsory liquidation proceedings. "Resolution" means a restructuring process managed by the NRA through recourse to techniques and powers introduced by the BRRD. Specifically, these instruments include, also combined with one another: 1) the sale of business assets or shares of the entity subject to resolution; 2) the establishment of a bridging organisation; 3) the separation of the unimpaired assets of the failing organisation from those which are deteriorated or impaired; 4) a bail-in, through which the liabilities of the failing organisation are written-down and/or converted with consequent losses for the shareholders and for some categories of creditors (including unsubordinated bondholders).

The decrees implementing the BRRD came into force on 16 November 2015 with the exception of the provisions relating to the bail-in which are expected to apply from 1 January 2016. Specifically, based on the above-mentioned implementing decrees, there has been a shift from a crisis resolution system also based on public resources (bail-out) to a system in which losses are transferred to shareholders, holders of subordinated debt securities, holders of unsubordinated and unguaranteed debt securities, and, lastly depositors for the excess part of the guaranteed share, in other words the part exceeding €100,000.00 (bail-in).

If a crisis situation should occur, as a result of which the Issuer were subjected to resolution procedures, the shares of the Issuer could be written down and/or receivables due to the Issuer could be cancelled or substantially reduced; in addition, shareholders of the Issuer could see their stakeholding considerably diluted if other liabilities are converted into shares at conversion rates that are particularly unfavourable for them. The receivables of subjects other than shareholders could be involved in losses in the order described above. The introduction of the bail-in, therefore, could involve greater collection expenses.

With reference to the bail-in, also note the introduction through the BRRD of a Minimum Requirement for Own Funds and Eligible Liabilities ("MREL") for bail-in liabilities, in order to ensure that when a bank applies the bail-in it has sufficient liabilities to absorb the losses and to ensure compliance with the Common Equity Tier 1 requirement for authorisation to exercise banking activities, as well as to generate sufficient market confidence in it.

For the costs arising from the introduction of the BRRD, as well as the establishment of the Single Resolution Fund and the Deposit Guarantee Schemes, see Chapter 4, Paragraph 4.2.4 of the Registration Document.

Lastly, as far as the main new regulatory features in the process of being defined at the Registration Document Date are concerned and the implementation of which could result in significant adjustment costs for the Issuer and/or the UniCredit Group, and/or impacts on its operations, note the following:

- the structural reform proposal for the European Union banking sector published by the European Commission on 29 January 2014 – which takes into account the report of the high-level group of experts (Liikanen Group) – aimed at preventing the larger and more complex banks from dedicating themselves to trading activities on their own account and giving the supervisory authorities the power to force these banks to separate some potentially risking trading activities. In this regard, on 10 December 2013 the U.S. regulator published the final version of the "Volcker Rule" implementation rules set out by the Dodd-Frank Act of 2010. The final version of these rules prohibits, among other things, foreign banks with branches or offices in the United States to undertake short-term proprietary trading activities on their own account in certain financial instruments such as derivatives, futures on raw materials and options on these instruments. The final version of these rules could also impose limits on investments in hedge funds or private equity funds, and on the creation/maintaining of other relations with, hedge funds or private equity funds;

- the revision of the regulatory framework in financial instrument markets through Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 (MiFID 2) and Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 (MiFIR 2);

- at a global regulatory level, in November 2015 the Financial Stability Board finalised the international standard that identifies the minimum amount of liabilities and own funds eligible for bail-in in the case of the withdrawal of systemically important banks ("TLAC", Total Loss Absorbency Capacity). The objective of the TLAC is to ensure that each systemically important bank can absorb the losses following withdrawal and preserve or reconstruct the necessary capital to allow it to carry out its critical functions.

It therefore involves an additional requirement to the minimum capital requirements. Based on the standard definitively approved by the FSB, the TLAC provides for a tier 1 capital minimum requirement which will be set from 1 January 2019 at a level equal to or more than: (i) 16% of the risk-weighted assets; (ii) 6% of the financial leverage denominator (ratio between capital and non-weighted assets) and from 1 January 2022 at a level equal to or more than: (i) 18% of the risk-weight assets and (ii) 6.75% of the financial leverage denominator. The international standard is not, in itself, of legal value and therefore it should be incorporated in the jurisdiction of the G-20 including the European Union. A proposal in this regard was formulated by the European Commission on 23 November 2016, which takes into account the minimum requirement of bail-in liabilities defined by the BRRD, the "MREL". In this regard also note that, based on the interpretation of the regulations made by the Issuer at the Registration Document Date and the expectations of its development, the Issuer expects a minimum pillar one requirement (Pillar 1 MREL, transposing the TLAC standard issued by the FSB) equal to 16% RWAs as at January 2019 and 18% RWAs as at January 2022, of which respectively up to 2.5% and 3.5% with the use of unsubordinated liabilities. Based on the solvency evaluation of every specific credit institution, the Resolution Authority can ask for an additional bail-in liability requirement capable of absorbing the losses ("*Pillar 2 MREL*") and decide to what extent this should be made up of clearly subordinated liabilities and those which cannot be considered for the purposes of MREL. The capital used to meet the combined buffer requirement is not calculated for MREL;

- both at global and European level, the regulators are involved in a process of revising the calculation methods for capital held by banks for prudential purposes. In 2014, the Basel Committee, concerned by the high amount of variability and difficulties in comparing the risk-weighted assets (RWA) of credit institutions, launched a review of the standardised models for calculating the RWA for credit risk, market risk and operating risk, and put forward the introduction of a capital floor, or minimum capital levels, calculated on the basis of the revised standard model. The Fundamental Review of the Trading Book (FRTB), or the revision of the standardised, internal model for the calculation of the minimum capital requirements to deal with market risk, was finalised in January 2016, while in December 2015 and March 2016, respectively, the Basel Committee once again involved the banks in a second formal consultation process for the revision of the standardised models for credit risk and operating risk (primarily on the grounds of the industry's strong opposition to some of the changes proposed in 2014); the last proposal involves the abolition of internal models and the revision of the standard model to make it better able to include the underlying exposure risk. As at the Registration Document Date the revision procedure of the standardised models for credit risk and operating risk is in progress the implementation of which is expected by 2021 as per the guidelines of the Basel Committee. As at the Date of the Registration Document, the Issuer manages specific segments using not standardised internal models (*see* Chapter 4, Paragraph 4.1.25). In the light of the evolution of the legislation regarding adoption of internal models, it will probably be necessary for the Issuer to revise the majority of the models to make them fully compliant with the new regulatory requirements. The adoption of the standardized approach, also under review, could also be imposed for come client segments currently managed through internal models – not related to the exposure referred to in Article 147 CRR and characterised by low default portfolios. The new regulations, which will cover the whole banking system, could therefore involve changes to the capital measures, but their entry into force is in any event subsequent to the time horizon of the 2016-2019 Strategic Plan. In the context of internal rating models authorised for the calculation of the capital, in the course of 2016, the ECB started a review activity of the same, called *TRIM* (*Target Internal Review*

Model), with the objective to ensure the adequacy and comparability of the same, in the light of the high fragmentation of IRB systems in use at various authorized banks with consequent variability in the respective measurement of capital requirements. The risks concerned by this review activity are, in addition to the credit risk, counterparty and market risks. The "*Target Internal Review Model*" is destined to continue until 2018 and is divided into two phases: "*Institution Specific Review*"[25] in 2016 and "*Model Specific Review*"[26] in 2017 and 2018. As at the Date of the Registration Document, the first phase is in phase of completion. Its credit risk part will be completed in the first quarter of 2017 with the finalisation of the *Supervisory Expectations* i.e. the guidelines from the part of the ECB for the *compliance* with the CRR, which will then be the subject of *benchmarking* with other *competitors* of UniCredit. The second phase of TRIM (Model Specific Review) will cover the 2017 - 2018 period. In the course of the third and fourth quarter of 2017, UniCredit will undergo *on-site* inspections on specific internal models selected for this purpose by the Supervisory Authority.

- In addition, on 21 April 2016, the Basel Committee published the new principles for the prudential treatment of interest rate risk, in other words the risk of losses resulting from interest rate fluctuations on positions not held for trading, which include "strengthened" tier 2 measures, or the introduction of further reporting requirements, more detailed information on the management of interest rate risk within the bank and a revision of the standardised model.

  In addition to its actions reforming the models, in March 2016 the Basel Committee launched a consultation process which proposes the abolition of the use of internal models for credit risk for some types of exposure (e.g. banks, large corporates) and places a quota on the use elsewhere indicating the minimum values for the parameters (e.g. the default probability). The consultation also eliminates the possibility of the banks using the internal model for the risk of value adjustments of credit components or Credit Value Adjustment (CVA) and limits the use for counterparty credit risk (CCR). Based on the anticipated time schedule in 2015, the Committee should have completed the finalisation of the package of prudential treatment reforms of risk-weighted assets by the end of 2016. This time schedule was recently revised in consideration of the difficulties found with major differences of opinion between the representatives of the Member States belonging to the Committee itself, which led to the cancellation of a GHOS meeting ("Group of Governors and Heads of Supervision") originally scheduled for 8 January 2017, during which the top representatives of the Basel Committee should have approved the overall package of reforms. The Committee stated that the objective of completing the reform would go ahead with the commitment of all Member States, without, however, defining a deadline for the approval.

With reference to the capital floor, the Basel Committee expects to make provision for the definition of the minimum percentage level for the standardised model where the capital calculated must be parameterised with the internal model jointly with the revision of the new regulatory system. Although there are still no certainties,

[25] Note that at the Date of the Registration Document the "Institution Specific Review" is in the process of being completed. During this phase, with reference to credit risk, UniCredit has made provision for two specific questionnaires to be completed: (i) "General Topics Survey", focusing on the governance of IRB ratings authorised internal models; and (ii) "Model Map Prioritization", involving 5 high default portfolios selected by the Regulatory Authority based on materiality criteria.

[26] The second phase "Model Specific Review" will involve the two-year period 2017 – 2018 and will focus on the "High Default portfolio Models" in 2017 and the "Low Default Portfolios" in 2018. During 3Q17-4Q17, UniCredit will be involved in on-site inspections into specific High Default internal models selected for this purpose by the Regulatory Authority.

it is likely that this minimum capital level will be set at aggregate level (across all credit, operating and market risks).

As from March 2015, the European Banking Authority (EBA), in turn launched a review process of several specific aspects of the RWA internal calculation models and greater cohesion between the authorities in exercising banking supervision. As far as the revision of the internal models undertaken by the EBA is concerned, the proposed changes are expected to be gradually finalised from the end of 2016, while implementation is expected by 2020.

The European regulatory process, which includes, among other things, the Fundamental Review of the Trading Book and the principles for the prudential treatment of the interest rate risk, began in November 2016 with the first legislative proposal to review the Capital Requirements Directive IV and the Capital Requirements Regulation (CRD IV/CRR) of the European Commission and is expected to be concluded in the second half of 2018. In the light of the current regulatory proposal, the implementation of the above regulatory strands is not anticipated before the end of 2020.

Acceptance into EU regulations, on the other hand, of the new standardised model for credit risk, the one for operating risk, the revision of the internal models and the introduction of the capital floors, will not start before 2018.

For further information, see Chapter 6, Paragraph 6.1.8 and Chapter 13, Paragraph 13.1.4 of the Registration Document.

4.2.4 Risks connected with ordinary and extraordinary contributions to funds established under the scope of the banking crisis rules

Following the crisis that affected many financial institutions from 2008, various systems have been introduced, both at European level and in individual member countries, aimed at curbing the risk of banking crises. Their implementation involves outlays, even significant ones, by the credit institutions to the banking system as a whole.

Deposit Guarantee Scheme and Single Resolution Fund

Through (i) Directive 2014/49/EU (Deposit Guarantee Schemes Directive –DGSD) of 16 April 2014; (ii) Directive 2014/59/EU (Bank Recovery and Resolution Directive – BRRD) of 15 May 2014; and (iii) Regulation(EU) No 806/2014 of the European Parliament and of the Council (the "**SRM Resolution**") establishing, among other things, the Single Resolution Fund (for 2015 the National Resolution Fund), the European legislator has made significant changes to the framework governing banking crises, with the strategic goal of strengthening the single market and systemic stability. Following the introduction of these directives into domestic law, from 2015 credit institutions are obliged to provide the financial resources necessary for funding the Deposit Guarantee Scheme ("**DGS**") and the Single Resolution Fund ("**SRF**") (until 2015 the National Resolution Fund).

The implementation of the above-mentioned European regulations could have a significant impact on the financial and capital position of the Issuer because from the year ended 31 December 2015 there is an obligation on the credit institutions to make contributions to specific funds. The quantification of the multi-

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year costs cannot be predicted at the Registration Document Date with regard to the extraordinary contribution components which should be necessary for funding under the scope of the new arrangements for the management of any future banking crises.

In this regard, with reference to the DGS, note that following the entry into force of the Deposit Guarantee Schemes Directive (the issue process of which in Italy concluded with Legislative Decree 30 of 15 February 2016) there will be ordinary and extraordinary multi-year contribution costs. Specifically, the following obligations pertain to UniCredit:

- annual ordinary *ex ante* contribution to the DGS, from 2015 to 2024, aimed at the establishment of funds equal to 0.8% of the protected deposits at the target date. The contribution resumes when the funding capacity is below the target level, at least until the target level is reached. If, after the target level is reached for the first time, the financial means available have been reduced to less than two-thirds of the target level, the regular contribution is set at a level that allows the target level to be reached within six years;
- (*ex post*) payment commitment, in relation to any extraordinary contributions required if the financial means available are insufficient to repay the depositors; these extraordinary contributions cannot exceed 0.5% of the protected deposits for any calendar year, but in exceptional cases and with the consent of the competent authority, the DGS can also demand higher contributions.

Following this introduction, the Italian Bank Deposit Guarantee Fund ("**FITD**"), has adapted its By-Laws, through the shareholders' resolution of 26 November 2015 anticipating the introduction of an *ex-ante* contribution mechanism (aimed at achieving the multi-year objective mentioned above with a target of 2024). For 2016, the Group accounted for approximately €244.6 million as at 30 September 2016 for contribution schemes to national DGS.

With regard, on the other hand, to the SRF, note that the following obligations pertain to UniCredit:

- annual ordinary *ex ante* contribution to the SFR (until 2015 the national resolution fund) up to 2023, aimed at the establishment of funds equal to 1% of the protected deposits at the target date (2023). The accumulation period can be extended by another four years if the financing mechanisms have made cumulative disbursements of more than 0.5% of the protected deposits. If, after the accumulation period, the financial means available go below the target level, the collection of contributions resumes until this level is restored. In addition, after reaching the target level for the first time and, if the financial means available fall below two-thirds of the target level, these contributions are set at the level that allows the target level to be reached within a period of six years. The contribution mechanism involves ordinary annual contributions aimed at distributing the costs for contributing banks evenly over a period of time. A transition stage of contributions to national divisions of the SRF is planned and their gradual mutualisation. For 2016 the ordinary contribution of the UniCredit Group as at 30 September 2016 was approximately €252.5 million. The annual value of the contribution is subject to review on the basis of the performance of the risk parameters and volumes of protected deposits;
- (*ex post*) payment commitments, in relation to any additional extraordinary contributions requested, equal to a maximum of three times the planned annual contributions, where the financial means available are insufficient to cover the losses and the costs relating to arrangements.

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For 2015 the ordinary contribution to the SRF for the Issuer was €73 million. Banca d'Italia, in its capacity of National Resolution Authority ("**NRA**"), through the provisions of 21 November 2015, approved by the Ministry of Economy and Finance on 22 November 2015, launched 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). Specifically, it involves a restructuring process that has led to the separation of assets classified as impaired for the four banks involved in the arrangement, merged into a "bad bank", from the rest of the assets and liabilities, merged into four new "bridge banks" intended to be sold on the market through a competitive sales procedure. With regard to this arrangement, the above-mentioned ministerial provisions have involved the request for extraordinary contributions for 2015 pursuant to the BRRD established at the maximum amount of three times the ordinary contribution due for 2015. Therefore, in 2015 the Issuer made an extraordinary contribution of €219 million to the National Resolution Fund.

The necessary liquidity to operate the above-mentioned arrangement was provided through a funding plan that the Issuer took part in through: (i) the provision of a loan of approximately €783 million to the National Resolution Fund (the share pertaining to a total loan of €12,350 million provided together with other banks), repaid in full on 21 December 2015 through the liquidity from the 2015 ordinary and extraordinary contributions; and (ii) the provision of a further tranche of the loan to the National Resolution Fund whose value as at 30 September 2016 stood at €516 million due in 2017 (the share pertaining to a total loan of €1,550 million provided together with other banks); (iii) the commitment to provide funds of €33 million to the National Resolution Fund (the share pertaining to a total commitment of €100 million for a possible further tranche of the loan to be provided together with other banks). In the light of the existing loan and a possible further provision, Cassa Depositi e Prestiti S.p.A. has undertaken a commitment to provide financial support to the National Resolution Fund if it does not have the availability at the loan due date.

Note that with regard to the loan for the resolution of the four banks mentioned above, Decree-Law 183/2015 introduced an additional guarantee for 2016, due to the National Resolution Fund, for the payment of any contributions equal to the maximum of two further portions (in relation to the three statutory required extraordinary portions) of the ordinary contribution for the Single Resolution Fund, actionable if the funds available to the National Resolution Fund net of recoveries from divestment transactions set up by the actual Fund for the assets of the four banks mentioned above were insufficient to cover the obligations, losses and costs the Fund is responsible for with regard to the measures under the provisions launching the resolution.

In addition, Law 208/2015 made provision, if the financial provision of the National Resolution Fund is not sufficient to support the resolution measures over a period of time, that the banks pay: (i) additional contributions to the actual National Resolution Fund, with the amount calculated by Banca d'Italia, albeit within the total limit, including the contributions paid to the SRF set out in Articles 70 and 71 of the SRM Regulation; (ii) for 2016 only, two further annual portions. In this regard, note that, through the provision of 28 December 2016, Banca d'Italia, as NRA, made provision to recall the contributions in point (ii), in the amount of €214.17 million, reserving the right through a subsequent provision to determine the payment methods for the above-mentioned contributions and, in any event, to reconsider the decision taken.

Moreover, it is not possible to rule out that the Resolution Authority could yet ask for extraordinary contributions in future financial years (also pursuant to statutory and legal provisions referring to previous financial years) to an extent that cannot be quantified at the Registration Document Date. This would cover both the book value of the "bridge banks" and the receivables due from bad banks, and with regard to further requirements that may emerge during the sale of all the above-mentioned assets, with possible negative impacts, including significant ones, on the operating results and capital and financial position of the Issuer and/or the Group.

Voluntary Scheme

The Issuer and the subsidiary FinecoBank have joined the "voluntary scheme" (the "**Voluntary Scheme**"), introduced by the FITD (Italian Bank Deposit Guarantee Fund) in November 2015 for an initial €300 million (total value of the scheme) through a change to its by-laws. The Voluntary Scheme constitutes an instrument for solving banking crises through arrangements supporting the banks belonging to the scheme, through recourse to the specific conditions set out by the regulations. The Voluntary Scheme has an independent financial provision and the member banks are obliged to provide the resources when requested to implement the arrangements. The Voluntary Scheme, in the capacity of a private entity, intervened in April 2016 through an arrangement involving a total of €272 million (the UniCredit Group share was €49 million) for the restructuring of the support arrangement which the FITD made in July 2014 for Banca Tercas. Specifically, the European Commission concluded that this support, granted at the time by the FITD under the Italian compulsory deposit guarantee system, constituted incompatible state aid; therefore Banca Tercas has repaid the contribution received at the time to the FITD. These sums were credited to the banks belonging to the FITD by way of restitution for the intervention that took place in 2014 and debited immediately afterwards from the banks belonging to the Voluntary Scheme, on their own initiative. Later on, the provision of the Voluntary Scheme was increased up to €700 million (the total share pertaining to the UniCredit Group was approximately €125 million). In this area, in June 2016 the Voluntary Scheme approved an arrangement in favour of Cassa di Risparmio di Cesena, relating to the capital increase of same approved on 8 June 2016 for €280 million (the portion relating to the UniCredit Group was €51 million). As at 30 September 2016 this commitment was translated into a monetary disbursement that involved the recognition of capital instruments classified as "available for sale" of €51 million, with a consequent reduction of the remaining commitment to €76 million. At the Registration Document Date it is not possible to rule out that this investment could give rise to losses in value in the near future both for the part already paid and with reference to the one that is only pledged at the Registration Document Date.

From the regulatory point of view, on 31 December 2016, the treatment of contributions in the Voluntary Scheme was based on the application of a "*look-through*" approach in respect of the *underlying assets* (*i.e.* investment in shares held indirectly by the Cassa di Risparmio di Cesena.

In addition, with regard to the losses suffered by holders of subordinated loans of the banks subject to resolution, Legislative Decree 183 of 2015, under the framework of the stability law approved through Law 208 of 28 December 2015, in force from 1 January 2016, established a Solidarity Fund which UniCredit can be asked to contribute to on account of its share of guaranteed deposits out of the total Italian banking system.

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The ordinary contribution obligations indicated in the previous paragraphs contribute to reducing profitability and have a negative impact on the Group's capital resources. It is not possible to rule out that the level of ordinary contributions required from the Group banks will increase in the future in relation to the development of the amount related to protected deposits and/or the risk relating to Group banks compared with the total number of banks committed to paying said contributions. In addition, it is not possible to rule out that, even in future, as a result of events that cannot be controlled or predetermined, the FITD and/or the SRF do not find themselves in a situation of having to ask for more, new extraordinary contributions. This would involve the need to record further extraordinary expenses with impacts, including significant ones, on the capital and financial position of the Issuer and/or the Group.

For further information, see Chapter 6, Paragraph 6.1.8 and Chapter 20 of the Registration Document.

4.2.5 Risks connected with the entry into force of new accounting principles and changes to applicable accounting principles

The UniCredit Group is exposed, like other parties operating in the banking sector, to the effects of the entry into force and subsequent application of new accounting principles or standards and regulations and/or changes to them (including those resulting from International Accounting Standards as endorsed and adopted into European law). Specifically, in future the UniCredit Group may need to revise the accounting and regulatory treatment of some existing assets and liabilities and transactions (and related income and expense), with possible negative effects, including significant ones, on the estimates in financial plans for future years and this could lead the Group to having to restate financial data published previously.

In this regard, an important change is expected in 2018 from when IFRS 9 "Financial Instruments" comes into force. On 24 July 2014, the International Accounting Standard Board (IASB) issued the final version of the new IFRS 9 which replaces the previous versions published in 2009 and 2010 for the classification and measurement stage, and in 2013 for the hedge accounting stage and completes the IASB project to replace IAS 39 "Financial Instruments: Recognition and Measurement".

The new IFRS 9:

- introduces significant changes to the rules for the classification and measurement of financial assets which will be based on the management method ("business model") and on the characteristics of the cash flows of the financial instrument (SPPI criterion - Solely Payments of Principal and Interests) which could involve different classification and measurement methods for financial instruments compared with IAS 39;

- introduces a new impairment accounting model based on an expected loss rather than an incurred losses approach as in IAS 39 and on the concept of a lifetime expected loss which could lead to a structural anticipation and increase of the value adjustments, particularly those on receivables; and

- involves the hedge accounting, rewriting the rules for the designation of a hedge account and for checking its effectiveness with the aim of guaranteeing a better alignment between the accounting representation of the hedging and the underlying management logics. Note, however, that the principle includes the possibility for the entity to make use of the right to continue to apply the provisions of IAS 39 on hedge accounting until the IASB completes the project of defining the rules relating to macrohedging.

RISK FACTORS

In addition, the new IFRS 9 also changes "own credit", in other words the changes in the fair value of liabilities designated under the fair value option due to fluctuations in credit worthiness. The new principle makes provision for these changes to be recognised in a shareholders' equity reserve, rather than in the income statement, as is the case under IAS 39, thereby eliminating a source of volatility in the financial results.

The compulsory effective date of IFRS 9 will be 1 January 2018, following the entry into force on 19 December 2016 of Regulation (EU) No 2016/2067 of the Commission of 22 November 2016. As a result of the entry into force of IFRS 9, there is also expected to be a review of the prudential rules for calculating capital absorption due to expected losses on credits. The terms of this review are still not known at the Registration Document Date. It is also expected that at the first application date the main impacts on the UniCredit Group could come from the application of the new impairment accounting model based on an expected losses approach, which would cause an increase in the write-downs made to unimpaired assets (specifically receivables from customers), as well as the application of the new rules for the transfer of positions between the different classification stages under the new standard. Specifically, it is expected that greater volatility may be generated in the financial results between the different accounting periods, due to the dynamic change between the different stages of financial assets recorded in the financial statements (particularly between Stage 1 which will mainly include the new positions supplied and all the fully performing positions and Stage 2 which will include the positions in financial instruments which have suffered a deterioration in credit quality compared with the time of initial recognition). The changes in the book value of financial instruments due to the transition to IFRS 9 will be offset against shareholders' equity at 1 January 2018.

On 10 November 2016, the EBA published a report that summarises the main results of the analysis of the impact on a sample of 50 European banks (including the Issuer). As far as the quality component of the questionnaire is concerned, the authority highlighted how the sample of banks involved an operational complexity, specifically with regard to the aspects related to the quality of data, and technology in the introduction of the new principle. The report also pointed out how the change to the impairment model would lead, in the sample of banks examined, to average growth of the IAS 39 provisions (of approximately 18%) as well as having an impact on common equity tier 1 and on the total capital of 59 and 45 percentage points, respectively. In the light of the above report, the UniCredit Group has estimated a negative impact, when IFRS 9 is first applied, of approximately 34 basis points on the CET 1 ratio and this impact has been included in the estimates of the development of regulatory capital ratios within the 2016-2019 Strategic Plan (for more information on the EBA guidelines on impaired loans, see Chapter 4, Paragraph 4.1.3 of the Registration Document).

For the sake of completeness, also note that the IASB issued, respectively on 28 May 2014 and 13 January 2016, the final versions of IFRS 15 "Revenues from contracts with customers" and IFRS 16 "Leases".

The new IFRS 15 will apply from 1 January 2018, with the possibility of opting for early application, subject to the completion of the endorsement process by the European Union, in progress at the Registration Document Date. This principle changes the current set of International Accounting Standards replacing the principles and interpretations of "revenue recognition" in force at the Registration Document Date and, specifically, IAS 18. IFRS 15 includes:

- two approaches for measuring revenues ("at point in time" or "over time");

- a new transactions analysis model ("Five steps model") focused on the transfer of control; and
- greater information to be included in the notes to the financial statements.

The new IFRS 16, on the other hand, will apply from 1 January 2019 once it has been endorsed by the European Union. IFRS 16 changes the current set of international accounting principles and interpretations in force on leasing, and, specifically IAS 17. IFRS 16 introduces a new definition of leasing and confirms the current distinction between the two types of leasing (operating and financial) with regard to the accounting model that the lessor must apply. With reference to the accounting model to be applied by the tenant, the new model requires that, for all types of leasing, there must be an activity, which represents the right of use of the asset leased and, at the same time, the debt relating to the rental set out in the lease agreement.

At the time the asset is initially recorded, it is valued on the basis of the financial flows associated with the lease agreement, including, as well as the current value of the lease payments, the direct initial costs associated with the leasing and any costs necessary to restore the asset at the end of the agreement. Following the initial recording of this asset, it will be valued based on the projection for the tangible fixed assets and, therefore, at cost net of amortisation and depreciation and any reductions in value, at the "recalculated value" or at the fair value according to the provisions of IAS 16 or IAS 40.

From the time the above principle comes into force there are plans from 1 January 2019 for the quantitative effects resulting from its adoption, not currently available, to form part of the Group's future estimates. It is, however, expected that the application of IFRS 16 could result in a revision, for the Issuer and/or other Group companies, of the accounting methods for revenues and costs relating to existing transactions as well as the recording of new assets and liabilities associated with operating lease agreements signed. These effects will create the consequent need to consistently and retrospectively revise the previous periods and therefore quite significantly alter the opening capital balances at the respective dates.

Based on regulatory and/or technological developments and/or the business context, it is also possible that the Group could, in the future, further revise the operating methods for applying the International Accounting Standards, with possible negative impacts, including significant ones, on the operating results and capital and financial position of the Issuer and/or the Group.

4.2.6 Risks connected with the uncertainty of the results of future stress tests or further asset quality reviews

On 4 November 2014 the Single Supervisory Mechanism, which includes the ECB and the competent national authorities of the participating member states, including Banca d'Italia, became operational. The SSM is responsible for the prudential supervision of all credit institutions in participating member states and ensures that the European Union policy on prudential supervision of credit institutions is implemented consistently and effectively and that the credit institutions are subject to the highest quality supervision (see Chapter 6, Paragraph 6.1.8 of the Registration Document).

Under the scope of this supervisory mechanism, the ECB has the specific task of the prudential supervision of credit institutions which involves, *inter alia*, the possibility of carrying out, possibly in conjunction with the EBA, stress tests to confirm whether the devices, strategies, processes and mechanisms set up by the credit institutions and the own funds held allow sound management and the hedging of risks in the case of future adverse, but conceivable, events. In the light of the results of these stress tests, the ECB is also granted the right to impose specific obligations on the credit institutions with regard to their additional own funds, specific information and liquidity requirements, as well as other measures.

The results of these stress tests are, by their very nature, uncertain and only partly predictable by the financial institutions involved because the evaluation methods adopted by the ECB are aimed at adopting a standardised assessment of the risk within the member states of the European Union and, therefore, they may differ- also to a considerable extent - from the evaluation methods of Risk-Weighted Assets (RWA) adopted by the individual credit institutions involved.

In this regard, it is specified that in 2016, UniCredit participated in the European stress test conducted by the EBA, in collaboration with the SSM, the ECB, the European Commission and the European Systemic Risk Board (ESRB).

The results of the 2016 stress test were announced by the EBA on 29 July 2016. For UniCredit, the CET1 ratio levels for 2018 resulting from the stress test are as follows: (i) basic scenario: CET1 ratio of 11.57%, 98 basis points higher than the CET1 ratio (phase-in) as at 31 December 2015; and (ii) adverse scenario: CET1 ratio of 7.12%, 347 basis points lower than the CET1 ratio (phase-in) as at 31 December 2015.

The 2016 European stress test does not contain a minimum threshold to be adhered to, but it was designed, instead, to be used as a fundamental component of information for the prudential review process in 2016. The results therefore have the aim of allowing the competent authorities to assess UniCredit's capacity to satisfy the minimum capital requirements and the additional requirements applicable in adverse scenarios based on a common methodology and hypotheses (with reference to SREP 2016, see Chapter 4, Paragraph 4.1.5 of the Registration Document).

The stress test envisaged two scenarios for each country:

- a baseline one, formulated on the basis of the performance forecasts for macro-economic variables produced in the autumn of 2015 by the European Commission; and
- an adverse one, defined by the ECB/ESRB, in addition to specific methodological assumptions and a declassification theory of the two level ratings.

The adverse scenario for Italy envisaged, among other things: (i) an actual fall in GDP in the three-year period 2016-18 of almost six percentage points compared with the baseline scenario projections; and (ii) an increase, in the same three-year period, of Italian government long-term bond returns of approximately 100 basis points, with a 12 percent write-down of these securities. Specific adverse scenario forecasts were made with reference to other European countries and several non-European countries (see Chapter 5, Paragraph 5.1.6 of the Registration Document).

In addition, the EBA, in conjunction with the competent supervisory authorities, could, in future, decide to recommend a new asset quality review of the major European banks including UniCredit, with the aim of checking the classifications and measurements made by some of their credits in order to deal with the concerns surrounding the deterioration of the quality of the assets. This asset quality review exercise could also possibly stand alongside a further stress test conducted by the ECB in the context of a new comprehensive assessment, similar to the one concluded in July 2016.

If the ECB, in conjunction with the EBA and the other competent supervisory authorities, were to implement new comprehensive assessments (or stress tests or asset quality reviews), it is not possible to ensure that the Issuer would satisfy the minimum parameters set under the scope of these exercises and that, therefore, if it fails to pass them, it would be subject to provisions by the ECB which, among other things, impose the implementation of new capital measures or other measures suitable for addressing any capital deficits discovered in its Own Funds, with possible negative effects on the operating results and capital and financial position of the Issuer and/or the Group.

For further information, see Chapter 5, Paragraph 5.1.6 and Chapter 6, Paragraph 6.1.8 of the Registration Document.

4.2.7 Risks connected with the liquidity support interventions for the system

Due to the crisis on the financial markets, followed by instability, the reduced liquidity available to operators in the sector, the increase in risk premiums and the higher capital requirements imposed by supervisory authorities, also following the results of the comprehensive assessment, there has been a widespread need to guarantee higher levels of capitalisation and liquidity for banking institutions.

This situation has meant that government authorities and national central banks the world over have had to take action to support the credit system (in some cases by directly acquiring banks' share capital), and has caused some of the biggest banks in Europe and in the world to turn to central institutions in order to meet their short-term liquidity needs. These forms of financing were made technically possible where supported by the provision of securities in guarantee considered suitable by the various central institutions.

In this context, the European Central Bank has implemented important interventions in monetary policy, both through the conventional channel of managing interest rates, and through unconventional channels, such as the provision of fixed rate liquidity with full allotment, the expansion of the list of assets that can be allocated as a guarantee, longer-term refinancing programmes such as the "Targeted Longer-Term Refinancing Operation" (TLTRO) introduced in 2014 and the TLTRO II introduced in 2016, the purchases on the debt securities market (i.e. the so-called outright monetary transactions launched in 2012 and quantitative easing announced in 2015). These interventions contributed to reducing the perception of risk towards the banking system, mitigating the size of the funding liquidity risk. These interventions also contributed to reducing speculative pressures on the debt market, specifically with regard to so-called peripheral countries.

As at 30 September 2016, the total debt of the UniCredit Group with the ECB through TLTRO II was €26.71 billion. This debt through TLTRO II involves a plan expiring on 24 June 2020 for €26.60 billion and on 28 September 2020 for €0.11 billion.

With reference to other TLTRO II operations, note that, in addition, at 31 December 2016 the Group had an amount, within a 3-month time horizon, net of haircuts for access to refinancing operations at the ECB, of eligible securities for a further use of the TLTRO II programme equal to around €76.5 billion pertaining to the

Issuer (UniCredit Ireland plc and UniCredit International Bank Luxembourg S.A. inclusive), around €41 billion in UCB AG (UniCredit Luxembourg S.A. inclusive), around €17 billion in UCB Austria.

Also taking into consideration forms of refinancing other than TLTRO II (refinancing operations with a due date of one week), still as at 30 September 2016, the total debt position of the UniCredit Group with regard to the ECB was €30.28 billion.

It is not possible to predict the duration and intensity with which these liquidity support operations can be repeated in the future, with the result that it is not possible to rule out a reduction, or even the cancellation of this support. This would result in the need for banks to seek alternative sources of borrowing, without ruling out the difficulties of this search as well as the risk that the related costs could be higher. The situation described could therefore have a negative impact on the assets, operating results and capital and financial position of the Issuer and/or the Group.

For the sake of completeness, also note that in spite of the positive impacts of these operations to support liquidity in the macroeconomic context, there is the risk that an expansionary monetary policy (including, specifically, quantitative easing) would have an effect on keeping interest rates, currently already negative for short- and medium-term due dates, at minimum levels for all major due dates, with consequent negative effects on the profitability of the Bank, as well as on the operating results and capital and/or financial position of the Bank and/or the Group.

For further information, see Chapter 10, Paragraph 10.2 of the Registration Document.

4.2.8 Risks connected with the political and economic decisions of EU and Eurozone countries and the United Kingdom leaving the European Union (Brexit)

On 23 June 2016, the United Kingdom voted, in a referendum, to leave the European Union ("Brexit"). The result of this referendum has a consultative nature therefore the United Kingdom is not obliged to leave the European Union and as at the Registration Document Date it is not clear whether the United Kingdom will give formal notice of the decision to the European Council. It involves a process that is unprecedented in the history of the European Union and which could require months of negotiations to draft and approve any agreement for the United Kingdom to leave in conformity with Article 50 of the Treaty on European Union. As at the Date of the Registration Document, these negotiations appear uncertain. In fact, according to what is stated by the British Prime Minister Theresa May, the United Kingdom will work on the preparation of a plan to leave the European Union after 30 March 2017, without excluding the possibility of renunciation of free access to the single market and the European Customs Union and the resumption of full control over their own borders (so-called "*hard Brexit*")[27]. In addition, in November 2016 the British High Court ruled that the United Kingdom could not trigger the process of leaving the European Union without the prior approval of Parliament, thereby increasing the uncertainties surrounding the methods and time scales of this procedure.

[27] Source: www.independent.co.uk, "*Hard Brexit: Theresa May to announce withdrawal from single market to get 'clean break' from EU*", 15 January 2017.

Regardless of the time scale and the term of the United Kingdom's possible exit from the European Union, the result of the referendum in June 2016 created significant uncertainties with regard to the political and economic prospects of the United Kingdom and the European Union.

The possible exit of the United Kingdom from the European Union; the possible exit of Scotland, Wales or Northern Ireland from the United Kingdom; the possibility that other European Union countries could hold similar referendums to the one held in the United Kingdom and/or call into question their membership of the European Union; and the possibility that one or more countries that adopted the Euro as their national currency might decide, in the long term, to adopt an alternative currency or prolonged periods of uncertainty connected to these eventualities could have significant negative impacts on international markets. These could include further falls in stock exchange indices, a fall in the value of the pound, an increase in exchange rates between the pound and the Euro and/or greater volatility of markets in general due to the increased uncertainty, with possible negative consequences on the assets, operating results and capital and/or financial position of the Issuer and/or the Group.

In addition to the above and in consideration of the fact that at the Registration Document Date there is no legal procedure or practice aimed at facilitating the exit of a Member State from the Euro, the consequences of these decisions are exacerbated by the uncertainty regarding the methods through which a Member State could manage its current assets and liabilities denominated in Euros and the exchange rate between the newly adopted currency and the Euro. A collapse of the Eurozone could be accompanied by the deterioration of the economic and financial situation of the European Union and could have a significant negative effect on the entire financial sector, creating new difficulties in the granting of sovereign loans and loans to businesses and involving considerable changes to financial activities both at market and retail level. This situation could therefore have a significant negative impact on the operating results and capital and financial position of the Issuer and/or the Group.

5 INFORMATION ABOUT THE ISSUER

5.1 History and development of the Issuer

5.1.1 Legal and commercial name of the Issuer

The name of the Issuer is "UniCredit, società per azioni" and, in shortened form, "UniCredit S.p.A.".

5.1.2 Place of registration of the Issuer and its registration number

The Issuer is registered in the Rome Companies Register at number 00348170101. The Issuer is also registered in the Bank Register as the parent company of the UniCredit Group in the Banking Groups Register at number 02008.1, and belongs to the National Interbank Deposit Guarantee Fund (FITD) and to the National Compensation Fund.

5.1.3 The date of incorporation and the length of the Issuer

The Issuer is a joint stock company incorporated in Genoa through an agreement dated 28 April 1870 which is valid until 31 December 2100.

5.1.4 The Domicile and legal form of the Issuer, legislation under which it operates, its country of incorporation, and the address and telephone number its registered office

The Issuer is a joint stock company incorporated in Italy and regulated and operating under Italian Law. The Issuer's Registered Office is in Rome, Via Alessandro Specchi 16, tel. +39 06 67071 and its Head Office is in Milan, Piazza Gae Aulenti 3 – Tower A, tel. +39 02 88621.

5.1.5 The important events in the development of the Issuer's business

Origins

UniCredit (formerly UniCredito Italiano S.p.A.) and the group of companies headed by the same came about from the merger, which took place in October 1998, between the then Credito Italiano S.p.A., founded in 1870 with the name Banca di Genova, and Unicredito S.p.A., the latter a holding company which owned the controlling stake in Banca CRT (Banca Cassa di Risparmio di Torino S.p.A.), CRV (Cassa di Risparmio di Verona Vicenza Belluno and Ancona Banca S.p.A.) and Cassamarca (Cassa di Risparmio della Marca Trivigiana S.p.A.).

Since its creation the Group has continued to expand in Italy and in Eastern European countries, both through acquisitions and through organic growth, also consolidating its role in sectors of major significance outside of Europe, such as the asset management sector in the United States.

The main stages along the UniCredit Group's path of growth are summarised below.

<u>*Expansion in Eastern European countries and in Turkey*</u>

Expansion in Eastern European countries began in August 1999 when UniCredit bought a 50.09% stake (later increased to 59.36%) of the share capital of Bank Pekao and in July 2000 it bought a 62.59% stake in the share capital of Splitska Banka. Still in 2000, the acquisitions of Pol'nobanka A.S. (at the Registration Document Date called "UniCredit Bank Czech Republic and Slovakia AS" following several inter-group reorganisations) and Bulbank A.D. were completed.

Growth in Eastern European countries has gone through various phases of expansion and refocusing of the CEE business has seen various extraordinary transactions in these countries, including, specifically, Bosnia and Herzegovina, Bulgaria, Croatia, Romania, the Czech Republic, Russia, Serbia, Slovakia, Slovenia, Turkey, Ukraine and Hungary, as well as Kazakhstan, Kyrgyzstan and Tajikistan, via the subsidiary JSC ATF Bank (later definitively sold in March 2013).

As far as expansion in Turkey is concerned, it was launched in 2002 through Koç Finansal Hizmetler A.S. an equal joint venture with the Koç Group which, at the time, held a stake of 99.9% in KoçBank A.S. In addition, in 2005 the UniCredit Group gained control of Yapi Kredi Bankasi A.S. through the above-mentioned joint venture (Turkey).

With reference to the more recent transactions in Eastern European countries, note that on 31 December 2015 the Issuer and UCB Austria signed a binding agreement for the transfer of PJSC Ukrsotsbank (the fourth largest bank in Ukraine in terms of customer deposits and loans, listed on the Ukraine stock exchange, purchased through the subsidiary UCB Austria in 2008, hereinafter known as "**USB**") to Alfa Group. The structure of the transaction involves UCB Austria conferring the interest in USB to ABH Holdings SA ("**ABHH**" – a holding company with its registered office in Luxembourg with investments in banking activities in the former Soviet Union area) in exchange for newly issued shares representing 9.9% of the capital of ABHH after the transaction. The agreements signed involve special safeguards benefiting both parties, including the possibility of the UniCredit Group appointing a member of the board of ABHH and activating the listing of ABHH. In addition, the parties agreed on put and call options for the UniCredit Group's stakeholding in ABHH, which can be activated 5 years after the closing date of the transaction. On 12 October 2016, Alfa Group obtained authorisation for the purchase from the Ukraine Central Bank and the transaction was completed on 31 October 2016 (on this point see Chapter 22, Paragraph 22.6 of the Registration Document).

In July 2016, the Issuer also completed the sale to institutional investors of 26.2 million ordinary shares held in Bank Pekao, corresponding to approximately 10.0% of the existing share capital, through an accelerated book-building offering. At the end of this sales procedure (which followed an earlier accelerated book-building offering launched in 2013), UniCredit's stakeholding in Bank Pekao fell to 40.1% of the share capital of the latter.

Furthermore, on 30 September 2016, the Central and Eastern European business ("CEE") (see Chapter 6, Paragraph 6.1.2 of the Registration Document) of UCB Austria was transferred to the Issuer (with civil effectiveness as of 1 October 2016 and accounting and tax effect as of 1 January 2016). The transfer of the CEE business was structured as a demerger by absorption in accordance with the Austrian Demerger Act (*Spaltungsgesetz*) from UCB Austria to UCG Beteiligungsverwaltung GmbH, a wholly owned subsidiary of the Issuer and a subsequent cross-border merger of UCG Beteiligungsverwaltung GmbH into the Issuer in accordance with the Austrian EU-Merger Act (*EU-Verschmelzungsgesetz*), Legislative Decree 108 of 30 May 2008 and the Civil Code, which took effect simultaneously. In accordance with the Austrian Demerger Act, the Austrian EU-Merger Act, Legislative Decree 108 of 30 May 2008 and the Civil Code, assets and liabilities pertaining to UCB Austria's CEE business unit were transferred through universal legal succession by operation of law. In connection with the transfer of the CEE business, the Issuer made certain commitments aimed at further strengthening UCB Austria's capital position and supporting its future business activities (see Chapter 19, Paragraph 19.4 of the Registration Document).

Lastly, on 8 December 2016 UniCredit signed an agreement with Powszechny Zakład Ubezpieczeń S.A. and Polski Fundusz Rozwoju S.A. for the sale of an equity investment in Bank Pekao equal to 32.8% of its share capital. At the Registration Document Date, the conditions precedent set out in this sale and purchase agreement have not been satisfied and the transaction is expected to be completed midway through 2017.

On the same date, in order to sell its residual equity investment in Bank Pekao equal to 7.3% of the share capital, the Issuer has also issued an equity-linked certificate, guaranteed by a pledge on the Bank Pekao shares and with mandatory regulation in Bank Pekao ordinary shares, on or before 15 December 2019 (for further information on the transactions involving Bank Pekao, see Chapter 22, Paragraph 22.3 of the Registration Document).

Incorporation with the HVB Group

From 2005, the Group pursued its international expansion policy in Germany, Austria and Central Eastern Europe through a merger with the HypoVereinsbank group, achieved through a public purchase offer promoted by UniCredit in summer 2005 to take control of Bayerische Hypo–und Vereinsbank AG ("**HVB**") – hereinafter renamed "UniCredit Bank AG" – and the companies reporting to it (the "**HVB Group**"), including UCB Austria. Following this offer, completed in 2005, UniCredit actually acquired a 93.93% stake in the share capital of HVB. On 15 September 2008, the squeeze-out of the HVB minority shareholders, approved by the shareholders' meeting of the bank in June 2007[28] was recorded in the Munich Companies Register. Therefore, the HVB shares held by the minority shareholders – corresponding to around 4.55% of the company's share capital – were transferred under Law to UniCredit and as a result HVB is a wholly-owned subsidiary of UniCredit. In summer 2005, UniCredit also promoted a public purchase offer for all the shares of UCB Austria not held by HVB; after the offer, the Group came to own 94.98% of the share capital of UCB Austria. In January 2007, UniCredit – which at the time held, in total, 96.35% of the share capital of UCB Austria, including the 77.53% transferred to UniCredit from HVB – approved the launch of a squeeze-out procedure of UCB Austria. In 2008, the squeeze-outs of the ordinary shares of UCB Austria and HVB owned by the minority shareholders were concluded. At the Registration Document Date, the stakeholding in UCB Austria held by UniCredit is approximately 99.996%, whereas the remaining shares in UCB Austria are held by "*Privatstiftung zur Verwaltung von Anteilsrechten*", a private foundation under Austrian law and by "*Betriebsratsfonds des Betriebsrates der Angestellten der UniCredit Bank Austria AG Region Wien*", the Council Fund of the Employees' Council of UCB Austria's employees in the Vienna area, whose shares are linked with special rights.

[28] A squeeze-out is a transaction through which the party that holds a block of shares of more than a certain amount in a listed company (95% in Germany and 90% in Austria) exercises its right to expel the remaining minority shareholders, paying them a suitable consideration.

Restructuring of UCB Austria

On 14 December 2015, the Issuer announced a hard-hitting programme for the restructuring of Austrian retail activities aimed at achieving the sustainable development of Commercial Banking Austria and improving the cost income ratio.

At the same time, UCB Austria and the Workers' Council signed an agreement that involves the definitive move of its employees in the state pension system (the employees of UCB Austria, on the other hand, already retired at this date will not be involved).

As published, on 13 April 2016, the Austrian Parliament approved a new law which involves the framework governing the transfer of pension obligations relating to UCB Austria employees from the company to the national pension system. The new law, in confirming the effectiveness of agreements on the subject, which has the nature and characteristics of the one reached by UCB Austria and the Workers' Council on 14 December 2015, will apply retroactively, specifically including the increase in the amount to be paid with regard to transfers that took place after 1 February 2016 from 7% to 22.8% for the latest remuneration paid to employees. In spite of the fact that UCB Austria believes that the new law may have unconstitutional aspects given its retroactive nature and the significant increase in the percentage to be applied for the transfer of pension obligations, UCB Austria has made provision for the increased costs involved in the new law and, at the same time, has revised the personnel expenses associated with the UCB Austria restructuring plan, reflecting the developments of the actual plan.

Integration with the Capitalia group and activities in Italy

With the objective of strengthening its position in the domestic market and taking advantage of expansion opportunities, on 30 July 2007, the shareholders' meetings of UniCredit and Capitalia approved the merger by incorporation of Capitalia into UniCredit. The deed of merger was signed on 25 September 2007 and the merger was effective from 1 October 2007.

Later on, a series of inter-group transactions were launched aimed at the integration of the activities carried out in joint sectors, in particular banking, asset gathering and asset management as well as leasing, factoring and fiduciary, plus information technology and real estate.

In 2010, the Issuer further simplified the corporate structure of the Group which involved, among other things, the merger by incorporation of seven companies controlled by the Issuer at the time (UniCredit Banca, UniCredit Banca di Roma, Banco di Sicilia, UniCredit Corporate Banking, UniCredit Private Banking, UniCredit Family Financing Bank and UniCredit Bancassurance Management & Administration S.c.r.l.) into UniCredit. Following the above merger – which took effect from 1 November 2010 – the latter started to carry out banking activity directly.

In July 2012, under the scope of the Group reorganisation process, in the Italian area, aimed at reducing its complexity, the Issuer continued with the rationalisation of several activities conducted by Italian subsidiaries, centralising them in UniCredit. This project was executed on 1 March 2013 through the merger by incorporation into the Issuer of four wholly-owned subsidiaries (UniCredit Audit S.C.p.A., UniManagement S.C.r.l., UniCredit Merchant S.p.A. and UniCredit Logistics S.r.l.). Still under the scope of Italy and with the same reorganisation aims, in April 2013 the subsidiary Localmind S.p.A was placed into voluntary liquidation, on 1 July 2013 the incorporation of Joinet S.r.l. (an E-commerce services company) into I-Faber S.p.A. and of Esperti in Mediazione S.r.l. into UniCredit Credit Management Bank S.p.A. took place, while the incorporation of Fineco Leasing S.p.A. (specialised in property leasing) into UniCredit Leasing S.p.A. became operational on 1 April 2014.

In 2013, under the scope of a real estate reorganisation process launched in 2010 (the "Town Planning Project"), the Issuer moved its Head Office to the UniCredit Tower, a complex of three buildings located in Milan in the new area of Porta Nuova, which includes the tallest tower block in Italy, 231 metres high. This project involves all the main European offices of the Group (Milan, Rome, Munich, Vienna, Hamburg, Bucharest, Prague, Moscow, Zagreb, Bologna, Turin and Verona), and was planned on the basis of four guiding principles: (i) consolidation of the offices with the release of 150 buildings; (ii) decentralisation: over 80% of the remaining offices are in the most practical areas of the cities; (iii) more efficient space occupation models; (iv) reduction of the impact on the environment.

On 28 May 2014, having obtained the necessary authorisation, Intesa Sanpaolo S.p.A., the Issuer, Banca Monte dei Paschi di Siena S.p.A. and Banca Nazionale del Lavoro S.p.A. completed the sale to the Fondo Strategico Italiano, F2i SGR S.p.A. and Orizzonte SGR S.p.A. of 59.3% of the share capital of SIA S.p.A. ("**SIA**") (a company active in the design, creation and management of infrastructures and technological services dedicated to financial institutions, central banks, businesses and public administrations, in the areas of payments, e-money, network services and capital markets), of which 28.9% is held by the Intesa Sanpaolo Group, 20.1% by UniCredit, 5.8% by Banca Monte dei Paschi di Siena S.p.A. and 4.5% by Banca Nazionale del Lavoro S.p.A.. At the Registration Document Date, following the completion of the above transaction, the Issuer holds 4% of the share capital of SIA.

On 30 October 2015, the Issuer sold its entire stake in UniCredit Credit Management Bank S.p.A. ("**UCCMB**"), the Group bank dedicated to the management and recovery of problem loans that originated in Italy, including a portfolio of non-performing loans for €2.4 billion (gross value), to affiliates of the Fortress Investment Group LLC ("**Fortress**"). At the same time as the sale, carried out following an agreement signed in February 2015, a long-term strategic agreement was concluded with the company sold (later renamed "doBank S.p.A.") for the management of the current and future small and medium receivables of the Issuer and other Group companies. This transaction comes under the UniCredit credit recovery division reorganisation plan. Prior to the transaction of selling the investment, on 1 January 2015 the partial demerger in favour of the Issuer (i) of the non-core business unit of the subsidiary UCCMB and (ii) of the business unit for the property complex under the operations pursuant to Capitalia of UniCredit Credit Management Immobiliare S.p.A. (wholly owned by UCCMB) took effect (on this point see Chapter 22, Paragraph 22.7 of the Registration Document).

On 3 August 2016 UniCredit Business Integrated Solutions S.p.A. ("**UBIS**"), and SIA signed an agreement for the sale of the payment processing activities through credit cards of UBIS in Italy, Germany and Austria, to SIA. At the same time, the Group decided to sign a ten-year outsourcing agreement with SIA for the provision of payment processing services via payment cards. This will enable UniCredit to maintain access to the same high quality standards while withdrawing from a non-core activity. The operation was concluded on 23 December 2016 (for further information, see Chapter 22, Paragraph 22.5 of the Registration Document).

Asset management and asset gathering activities

With specific reference to the asset management sector, in October 2000 UniCredit purchased the global investment management division of the US Pioneer Group, later consolidating the asset management activity in PGAM. The group headed by PGAM in later years continued its geographical growth (specifically in India through a joint venture with the Bank of Baroda) and in business sectors (through the acquisition of a 37.5% stake in Torre SGR S.p.A., a real estate fund management company part of the Fortress Investment Group LLC).

In April 2015, the Issuer, Banco Santander S.A. and affiliated companies Warburg Pincus and General Atlantic (jointly the "**Private Equity Companies**") reached a non-binding, exclusive preliminary agreement to incorporate the group headed by PGAM ("**Pioneer Investments Group**") and Santander Asset Management ("**SAM**") to create a global leading company in the field of asset management.

Based on the data available at the time, the company resulting from the integration should have become one of the leading management companies in Europe with strong global associations. In November 2015, the Issuer, Banco Santander S.A. and the Private Equity Companies then signed the binding agreement relating to the integration of the Pioneer Investments Group and SAM, whereby the effectiveness was subject to the satisfaction of various conditions precedent.

On 27 July 2016, however, the above-mentioned parties decided to put an end to the binding agreement concluded on 11 November 2015 and, therefore, not to proceed with the integration of the Pioneer Investments and SAM.

At the Registration Document Date, PGAM and its subsidiaries are the UniCredit Group companies operating in asset management (see Chapter 6, Paragraph 6.1.2 of the Registration Document). In this regard note that on 11 December 2016 the Issuer signed a sale and purchase agreement with Amundi involving the sale of almost all PGAM assets. At the Registration Document Date, the conditions precedent set out in this sale and purchase agreement have not been satisfied and the transaction is expected to be completed by the first half of 2017 (for further information, see Chapter 22, Paragraph 22.2 of the Registration Document).

As far as asset gathering is concerned, following the integration with the Capitalia group, FinecoBank, a company already operating in the field of asset gathering became part of the UniCredit Group and, under the scope of the integration process, it became the UniCredit Group benchmark company for asset gathering and online trading activities, replacing UniCredit Xelion Banca S.p.A., the multichannel bank of the UniCredit Group at the time offering off-site banking and financial services via financial planners.

In line with the divisional model of the UniCredit Group (featuring business lines focused on customer segments and global custom service providers, see Chapter 6, Paragraph 6.1 of the Registration Document), the new configuration planned for FinecoBank led, on the one side, to the unbundling of the businesses involving salary-backed loans, mortgages and credit cards among the respective specialist companies of the UniCredit Group and, on the other side, to the incorporation of UniCredit Xelion Banca S.p.A.. This last transaction, aimed at eliminating the existing overlapping in the business of the two banks and developing synergies, made it further possible to consolidate the role of FinecoBank as a reference hub in Italy for asset gathering activities (with a network of financial planners which, at the end of 2008, numbered around 2,700 persons), as well as being a leading online trading company.

In the second half of 2014, UniCredit launched the IPO relating to FinecoBank following which the FinecoBank shares were admitted for trading on the MTA. In July 2016, the Issuer concluded the sale to institutional investors of 10% of the existing share capital through an accelerated book-building offering. A similar transaction was implemented in October 2016 and it led to the sale of a further 20% stake in the share capital of the company. Following these sales UniCredit, at the Registration Document Date, controls FinecoBank with a stake of about 35% of the latter's share capital (on this point see Chapter 22, Paragraph 22.4 of the Registration Document).

In December 2014, UCB AG and BNP Paribas S.A. completed the sale, by UCB AG, of the majority shareholding of 81.4% of the share capital of DAB Bank AG, at the time of the sale a direct bank specialised in offering investment services for the UniCredit Group operating in the asset gathering sector in Germany. At the Registration Document Date, therefore, asset gathering activities are carried out by FinecoBank alone (see Chapter 6, Paragraph 6.1.2 of the Registration Document).

5.1.6 Other recent events

Signing of the pre-underwriting agreements

On 12 December 2016, Morgan Stanley & Co. International plc and UBS Limited, in the capacity of structuring advisor and together with Merrill Lynch International, J.P. Morgan Securities plc and Mediobanca – Banca di Credito Finanziario S.p.A., as underwriting joint global coordinators and joint bookrunners, and Citigroup Global Markets Limited, Credit Suisse Securities (Europe) Limited, Deutsche Bank AG, London Branch, Goldman Sachs International and HSBC Bank plc, as co-global coordinators and joint bookrunners, signed a pre-underwriting agreement with the Issuer ("**Pre-Underwriting Agreement (GC)**"), pursuant to which they are obliged – according to conditions in line with market practice for similar transactions – to sign an underwriting agreement (the "**Underwriting Agreement**") for the subscription of any new issue UniCredit shares that are not taken up at the end of the auction for rights not taken up for a maximum amount equal to the value of the Share Capital Increase.

In addition, on 22 December 2016, Banca IMI S.p.A., Banco Bilbao Vizcaya Argentaria S.A., Banco Santander S.A., Barclays Bank PLC, BNP Paribas S.A., Commerzbank AG, Crédit Agricole Corporate and Investment Bank, Natixis and Société Générale, in the capacity of joint bookrunners, signed a pre-underwriting agreement with the Issuer, in line with the one already signed by the underwriting joint global coordinators and co-global coordinators (the "**Pre-Underwriting Agreement (Non-GC)**" and, together with the Pre-Underwriting Agreement (GC), the "**Pre-Underwriting Agreements**"), pursuant to which they are obliged to sign – under conditions in line with market practice for similar transactions – the Underwriting Agreement for the subscription of new issue UniCredit shares that are not taken up at the end of the auction for rights not taken up for a maximum amount equal (together with the commitment pursuant to the Pre-Underwriting Agreement (GC)) to the value of the Share Capital Increase.

The Pre-Underwriting Agreements are expected to no longer be effective upon the signing of the Underwriting Agreement, which is expected to be very close to the launch of the public offering (the details of which will be in the special informative notes on the financial instruments) and as soon as the Board of Directors establishes the conditions of the Share Capital Increase.

Issue of additional tier 1 instruments

On 14 December 2016, the Issuer placed an issue of additional tier 1 instruments (Non-Cumulative Temporary Write-Down Deeply Subordinated Fixed Rate Resettable Notes) for a total of €500 million via a private placement.

The securities issued are perpetual (with maturity linked to the corporate duration of UniCredit) 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, the coupon will be reset every 5 years to the then 5-Year Mid-Swap rate + 930 bps. As laid down by regulatory requirements, the payment of the coupon is discretionary.

The additional tier 1 instruments will contribute to strengthening UniCredit's Tier 1 ratio. The 5.125% Common Equity Tier 1 (CET1) trigger provides that – 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.

2016-2019 Strategic Plan

On 12 December 2016, the Issuer approved the 2016-2019 Strategic Plan (presented to the market on 13 December 2016) and in the same month, signed, among other things, binding agreements relating to several actions set out in the Strategic Plan, as well as calling the Issuer's Extraordinary Shareholders' Meeting to approve, *inter alia*, the Share Capital Increase in the Strategic Plan.

In this regard, please note that, on 12 January 2017, the Extraordinary Shareholders' Meeting of the Issuer approved the Share Capital Increase and the regrouping of UniCredit ordinary and savings shares (see Chapter 21, Paragraph 21.1.1 of the Registration Document).

In addition, on 13 December 2016, UniCredit signed two separate framework agreements relating to the "Fino Project", respectively with FIG LLC, an affiliate company of the Fortress Investment Group LLC and with LVS III SPE I LP, a subsidiary of the PIMCO BRAVO Fund III, L.P. to transfer the non-performing loan portfolios to newly established, independent companies in which UniCredit will have a minority stakeholding. These transactions involve the transfer of gross loans for a total amount as at 30 June 2016 of €17.7 billion. The completion of the transaction is subject to the satisfaction of certain conditions precedent (not yet satisfied at the Registration Document Date) and is aiming to be completed by the end of the first half of 2017 (see Chapter 22, Paragraph 22.1 of the Registration Document).

For further information, see Chapter 13 of the Registration Document.

<u>*2016 SREP*</u>

In 2016 the UniCredit Group was subject to a SREP conducted by the Supervisory Authority. SREP 2016 was conducted on the basis of the quantitative data extracted from the Consolidated Financial Statements as at 31 December 2015.

Following this process, the outcome of which UniCredit was notified on 12 December 2016, the ECB notified the Issuer of the prudential requirements to be complied with on a consolidated basis, as well as the requirements to be complied with at individual level by the following Group companies: UCB Austria, UCB AG, UniCredit Bank Ireland p.l.c., UniCredit International Bank (Luxembourg) S.A., UniCredit Luxembourg S.A., UniCredit Banka Slovenija d.d., Zagrebačka banka d.d., UniCredit Bank Czech Republic and Slovakia, a.s., UniCredit Bank Hungary Zrt., Pekao Bank Hipoteczny S.A. and UniCredit Bank S.A.. These requirements, of both a quantitative and qualitative nature, are described below.

Regulatory capital requirements, TSCR and OCR

As from 1 January 2017 the Issuer must comply with a total SREP capital requirement ("**TSCR**") (phase in) on a consolidated basis of 10.50%, which includes:

- a minimum Total Capital Ratio of 8% in line with Article 92, paragraph 1 of the CRR;
- an additional requirement of 2.50% (SREP add-on or *Pillar 2 Requirement* – P2R), in line with Article 16, paragraph 2, letter (a) of the SSM Regulation, which should be entirely made up of Common Equity Tier 1 capital.

The Issuer is also subject to an overall capital requirement ("**OCR**"), which, in addition to the TSCR, includes the combined capital buffer requirement, which is equal to the sum of the following buffers, where applicable:

- capital conservation buffer, fixed at 2.5% (1.25% for 2017) for all Italian banking groups until 31 December 2016[29];
- institution-specific countercyclical capital buffer[30], to be applied in periods of excessive credit growth, equal to 0.005% for the UniCredit Group as at 30 September 2016;
- Global Systemically Important Institutions (G-SII) buffer, equal to 0.25% for the UniCredit Group on a transitional basis as of 1 January 2016; the level will be increased by 0.25% (0.50% for 2017) each year until it reaches 1%, on a "fully loaded" basis, in 2019;
- Other Systemically Important Institutions (O-SII) buffer, equal to 0% for UniCredit for 2016; Banca d'Italia has identified the UniCredit Group as a national systemically important institution, but has decided

[29] In October 2016, Banca d'Italia published an update to Circular 285 that provides for a different application of the transitional rules in relation to the capital conservation buffer: from 1 January 2017 this buffer will be equal to: 1.25% for 2017 (compared with 2.5% for 2016); 1.875% for 2018; and 2.5% as of 1 January 2019.

[30] In application of the transitional regime defined by Article 160, paragraphs 1 to 4 of the CRD IV, in accordance with the provisions set out by Banca d'Italia, for the period between 1 January 2016 and 31 December 2016, this must consist of Common Equity Tier 1 capital equal to a maximum of 0.625% of the total value of risk-weighted exposures.

to apply an additional O-SII buffer of 0% for 2016 and 2017; the level will be increased from 2018 by 0.25% per year, reaching 1% on a fully loaded basis in 2021. It should, however, be taken into consideration that Article 131, paragraph 14 of CRD IV requires the application of the higher reserve out of the capital reserve for G-SII and the capital reserve for O-SII (therefore the UniCredit Group should comply with the requirement connected to the G-SII capital reserve equal to 0.50% for 2017);

- systemic risk buffer, aimed at preventing and mitigating long-term, non-cyclical, systemic or macro prudential risk that is not provided for by the CRR (not applicable at the Registration Document Date).

The table below contains the minimum OCR regulatory requirements, on a consolidated basis, which will come into force from 1 January 2017 (phase in).

Capital adequacy indicators applicable in 2017 (percent)	**Minimum regulatory requirements (Article 92, CRR, Pillar I)**	**TSCR Requirements (Pillar I + Pillar II Requirements)**	**Combined buffer (Capital conservation, Countercyclical and G-SII)**	**OCR Requirements (TSCR + Combined buffer)**
Common Equity Tier 1 capital / risk-weighted assets (CET1 capital ratio)	4.500%	2.755%	7.255%	10.005%
Equity Tier 1 capital / risk-weighted assets (T1 capital ratio)	6.000%	2.755%	8.755%	
Total own funds / risk-weighted assets (Total capital ratio)	8.000%	2.755%	10.755%	

These requirements assume that the Issuer's Institution Specific Countercyclical Capital Buffer remains constant at the applicable level for the UniCredit Group as at 30 September 2016 equal to 0.005%.

The Issuer's Institution Specific Countercyclical Capital Buffer applicable as at 1 January 2017 was not estimated, and will be calculated *ex-post* at the end of the first quarter of 2017. This could differ from what was taken into consideration, potentially creating an increase in the requirements of the Group, depending on the decisions of the designated national authorities and the development of the distribution by residency nationality of the counterparty of the overall exposure to credit risk.

Guidelines for Pillar II capital

Under the scope of the 2016 SREP, also following the stress tests conducted by the EBA in 2016, the results of which are summarised below, the ECB notified the Issuer that it expected the Group to additionally comply with (i) the minimum Common Equity Tier 1 capital requirement of 4.5%, (ii) the additional requirement of 2.5% (SREP add-on or *Pillar 2 Requirement* – P2R) and (ii) the combined capital buffer requirement, a further capital guideline (so-called "*Pillar 2 capital guidance*") equal to 1.25% which should be entirely made up of common equity tier 1 capital.

The table below contains the minimum regulatory requirements, on a consolidated basis, that the ECB expects the UniCredit Group to comply with pursuant to the Pillar II capital guideline[31].

(percent)	**OCR requirements as at 1 January 2017 (including "Pillar 2 capital guidance")**
Common Equity Tier 1 capital / risk-weighted assets (CET1 capital ratio)	10.005%
Tier 1 capital / risk-weighted assets (T1 capital ratio)	10.255%
Total capital / risk-weighted assets (Total capital ratio)	12.255%

The 2016 SREP letter introduces the capital guideline ("Pillar 2 capital guidance"), as requested to fully satisfy with common equity tier 1 capital, in addition to the OCR regulatory minimum requirement only in terms of CET 1 and not in addition to the Tier 1 and Total capital OCR regulatory minimum requirements (for which, therefore, the requirements remain unchanged with respect to the OCR requirements).

As in the EBA notice of 1 July 2016, the measurement of capital guidelines ("Pillar 2 capital guidance") is decided taking into account, among other things, the quantitative impacts of the stress test conducted by the EBA in 2016. Specifically, various elements are considered according to a holistic approach, including, for example: the level of capital erosion generated by the hypothetical adverse stress test scenario; the specific risk profile of the individual institution and the relative sensitivity in relation to the various stress scenarios; any changes in the meantime that take place after the cut-off date of the stress test (31 December 2015) and any measures undertaken by the institution to mitigate the sensitivity to the risks (for example, sales of significant assets).With reference to the foregoing it is specified that non-compliance with this capital guideline does not amount to failure to comply with the capital requirements but must be considered as a "pre-alarm signal" by the Issuer to be used in its risk management process. If the capital level goes below the "*Pillar 2 capital guidance*", the Supervisory Authority must be promptly notified in detail by the Issuer on the reasons for failure to comply with the "*Pillar 2 capital guidance*" and it will take into consideration any appropriate measures and proportional on a case by case basis (including, by way of example, the possibility of implementing a plan aimed at restoring conformity with capital requirements - including capital strengthening requests -, consistent with Article 16, paragraph 2 of the SSM Regulation)..

In addition, in March 2016 the European Commission clarified that the capital guideline is not a significant factor for the purpose of governing the Maximum Distributable Amount (MDA) important for capital distributions, therefore, failure to comply with the "Pillar 2 capital guidance" does not trigger automatic restrictions on the payments of additional tier 1 coupons, profits and other discretionary payments (such as, for example, bonuses)[32].

Qualitative measures

In addition to the quantitative capital requirements listed above, the 2016 SREP includes qualitative measures that refer to the management of liquidity risk and the management of impaired loans.

[31] Assuming that the Issuer's Institution Specific Countercyclical Capital Buffer remains constant at the applicable level for the UniCredit Group as at 30 September 2016 equal to 0.005%.

[32] European Commission, "*Note for the Commission Expert Group on Banking, Payments and Insurance, clarifying aspects of Pillar 2 capital requirements, Pillar 2 capital guidance and automatic restrictions on earnings distribution in the context of the CRR/CRD review*".

With reference to liquidity risk the ECB has asked the Issuer to improve the risk appetite, the management, monitoring and control of this risk, in relation to the profiles of:

(i) risk tolerance. The Issuer was asked to provide details, by 30 June 2017, of its "liquidity limit framework" in order to reflect the risk that it is called upon to deal with. Specifically, the ECB requested clarification of the limits in the following areas: (a) definition of a clear risk tolerance in stress situations, expanding the planned limits for certain subsidiaries/geographical areas; (b) diversification of funding, in order to avoid concentration on certain instruments/deadlines; (c) adoption of measures suitable for giving due consideration to the liquidity trap in calculating several RAF parameters (LC3, 3 Months Gap) which are affected by it;

(ii) monitoring regulatory measures. The Issuer was asked, by 30 June 2017, to improve the monitoring of capital buffers increasing the frequency of the reporting procedures;

(iii) documentation to corporate bodies. The Issuer was asked, by 31 March 2017, to expand the information included in the reports of the Assets and Liabilities Committee, providing a detailed description of the subjects discussed, the resolutions adopted, as well as the underlying reasons for taking these decisions;

(iv) *internal audit*. The Issuer was asked, by 30 June 2017, to conduct a comprehensive review, on an annual basis at least, of the ILAAP Framework summarising the results in a specific report.

As far as the impaired loans are concerned, the ECB asked the Issuer for greater details with regard to impaired loans in accordance with a standard that was provided by the Regulatory Authority. The first set of information should be sent by 15 March 2017 (with reference to the data as at 31 December 2016) and from then on, it should be sent on a quarterly basis.

The ECB also asked the Issuer to present a strategy, by 28 February 2017, on the subject of impaired loans, supported by an operating plan to address the subject of the high level of impaired loans.

Vulnerable areas

The results of the 2016 SREP, which led to the calculation of the own fund requirements and the qualitative measures described above, highlighted vulnerable areas detected by the ECB. These areas mainly relate to: the low level of capital buffers compared with competitors, the continued low profitability; the risk culture and governance, management and monitoring of risks, credit risk profiles (in relation to the large amount of impaired loans), operating risk, interest rate and liquidity risk, compliance risk in terms of exposure to litigation and conduct risk. On the subject of the management and monitoring of risks, the ECB specifically highlighted weaknesses in the governance of internal risk management models (and, specifically, for credit risk, shortcomings in terms of the quality of data, development and validation), weaknesses in the IT infrastructure and data management

As far as the monitoring of risks is concerned, the ECB acknowledged that the Issuer's ICAAP (Internal Capital Adequacy Assessment Process) covers all categories of significant risk, however, several areas requiring attention have been identified involving intra-risk methodologies and correlation, concentration and diversification assumptions under the scope of the loan portfolio model. Therefore, the ECB has asked the Issuer to improve the supporting information justifying the reliability of the model assumptions.

With reference, on the other hand, to liquidity risk, the ECB notified the Issuer of vulnerable areas relating to liquidity risk, asking them to implement the qualitative measures described above. In this regard, note that the framework of the Issuer's ILAAP *(I*nternal Liquidity Adequacy Assessment Process) was judged to be reliable, however, in relation to the results of recent inspections (see Chapter 20, Paragraph 20.8.4 of the Registration Document), the ECB recalled the areas of improvement involving the adequacy of the governance, reporting and control of liquidity risk.

The results of the 2016 SREP also identified - within a governance framework judged adequate - in the composition and operation of the Board of Directors an area of improvement for the Issuer, taking into consideration, specifically, the limited number of directors with practical experience in banking and in discussions with the management of the Issuer where there is room for improvement, suggesting as a risk mitigation measure an *ad hoc* induction plan, which has already been approved by the Board of Directors and is in the operational development stage.

In this regard, the actions of the Strategic Plan are aimed, *inter alia,* at mitigating the weaknesses of the UniCredit Group also highlighted by the ECB at the end of the 2016 SREP.

The 2016 stress test

UniCredit took part in the 2016 stress test conducted at European level by the EBA in conjunction with the Single Supervisory Mechanism, the ECB, the European Commission and the European Systemic Risk Board – ESRB, the results of which were announced on 29 July 2016.

The 2016 European stress test does not contain a minimum threshold to be complied with; it was designed, rather, to be used as a fundamental information component for the Supervisory Review and Evaluation Process in 2016 (i.e. the 2016 SREP described above). The results therefore enabled the competent authorities to evaluate UniCredit's capacity to satisfy the minimum applicable and additional requirements for own funds in adverse situations based on shared methods and assumptions.

The stress test, which covered a time horizon of three years (2016-2018), envisaged two scenarios for each country:

- a baseline one, formulated on the basis of the performance forecasts for macro-economic variables produced in the autumn of 2015 by the European Commission; and
- an adverse one, defined by the ECB/ESRB, in addition to specific methodological assumptions and a declassification theory of the two level ratings.

The adverse scenario for Italy envisaged, among other things: (i) an actual fall in GDP in the three-year period 2016-18 of almost six percentage points compared with the baseline scenario projections; and (ii) an increase, in the same three-year period, of Italian government long-term bond returns of approximately 100 basis points, with a 12 percent write-down of these securities. Specific adverse scenario forecasts were made with reference to other European countries and several non-European countries.

The stress test was conducted applying a theoretical static budget on the basis of the data as at 31 December 2015, and therefore did not take into account future business strategies and managerial actions. In addition, the results of the stress test give no indication of UniCredit's future performance.

Based on the 2016 stress test, UniCredit's results in 2018 are as follows: (i) basic scenario: CET1 ratio at 11.57%, 98 basis points higher than the CET1 ratio (phase in) at the end of December 2015; and (ii) adverse scenario: CET1 ratio at 7.12%, 347 basis points lower than the CET1 ratio (phase in) at the end of December 2015.

The 2016 stress test followed an in-depth evaluation (the comprehensive assessment) carried out in the period between November 2013 and October 2014, by the ECB in conjunction with the national authorities for banking supervision, into 130 European credit institutions (including UniCredit) in preparation for the ECB taking up the supervisory tasks under the scope of the Single Supervisory Mechanism, including the supervision of large banking groups.

The three main objectives of the comprehensive assessment were: transparency (to improve the quality of information available on the situation of the banks), correction (to identify and undertake any corrective measures necessary) and increasing confidence (to ensure that all parties involved in banking activity and the institutions are fundamentally sound and reliable).

The assessment was broken down into two components: (i) an asset quality review which provided a timely evaluation of the accuracy of the book value of the banks' assets as at 31 December 2013; and (ii) a stress test which provided a prospective analysis of the banks' solvency (evaluated over a three-year period 2014-2016) in two hypothetical scenarios: "basic scenario" and "adverse scenario".

The results of the comprehensive assessment, announced by the ECB on 26 October 2014, showed that the Issuer passed both the asset quality review and both the stress test scenarios. Specifically, the joint results of the asset quality review and the stress test are summarised below: (i) in the basic scenario 27 basis points, which leads to a CET1 ratio of 9.5% at the end of 2014, (i) in the adverse scenario 298 basis points, which leads to a CET1 ratio of 6.8% at the end of 2016. At the date of the above assessment, the reference parameter was the CET1 ratio of the UniCredit Group as at 31 December 2013 which was 9.8%.

The equity investment in the Atlante Fund

"Atlante" is a closed-end alternative investment fund under Italian Law reserved to professional investors (the "**Atlante Fund**") managed by Quaestio SGR. The total capital of the fund at the time of establishment was €4.2 billion[33]. UniCredit invested not more than 20% of the total sums collected by the fund in the establishment of the Atlante Fund.

The Atlante Fund aims, among other things, to: (i) ensure the success of capital increases requested by the Supervisory Authority of Italian banks which find themselves facing market difficulties, acting as an underwriter of last resort (back stop facility); (ii) solve the problem of non-performing loans. The Atlante Fund, pursuant to its own regulation, should concentrate its investment in junior and possibly mezzanine tranches of

[33] Press Release by Quaestio Capital Management SGR S.p.A. Unipersonale of 29 April 2016.

securitisation vehicles, with the objective of facilitating the relaunching of the non-performing loans onto the Italian market.

Under the scope of the operation of listing the ordinary shares of Banca Popolare di Vicenza S.p.A. ("**BPVi**"), in which the Issuer acted as joint global coordinator, sponsor and was responsible for the placement, UniCredit signed an agreement with Quaestio SGR, as promoter of the Atlante Fund at the time in the process of being established, which, with regard to the capital increase aimed at the admission to trading of BPVi, involved the sub-underwriting by the Atlante Fund with regard to the commitments undertaken by the Issuer under the BPVi share capital increase. This agreement was later amended in order to extend the underwriting commitments of the Atlante Fund contained in the sub-underwriting agreement mentioned with regard to the share capital increase of BPVi if the capital increase were not fully subscribed and the BPVi shares were not admitted to listing and, in this situation and prospective scenario, the corresponding extension of UniCredit's commitments with regard to BPVi.

In May 2016, Quaestio SGR, having acknowledged Borsa Italiana's decision not to start trading BPVI's ordinary shares on the MTA, subscribed (in the name of, on behalf of and in the interest of the Atlante Fund) 15,000,000,000 newly issued ordinary shares of the bank at a unit price of €0.10 each for a total value of €1.5 billion. The Atlante Fund thereby came to hold a 99.33% stake in the share capital of BPVi.

Later, on 30 June 2016, Quaestio SGR, taking into account the definitive results of the global share offering of Veneto Banca S.p.A. ("**Veneto Banca**"), subscribed (in the name of, on behalf of and in the interest of the Atlante Fund) 9,885,823,295 newly issued ordinary shares of the bank at a unit price of €0.10 each for a total value of €988,582,329.50. The Atlante Fund thereby came to hold a 97.64% stake in the share capital of Veneto Banca.

As at 30 September 2016, UniCredit held 845 units out of the 4,249 units of the Atlante Fund, for a total book value of around €504 million at that date, recorded in the accounts under financial assets available for sale at a value in line with the subscription price, moreover confirmed by the fundamental values estimated by the assessor appointed by Quaestio SGR at the same date. At the Registration Document Date, the Issuer also paid a further €182 million in the light of the undertaking by the Atlante Fund to make an aggregate payment equal to €938 million in favour of BPVi and Veneto Banca and has an existing residual commitment for further investments of €159 million in the Atlante Fund.

From a regulatory point of view, as at 31 December 2016, the treatment associated with the Atlante Fund is as outlined below:

- the treatment of the investment units took place through the application of the look-through method to the underlying assets of the Atlante Fund (unlike the accounting situations where the Fund units were used as a reference), in other words the equity investments indirectly held in BPVi and Veneto Banca and the payment associated with the additional share capital increases; the assets were classified as insignificant equity investments in financial sector entities, in application of (EU) Regulation 923/2015;

- with reference to UniCredit's commitment with regard to the Atlante Fund, the regulatory treatment requires - as at 31 December 2016 - the application of a 100% conversion factor ("full risk" in application of Annex 1 of the CRR).

The equity investment in the Atlante II Fund

In August 2016, the Atlante II Fund was established (the **Atlante II Fund**") as a closed-end alternative fund reserved to professional investors which, unlike the Atlante Fund, can only invest in NPLs and instruments connected to NPL transactions (such as, for example, warrants) for the purpose of reducing the risk in line with the parameters in use at major global institutional investors. The Atlante II Fund, also managed by Quaestio SGR, will invest in junior and mezzanine tranches, issued by vehicles set up for the acquisition of NPL portfolios from several Italian banks, with a target yield in line with that of bond issues with a single B rating.

The total capital of the fund at the time of its establishment was €1.715 billion[34], an allocation increasing to €2,155 billion at the Registration Document Date. UniCredit had a commitment of €155 million, equal to a 7.19% stake of the total allocation at the Registration Document Date, of which €1.1 million was paid in again at the Registration Document Date.

On 12 October 2016, Quaestio SGR announced that, via Credito Fondiario, it had completed the due diligence on the portfolio of non-performing loans of Banca Monte dei Paschi di Siena S.p.A. ("**BMPS**") the subject of a potential securitisation transaction. Based on the results obtained, Quaestio SGR confirmed its own investment in the mezzanine tranche of the above-mentioned potential securitisation for a sum of €1.6 billion subject to the conditions agreed with BMPS in a memorandum of understanding signed on 29 July 2016 and disclosed by BMPS to the market. On 21 December 2016, Quaestio SGR also pointed out that the undertaking defined by the memorandum of understanding relating to the securitisation of the BMPS non-performing loans portfolio of 28-30 July 2016 was subject to the success of a market share capital increase transaction for BMPS and a senior bridge financing, subject, in turn to the success of said capital increase, was only accepted in this context. Therefore, as these conditions cease to exist, Atlante's existing contractual obligation, as formalised through the highly confident letter of 20 December 2016 for the investment in the mezzanine tranche of the securitisation of the above-mentioned BMPS portfolio also lapsed, without prejudice to the willingness to implement the above-mentioned securitisation in accordance with the procedures and times to be defined with BMPS[35].

If the BMPS investment in NPL by Atlante II does not materialise, it will therefore be possible to allocate the Atlante II resources to other investments in Italian bank NPLs, which could complement or replace the Resolution Authority interventions.

With reference to UniCredit's commitment with regard to the Atlante Fund, the regulatory treatment requires the application of a 100% conversion factor ("full risk" in application of Annex 1 of the CRR).

[34] Press Release by Quaestio Capital Management SGR S.p.A. Unipersonale of 8 August 2016.

[35] Press Release by Quaestio Capital Management SGR S.p.A. Unipersonale of 21 December 2016.

5.2 Main investments

5.2.1 Investments made in tangible fixed assets, intangible fixed assets and equity investments

The table below summarises total investments in tangible fixed assets, intangible fixed assets and equity investments made by the Group in the first nine months of 2016 and the years ended 31 December 2015, 31 December 2014 and 31 December 2013.

(in millions of Euros)	**First nine months of 2016**	**Financial year ended 31 December**		
		2015	**2014**	**2013(*)**
Land	-	12	-	60
Buildings	60	185	160	225
Furniture	48	102	76	54
Electronic equipment	87	199	184	188
Others	301	376	363	285
Total investments in tangible fixed assets held for practical use	496	**874**	**783**	**812**
Land	3	8	13	33
Buildings	39	39	72	112
Total investments in tangible fixed assets held for investment	42	**47**	**85**	**145**
Goodwill	0	8	7	-
Other intangible assets with a finite useful life	112	213	240	253
Total investments in intangible assets	112	**221**	**247**	**253**
Total equity investments	173	**72**	**139**	**416**
Total investments	823	**1,214**	**1,254**	**1,626**

(*) The data as at 31 December 2013 were extracted from the Consolidated Financial Statements as at 31 December 2013 because the restatement at the time of the preparation of the Consolidated Financial Statements as at 31 December 2014 did not involve significant changes with regard to the values in question.

Property, plant and equipment

The Group's investments involve both property, plant and equipment held for practical use and assets held for investment. Specifically, the latter are assets held for the purpose of collecting rental and/or for the appreciation of invested capital.

Property, plant and equipment held in finance leases were not significant and represented approximately 0.7% of the total as at 30 September 2016 (€64 million).

Pursuant to the provisions of the reference accounting principles, the Group uses the fair value model to evaluate assets held for investment purposes connected with liabilities that recognise a yield associated with the fair value of the actual investments.

Intangible assets

Intangible assets are non-monetary assets, identifiable and with non-physical consistency, held to be used over a multi-year period. They break down into:

- goodwill;
- other intangible assets with an indefinite useful life (e.g. trademarks); and
- other intangible assets with a finite useful life (e.g. customer relationships, core deposits, software, licences, patents and similar rights).

The Group does not use the model for determining the fair value for the evaluation of intangible assets. These assets are therefore valued at cost net of the total amounts of amortisation and depreciation and accumulated losses through the lasting reduction in value, where applicable.

Equity investments

The item in question includes the value of equity investments in subsidiaries or joint control companies – which, given the insignificance in terms of impact on the consolidated financial statements as a whole were not consolidated in full/proportionally – and in companies subject to considerable influence, owned by the Group directly or through its subsidiaries.

Equity investments subject to considerable influence are recorded using the shareholders' equity method or at cost. A change in conditions that led to defining the existence of considerable influence would involve the evaluation of the investment at fair value, with possible negative effects on the income statement.

The remaining equity investments, other than subsidiaries, associate companies and joint ventures, are classified as financial assets available for sale and assets valued at fair value.

For further information relating to the investments made by the Group in the first nine months of 2016 and in the financial years ended 31 December 2015, 2014 and 2013, see the 2016 Condensed Interim Consolidated Financial Statements (Notes to the Financial Statements, Part B – "Information on the consolidated statement of financial position – Assets", pages 121-144), reported in the annex to the Registration Document, as well as the Consolidated Financial Statements as at 31 December 2015 (Notes to the Consolidated Financial Statement, Part B – "Information on the consolidated statement of financial position – Assets", pages 224-231), Consolidated Financial Statements as at 31 December 2014 (Notes to the Consolidated Financial Statement, Part B – "Information on the consolidated statement of financial position – Assets", pages 208-213) and Consolidated Financial Statements as at 31 December 2013 (Notes to the Consolidated Financial Statements, Part B – "Information on the consolidated statement of financial position – Assets", pages 192-198).

The Issuer makes use of the inclusion scheme through reference to the Consolidated Financial Statements, pursuant to Article 7 of the Issuers' Regulation and Article 28 of Regulation (EC) No 809/2004.

Note that the page numbers given above refer to the Italian version and the English version of the 2016 Condensed Interim Consolidated Financial Statements, the Consolidated Financial Statements as at 31 December 2015, the Consolidated Financial Statements as at 31 December 2014 and the Consolidated Financial Statements as at 31 December 2013.

5.2.2 Investments in progress

At the Registration Document Date, there are no significant investments in progress.

5.2.3 Future investments

At the Registration Document Date, the Group has not undertaken binding commitments for significant investments, nor have any been approved by the governing bodies of any Group companies.

For information about the Strategic Plan, see Chapter 13 of the Registration Document.

6 BUSINESS OVERVIEW

6.1 Principal activities of the UniCredit Group

6.1.1 Introduction

UniCredit is a commercial bank, operating, together with its subsidiaries, in 17 European countries, with 137,505 employees (122,990 are full time equivalent[36]) and 6,592 branches as at 30 September 2016[37].

Specifically, the UniCredit Group offers banking, financial and investment services and connected and instrumental activities on a global scale, in Italy, Germany, Austria, Poland and various Central and Eastern European countries.

As at 30 September 2016, the main activities of the Group were broken down into the following business segments:

- *Commercial Banking Italy*: mainly composed of the Issuer's commercial network, limited to core customers;
- *Commercial Banking Germany*: composed of the commercial network servicing German customers;
- *Commercial Banking Austria*: composed of the commercial network servicing Austrian customers;
- *Poland*: composed of the activities carried out within the group headed by Bank Pekao in Poland;
- *Central Eastern Europe ("CEE"):* composed of the activities carried out in Central Eastern European countries;
- *Corporate & Investment Banking ("CIB")*: composed of the activities aimed at multinational and large corporate customers;
- *Asset Management,* composed of the activities carried out by the group headed by PGAM, specialised in management of customer investments;
- *Asset Gathering,* composed of collection activities mainly in the retail customer segment;
- *Group Corporate Centre*: the sector that is responsible for guidance, coordination and control of assets and risk relating to both the UniCredit Group as a whole and the individual group companies in their respective areas of responsibility; and

[36] Personnel are counted in terms of hours effectively worked and/or paid for by the company at which the service is provided.

[37] For the sake of completeness, note that as at 31 October 2016 PJSC Ukrsotsbank was sold to Alfa Group, therefore, from this date, the operations of the Group in Central Eastern European countries no longer includes Ukraine. See Chapter 5, Paragraph 5.1.5 of the Registration Document.

- *Non-Core*: a business segment set up in the first quarter of 2014 composed of non-strategic segments and/or segments with a risk/yield profile deemed to be inadequate, for which the primary objective is the reduction of the overall exposure.

The tables below contain the economic data for the Group as at 30 September 2016 and as at 31 December 2015 broken down into the above-mentioned business segments, described in detail in the next paragraph.

30 September 2016 ***Thousands of Euros***

	COMMERCIAL BANKING ITALY	COMMERCIAL BANKING GERMANY	COMMERCIAL BANKING AUSTRIA	POLAND	CENTRAL EASTERN EUROPE	CORPORATE & INVESTMENT BANKING	ASSET MANAGEMENT	ASSET GATHERING	GROUP CORPORATE CENTRE	NON-CORE	**GROUP TOTAL CONSOLIDATED**
Net interest	2,968,544	1,133,674	527,492	750,220	1,802,892	1,706,920	1,423	185,976	(310,883)	(121,822)	8,644,436
Dividends and other income on equity investments	68,940	44,626	96,911	10,246	333,726	55,676	265	-	89,304	-	699,694
Net commissions	2,677,323	550,651	441,342	338,816	557,342	495,500	627,799	176,892	(103,140)	(26,763)	5,735,762
RESULT OF TRADING, HEDGING AND FAIR VALUE	69,811	21,894	82,761	145,861	328,461	964,158	(293)	57,711	128,260	21,665	1,820,289
Balance of other income/expense	(30,332)	99,471	18,228	5,811	49,686	492	1,331	(34)	51,866	(26,182)	170,337
BROKERAGE MARGIN	**5,754,286**	**1,850,316**	**1,166,734**	**1,250,954**	**3,072,107**	**3,222,746**	**630,525**	**420,545**	**(144,593)**	**(153,102)**	**17,070,518**
Personnel costs	(2,011,456)	(814,881)	(527,234)	(326,144)	(533,745)	(489,515)	(230,411)	(57,065)	(985,654)	(36,845)	(6,012,950)
Other administrative expenses	(1,577,552)	(581,914)	(382,211)	(173,158)	(508,645)	(800,541)	(128,826)	(170,851)	951,992	(256,606)	(3,628,312)
Recovery of expenses	327,276	1,527	-	404	149	1,200	278	64,084	79,445	87,164	561,527
Adjustments in value of tangible and intangible assets	(47,094)	(37,105)	(17,175)	(59,067)	(81,555)	(2,046)	(8,311)	(7,233)	(467,138)	(1,186)	(727,910)
Operating costs	(3,308,826)	(1,432,373)	(926,620)	(557,965)	(1,123,796)	(1,290,902)	(367,270)	(171,065)	(421,355)	(207,473)	(9,807,645)
OPERATING PROFIT (LOSS)	**2,445,460**	**417,943**	**240,114**	**692,989**	**1,948,311**	**1,931,844**	**263,255**	**249,480**	**(565,948)**	**(360,575)**	**7,262,873**
Net adjustments to credits and provisions for guarantees and commitments	(711,818)	7,906	27,723	(56,164)	(479,090)	(157,986)	-	(3,521)	(15,044)	(1,288,742)	(2,676,736)
NET OPERATING PROFIT (LOSS)	**1,733,642**	**425,849**	**267,837**	**636,825**	**1,469,221**	**1,773,858**	**263,255**	**245,959**	**(580,992)**	**(1,649,317)**	**4,586,137**
Provision for risks and charges	(293,827)	(44,367)	(131,540)	(121,155)	(104,609)	(135,908)	(5,590)	(13,896)	(332,219)	(48,191)	(1,231,302)
Restructuring costs	(80,732)	43	(207,983)	-	(9,930)	(11,189)	(37,268)	(10)	(47,618)	(3,368)	(398,055)
Net profits from investments	(8,116)	21,247	8,181	1,201	7,019	(65,046)	(33)	-	21,226	(9,902)	(24,223)
GROSS PROFIT ON CONTINUING OPERATIONS	**1,350,967**	**402,772**	**(63,505)**	**516,871**	**1,361,701**	**1,561,715**	**220,364**	**232,053**	**(939,603)**	**(1,710,778)**	**2,932,557**
Receivables from customers (closing amounts)	137,128,479	80,971,753	48,435,186	28,082,283	59,868,449	101,390,020	2	971,888	(5,427,180)	29,505,460	480,926,340
Collection from customers (including securities – final amounts)	144,523,485	108,944,002	64,736,344	29,703,373	60,609,307	103,115,547	-	17,444,374	61,433,364	1,097,653	591,607,449
Total RWA (final amounts)	78,868,106	35,015,325	23,536,491	25,648,928	93,527,556	73,077,143	1,668,081	1,777,782	31,529,929	26,251,911	390,901,249
BROKERAGE MARGIN %	33.71%	10.84%	6.83%	7.33%	18.00%	18.88%	3.69%	2.46%	-0.85%	-0.90%	100.00%
Operating costs %	33.74%	14.60%	9.45%	5.69%	11.46%	13.16%	3.74%	1.74%	4.30%	2.12%	100.00%

31 December 2015 ***Thousands of Euros***

	COMMERCIAL BANKING ITALY	COMMERCIAL BANKING GERMANY	COMMERCIAL BANKING AUSTRIA	POLAND	CENTRAL EASTERN EUROPE	CORPORATE & INVESTMENT BANKING	ASSET MANAGEMENT	ASSET GATHERING	GROUP CORPORATE CENTRE	NON-CORE	**GROUP TOTAL CONSOLIDATED**
Net interest	5,079,369	1,687,538	731,658	995,932	2,388,902	2,278,373	2,965	245,184	(1,500,369)	6,804	11,916,356
Dividends and other income on equity investments	-	51,373	170,779	15,130	363,827	27,968	3,234	-	196,960	-	829,271
Net commissions	3,505,632	751,269	619,976	485,509	717,891	603,783	900,470	247,874	(102,512)	118,595	7,848,487
RESULT OF TRADING, HEDGING AND FAIR VALUE	32,192	97,277	40,671	158,503	329,800	819,086	524	53,866	97,163	15,223	1,644,305
Balance of other income/expense	(27,691)	113,765	19,895	37,020	25,758	27,526	11,820	(2,971)	1,175	(39,932)	166,365
BROKERAGE MARGIN	**8,589,502**	**2,701,222**	**1,582,979**	**1,692,094**	**3,826,178**	**3,756,736**	**919,013**	**543,953**	**(1,307,583)**	**100,690**	**22,404,784**
Personnel costs	(2,728,085)	(1,167,782)	(762,823)	(458,632)	(703,180)	(686,681)	(410,410)	(75,049)	(1,222,838)	(123,676)	(8,339,156)
Other administrative expenses	(1,898,376)	(831,426)	(549,406)	(236,776)	(671,933)	(1,113,334)	(186,570)	(232,866)	1,092,108	(530,027)	(5,158,606)
Recovery of expenses	456,957	27,469	795	813	801	43,682	647	84,346	74,071	118,652	808,233
Adjustments in value of tangible and intangible assets	(61,121)	(44,449)	(23,331)	(79,417)	(107,234)	(2,565)	(12,060)	(8,954)	(588,404)	(1,006)	(928,541)
Operating costs	**(4,230,625)**	**(2,016,188)**	**(1,334,765)**	**(774,012)**	**(1,481,546)**	**(1,758,898)**	**(608,393)**	**(232,523)**	**(645,063)**	**(536,057)**	**(13,618,070)**
OPERATING PROFIT (LOSS)	**4,358,877**	**685,034**	**248,214**	**918,082**	**2,344,632**	**1,997,838**	**310,620**	**311,430**	**(1,952,646)**	**(435,367)**	**8,786,714**
Net adjustments to credits and provisions for guarantees and commitments	(1,208,278)	(44,102)	(14,899)	(123,698)	(1,017,263)	(31,055)	(8)	(6,706)	(9,327)	(1,659,033)	(4,114,369)
NET OPERATING PROFIT (LOSS)	**3,150,599**	**640,932**	**233,315**	**794,384**	**1,327,369**	**1,966,783**	**310,612**	**304,724**	**(1,961,973)**	**(2,094,400)**	**4,672,345**
Provision for risks and charges	(277,216)	(177,426)	(195,384)	(134,750)	(223,132)	(227,089)	(2,920)	(15,714)	(183,597)	(147,322)	(1,584,550)
Restructuring costs	(485,492)	(73,684)	320,326	-	(8,339)	(35,000)	(23,958)	(1,246)	(93,409)	(9,420)	(410,222)
Net profits from investments	(15,424)	48,909	(17,784)	17,562	(4,142)	(43,924)	3,338	(1)	7,718	(2,414)	(6,162)
GROSS PROFIT ON CONTINUING OPERATIONS	**2,372,467**	**438,731**	**340,473**	**677,196**	**1,091,756**	**1,660,770**	**287,072**	**287,763**	**(2,231,261)**	**(2,253,556)**	**2,671,411**
Receivables from customers (closing amounts)	132,279,390	80.431.006	49,305,296	28,621,446	57,166,203	96,875,965	2	922,774	(7,639,229)	36,035,668	473,998,521
Collection from customers (including securities – final amounts)	145,759,715	103.888.594	63,358,322	30,862,163	58,664,578	96,181,427	N/A	16,083,965	67,742,395	1,727,181	584,268,340
Total RWA (final amounts)	75,775,215	31.488.221	22,085,079	25,809,696	92,531,750	65,381,631	N/A	1.713.458	42,688,903	31,210,556	390,598,859
BROKERAGE MARGIN %	38.34%	12.06%	7.07%	7.55%	17.08%	16.77%	4.10%	2.43%	-5.84%	0.45%	100.00%
Operating costs %	31.07%	14,81%	9.80%	5.68%	10.88%	12.92%	4.47%	1.71%	4.74%	3.94%	100.00%

At the Registration Document Date, the Issuer and the UniCredit Group have ratings assigned by the international ratings agencies Standard & Poor's, Moody's and Fitch Ratings.

The table below gives the ratings assigned to the Issuer by the above-mentioned international ratings agencies at the Registration Document Date.

Ratings agency	Short-term debt	Long-term debt		Latest update date
	Rating	Rating	Outlook	
Standard & Poor's	A-3[(1)]	BBB-[(4)]	Stable	20 December 2016
Moody's	P-2[(2)]	Baa1[(5)]	Stable	19 December 2016
Fitch Ratings	F2[(3)]	BBB+[(6)]	Negative	22 December 2016

(1) Pursuant to the Standard & Poor's ratings scale, a short-term obligation in the range "A-3" denotes adequate protection parameters. Nonetheless, the capacity to deal with financial commitments is vulnerable to the deterioration or instability of economic conditions.

(2) Pursuant to the Moody's rating scale, "P-2" (Prime-2) indicates a strong ability to repay short-term obligations.

(3) Pursuant to the Fitch Rating's scale, a short-term rating of "F2" denotes a good intrinsic capacity for timely payment of financial commitments.

(4) Pursuant to the Standard & Poor's ratings scale, a long-term obligation in the range "BBB" denotes adequate protection parameters. Nonetheless, the capacity to deal with financial commitments is vulnerable to the deterioration or instability of economic conditions. The addition of the minus sign (-) highlights a negative position within the corresponding ratings class.

(5) Pursuant to the Moody's ratings scale, "Baa" indicates issuers rated as medium level, subject to a moderate credit risk and judged to be medium-grade and subject to moderate default risk as such may possess certain speculative characteristics. The numerical qualification is designed to point out the position in the ratings class ("1" indicates the top position in the corresponding ratings class).

(6) Pursuant to Fitch Rating's scale, a long-term obligation rated "BBB" denotes good credit quality or expectations of default risk are currently low. Nonetheless, the capacity for payment of financial commitments is considered adequate but adverse business or economic conditions are more likely to impair this capacity. The addition of the plus sign (+) highlights a positive position within the corresponding ratings class.

The main reasoning underlying the most recent ratings assigned to the Issuer by the ratings agencies is summarised below:

– Standard & Poor's (20 December 2016) confirmed the "A-3" and "BBB-" ratings relating, respectively, to the short-term debt and long-term debt of the Issuer. According to the ratings agency, although the implementation of the 2016-2019 Strategic Plan could have positive effects for the Issuer in the light of the actions aimed at strengthening the capital, profitability, efficiency and reducing the stock of impaired loans, it is improbable that this will be sufficient to result in UniCredit being awarded a higher rating than the sovereign debt of the Italian government. This reflects the opinion of the ratings agency which, based on the models developed by it, considers it improbable that the Issuer could pass the stress tests after a theoretical sovereign debt crisis (because of the exposure of the Italian credit system and the parameters drawn up in relation to the stress test). Standard & Poor's also confirmed the Issuer's stable outlook – in line with the rating assigned to the long-term sovereign debt of the Italian government – reserving the right to take into consideration a possible increase in the company's rating if and when: (i) the Italian government rating is upgraded and, at the same time, (ii) the Issuer records an improvement in its stand-alone credit profile. Conversely, a downgrading in the classification of the Italian sovereign debt could also lead to a downgrading of the Issuer's rating;

– Moody's (19 December 2016) confirmed the "P-2" rating as far as short-term debt is concerned, the "Baa1" rating for long-term debt as well as the "stable" outlook awarded to the Issuer. The ratings agency believes that the Share Capital Increase and the sale of impaired loans (where implemented) place the Issuer in a better position to deal with the challenges arising from negative developments in Italy. The stable outlook reflects this expectation assuming the targets in the Strategic Plan will be reached. Note how the rating for the long-term debt and the related outlook for the Issuer are higher than those for the Italian government sovereign debt (Baa2/Negative), while the classification of the short-term debt matches. In the case of tangible progress in the direction of reaching the Strategic Plan targets (including a reduction in impaired loans to below the threshold of 10%, a further increase in the CET1 ratio up to a level of approximately 12.5%, as well as the transition to a more efficient business model) Moody's could change the outlook from stable to positive. Conversely, the agency could downgrade the stand-alone baseline credit assessment of the Issuer if and when: (i) the reduction of impaired loans is lower than expected; or (ii) the capital requirements are not satisfied; or (iii) the targets relating to more efficient cost management are not met;

Fitch Ratings (22 December 2016) confirmed the rating relating to long-term debt at "BBB+" and the outlook as "negative". These opinions reflect the long-term classification of Italian government sovereign debt (BBB+/Negative). The ratings agency is actually convinced that any downgrading of Italy would also lead to a downgrading of the Issuer's ratings. The negative outlook is also based on the consideration that the Italian economic situation will make it more difficult for the Issuer to achieve the goals set out in the Strategic Plan. Fitch Ratings' rating is also based on the assumption that the Issuer will implement a Share Capital Increase, reduce non-performing loans and implement the additional measures in the 2016-2019 Strategic Plan; where these objectives are not achieved the agency could downgrade the ratings awarded to the Issuer (with every likelihood of different ratings).

6.1.2 Description of the Group business segments

At the Registration Document Date, the main activities of the UniCredit Group were broken down into the following business segments: (i) *Commercial Banking Italy*; (ii) *Commercial Banking Germany*; (iii) *Commercial Banking Austria*; (iv) *Poland*; (v) *Corporate & Investment Banking*; (vi) *Asset Management*; (vii) *Central Eastern Europe*; (viii) *Asset Gathering*; (ix) *Group Corporate Centre*; and (x) *Non-Core*.

See below for descriptions of the key economic indicators of the various business segments.

The tables below relating to the income statement data and key indicators contain the data at the end of the period compared with the same period of the previous year. The data for the previous year, with which the comparison is made is "restated" according to the changes in scope and methods in the meantime to guarantee year on year consistency. This "restated" data is indicated in the notes at the foot of each table, where, unless specified otherwise, the data as at 31 December 2015, as at 31 December 2014 and as at 31 December 2013 have been extracted, respectively, from the 2015 Reports and Consolidated Financial Statements, 2014 Reports and Consolidated Financial Statements and 2013 Reports and Consolidated Financial Statements[38].

Commercial Banking Italy

Commercial Banking Italy includes the commercial network of the Issuer, limited to core customers (excluding multinational and large corporate customers, managed by the Corporate & Investment Banking division), the activities carried out by the subsidiary UniCredit Leasing S.p.A. (with the exclusion of non-core customers)

[38] Please note thate the tables in this section record the figures in millions, while the calculations underlying the year-on-year variations are made in thousands.

and by UniCredit Factoring S.p.A., as well as the local corporate centre, which includes business support functions in Italy.

With regard to private customers (which includes family customers of the network specialised in private banking), the objective of *Commercial Banking Italy* is to offer a vast range of products and services aimed at satisfying operating, investment and credit needs, which, as at 30 September 2016, could count on a network of approximately 3,419 branches and multichannel services sustained by new technologies.

With regard to corporate customers, *Commercial Banking Italy* operates by trying to offer support to the economic and entrepreneurial system, maintaining the profitability, as well as the quality of its own portfolio.

The tables below contain the key economic and capital indicators of the *Commercial Banking Italy* business unit, in the interim period ended 30 September 2016 (together with the comparable data at 30 September 2015) and in the financial years ended 31 December 2015, 31 December 2014 and 31 December 2013.

Commercial Banking Italy *(figures in millions of Euros)*	**30 September**		**CHANGE**
	2016	**2015 (*)**	**2016-2015**
Brokerage margin	5,754	5,806	-0.9%
Operating costs	(3,309)	(3,203)	+3.3%
Operating profit (loss)	2,445	2,604	-6.1%
Net adjustments on receivables	(712)	(784)	-9.2%
Net operating profit (loss)	1,734	1,820	-4.8%
Gross profit on continuing operations	1,351	1,723	-21.6%
Receivables from customers (closing amounts)	137,128	133,076	+3.0%
Collection from customers (including securities – final amounts)	144,523	141,927	+1.8%
Total RWA (final amounts)	78,868	80,965	-2.6%
Cost/income	+57.5%	+55.2%	235 bps
Cost of risk	0.70%	0.79%	-9 bps
Employees (number of full time equivalents – final amounts)	35,620	36,308	-1.9%

(*) Note that the data as at 30 September 2015 were extracted from the Consolidated Interim Report as at 30 September 2016 where they were reconstructed according to the changes in scope and methods introduced in the meantime to guarantee the consistency of the comparison.

Commercial Banking Italy *(figures in millions of Euros)*	**31 December**					**CHANGE**	
	2015	**2014 (*)**	**2014**	**2013 (**)**	**2013**	**2015-2014 (*)**	**2014-2013 (**)**
Brokerage margin	8,590	8,407	8,327	7,836	8,687	+2.2%	+6.3%
Operating costs	(4,231)	(4,163)	(4,020)	(4,185)	(4,773)	+1.6%	-3.9%
Operating profit (loss)	4,359	4,244	4,307	3,651	3,914	+2.7%	+18%
Net adjustments on receivables	(1,208)	(1,034)	(1,026)	(1,316)	(9,919)	+16.8%	-22.0%
Net operating profit (loss)	3,151	3,210	3,281	2,335	(6,004)	-1.9%	+40.5%
Gross profit on continuing operations	2,372	3,087	3,158	2,040	(6,329)	-23.1%	+54.8%
Receivables from customers (closing amounts)	132,279	130,190	130,005	130,931	182,448	+1.6%	-0.7%
Collection from customers (including securities – final amounts)	145,760	145,347	145,215	149,802	152,393	+0.3%	-3.1%
Total RWA (final amounts)	75,775	80,603	76,472	77,629	108,404	-6.0%	-1.5%
Cost/income	+49.3%	+49.5%	+48.3%	+53.4%	+54.9%	-26 bps	-513 bps
Cost of risk	0.91%	0.79%	0.78%	0.98%	5.10%	12 bps	-20 bps
Employees (number of full time equivalents – final amounts)	37,325	37,316	37,098	37,541	38,753	-0.0%	-1.2%

(*) Note that the data as at 31 December 2014 were extracted from the 2015 Reports and Consolidated Financial Statements where they were reconstructed according to the changes in scope and methods introduced in the meantime to guarantee the consistency of the comparison.

(**) Note that the data as at 31 December 2013 were extracted from the 2014 Reports and Consolidated Financial Statements where they were reconstructed according to the changes in scope and methods introduced in the meantime to guarantee the consistency of the comparison.

Commercial Banking Germany

Commercial Banking Germany serves all German customers (excluding multinational and large corporate customers, which are managed by the *Corporate & Investment Banking* division), with a vast range of banking products and services, through a network of 573 branches at 30 September 2016, as well as, to a lesser extent, through multichannel services.

Different service models are applied according to the needs of the various types of customers: retail, private, corporate and small business and wealth management.

Commercial Banking Germany also includes local corporate centres, with sub-holding functions for other group companies headed by UCG AG.

The table below contains the key economic and capital indicators of the *Commercial Banking Germany* business units, in the interim period ended 30 September 2016 (together with the comparable data at 30 September 2015) and in the financial years ended 31 December 2015, 31 December 2014 and 31 December 2013.

Commercial Banking Germany *(figures in millions of Euros)*	**30 September**		**CHANGE**
	2016	**2015 (*)**	**2016-2015**
Brokerage margin	1,850	2,002	-7.6%
Operating costs	(1,432)	(1,514)	-5.4%
Operating profit (loss)	418	488	-14.4%
Net adjustments on receivables	8	(43)	-118.3%
Net operating profit (loss)	426	445	-4.3%
Gross profit on continuing operations	403	336	+19.9%
Receivables from customers (closing amounts)	80,972	80,143	+1.0%
Collection from customers (including securities – final amounts)	108,944	101,504	+7.3%
Total RWA (final amounts)	35,015	34,086	+2.7%
Cost/income	+77.4%	+75.6%	180 bps
Cost of risk	-0.01%	0.07%	-9 bps
Employees (number of full time equivalents – final amounts)	11,074	11,838	-6.5%

(*) Note that the data as at 30 September 2015 were extracted from the Consolidated Interim Report as at 30 September 2016 where they were reconstructed according to the changes in scope and methods introduced in the meantime to guarantee the consistency of the comparison.

Commercial Banking Germany *(figures in millions of Euros)*	**31 December**					**CHANGE**	
	2015	**2014 (*)**	**2014**	**2013 (**)**	**2013**	**2015-2014 (*)**	**2014-2013 (**)**
Brokerage margin	2,701	2,642	2,640	2,874	2,876	+2.2%	-8.1%
Operating costs	(2,016)	(2,059)	(2,102)	(2,123)	(2,137)	-2.1%	-1.0%
Operating profit (loss)	685	583	538	751	739	+17.5%	-28.4%
Net adjustments on receivables	(44)	(26)	(26)	49	49	+67.6%	-153.8%
Net operating profit (loss)	641	557	511	800	788	+15.2%	-36.0%
Gross profit on continuing operations	439	667	666	424	412	-34.3%	+57.2%
Receivables from customers (closing amounts)	80,431	78,416	78,416	79,057	79,333	+2.6%	-0.8%
Collection from customers (including securities – final amounts)	103,889	102,236	102,236	108,343	108,099	+1.6%	-5.6%
Total RWA (final amounts)	31,488	33,608	33,510	33,823	33,823	-6.3%	-0.9%
Cost/income	+74.6%	+77,9%	+79.6%	+73.9%	+74.3%	-330 bps	575 bps
Cost of risk	0.06%	0.03%	0.03%	0.06%	0.06%	2 bps	9 bps
Employees (number of full time equivalents – final amounts)	11,781	13,333	13,419	13,748	13,902	-11.6%	-2.4%

(*) Note that the data as at 31 December 2014 were extracted from the 2015 Reports and Consolidated Financial Statements where they were reconstructed according to the changes in scope and methods introduced in the meantime to guarantee the consistency of the comparison.

(**) Note that the data as at 31 December 2013 were extracted from the 2014 Reports and Consolidated Financial Statements where they were reconstructed according to the changes in scope and methods introduced in the meantime to guarantee the consistency of the comparison.

Commercial Banking Austria

Commercial Banking Austria offers all Austrian customers (excluding multinational and large corporate customers, managed by the *Corporate & Investment Banking* division) a vast range of banking products and services. It is composed of: retail, *corporate*, private banking (with its two brands "Bank Austria Private Banking" and "Schoellerbank AG"), the two factoring and leasing custom service providers and the local corporate centre.

A commercial network of 170 branches at 30 September 2016 guarantees extensive coverage of retail and corporate segments, also courtesy of multichannel services.

The table below contains the key economic and capital indicators of the *Commercial Banking Austria* business units, in the interim period ended 30 September 2016 (together with the comparable data at 30 September 2015) and in the financial years ended 31 December 2015, 31 December 2014 and 31 December 2013.

Commercial Banking Austria *(figures in millions of Euros)*	**30 September**		**CHANGE**
	2016	**2015 (*)**	**2016-2015**
Brokerage margin	1,167	1,146	+1.8%
Operating costs	(927)	(1,001)	-7.4%
Operating profit (loss)	240	145	+65.6%
Net adjustments on receivables	28	(3)	n.s.
Net operating profit (loss)	268	142	+88.7%
Gross profit on continuing operations	(64)	(2)	n.s.
Receivables from customers (closing amounts)	48,435	48,494	-0.1%
Collection from customers (including securities – final amounts)	64,736	64,950	-0.3%
Total RWA (final amounts)	23,536	25,451	-7.5%
Cost/income	+79.4%	+87.3%	n.s.
Cost of risk	-0.08%	0.01%	-8 bps
Employees (number of full time equivalents – final amounts)	6,118	6,457	-5.2%

(*) Note that the data as at 30 September 2015 were extracted from the Consolidated Interim Report as at 30 September 2016 where they were reconstructed according to the changes in scope and methods introduced in the meantime to guarantee the consistency of the comparison.

Commercial Banking Austria (figures in millions of Euros)	31 December					CHANGE	
	2015	2014 (*)	2014	2013 (**)	2013	2015-2014 (*)	2014-2013 (**)
Brokerage margin	1,583	1,710	1,607	1,619	1,609	-7.4%	-0.7%
Operating costs	(1,335)	(1,373)	(1,460)	(1,451)	(1,461)	-2.8%	+0.6%
Operating profit (loss)	248	337	147	168	148	-26.4%	-12.6%
Net adjustments on receivables	(15)	(111)	(111)	(193)	(207)	-86.5%	-42.7%
Net operating profit (loss)	233	227	36	(25)	(59)	+2.9%	-244.2%
Gross profit on continuing operations	340	134	14	(330)	(362)	+154.4%	-104.2%
Receivables from customers (closing amounts)	49,305	47,379	47,379	48,392	48,139	+4.1%	-2.1%
Collection from customers (including securities – final amounts)	63,358	63,442	64,186	59,134	59,156	-0.1%	+8.5%
Total RWA (final amounts)	22,085	24,047	24,047	25,142	25,467	-8.2%	-4.4%
Cost/income	+84.3%	+80.3%	+90.9%	+89.6%	+90.8%	405 bps	124 bps
Cost of risk	0.03%	0.23%	0.23%	0.39%	0.42%	-20 bps	-16 bps
Employees (number of full time equivalents – final amounts)	6,439	6,658	6,701	6,891	6,936	-3.3%	-2.8%

(*) Note that the data as at 31 December 2014 were extracted from the 2015 Reports and Consolidated Financial Statements where they were reconstructed according to the changes in scope and methods introduced in the meantime to guarantee the consistency of the comparison.

(**) Note that the data as at 31 December 2013 were extracted from the 2014 Reports and Consolidated Financial Statements where they were reconstructed according to the changes in scope and methods introduced in the meantime to guarantee the consistency of the comparison.

Poland

The *Poland* business unit manages the activities of the UniCredit Group in Poland through the group headed by Bank Pekao ("**Bank Pekao Group**").

The Bank Pekao Group includes financial institutions operating in the following sectors: banking, asset management, pension fund, brokerage service, transactional advisory, leasing and factoring.

The Bank Pekao Group operates through a distribution network comprising 943 branches as at 30 September 2016 located throughout Poland. With regard to private customers, Bank Pekao focuses on strengthening its position in the funding of consumer goods and mortgages.

With regard to corporate and institutional customers, Bank Pekao operates in the sector of large and medium businesses and offers a vast range of services to corporate customers. Bank Pekao offers money market and currency exchange services, both under the scope of short-term transactions and long-term hedging for customer exposures. Bank Pekao is also active in organising investment project financing, M&As and bond issues.

The table below contains the key economic and capital indicators of the *Poland* business unit, in the interim period ended 30 September 2016 (together with the comparable data at 30 September 2015) and in the financial years ended 31 December 2015, 31 December 2014 and 31 December 2013.

Poland *(figures in millions of Euros)*	**30 September**		**CHANGE**
	2016	**2015 (*)**	**2016-2015**
Brokerage margin	1,251	1,273	-1.7%
Operating costs	(558)	(586)	-4.8%
Operating profit (loss)	693	687	+0.9%
Net adjustments on receivables	(56)	(94)	-40.5%
Net operating profit (loss)	637	593	+7.4%
Gross profit on continuing operations	517	551	-6.2%
Receivables from customers (closing amounts)	28,082	29,128	-3.6%
Collection from customers (including securities – final amounts)	29,703	31,096	-4.5%
Total RWA (final amounts)	25,649	26,440	-3.0%
Cost/income	+44.6%	+46.0%	-142 bps
Cost of risk	0.27%	0.44%	-17 bps
Employees (number of full time equivalents – final amounts)	17,240	17,806	-3.2%

(*) Note that the data as at 30 September 2015 were extracted from the Consolidated Interim Report as at 30 September 2016 where they were reconstructed according to the changes in scope and methods introduced in the meantime to guarantee the consistency of the comparison.

Poland *(figures in millions of Euros)*	**31 December**					**CHANGE**	
	2015	**2014 (*)**	**2014**	**2013 (**)**	**2013**	**2015-2014 (*)**	**2014-2013 (**)**
Brokerage margin	1,692	1,769	1,760	1,793	1,793	-4.4%	-1.8%
Operating costs	(774)	(799)	(823)	(825)	(825)	-3.2%	-0.2%
Operating profit (loss)	918	970	937	968	968	-5.3%	-3.2%
Net adjustments on receivables	(124)	(134)	(134)	(159)	(159)	-7.4%	n.s.
Net operating profit (loss)	794	836	803	809	809	-5.0%	-0.7%
Gross profit on continuing operations	677	803	803	817	817	-15.7%	-1.7%
Receivables from customers (closing amounts)	28,621	26,896	26,896	25,033	25,033	+6.4%	+7.4%
Collection from customers (including securities – final amounts)	30,862	30,178	30,218	29,538	29,538	+2.3%	+2.3%
Total RWA (final amounts)	25,810	25,894	25,850	25,089	25,089	-0.3%	+3.0%
Cost/income	+45.7%	+45.2%	+46.8%	+46.0%	+46.0%	56 bps	75 bps
Cost of risk	0.43%	0.51%	0.51%	0.67%	0.67%	-8 bps	-16 bps
Employees (number of full time equivalents – final amounts)	17,606	18,160	18,098	18,152	18,152	-3.1%	-0.3%

(*) Note that the data as at 31 December 2014 were extracted from the 2015 Reports and Consolidated Financial Statements where they were reconstructed according to the changes in scope and methods introduced in the meantime to guarantee the consistency of the comparison.

(**) Note that the data as at 31 December 2013 were extracted from the 2014 Reports and Consolidated Financial Statements where they were reconstructed according to the changes in scope and methods introduced in the meantime to guarantee the consistency of the comparison.

Central and Eastern Europe ("CEE")

The Group operates, through the *Central and Eastern Europe* sector (for short "**CEE**"), in the following Central and Eastern European countries: Bosnia-Herzegovina, Bulgaria, Croatia, the Czech Republic, Hungary, Romania, Russia, Serbia, Slovakia, Slovenia and Turkey plus leasing activities in three Baltic countries[39]. As at 30 September 2016, the CEE business unit operated through approximately 2,058 branches (including 1,004 branches of subsidiaries in Turkey, consolidated at shareholders' equity) and offers a vast range of products and services for all types of customers.

The UniCredit Group is capable of offering its private customers in Central and Eastern European countries an extensive portfolio of products and services similar to those it offers to its Italian, German, Austrian and Polish customers.

As far as corporate customers are concerned, the UniCredit Group is constantly committed to the standardisation of customer segments and the range of products. The Group shares its business models at international level, in order to guarantee access to its network in any country where the Group has a presence. This approach is particularly important on account of the variety of products offered at the global level,

[39] For completness, please note that as at 31 October 2016 UniCredit Group activities in the Central Eastern European countries also included Ukraine.

specifically for cash management and trade finance solutions for corporate customers operating in more than one Central and Eastern European country.

The table below contains the key economic and capital indicators of the *Central and Eastern Europe* business unit, in the interim period ended 30 September 2016 (together with the comparable data at 30 September 2015) and in the financial years ended 31 December 2015, 31 December 2014 and 31 December 2013.

CEE *(figures in millions of Euros)*	**30 September**		**CHANGE**
	2016	**2015 (*)**	**2016-2015**
Brokerage margin	3,072	2,818	+9.0%
Operating costs	(1,124)	(1,089)	+3.2%
Operating profit (loss)	1,948	1,729	+12.7%
Net adjustments on receivables	(479)	(754)	-36.5%
Net operating profit (loss)	1,469	975	+50.8%
Gross profit on continuing operations	1,362	853	+59.7%
Receivables from customers (closing amounts)	59,868	58,092	+3.1%
Collection from customers (including securities – final amounts)	60,609	57,800	+4.9%
Total RWA (final amounts)	93,528	93,628	-0.1%
Cost/income	+36.6%	+38.7%	-207 bps
Cost of risk	1.09%	1.71%	-62 bps
Employees (number of full time equivalents – final amounts)	28,601	28,697	-0.3%

(*) Note that the data as at 30 September 2015 were extracted from the Consolidated Interim Report as at 30 September 2016 where they were reconstructed according to the changes in scope and methods introduced in the meantime to guarantee the consistency of the comparison.

CEE *(figures in millions of Euros)*	31 December					CHANGE	
	2015	2014 (*)	2014	2013 (**)	2013	2015-2014 (*)	2014-2013 (**)
Brokerage margin	3,826	3,834	3,909	4,478	5,069	-0.2%	-12.7%
Operating costs	(1,482)	(1,510)	(1,623)	(1,722)	(2,223)	-1.9%	-5.8%
Operating profit (loss)	2,344	2,324	2,286	2,756	2,846	+0.9%	-17.0%
Net adjustments on receivables	(1,017)	(677)	(677)	(1,124)	(1,280)	+50.3%	-39.8%
Net operating profit (loss)	1,327	1,648	1,610	1,633	1,566	-19.4%	-1.4%
Gross profit on continuing operations	1,092	1,376	1,474	1,533	1,663	-20.7%	-3.9%
Receivables from customers (closing amounts)	57,166	57,073	57,009	57,163	71,858	+0.2%	-0.3%
Collection from customers (including securities – final amounts)	58,665	52,213	51,469	49,473	63,183	+12.4%	+4.0%
Total RWA (final amounts)	92,532	89,278	89,173	81,668	81,705	+3.6%	+9.2%
Cost/income	+38.7%	+39.4%	+41.5%	+38.4%	+43.9%	-65 bps	306 bps
Cost of risk	1.75%	1.18%	1.18%	1.92%	1.74%	57 bps	-74 bps
Employees (number of full time equivalents – final amounts)	28,486	29,040	29,038	30,848	47.271	-1.9%	-5.9%

(*) Note that the data as at 31 December 2014 were extracted from the 2015 Reports and Consolidated Financial Statements where they were reconstructed according to the changes in scope and methods introduced in the meantime to guarantee the consistency of the comparison.

(**) Note that the data as at 31 December 2013 were extracted from the 2014 Reports and Consolidated Financial Statements where they were reconstructed according to the changes in scope and methods introduced in the meantime to guarantee the consistency of the comparison.

Corporate & Investment Banking

The *Corporate & Investment Banking* business unit (in short "**CIB**") is aimed at multinational and large corporate customers with sophisticated financial requirements and the need to make use of investment banking services. The CIB business unit supports UniCredit Group customers in 35 countries helping them with the implementation of internationalisation projects or with restructuring.

The organisational structure of the CIB business unit is based on a matrix that differentiates between: (i) distribution coverage (through specific commercial networks for the major countries in which the Group operates: Italy, Germany and Austria); and (ii) the type of products offered (three product lines that consolidate the wide-ranging CIB know-how at Group level).

The regional commercial networks (CIB Network Italy, CIB Network Germany and CIB Network Austria) are responsible for relations with corporate customers, banks and financial institutions, as well as for the sale of a vast range of services which range from traditional loans to more sophisticated transactions on international financial markets.

The following three product lines complete and add value to the activities of the commercial networks:

Financing and Advisory ("F&A")

F&A is the hub of all business transactions relating to credit and advice for multinational and large corporate customers. It is responsible for offering a vast range of services going from the simplest, standardised services to the most sophisticated ones.

Markets

Markets is the centre of all activities on the financial markets and is the access point for the UniCredit Group to market capital. The result is an international platform highly integrated with the rest of the Group. Markets is responsible for coordinating the UniCredit Groups' activities on the financial markets, including the structuring of products relating to exchange rates, taxes, shares and credit.

Global Transaction Banking ("GTB")

GTB is the hub responsible for the management of cash management and banking products, supply chain finance and trade finance and global securities deposit and administration activities.

The table below contains the key economic and capital indicators of the *Corporate & Investment Banking* business unit, in the interim period ended 30 September 2016 (together with the comparable data at 30 September 2015) and in the financial years ended 31 December 2015, 31 December 2014 and 31 December 2013.

Corporate & Investment Banking *(figures in millions of Euros)*	**30 September**		**CHANGE**
	2016	**2015 (*)**	**2016-2015**
Brokerage margin	3,223	2,966	+8.7%
Operating costs	(1,291)	(1,345)	-4.0%
Operating profit (loss)	1,932	1,621	+19.2%
Net adjustments on receivables	(158)	(34)	n.s.
Net operating profit (loss)	1,774	1,587	+11.8%
Gross profit on continuing operations	1,562	1,443	+8.2%
Receivables from customers (closing amounts)	101,390	93,169	+8.8%
Collection from customers (including securities – final amounts)	103,116	108,688	-5.1%
Total RWA (final amounts)	73,077	71,127	+2.7%
Cost/income	+40.1%	+45.3%	-529 bps
Cost of risk	0.20%	0.05%	15 bps
Employees (number of full time equivalents – final amounts)	3,789	4,019	-5.7%

(*) Note that the data as at 30 September 2015 were extracted from the Consolidated Interim Report as at 30 September 2016 where they were reconstructed according to the changes in scope and methods introduced in the meantime to guarantee the consistency of the comparison.

Corporate & Investment Banking *(figures in millions of Euros)*						**31 December**	**CHANGE**
	2015	**2014 (*)**	**2014**	**2013 (**)**	**2013**	**2015-2014 (*)**	**2014-2013 (**)**
Brokerage margin	3,757	3,759	3,711	4,284	4,327	-0.1%	-13.4%
Operating costs	(1,759)	(1,649)	(1,710)	(1,707)	(1,729)	+6.7%	+0.2%
Operating profit (loss)	1,998	2,110	2,001	2,577	2,598	-5.3%	-22.4%
Net adjustments on receivables	(31)	(129)	(135)	(942)	(942)	-76.0%	-85.7%
Net operating profit (loss)	1,967	1,980	1,866	1,634	1,655	-0.7%	+14.1%
Gross profit on continuing operations	1,661	1,820	1,802	1,448	1,469	-8.7%	+24.5%
Receivables from customers (closing amounts)	96,876	89,225	89,191	93,875	94,428	+8.6%	-5.0%
Collection from customers (including securities – final amounts)	96,181	87,491	87,472	76,536	77,263	+9.9%	+14.3%
Total RWA (final amounts)	65,382	68,631	67,462	74,528	74,460	-4.7%	-9.5%
Cost/income	+46.8%	+43.9%	+46.1%	+39.9%	+40.0%	295 bps	n.s.
Cost of risk	0.03%	0.14%	0.15%	0.92%	0.92%	-11 bps	-77 bps
Employees (number of full time equivalents – final amounts)	3,918	3,954	4,020	4,300	3,466	-0.9%	-6.5%

(*) Note that the data as at 31 December 2014 were extracted from the 2015 Reports and Consolidated Financial Statements where they were reconstructed according to the changes in scope and methods introduced in the meantime to guarantee the consistency of the comparison.

(**) Note that the data as at 31 December 2013 were extracted from the 2014 Reports and Consolidated Financial Statements where they were reconstructed according to the changes in scope and methods introduced in the meantime to guarantee the consistency of the comparison.

Asset management

Asset Management operates through the parent company of PGAM (the "**Pioneer Investments Group**"), a group specialised in the management of customer investments at an international level, present in 28 countries.

This business unit operates as a centralised custom service provider and, in addition, guides, supports and supervises the development of local business at a regional level.

Using leverage on various partnerships with financial institutions operating at international level, *Asset Management* offers a wide range of financial solutions, including mutual investment funds and portfolio management services for institutional customers.

The table below contains the key economic and capital indicators of the *Asset Management* business unit, in the interim period ended 30 September 2016 and in the financial years ended 31 December 2015, 31 December 2014 and 31 December 2013.

***Asset Management* (*)** *(figures in millions of Euros)*	**30 September**		**CHANGE**
	2016	**2015 (**)**	**2016-2015**
Brokerage margin	631	678	-7.0%
Operating costs	(367)	(424)	-13.4%
Operating profit (loss)	263	254	+3.8%
Net adjustments on receivables	-	(0)	n.s.
Net operating profit (loss)	263	254	+3.8%
Gross profit on continuing operations	220	242	-9.0%
Cost/income	+58.2%	+62.6%	-435 bps
Employees (number of full time equivalents – final amounts)	1,945	2,029	-4.2%

(*) The items "receivables from customers", "collection from customers", "total RWA" and "cost of risk" have not been reported as they are not significant.

(**) Note that the data as at 30 September 2015 were extracted from the Consolidated Interim Report as at 30 September 2016 where they were reconstructed according to the changes in scope and methods in the meantime to guarantee the consistency of the comparison.

***Asset Management* (*)** *(figures in millions of Euros)*	**31 December**					**CHANGE**	
	2015	**2014 (**)**	**2014**	**2013 (***)**	**2013**	**2015-2014 (**)**	**2014-2013 (***)**
Brokerage margin	919	791	791	731	732	+16.2%	+8.2%
Operating costs	(608)	(496)	(496)	(528)	(528)	+22.6%	-6.0%
Operating profit (loss)	311	295	295	203	204	+5.4%	+45.1%
Net adjustments on receivables	(0)	-	-	-	-	n.s.	n.s.
Net operating profit (loss)	311	295	295	203	204	+5.4%	+45.1%
Gross profit on continuing operations	287	286	286	192	193	+0.4%	+48.7%
Cost/income	+66.2%	+62.7%	+62.7%	+72.2%	+72.2%	347 bps	n.s.
Employees (number of full time equivalents – final amounts)	1,986	2,021	2,021	1,995	1,995	-1.7%	+1.3%

(*) The items "receivables from customers", "collection from customers", "total RWA" and "cost of risk" have not been reported as they are not significant.

(**) Note that the data as at 31 December 2014 were extracted from the 2015 Reports and Consolidated Financial Statements where they were reconstructed according to the changes in scope and methods in the meantime to guarantee the consistency of the comparison.

(***) Note that the data as at 31 December 2013 were extracted from the 2014 Reports and Consolidated Financial Statements where they were reconstructed according to the changes in scope and methods introduced in the meantime to guarantee the consistency of the comparison.

Asset Gathering

Asset Gathering is a business unit specialised in collection through both direct channels and a network of financial advisors, focused mainly on the retail customer segment.

Asset Gathering operates through FinecoBank, a direct multichannel bank of the Group, which has a business model integrated between a direct bank and network of financial planners.

The table below contains the key economic and capital indicators of the *Asset Gathering* business unit, in the interim period ended 30 September 2016 (together with the comparable data at 30 September 2015) and in the financial years ended 31 December 2015, 31 December 2014 and 31 December 2013.

***Asset Gathering* (*)** *(figures in millions of Euros)*	**30 September**		**CHANGE**
	2016	**2015 (**)**	**2016-2015**
Brokerage margin	421	407	+3.3%
Operating costs	(171)	(174)	-1.4%
Operating profit (loss)	249	234	+6.8%
Net adjustments on receivables	(4)	(4)	-14.7%
Net operating profit (loss)	246	229	+7.2%
Gross profit on continuing operations	232	224	+3.5%
Receivables from customers (closing amounts)	972	885	+9.9%
Collection from customers (including securities – final amounts)	17,444	15,311	+13.9%
Total RWA Eop	1,778	1,781	-0.2%
Cost/income	+40.7%	+42.6%	-195 bps
Employees (number of full time equivalents – final amounts)	1,033	1,013	+2.0%

(*) The item "cost of risk" is not reported because it is not significant.

(**) Note that the data as at 30 September 2015 were extracted from the Consolidated Interim Report as at 30 September 2016 where they were reconstructed according to the changes in scope and methods introduced in the meantime to guarantee the consistency of the comparison.

Asset Gathering **(*)** *(figures in millions of Euros)*	**31 December**					**CHANGE**	
	2015	**2014 (**)**	**2014**	**2013 (***)**	**2013**	**2015-2014 (**)**	**2014-2013 (***)**
Brokerage margin	544	451	451	429	503	+20.6%	+5.1%
Operating costs	(233)	(212)	(212)	(192)	(301)	+9.6%	+10.6%
Operating profit (loss)	311	239	239	237	202	+30.4%	+0.7%
Net adjustments on receivables	(7)	(3)	(3)	(3)	(4)	+110.9%	-2.9%
Net operating profit (loss)	305	236	236	234	199	+29.3%	+0.8%
Gross profit on continuing operations	288	230	230	216	181	+25.3%	+6.3%
Receivables from customers (closing amounts)	923	696	696	641	920	+32.7%	+8.5%
Collection from customers (including securities – final amounts)	16,084	14,254	14,254	13,246	18,226	+12.8%	+7.6%
Total RWA Eop	1,713	1,742	1,742	1,915	2,913	-1.6%	-9.0%
Cost/income	+42.7%	+47.0%	+47.0%	+44.7%	+59.7%	-428 bps	231 bps
Employees (number of full time equivalents – final amounts)	1,019	974	974	934	1,486	+4.7%	+4.3%

(*) The item "cost of risk" is not reported because it is not significant.

(**) Note that the data as at 31 December 2014 were extracted from the 2015 Reports and Consolidated Financial Statements where they were reconstructed according to the changes in scope and methods introduced in the meantime to guarantee the consistency of the comparison.

(***) Note that the data as at 31 December 2013 were extracted from the 2014 Reports and Consolidated Financial Statements where they were reconstructed according to the changes in scope and methods introduced in the meantime to guarantee the consistency of the comparison.

Group Corporate Centre

The *Group Corporate Centre*: business unit is responsible for guiding, coordinating and managing the assets and risks relating to both the UniCredit Group as a whole and the individual group companies in their respective areas of responsibility. In this context, a significant objective is the optimisation of costs and processes in order to guarantee excellent operations and support sustainable growth in business areas.

Non-Core

From the first quarter of 2014, the Group decided to introduce a clear distinction between the assets described above defined as core, which include strategic business units in line with risk strategies, and non-core assets comprising non-strategic assets with an inadequate risk/yield profile, with the objective of reducing the overall exposure of the latter over a period of time and improving the risk profile. Non-core assets in particular include individual assets previously included in the *Commercial Banking Italy* segment (identified on the basis of individual customers) to be managed from a risk mitigation perspective and several vehicle companies for securitisation transactions.

The table below contains the key economic and capital indicators of the *Non-Core* business unit, in the interim period ended 30 September 2016 (together with the comparable data at 30 September 2015) and in the financial years ended 31 December 2015 and 31 December 2014.

Non-Core *(figures in millions of Euros)*	**30 September**		**CHANGE**
	2016	**2015 (*)**	**2016-2015**
Brokerage margin	(153)	60	n.s.
Operating costs	(207)	(355)	-41.5%
Operating profit (loss)	(361)	(295)	+22.3%
Net adjustments on receivables	(1,289)	(1,182)	+9.0%
Net operating profit (loss)	(1,649)	(1,477)	+11.7%
Gross profit on continuing operations	(1,711)	(1,540)	+11.1%
Receivables from customers (closing amounts)	29,505	37,649	-21.6%
Collection from customers (including securities – final amounts)	1,098	1,542	-28.8%
Total RWA (final amounts)	26,252	32,660	-19.6%
Cost/income	-135.5%	+591.2%	n.s.
Cost of risk	5.33%	3,76%	157 bps
Employees (number of full time equivalents – final amounts)	533	1,672	-68.1%

(*) Note that the data as at 30 September 2015 were extracted from the Consolidated Interim Report as at 30 September 2016 where they were reconstructed according to the changes in scope and methods introduced in the meantime to guarantee the consistency of the comparison.

Non-Core *(figures in millions of Euros)*	**31 December**				**CHANGE**	
	2015	**2014 (*)**	**2014**	**2013 (**)**	**2015-2014 (*)**	**2014-2013 (**)**
Brokerage margin	101	375	330	691	-73.2%	-52.2%
Operating costs	(536)	(591)	(591)	(604)	-9.4%	-2.2%
Operating profit (loss)	(435)	(216)	(261)	87	+101.4%	N/A
Net adjustments on receivables	(1,659)	(2,155)	(2,157)	(9,720)	-23.0%	-77.8%
Net operating profit (loss)	(2,094)	(2,371)	(2,418)	(9,633)	-11.7%	-74.9%
Gross profit on continuing operations	(2,254)	(2,505)	(2,553)	(9,707)	-10.1%	-73.7%
Receivables from customers (closing amounts)	36,036	47,402	47,417	53,373	-24.0%	-11.2%
Collection from customers (including securities – final amounts)	1,727	2,319	2,334	2,478	-25.5%	-5.8%
Total RWA (final amounts)	31,211	39,625	39,080	31,395	-21.2%	+24.5%
Cost/income	+532.4%	+157.6%	+179.0%	+87.4%	n.s.	n.s.
Cost of risk	4.05%	4,26%	4.25%	15.41%	-20 bps	n.s.
Employees (number of full time equivalents – final amounts)	717	1,849	1,849	1,974	-61.2%	-6.3%

(*) Note that the data as at 31 December 2014 were extracted from the 2015 Reports and Consolidated Financial Statements where they were reconstructed according to the changes in scope and methods introduced in the meantime to guarantee the consistency of the comparison.

(**) Note that the data as at 31 December 2013 were extracted from the 2014 Reports and Consolidated Financial Statements where they were reconstructed according to the changes in scope and methods introduced in the meantime to guarantee the consistency of the comparison.

* * *

On 12 December 2016 the Issuer approved the 2016-2019 Strategic Plan, which includes, *inter alia*, actions designed to have an impact on the perimeter of the Group and the business segments in which it operates. These actions specifically include the sale of Bank Pekao (see Chapter 22, Paragraph 22.3 of the Registration Document) and the sale of almost all of the assets of PGAM (see Chapter 22, Paragraph 22.2 of the Registration Document), whose assets, at 30 September 2016, were part of the "Poland" business segment and the "Asset Management" business segment respectively.

In consideration of the above, from the consolidated financial statements of the year ended 31 December 2016, the UniCredit Group's assets will be divided into the following business segments: (i) Commercial Banking Italy; (ii) Commercial Banking Germany; (iii) Commercial Banking Austria; (iv) Corporate & Investment Banking; (v) Central Eastern Europe; (vi) Asset Gathering; (vii) Group Corporate Centre; and (viii) Non-Core.

6.1.3 Distribution network

The distribution strategy of the UniCredit Group is based on a multi-centre approach that allows the Group to establish itself as a locally orientated operator in the markets in which it operates, entrusting the UniCredit Group banks with the responsibility for the management of the distribution network and customer relations. In addition, as far as the activities in the *Corporate & Investment Banking* business unit are concerned, the Group has a presence in various countries through representative offices, the purpose of which is to manage relations with local multinational and large corporate customers.

The UniCredit Group offers its products and services through both traditional channels and virtual channels. Specifically, the Group offers its services via:

- networks of branches and ATMs located in various countries;
- networks of financial planners of FinecoBank in Italy; and
- virtual channels, such as home banking and mobile banking.

The network of branches and ATMs

As at 30 September 2016, the UniCredit Group had a distribution network comprising 6,592 branches, of which 3,613 branches are in Italy[40], 510 branches in Germany, 170 branches in Austria, 2,235 branches in Central and Eastern European countries (including Poland) and 64 branches in other countries.

As far as Italy is concerned, the network of branches located throughout the country represents the main means of contact with customers and one of the most important distribution channels for UniCredit Group products and services.

As at 30 September 2016, the UniCredit Group boasts a network of 3,594 “UniCredit S.p.A.” branches in Italy.

[40] This figure also includes “UniCredit S.p.A.” branches and “UniCredit Leasing S.p.A.” and “UniCredit Bank AG” branches.

The table below indicates the number of UniCredit branches in Italy as at 30 September 2016 broken down by region and with details of the market share at regional level.

REGION	TOTAL UNICREDIT BRANCHES AS AT 30 SEPTEMBER 2016	TOTAL SYSTEM BRANCHES AS AT 30 SEPTEMBER 2016	PERCENTAGE OF UNICREDIT BRANCHES COMPARED WITH THE SYSTEM
PIEDMONT	381	2,401	15.9%
AOSTA VALLEY	18	94	19.1%
LIGURIA	63	829	7.6%
LOMBARDY	438	5,934	7.4%
TRENTINO-ALTO ADIGE	61	849	7.2%
VENETO	426	3,002	14.2%
FRIULI-VENEZIA GIULIA	121	844	14.3%
EMILIA ROMAGNA	459	3,066	15.0%
TUSCANY	146	2,204	6.6%
UMBRIA	81	501	16.2%
MARCHE	80	1,042	7.7%
LAZIO	487	2,522	19.3%
ABRUZZO	37	615	6.0%
MOLISE	32	131	24.4%
SARDINIA	52	613	8.5%
CAMPANIA	177	1,447	12.2%
APULIA	133	1,284	10.4%
BASILICATA	10	230	4.3%
CALABRIA	26	452	5.8%
SICILY	366	1,561	23.4%
TOTAL	**3,594**	**29,621**	**12.1%**

Source: Bank of Italy, infostat system (https://infostat.bancaditalia.it)

As far as Central and Eastern European countries are concerned, the UniCredit Group has further consolidated its position in these markets through the gradual integration of local banks.

The table below indicates the number of Group branches in Central and Eastern European countries as at 30 September 2016.

COUNTRY	BRANCHES
POLAND (*)	943
UKRAINE	238
ROMANIA	184
BULGARIA	179
CROATIA	134
BOSNIA	119
CZECH REPUBLIC	107
RUSSIA	102
SLOVAKIA	74
SERBIA	71
HUNGARY	55
SLOVENIA	26
LITHUANIA	1
ESTONIA	1
LATVIA	1

(*) Note that at the Registration Document Date, the Issuer has concluded agreements for the sale of its entire equity investment in Bank Pekao (see Chapter 22, Paragraph 22.3 of the Registration Document).

The territorial organisation in Germany, Austria, Poland and Central and Eastern European countries allows the UniCredit Group to support the growing requirements for internationalisation of its customers.

In parallel to the branches, the UniCredit Group has an ATM network with terminals located mainly in Italy, Germany and Austria and inside branches of UniCredit Group banks or in the immediate vicinity.

The network of financial planners of FinecoBank in Italy

As far as the banking and investment services offered by FinecoBank, the multichannel direct bank of the UniCredit Group, are concerned, these services are offered to customers mainly through financial planners operating throughout Italy, who, appointed through agency agreements, provide advice to customers.

As at 30 September 2016, the FinecoBank network was composed of 2,626 financial planners[41].

***Virtual channels:* home banking and mobile banking**

In addition to traditional channels, the UniCredit Group provides its services through virtual channels such as home banking and mobile banking, introduced following the market success of smart phones/tablets and apps developed for these devices, and it features dedicated apps such as UniCredit Mobile Banking and the “Logos” platform of FinecoBank, an app connected to the transactional platform of the same name.

At the Registration Document Date, banking, brokerage and online credit services, multibrand investment services and online trading services are mainly offered through FinecoBank and, to a lesser extent, by the other Group banks.

[41] Source: Issuer’s reporting.

6.1.4 Details of new products and/or new activities

At the Registration Document Date, no products were introduced that do not come under the categories usually marketed, which make a significant contribution to the profit margin.

6.1.5 Future programmes and strategies

On 12 December 2016, the Issuer approved the 2016-2019 Strategic Plan. For more information about the future programmes and strategies of the Group and, more generally, the guidelines of the Strategic Plan, see Chapter 13 of the Registration Document.

6.1.6 Organisational structure

The organisational structure of the UniCredit Group reflects an organisational and business model which, while guaranteeing the autonomy of the local countries/banks for specific activities (commercial banking) – in order to ensure greater proximity to customers and efficient decision-making processes –, maintains a division type structure as far as the governance of corporate & investment banking business/products at a global level is concerned – under the responsibility of the CIB Division – and as far as the business in Central and Eastern European countries "CEE") are concerned – under the responsibility of the CEE Division (as amended from 1 October 2016 following the centralisation of activities in the CEE area at the Issuer) –, as well as a global oversight of operating/service functions (global banking services/COO) – under the responsibility of the Chief Operating Officer (a role held by two Co-Chief Operating Officers, as defined in the amendments in force from 1 September 2016).

At the Registration Document Date, the organisational structure of the UniCredit Group is based on:

- <u>the CEO</u>, who has direct control over the definition of the Group's strategy, associated risks, compliance, human resources, the optimisation of the cost structure and the main operating activities. The following structures report to the CEO: (i) *Group Risk Management*; (ii) *Group Compliance*; (iii) *Group Legal*; (iv) *Strategy, Business Development and M&A*; (v) *Group Human Capital*; (v) *Group Institutional & Regulatory Affairs*; e (vii) *Group Identity & Communications*;

  The functions listed below (with the exception of Internal Audit which reports to the Board of Directors) whose positions/structures are specifically highlighted in the company organisational chart report (directly or indirectly) to the CEO:

- <u>the Managing Director,</u> who reports to the CEO, is responsible for all business activities directed at both retail and corporate customers in the various countries in which the <u>Group</u> operates, both belonging to the *Corporate & Investment Banking*, *Asset Management* and *Asset Gathering* business units, with special attention to the continuous development of services, in order to maximise sales (including "cross selling") as well as to direct the Group's digital strategies and define the new service model for the Issuer. The business units indicated below (CIB Division, Italy, CEE Division) report to the Managing Director);

- <u>the Chief Operating Officer</u>, a position covered by two co-Heads (co-Chief Operating Officers) who supervise the operating machine with special attention to the costs and activities of *IT & Operations*;

specifically, the two co-Heads are responsible, respectively, for *Finance & Cost Management* activities and *IT & Operations*, *Security* and *Internal Controls*.

- the CIB Division, a position covered by two co-Heads who report directly to the Managing Director, have a coverage role for multinational customers, for selected large corporate customers with a strong potential demand for investment banking products, for *Financial and Institutional Groups* (FIG) and they have responsibility for Global Lines "*Global Transaction Banking (GTB)*", "*Global Financing & Advisory (F&A)*", "*Markets*", and internationalisation activities;

- as far as the scope of Italy is concerned, the Italy Co-Heads, who report directly to the Managing Director, are responsible for the definition of the commercial banking business strategies and the assignment of these strategies to the territories and various customer segments;

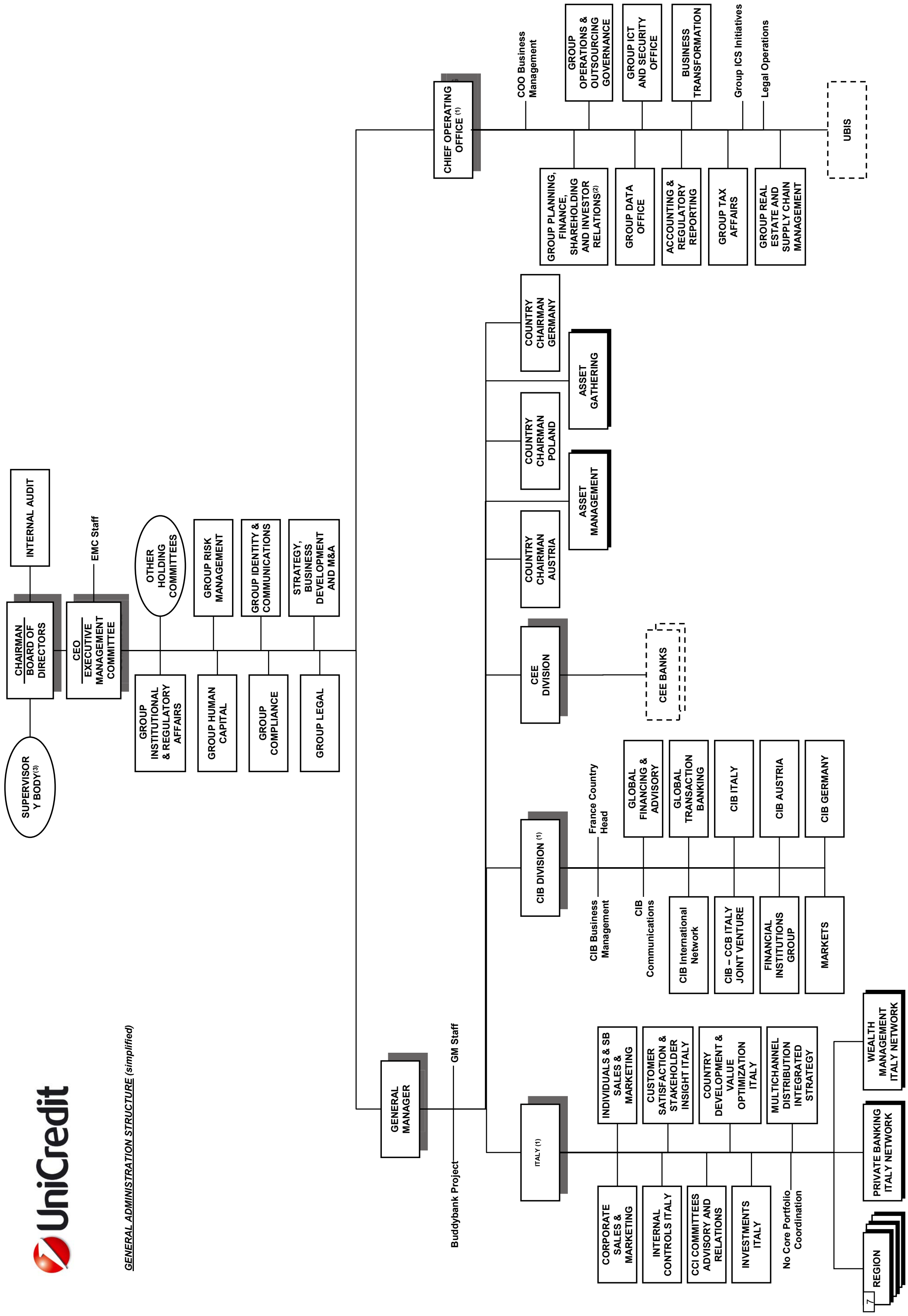
- the CEE Division, which reports directly to the Managing Director, coordinates the activities carried out in the Central and Eastern European countries in which the Group has a presence, following a unitary business vision in the area;

- *Group Institutional & Regulatory Affairs* is responsible for the development of relations with institutional counterparties of interest to the Group as well as the management of relations with the banking Supervisory Authorities at European level (e.g. the EBA, ECB) and with the Bank of Italy; lastly

- the various functions defined as *Competence Line* (*Planning*, *Finance & Administration*, *Risk Management*, *Legal*, *Compliance*, *Internal Audit*, *Human Resources*, *Organisation*, *Identity & Communications*), ensure the direction, coordination and control of Group activities and related risks.

The organisational chart below illustrates the organisational structure of the UniCredit Group at the Registration Document Date.

GENERAL ADMINISTRATION STRUCTURE (simplified)



(1) Position held by two individuals in the role of "Co-Heads"
(2) Position held by "Group CFO"
(3) Established according to Legislative decree 231/2001

6.1.7 Risk management

The UniCredit Group is exposed to the risks inherent to the nature of its activities. A significant part of the Groups' activities consists of internally identifying, measuring, controlling and monitoring the risks associated with the transactions performed by the Group. These risks generally include, credit risk, market risk, liquidity risk and operating risk as well as other significant risks, such as, business risk, real estate risk, financial investment risk, strategic risk and reputational risk.

The UniCredit Board of Directors establishes the strategic guidelines for taking the risks defining the capital allocation parameters for the Issuer and other Group companies, in conformity with the respective risk appetite and objectives for the creation of value in relation to the risks taken.

The Issuer's Risk Management department oversees and controls the risks of the Group directing, coordinating and controlling the risks in particular through the Portfolio Risk Managers responsible for competency risks from the Group's perspective. From 1 October 2016, following the transfer of the CEE Division of UCB Austria to UniCredit, a "CRO CEE" function was established reporting directly to the Group CRO and it is responsible for the management and control or operational credit activities and the management of credit risk for the CEE Division.

Specifically, Risk Management has been assigned the tasks of:

- optimising the quality of the Groups' assets and minimising the cost of risk consistent with the risk/profitability targets assigned to the business areas;
- guaranteeing the definition and strategic planning of Group risk management policies;
- defining and providing the Group companies with the guidelines and regulations for the assessment, management, measurement, monitoring and communication of risks and guaranteeing the consistency of the risk control systems and procedures, at Group level and at the level of the individual Group companies;
- contributing to strengthening a risk culture, extended to the entire Group, through training initiatives and the development, in conjunction with the Chief Operating Office competent functions, of highly-qualified personnel;
- contributing to the definition of solutions for capital imbalances, where necessary in conjunction with *Planning, Finance, Shareholding and Investor Relations*;
- supporting business functions in achieving their targets, contributing to development activities for business products and initiatives (e.g. credit product innovation, competitive business opportunities);
- supporting the CEO in defining the Group Risk Appetite proposal, to be shared with the Group Risk & Internal Control Committee and to be submitted to the Board of Directors for approval, as the preliminary action in preparation for the annual and multi-year budget process, that Planning, Finance, Shareholding and Investor Relations is responsible for. The Group Risk Appetite will comprise a series of parameters developed by the CRO, with the contribution of Planning, Finance, Shareholding and Investor Relations

and the relevant Group structures, each as far as their areas of responsibility are concerned; each parameter can be accompanied by indications of the tolerance limits and levels proposed by the CRO and the targets proposed by Planning, Finance, Shareholding and Investor Relations and/or by the relevant Group structures, each in compliance with its mission and company regulations. The Group CRO has the task of guaranteeing the overall consistency of the proposed parameters and values. In addition, the Group CRO has the task of guaranteeing the Chief Executive Office as well as the Board of Directors the adequacy of the Group Risk Appetite with the Group strategic lines, the consistency of the budget targets system with the actual Group Risk Appetite and the periodic monitoring of the RAF, without prejudice to the responsibilities allocated to Planning, Finance, Shareholding and Investor Relations relating to the monitoring of Group performance and business functions in order to identify possible areas with insufficient productivity and the related corrective measures.

In line with the structure of the Risk Management function and in order to protect the autonomy, coordination and control of Group risks, specific committees with responsibility for risks operate on three distinct levels:

- the *Group Risk & Internal Control Committee*[31], responsible for strategic decisions on risks at Group level: the definition of policies, guidelines, operating limits and methods for the measurement, management and control of risks. In addition, it supports the CEO in the management and supervision of the Internal Control system – ICS;

- the *Group Portfolio Risk Committees*, which are assigned to the task of directing, controlling and managing the different portfolio risks.

- the "Group Credit Risk Governance Committee*",* responsible for the guidance, coordination and control of matters relating to the Group's credit risk, with special attention to Credit Risk Pillar I, Pillar II (limited to the Credit Portfolio Model) and to the management models, ensuring continuity between the Issuer and other Group companies;

- the *Group Transactional Committees*, dedicated to the evaluation and approval of individual counterparties/transactions with an impact on the overall risk profile.

6.1.7.1 Description of risks

Credit Risk

Credit risk is defined as the risk of loss which arises from the possibility that a borrower, counterpart or issuer of financial instrument (bonds, securities, etc.) Is not able to fulfil its obligations in terms of interest and/or capital or any other amount which is due ("**Risk of Default**"). In more general terms, the credit risk can often be defined as the potential risk arising from the default of a borrower/issuer or the reduction in the market value of financial obligation due to impairment of the quality of the relative credit (migration risk).

The credit risk organization of the Issuer breaks down into two levels:

- functions with responsibilities at Group level;

- functions with responsibilities at Country level.

Functions with responsibilities at Group level include:

- The "Group Credit & Integrated Risk" department is responsible, at the group level, for defining the credit strategies, monitoring and controlling credit risk of the group portfolio and ensuring that top management has an overall and integrated understanding of the Pillar I and Pillar II risks. It is structured as follows:

  (i) "Group Risk Strategies & Pillar II" department responsible for providing top management with an integrated and forward -looking 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 (regulatory and managerial). It is furthermore responsible for developing and maintaining models for calculation of the Economic Capital for the areas under its responsibility.

  (ii) The "Group Credit Risk Planning & Monitoring" department is responsible for providing top management with a (current and integrated) vision of the group risk and acts as a point of reference and coordination for the competent supervisory authorities and the main external stakeholders insofar as the areas under its competence. It is responsible for periodic monitoring of the group's overall credit portfolio and integrated risk assessment, planning and controlling allocations, RWAs and capital absorption for outstanding and problem loans.

  (iii) The "Group Credit Risk Initiatives, Standards & Reporting" department, is responsible for 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 the "Group Risk Management" department.

- The "Group Credit Risk Governance" department is responsible for guaranteeing at Group level the coordination and steering of Pillar I Credit Risk models and architectural framework/ information flow and credit processes also ensuring their integration and alignment. It is also responsible for validating, at the Group level, the methodology for the measurement of Pillar I and Pillar II risks and pricing of financial instruments as well as working with other group department on issues relative to risk weighted assets (RWA). The department has the following structures:

  (a) "Group Credit Risk Modelling" department, responsible for developing and maintaining methodologies and group models for Pillar 1 (credit) risks and providing guidelines, coordinating, interacting with and supporting local development functions in order to ensure uniform methodology implementation at Group level;

  (b) The "Credit Risk Processes and Information Flow" department, which is responsible for defining and maintaining the group methodologies to be applied to credit risk and information flow processes and their implementation within UniCredit, defining the Group credit rules and monitoring their approval and implementation by group companies and, in collaboration with other competent Issuer departments, it is responsible for defining and maintaining the methodologies to be applied, across the Group/group companies to the credit risk end to end process insofar as the data and the architectures;

(c) The “RWA Quality and Analysis” unit is in charge of working with other group departments that are in charge of identifying areas of improvement insofar as capital absorption and definition of data quality controls for Group risk weighted assets/RWA.

(d) The “Group Credit Risk Coordination and Planning” unit within the Group Credit Risk Governance department, is responsible for managing the communication with corporate bodies and the competent Supervisory Authorities, coordinating major projects, monitoring performance indicators and planning the activities for the IRB models, processes and information flows;

(e) The “Group Internal Validation” department is in charge of validating, at the group level, the measurement methodologies for Pillar I and Pillar II risks, the relative processes, IT components and the data quality, providing information to the corporate bodies and the competent supervisory authorities in this regard.

- The “Group Credit Transaction” department is responsible for evaluating, monitoring and supervising, at the group level, large credit transactions and the management of the global credit model of financial institutions, banks and sovereign states (FIBS). It is furthermore responsible for the assessment, approval and daily management of Country Risks and Cross-Border credit risk-taking. The department has the following structures:

(a) The “Group Credit Committee Secretariat” unit, responsible for supporting, as a central group-wide reference point for credit transactions above defined thresholds or according to other current regulations, the arrangement and coordination of the various procedural phases and information flows to facilitate the functioning of the approval and reporting processes involving the Committees under its remit or higher level bodies; It is furthermore in charge of continually optimizing the activities of the “GCT” department, in relation to the objectives of the group which involve simplification and the evolution of the regulatory framework of reference;

(b) The “FIBS Credit Transactions” department, responsible for the management and the monitoring of the counterparts, whether individual or economic groups, belonging to the client segments Financial Institutions, Banks and Sovereigns (hereafter “FIBS”) within the perimeter in its remit; It is furthermore responsible for: (i) contributing to the development and implementation of the group-wide risk appetite activities at the entire FIBS portfolio and sub-portfolio level (e.g. rating by legal, industrial or product type) where requested; (ii) cooperating with the competent Group functions to develop, improve and manage on an ongoing basis the instruments which support the FIBS management, concession and monitoring activity; managing, coordinating, aligning and supervising the pertinent group-wide FIBS “GRM” functions within the context of the global competence model defined; provide to the competent structures quarterly reports on the credit decisions made as part of the delegated powers and the large exposures framework;

(c) The “Large Credit Transactions & Country Risk” Department is in charge of transactions that exceed certain thresholds defined for the corporate counterparts, structured finance transactions (including special products), for restructuring and workout cases and debt to equity positions generated during the restructuring activity, as well as for the evaluation, approval and daily management of country risk and assumption of cross-border credit risk.

From 1 October 2016, the "EEC CRO" function was established following the transfer of the EC Division by UCB Austria to UniCredit, It reports directly to the Group CRO and is divided into the EEC Underwriting, Monitoring &Special EEC Credit unit and "EEC Credit Risk" in charge of the credit positions on EEC division positions on UniCredit books, in particular evaluation of creditworthiness, granting of loans, monitoring of performance and management of "special credit" positions; it is furthermore in charge of issuing anon-binding credit opinions for the granting of loans that exceed the level set by the EEC division for autonomous decisions by the companies. It is in charge of providing guidance and controlling retail credit risk for the EEC division, in particular by issuing credit rules and implementing strategies, coordinating improvement projects for processes and conducting the relative checks for retail and corporate loan portfolios. It is furthermore responsible for facilitating the risk assessment and control activity of the Group Special Entities Risk and Evaluation unit for special entities within the perimeter of the company that are part of the EEC division, in particular collecting elements for calculation of the overall exposure, quantitative and qualitative information required for the issuing of non-binding opinions and the processes of monitoring, the documentation relative to closure or liquidation of the special purpose vehicles and providing the information required for identification, assessment of risks and execution of checks on the shadow banking perimeter.

Domestically, the guidance and risk control activities, as well as the operating activities (concession of credit, granting of loans, etc.) fall under the responsibility of the CRG departments of subsidiaries.

With regard to Italy (e.g. "Italy" and "CIB Italy"), the above functions are performed by the organizational structures of the "CRO Italy" which report to the Group CRO. They are responsible for managing credit, operating and reputational risk by: (i) coordination and management of the loan disbursement activity for UniCredit customers, and supervision of the post loan decision phases; and (ii) coordination and management of UniCredit positions under restructuring and workout in Italy including debt to equity and debt to asset transactions and the resulting equity investments. The department is furthermore responsible for managerial coordination of UniCredit subsidiary credit activities that have registered offices in Italy. The department has the following structures:

(i) The "Restructuring Italy" department which is responsible for UniCredit Italian customers (e.g. "Italy" and "CIB Italy") for the analysis, coordination and conducting of the management activity (evaluation and deliberation, within the powers granted, and recommendation to the relevant deliberating bodies) of the positions under restructuring, monitoring also compliance with the agreements set forth in a restructuring plan and any covenants provided, with handling of any debt to equity and debt to asset transactions and the resulting equity investments in the area under its competence. The department has the following structures:

    (a) The "Corporate Files Restructuring" department which is responsible, insofar as the corporate clientele of UniCredit's Italian operations with exposures beneath a certain threshold, loan decision and activities for positions under restructuring while also monitoring compliance with the agreements set forth in the restructuring plan and any covenants attached thereto;

    (b) The "Real Estate Restructuring" department is in charge of loan decisions for positions that are under restructuring, insofar as loans held by real estate customers of UniCredit's Italian operations whose exposures are lower than a threshold defined by applicable laws, monitoring also compliance with the agreement set forth in the restructuring plan and any covenants attached thereto;

(c) The "Restructuring Risk Analysis & Operations" department is in charge of the Restructuring Italy department for the management of the analysis of positions for the assets it handles;

(d) The "Strategic Files Restructuring" department is responsible for UniCredit's Italian customers (e.g. "Italy" and "CIB Italy") with exposures exceeding a set limit, for coordination and management activities (evaluation and decision, within the context of the powers given, or recommendations to the competent decision-making bodies) of positions under restructuring, also monitoring compliance with the agreements set forth in the restructuring plan and any covenants established.

(ii) The "Credit Underwriting" department is responsible, for UniCredit's Italian perimeter (e.g. "Italy" and "CIB Italy"), the loan activities (preliminary check, credit analysis, resolution and preparation of the relative documentation for the applications to be submitted to the competent decision-making bodies) referring to the structures of the "Central Credit Risk Underwriting Italy" department, the "Territorial Credit Risk Underwriting Italy" department, the "Territorial Credit Risk Underwriting Special Portfolio Italy" department and the consumer and mortgage non-banking products and relative post sales operations. The department is also responsible for the administrative management of the "Credit Committee's" activities within the Italy perimeter; The department has the following structures:

(a) The "Central Credit Risk Underwriting Italy" department is responsible for coordination and management of loan disbursements for individual UniCredit customers by economic sector/product group or type of operation which has under the competence of the "Regional Industry Teams" (RITs) constituting a synthetic point for the structures reporting to it. The department does not handle consumer and non-banking mortgage products. In particular, the department is responsible for coordinating the activities of the "Regional Industry Teams" which are hierarchically controlled, ensuring coherence of the analysis and preliminary investigation activities of the proposals for loans with the Group's credit policies/strategies;

(b) The "Credit Committee Secretariat" unit is responsible for managing activities related to the operation of the committees that fall under its competence;

(c) The "Individual Credit Underwriting Italy" department is responsible for coordinating and managing the lending activities for individual UniCredit customers for consumer products (banking and non-banking sales network) and mortgages (non-banking sales network) and other credit products to private individuals pursuant to applicable laws;

(d) The "Territorial Credit Risk Underwriting Italy" department is responsible for coordinating and managing the lending activity to UniCredit customers, including the "special portfolio" perimeter but not consumer and non-banking Mortgage Products. It is a synthetic point for the structures reporting to it. In particular, the department is responsible for coordinating the activities of the "Territorial Credit Hub" which are controlled hierarchically, ensuring that the analysis and preliminary investigation activities for the loan proposals are in line with the Group's credit policies/strategies;

(iii) The "Special Credit" department is responsible for portfolio management activities of watch list companies (i.e. watch list loans with outstanding credit lines) for the perimeter under their competence and workout cases for the UniCredit Italy perimeter (e.g. "Italy" e "CIB Italy"),Identifying and supervising implementation of the interventions which aim to reduce the cost of risk, and managing the administrative/accounting activities under its competence pursuant to applicable laws including any debt to equity and debt to assets transactions and the resulting equity investments for the perimeter under its competence. The department has the following structures:

(a) The "INC Italy" department is responsible for UniCredit's Italy perimeter customers or economic groups that fall under its competence and handles coordination and management of "higher risk" (i.e. watch list loans with outstanding credit lines) portfolios;

(b) The "Special Credit Analysis & Control Management" unit, responsible for assessing the conformity of the rules related to management of cases, whose collection is in charge of the Issuer, as well as the planning of the expected collections and the monitoring of the collected portfolio, managed by external servicers. Within the limits of its assigned powers, the Unit is also responsible, for coordinating and guiding the management of positions within its perimeter of competence; Finally, is also responsible for the operational retained organization (RTO) activity and relations with the external services in charge of collecting on the Issuer's NPL portfolio;

(c) The "Special Credit Support & Administration Italy" Department is responsible for managing administrative and accounting activities and the activities which are inherent in and related with the classification of revoked watch list or non-performing positions on behalf of the "Special Credit" department and restructuring positions;

(d) Insofar as customers or economic groups of any segment within UniCredit's Italy perimeter and the context of the powers delegated pursuant to applicable laws, the "Workout Italy" department positions.

(iv) The "Credit Monitoring" department is responsible for UniCredit's Italy perimeter (e.g. "Italy" e "CIB Italy") coordinating, guiding and managing the monitoring activity for all customers. The department has the following structures:

(a) The "Credit Monitoring Operations & Support" unit is responsible for the coordination and oversight of the activities within the monitoring operating model, and provides support to the Head of the "Credit Monitoring" department in defining guidelines for maximizing the efficiency and the effectiveness of the monitoring operating model, in line with the strategic guidelines and credit policies;

(b) The "Central Credit Risk Monitoring Italy" department is responsible for coordinating and guiding the monitoring activities conducted by the local structures, making decisions based on applicable legislation, for the perimeter of UniCredit S.p.A. except for the perimeter that falls under the responsibility of the "Individual and Consumer Finance" department;

(c) The "Credit Collection Decisions and Classification" department supports monitoring and credit collection processes for individual customers and companies, within the framework defined by applicable laws, through assessment and deliberation on the possible renegotiation and/or settlement solutions in addition to classification of the performances of the individual positions. For this customer segment, this department is also responsible for classifying loans as problem loans. It also ensures applicability and implementation of the credit and loan collection strategies, agreed with the competent CRO Italy structures.

(d) The “Territorial Credit Risk Monitoring” department is responsible for coordinating and managing credit monitoring for the Italian perimeter of UniCredit by monitoring how positions perform, and defining corrective measures in coordination with the “Central Credit Risk Monitoring Italy” department.

(v) The “Loan Administration” department handles post sales lending activities, technical - legal consulting and operating risk control for medium to long-term transactions, guarantees, contracts, for UniCredit’s Italy perimeter (e.g. “Italy” e “CIB Italy”). It is also in charge of low interest/subsidized loans (assigner bank). The department is also directly responsible for providing support to SACE agreements. The department has the following structures:

(a) The “Subsidized Loan” department is in charge of handling activities pursuant to specific regulations governing subsidized loans relative to the assigner bank perimeter;

(b) The “Loan Administration Network” is responsible for guaranteeing adequate monitoring of the credit risk in the post sales activities with authorization to apply delegating measures and to issue opinions regarding mortgage loans to companies through the banking channel, including in the phase prior to the decision for mortgage loans to individuals or companies. For individual customers and consumer products (banking and non-banking channel) and mortgages only for the non-banking channel, the department is also responsible for monitoring the risk of fraud and has the possibility to act directly with the distribution channels as well as the customers, conducts preliminary checks on a technical technical/legal basis, ensures the validity of mortgage guarantees and checks the quality and integrity of the information in the post sales phase;

(c) The “Collaterals and Contracts Administration Services” is responsible for concluding and certifying the guarantees (not including mortgage guaranties) and public guarantees, the coherence of the new conventions with the standard requirements of credit guarantee consortia, attribution of ratings, and collateral management actions for conclusion and management of public guarantees, as well as technical debt operational and administrative activities with regard to checking contracts;

(d) The “Credit Advice Italy” department provides consulting, technical and legal assistance on credit issues for the Italian perimeter, covering the performing as well as non-performing portfolio, but not including:

- consumer and non-banking products;
- mortgages non-banking products;
- transactions with local authorities, ministries and constitutional bodies and other public entities.

(e) The “Loan Administration Services, Support And Controls” department provides consulting activities to the “Loan Administration” department and auditing, technical and specific activities in support of the "CRO Italy" department. It is specifically in charge of monitoring covenants and securitizations, overseeing information flows from the central credit register for the entire perimeter covered by the Issuer and the securitized portfolio, providing technical assistance for real estate appraisals and support therein, and issuing bank certificates as described below. The department is also directly responsible for maintenance and development of applications that are used by the "Loan Administration" department, providing the appropriate reports and monitoring the information flows of the central credit register for the entire perimeter of the issuer and securitized portfolio, in addition to providing adjustments to the notifications from the Bank of Italy central credit register for the Issuer's entire perimeter.

Additionally, with regard to credit risk, there are the following "Transactional Committees"

- The "Group Credit Committee" has a decision making role within the powers delegated to it (resolutions and/or issuing of non-binding opinions to Group companies) and is in charge of discussing and approving competent credit proposals referring to all files, including restructuring / workout cases, classification of file status, relevant strategies and corrective actions to be taken for watchlist files, specific limits for transactions related to Debt Capital Markets on Trading book, single issuer exposures limits on Trading book, Debt to Equity transactions and transactions related to Equity participations deriving from Debt to Equity transactions;

- The "Group Transactional Credit Committee", with approval function, within the delegated powers (decision-making and/ or issuing of non-binding opinions to the Group Legal Entities) and / or consulting function for files to be approved by upper Bodies, for credit proposals referring to all files, including restructuring / workout cases, classification of file status, relevant strategies and corrective actions to be taken for watch-list files, single issuer exposure limits on Trading book, Debt to Equity transactions and / or actions/rights-execution related to equity participations resulting from Debt to Equity transactions, Debt to Assets transactions and /or actions/rights execution related to asset resulting from Debt to Asset transactions, proposals for sale of impaired assets, pursuant to regulatory provisions and applicable restrictions. Additionally, as part of the above-mentioned activities this committee assesses the possible risk to reputation inherent in the operations as defined in the global reputational risk rules in effect;

- Within the framework of the powers sub-delegated to it and based on the relative thresholds that have been set, the "Italian Transactional Credit Committee" approves the issuing of non-binding opinions to group companies, for credit proposals relative to all positions, including restructuring and workout cases, the concession and revision of credit lines and the evaluation and approval, among other things, of loss provisions, classification status, debt to equity operations and the enforcement of actions/rights in equity investment relations that derive from debt to equity operations with UniCredit counterparts. The Committee" also provides consulting to higher level bodies;

- As part of the powers delegated and sub-delegated and pursuant to the relative thresholds, the "Italian Special & Transactional Credit Committee" evaluates and approves credit proposals for the Alpha perimeter, restructuring and workout positions, the concession or revision of credit lines and the valuation and approval, among other things, of loss forecasts, classification status relative to UniCredit counterparts;

- The "Group Rating Committee" is responsible, within its perimeter of competence and its delegated powers, for approving rating override.

Governance and internal regulations

Specific credit governance regulations define the assignment of the responsibilities and the mechanisms for interaction between the issuer and other group companies, with regard to credit risk management and ensure compliance of the Group Credit Risk Management Framework with the regulatory framework which the Issuer is subject to. In this context the Issuer is assigned with the role of guidance, support and control for the following areas: credit rules (principles, policies and processes), credit strategies and credit risk limits, models development, rating systems validation, large credit line management, issuance of credit products, monitoring and reporting portfolio credit risk.

In particular, Group Companies are required to request the Group Risk Management function's opinion before granting new or reviewing existing credit lines to individual borrowers or economic groups, whenever they exceed defined thresholds, also with reference to compliance with the credit risk concentration limits being measured with respect to the regulatory capital.

According to the role assigned to the Issuer, specifically to the Group Risk Management function under Group governance, "General Group Credit Policies" define group-wide rules and principles for guiding, governing and standardizing the 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, type of counterpart / transaction, etc.). Such documents are divided in two categories:

- Policy documents, which cover issues considered to be "group-wide", defined and issued by the Issuer and address to all Group companies. Some examples are the policies concerning the FIBS counterparts ("Financial Institutions, Banks and Sovereigns"), the Country limits, l Project Finance e Acquisition & Leveraged Finance operations, subscription risk limits for the portfolio constituting the object of the syndication, "Commercial Real Estate Financing" (CREF) and "Structured Trade and Export Finance (STEF)" operations;

- Policies which are developed at the local level by individual group companies. Such documents provide detailed credit rules for certain regions, subsidiaries, etc., if required by local market peculiarities, and are applicable only within the specific legal entity perimeter.

At both legal entity and parent company, such as the Issuer (if necessary) level, the policies are further detailed through operative instructions, describing specific guidelines and instructions for the day-by-day activity.

Credit policies have generally a static approach and are revised when necessary. Therefore, they need to be supplemented with credit risk strategies that are updated at least annually and define customers / products, industry segments and geographical areas, which the Legal Entity / the Group target for the credit business.

Management and measurement methods

Credit risk is usually the risk of losing value from a credit exposure due to unexpected impairment of a counterpart's credit exposure.

For the purpose of credit risk measurement, credit risk is defined as the risk of incurring losses arising from the possibility that a counterpart, a borrower or an issuer of a financial obligation (bond, note, etc.) is unable to fulfil commitments undertaken (timely repayment of 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 of the market value of a financial obligation due to impairment of its credit quality.

From December 2015, the UniCredit Group has introduced the concept of migration risk as a component of Economic Capital measured within the Credit Portfolio Model. The migration risk perimeter covers the more liquid asset classes that mostly contribute to credit risk, sovereign risk, loans to non-SME companies (including financial companies and banks) securitized assets and project finance. The residual assets contribute to the risk of default: this option reflects the business model applying the migration risk where the variations in the value impact the income statement or are incorporated in the business strategies (for example, in the management of bonds, loans and derivatives that belong to the counterpart companies, banks and sovereign states) For assets classified as "available for sale/fair value option" in the investment portfolio, the migration risk is measured as the VAR spread within the market risk and, in order to avoid duplication, these assets are excluded from the migration perimeter of the Group Credit Portfolio Model.

Credit risk is measured by single borrower / transaction and for the whole portfolio. The tools and processes used for lending to single counterparts during both the approval and monitoring phases include a credit rating process, which is differentiated by customer segment / product to ensure maximum effectiveness.

Evaluation of the creditworthiness of a counterpart, upon examination of the loan proposal, begins from an analysis of the financial and qualitative data (competitive positioning of the company, corporate and organizational structure, etc.), geo-sectoral characteristics, conduct at the entity and bank system level (e.g. "Central Risk Register"), in order to assign a rating over a one-year time horizon.

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 to each monitored customer. 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.

The internal rating is one of the powers delegated for approval of the loan; this means that, given equal amounts to be disbursed, the powers granted to the competent bodies for conducting the loan operation are decreased progressively as the riskiness of the customer increases.

The organizational model includes also a dedicated function, which is separate 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.

Each counterpart's credit rating is reviewed at least annually on the basis of new/updated information. Each borrower is also assessed in the context of any economic group with which it is affiliated with, as a general rule, taking into account the maximum risk for the entire economic group.

In addition to the usual estimate of the risk parameters over a horizon of one year, multiple period risk parameters are estimated to ensure compliance with recent updates to the accounting standards and a more reliable assessment of the performance adjusted for risk.

Besides the methodologies summarized in the rating systems, the Risk Management function uses portfolio models to measure credit risk on an aggregated 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).

In order to derive the Credit VaR of the portfolio, the portfolio loss distribution is specified; it is represented by the probabilities of obtaining different values of the portfolio loss over the given time horizon ("discrete loss case"). The loss associated with a specific probability is the product of the percentage of losses given default (LGD) and exposures at default (EAD) considering the correlations among the defaults.

Value at Risk represents the threshold monetary loss overcome only with a given probability level (VaR at 1-α confidence level). Economic Capital is derived from Value at Risk by subtracting the expected loss; it is an input for determining Internal Capital set up to cover potential unexpected losses from all risk factors.

VaR is a widely-used measure of portfolio risk but it does not provide information on potential losses in case the VaR limit has been exceeded. Such information is provided by the Expected Shortfall (ES) that represents the expected value of losses that exceed the VaR threshold. Portfolio Credit VaR and ES strongly depend on default correlation and can be reduced by proper portfolio diversification.

The credit portfolio models produce also measures of economic capital reallocated by individual borrowers within each portfolio and are the basis for risk-adjusted performance measures.

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 one of the tools used for the analysis of stress tests of the credit portfolio, starting from macroeconomic variables that affect the various customer segments, by Country, size, etc.

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 systems and data quality.

The aim is to give evidence of the systems compliance, while 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 2 validation.

Credit economic capital estimation is available on a unique technological platform ("CPM") and with a common methodology for Holding functions and several Legal Entities of UniCredit Group. The roll out of CPM across EEC subsidiaries allows to cover most of the relevant geographies.

To evaluate the effectiveness of securitizations in transferring credit risk, a new tool (Structured Credit Risk Analyser) has been developed. It allows to simulate credit losses in collateral portfolios and allocate the resulting losses to the tranches which characterize the liability side of the securitization, both for cash and synthetic structure types (where credit risk is transferred via credit derivatives).

Reporting and Monitoring Activities

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, asset quality, cost of risk, shortfall, etc.) in order to promptly initiate any countermeasures on portfolios, sub-portfolios or individual counterparts. The report provides an instrument that supports management in its decision-making process regarding management and mitigation of risk. Group Risk Management function performs credit risk reporting at portfolio level, producing reports at Group level, both recurring and specific (on demand of Top Management or Regulators or external entities, e.g. rating agencies) with the objective of analysing the main risk components and their development over time, and thus to detect any signals of impairment at an early stage and, subsequently, to implement the appropriate corrective actions. Credit portfolio performance is analysed with reference to its main risk drivers (such as growth and risk indicators), customer segments, regions, industrial sectors, and performance of the portfolio in default and relevant coverage.

Portfolio reporting activities at Group level are performed in close collaboration with the Chief Risk Officers at Group company level and Credit Risk Portfolio Managers who, within their respective perimeters, implement specific reporting activities.

At the group level, the reporting and monitoring are carried out by two different functions inside the "Group Credit and Integrated Risks" department.

The "Group Credit Risk Initiatives, Standards and Reporting" unit is in charge of defining the framework of the Group for reporting on credit risks and compiling the standard credit risk reports. Furthermore, it is responsible for controlling economic groups and coordinating and monitoring development of the initiatives of the "Group Risk Management" department.

The Risks Assessment & Group Monitoring unit is, on the other hand, responsible for analysing and monitoring the composition and riskiness of the credit portfolio at the group/subsidiary/division level, insofar as the main credit risk metrics at the group/subsidiary/division level, indicating any deviations from the budget/forecasts and the relative reasons thereof. Furthermore, it is responsible for producing periodic analyses aimed at providing top management with an integrated vision of the risks incurred by the group, and the analysis for the rating agencies, investors and ad-hoc requests from external entities/organizations.

As early as 2011 and 2012, the reporting activity was further refined through intense fine tuning of the data collection and consolidation process. This led to significant improvement in terms of the quality of the information provided in the consolidated report such as, for example the "ERM - Enterprise Risk Management Report" and the "Risk Assessment" compiled for top management or "Risk Highlights" for the supervisory bodies. Furthermore, reporting at the portfolio level and at the segment/business unit level has supported monitoring of credit exposures in the areas under their responsibility. In 2014 and 2015, a series of activities were undertaken to improve information available in terms of completeness, reconciliation, granularity and timeliness so as to optimize the reports that already exist in line with the indications of the Basel Committee on Banking Supervision (BCBS Paper no. 239) which requests systemically relevant banks (G-SII) to adopt a series of principles to ensure accurate aggregation of the risk data and an efficient reporting process.

Within the framework of a dedicated project ("PERDAR") which was initiated and 2014 to ensure compliance with these principles, initiatives aimed at strengthening governance of the group with regard to risk reporting were implemented. Among these is the definition and formalization, through an appropriate internal regulation, of the processes used for producing the risk reports, and the definition of the Group taxonomy to be adopted for each risk area.

All monitoring activities that aims to identify and react in a timely manner to possible deterioration in the asset quality of the Group's counterparts were further enhanced with dedicated Group Risk Management functions that deal with the reporting activities aimed at analysing the main c promptly detect any symptoms of impairment and, therefore, take appropriate corrective actions.

<u>Market Risk</u>

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 in the trading book, as well as those posted in the investment 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 Issuer, as well as for the individual companies making up the Group.

The current organizational model guarantees the ability to steer, coordinate and control the activities of some aggregated risks (so-called portfolio risks), through dedicated responsibility centres (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.

Market risk - Strategies and processes for risk management

The Issuer's Board of Directors lays down strategic guidelines for taking on market risks by calculating capital allocation for the Issuer and its subsidiaries, depending on risk appetite and value creation objectives in proportion to risks assumed.

In addition to the Group Risk 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 Committee" – for approval or information – market risk strategies, policies, methodologies and limits.

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 defining the strategies, policies, methodologies and limits (where applicable) for liquidity risk, exchange rate risk and interest rate risk of the investment portfolio, making decisions for the internal transfer of capital, Funding Plan and Contingency Funding Plan and monitoring. The committee furthermore ensures consistency between the processes and methodologies related to liquidity, exchange rates and interest rates of the investment portfolio between the regional liquidity centres, the business functions and the subsidiaries, in order to optimize usage of financial resources (for example liquidity and capital) in coherence with the RAE and the business strategy.

Market strategies and processes - Trading book

The Trading Book includes the positions in financial instruments and commodities held either for trading intent or to hedge other elements of the Trading Book itself. To be eligible for Trading Book capital treatment, in accordance with the current policy "Eligibility Criteria for the Regulatory Trading Book assignment", financial instruments must either be free of any restrictive covenants on their tradability or able to be hedged completely. In addition, positions should be frequently and accurately valued, and the portfolio should be actively managed.

The risk that the value of a financial instrument (an asset or a liability, cash or derivative) changes over time is determined by the following five standard market risk factors:

- Credit risk: the risk that the value of the instrument decreases due to credit spreads changes;
- Equity risk: the risk that the value of the instrument decreases due to stock or index prices changes;
- Interest rate risk: the risk that the value of the instrument decreases due to interest rates changes;
- Currency risk: the risk that the value of the instrument decreases due to foreign exchange rates changes;
- Commodity risk: the risk that the value of the instrument decreases due to commodity prices (e.g. gold, crude oil) changes.

UniCredit Group manages and monitors market risk through two sets of measures:

- Broad Market Risk measures:
  - Value at Risk (VaR), which represents the potential loss in value of a portfolio over a defined period for a given confidence interval;
  - Stressed VaR (SVaR), which represents the potential VaR of a portfolio subject to a continuous 12-month period of significant financial stress;
  - Incremental Risk Charge (IRC), which represents the amount of regulatory capital aimed at addressing the credit shortcomings (rating migration and default risks) that can affect a portfolio in a defined time period for a given confidence interval;
  - Loss Warning Level (LWL), which is defined as the 60 calendar days rolling period accumulated economic P&L of a risk taker;
  - Stress Test Warning Level (STWL), which represents the potential loss in value of a portfolio calculated on the basis of a distressed scenario.
- Granular Market Risk measures:
  - Sensitivities, which represent the change in the market value of a financial instrument due to moves of the relevant market risk factors;
  - Stress scenarios applied to specific risk factors and for specific lines of business;
  - Notional exposures

On the basis of these measures, two sets of limits are defined:

- Broad Market Risk limits (Loss Warning Levels, Stress Test Warning Level, VaR, SVaR, IRC): which are meant to establish an economic capital absorption boundary and to the economic loss accepted for activities under trading activities regime; these limits have to be consistent with the assigned budget of revenues and the defined risk taking capacity;
- Granular Market Risk limits (Sensitivity limits, Stress scenario limits, Nominal limits): which exist independently of, but act in concert with Broad Market Risk limits and operate in a consolidated fashion across the Legal Entities (if applicable); in order to control more effectively and more specifically different risk types, desks and products, these limits are generally granular sensitivity or stress-related limits. The levels set for Granular Market Risk measures aim at limiting the concentration of individual risk factors and the excessive exposure in risk factors which are not sufficiently covered under VaR.

Market strategies and processes - Investment portfolio

The main components of market risk in the investment portfolio are credit spread risk, pure interest rate risk and FX risk.

Credit spread risk originates mainly from government bond portfolios held for liquidity purposes. The market risk of the bond portfolio is restricted based on notional, sensitivity measures of the economic value and Value at Risk. The main credit spread exposure is related to Italian sovereign risk in the Italian perimeter.

The second component, interest rate risk, is mainly managed with the purpose of optimizing, the risk/return ratio of the Issuer and the creation of value in the long term and on an ongoing concern basis, while reducing the negative impacts on the generation of profits and regulatory capital caused by interest rate volatility. The exposure is measured in terms of economic value sensitivity and the net interest income sensitivity. On a daily basis the treasury functions manage the interest rate risk from commercial transactions within operational limits set by the relevant risk committees. The exposure is measured and monitored on a daily basis by the risk management functions. The Asset & Liability Committee is responsible for the interest rate strategy for the strategic position. This includes the decision of investing the net position of non-interest earning assets and non-interest bearing liabilities. The strategy which is applied aims to minimize the risk on the interest margin for the Issuer, whether in the short term or with a medium - long-term perspective. This implies that investments are made following a replicating profile for free equity, where the choice for the exact maturity profile is decided by the Asset and Liability Committee. Also for the investments of sight items the strategy is to stabilize net interest income by investing at longer maturities. This applies to all the liquidity reference banks. The Asset and Liability \\committees decide on the maturity profile that is deemed most appropriate to protect the Issuer's net interest income. The maturity profile for sight items, as well as the investment strategies, vary per liquidity reference bank, as they take into account local specificities.

The interest rate management strategy takes into account the main impact from prepayments. Based on historical prepayment data as well as trend analysis the prepayment behaviour is estimated. In Italy the prepayment risk is implicitly taken into account by treasury while hedging for commercial assets interest risk. The prepayment risk in the German mortgage portfolio is marginal due to the fees in case of early prepayment. However, the prepayment exposure in specific contracts is separately hedged by swaptions. The prepayment risk in the Austrian and Polish loan portfolio is deemed residual; therefore no prepayment hedging strategy is applied.

The overall interest risk exposure on the investment portfolio perimeter is periodically reported, at least on a monthly basis, to the Group ALCO. The committee's involvement in interest rate risk management includes:

- limit setting and monitoring;
- hedge strategies;
- guidelines and policies
- Decisions relative to funds transfer pricing decisions;
- definition of risk methodologies and measurement.

It should be noted that the ALCO Group sets the guidelines and Risk Framework for the Regional Centres. At the individual regional centre level, the ALCO committees delineate the process for their perimeter, while the ALCO Group monitors the overall position.

The Risk Management department proposes the limits, certain of which require approval by the Group Risk Committee of the Board of Directors. Others require the approval of the "Asset and Liability Committee" exclusively.

A third risk type is FX risk. The sources of this exposure refer mainly to capital investment in foreign currency. The current strategy is not to hedge the capital. The general policy is to hedge the foreign currency exposure related to dividends in foreign currencies taking into account hedging cost and market circumstances. The exposure is most relevant for Pekao and the EEC subsidiaries.

The FX exposure is hedged using forwards and options that are classified as trading book. This general rule is valid for the Parent Company and Sub-holdings. The hedge strategy is reviewed by the relevant risk committees on a periodic basis.

Structure and Organization

During the second quarter of 2013, in order to create a single reference point for the management of UniCredit Group financial risks and to ensure a more efficient steering, coordination and control through a single organizational structure, the "Group Financial Risk" department has been created, with direct report to "Group Risk Management" department.

The "Group Financial Risk" is responsible for the government and control of Group financial risks (liquidity, interest rate, market, counterpart 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 Centres (RCs), according to "GMGR" 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.

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 the governance and control of Group's market, trading credit and collateral risks;

- the Group Price Control unit is responsible for guiding and controlling the independent price verification process (IPV) at the group level;

- the Group Risk Methodologies & Architecture Department, which is responsible for developing and maintaining the Group methods and models for financial risks, the models and the structures and for validating the pricing model;

- the Financial Risk Italy unit is in charge of independently controlling liquidity, interest rate, market and counterpart, trading credit and collateral risk in relation to the Issuer and the subsidiaries/regional centres in Italy (where these are present) and executing the requested stress test;

- the Group Financial Risk Standard & Practice unit is responsible for coherence and coordination of the global policy within the Group and coherence and coordination of the reports relative to financial risks throughout the Group;

- the Group Liquidity and Interest Rate Risk Management unit is responsible for independently controlling financial statement liquidity risk and interest rate risk at the Group level and for the stress tests, regulatory and as required by internal regulations.

Measurement and reporting systems - Trading book

During 2015, UniCredit Group continued to improve and consolidate market risk models in order to properly measure, represent and control the Group risk profile, reflecting these changes in the reporting activity. As regards market risk measurement, more details can be find in the paragraph "Internal Model for Price, Interest Rate and Exchange Rate Risk of the Regulatory Trading Book", while for both monthly and daily reporting process Global Operational Instruction are periodically updated.

The monitoring of the risk profiles is made even more effective with the individual granular risk limits, in addition to broad limits, in relation to primary investment banking operations.

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.

The Group Financial Risk department is required to ensure that principles, rules and processes are in line with industry best practice and consistent with standards and uses in the various countries in which they are applied.

The main tool used by the UniCredit Group to measure market risk on trading positions is Value at Risk (VaR), calculated using the historical simulation method.

The Group Financial Risk defines market risk reporting standards, both in terms of contents and recurrence, and provides timely information to Top Management and regulators regarding the market risk profile on a consolidated level.

In addition to VaR and Basel II risk measures, 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 Issuer.

Measurement and reporting systems - Investment portfolio

The primary responsibility of the monitoring and control of the risk management for market risk in the investment portfolio lies in the Issuer's competent Bodies. For instance, the Issuer is in charge of monitoring market risks for the Investment portfolio at the consolidated level. As such, it defines structure, data and frequency of the necessary Group reporting.

The Investment portfolio interest rate risk measures cover both the value and net interest income risk aspects.

More precisely, the different, and complementary, perspectives involve:

- Economic value perspective: variation in interest rates can affect the economic value of assets and liabilities. The economic value of the Issuer can be viewed as the present value of the Issuer's expected net cash flows, defined as the expected cash flows on assets minus the expected cash flows on liabilities; a relevant risk measure from this perspective is the economic value sensitivity per time bucket for a 1 bp rate shock. This measure is reported to the relevant committees to assess the economic value impact of various changes in the yield curve. In addition, the economic value sensitivity for a 200 bps parallel shock is included;

- Earnings at Risk perspective: the focus of the analysis is the impact of changes of interest rates on accrual or reported Net Interest Income that is the difference between revenues generated by interest sensitive assets and the cost related to interest sensitive liabilities. An example of a measure of risks used is net interest income sensitivity for a 100bp parallel shock in rates. It provides an indication of the impact on the net interest income over the next 12 months if such shock should occur. Scenarios that include the basis risks and non-parallel scenarios are also considered.

Next to the set of limits and warning levels for interest rate risk, restrictions and exposure measures are in place for other market risk types such foreign exchange risk, equity risk, value risk due to credit spread fluctuations. Besides through economic value sensitivity measures and other granular indicators, these risk types are captured in a value at risk measure that includes all market risk factors. These values at risk measures are based on a historical simulation.

Hedging policies and risk mitigation - Trading book

A set of risk indicators is provided to the Group Market Risk Committee through the Market Risk Overview report on a monthly basis; these include VaR, Stressed-VaR and IRC usages, Sensitivities, Sovereign Exposure and Stress Test results.

At the same time limit breaches are reported both to the Group Market Risk Committee and to the Group Risk & Internal Control Committee, the escalation process being ruled by the Global Policy "Market Risk Limits" which defines the nature of the various thresholds/limits applied, as well as the relevant bodies to involve to establish the most appropriate course of action to restore exposure within the approved limits.

If required, focus is provided from time to time on the activity of a specific business line/desk in order to ensure the highest level of comprehension and discussion of the risks in certain areas which are deemed to deserve particular attention.

Hedging policies and risk mitigation - Investment portfolio

GALCO evaluates the main market risk drivers on a monthly basis. This committee decides on the strategy which mainly aims to stabilize the net interest income. Group Risk Management reports to the committee on the Investment portfolio risk measures both from a value and income perspective. This function proposes and monitors the set of limits and warning levels which have been previously approved by the relevant bodies.

Violations of these limits and warning levels, if present, are reported to the above mentioned bodies. Consequently, the escalation process is activated in line with the procedures set in the Policy, to establish the most appropriate course of action to restore exposure within the approved limits.

Execution of structural hedges to mitigate the interest rate risk exposure on client business is responsibility of the treasury functions. Strategic transactions in the investment portfolio are executed by the Asset and Liability Management department-ALM.

Liquidity risk

Liquidity risk is defined as the risk that the Group 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 essential principles of the Liquidity Risk Management Model

The liquidity reference banks

The Group aims to maintain liquidity at a level that enables it to fund its operations at the best rate conditions under normal operating circumstances, and always to be in a position to meet payment obligations.

To this end, the Group complies stringently with the legal and regulatory provisions imposed by the Central Banks and by the national authorities of each country where it operates.

In addition to local legal and regulatory requirements, by means of the Issuer and under the supervision of *Group Risk Management*, the Group has defined policies and metrics to be applied Group-wide, to ensure that liquidity position of each member meets the requirements of the Group.

The Group is therefore organized according to management type criteria, defined in line with the concept of *Liquidity reference banks*.

The *Liquidity reference banks* are Group companies that provide liquidity management based on the responsibilities they have as *sub-holdings*. They are in charge:

- of the management and concentration of cash flows of the various companies falling within their perimeter of responsibility;
- of the funding optimization carried out on the relevant local markets and are responsible for coordinating the access to short-term and medium/long-term markets of the companies within their perimeter;

- lastly, they are responsible for the implementation of the Group's liquidity rules at local level, in line with Group *governance guidelines* and with local regulations.

Each liquidity reference bank monitors and supervises Group companies' liquidity positions according to their specific perimeters of competence, as well as ensuring that each company maintains a sufficient level of liquidity to meet its individual and joint payment obligations.

A particularly important role is played by the Issuer, as the entity responsible for supervision and control. On the issue of liquidity this role consists of guiding, coordinating and controlling all aspects regarding liquidity within the entire Group. The Issuer has responsibility for defining the Group *Risk Appetite* and sub-allocating the agreed limits with the *liquidity reference banks* and/or the individual Group companies. The Issuer also acts as *liquidity reference bank* for the Italian perimeter.

The principle of "self-sufficiency"

This organization model promotes the group's self-sufficiency by enabling access to local and global markets in a controlled and coordinated way. According to Group Policies, structural liquidity surpluses generated in a *liquidity reference bank* can be transferred to the Issuer, unless legal requirements prevent it. The liquidity available at country level could be subject to restrictions due to legal, regulatory and political constraints. The so called Large Exposure Regime, applied throughout Europe, along with specific national laws like the German Stock Corporation Act, are examples of legal constraints to the free circulation of funds within a cross-border banking group.

As a general rule, the large exposure regime, which came into force on December 31, 2010, limits bank exposure to a maximum of 25% of own funds; this rule is also applicable to intra-group positions.

However, there are significant differences in the way in which this EU regulation has been implemented in the various countries. In many EEC countries the maximum limit of 25% of capital is valid, but in some countries there are even stricter rules. In Austria, local law does not apply the maximum limit of exposure to a parent company domiciled in a European Economic Area country. Lastly, in Germany the national Regulator has in place a process for applying for an exemption for intra-group positions from the large exposure limitation.

In the absence of official limits valid at National level, Austrian and German Regulators reserve the right to judge the exposure level on a case-by-case basis. In the current economic environment, in many of the territories where the Group operates, regulatory authorities are adopting measures aimed at reducing the exposure of their National banking system towards foreign jurisdictions with potential negative impacts on the ability of the Group to finance its operations.

Given this scenario, an additional principle for improving healthy and prudent liquidity management is provided for as part of the group liquidity management & control policy. Each Group company with access to the market is required to increase its self-sufficiency with liquidity, therefore reinforcing its key strengths. In addition, the Group regulations set out that each Group company (including the liquidity reference banks) must be self-sufficient in terms of liquidity in their respective currencies, or on their own behalf or via enhancement of the relevant liquidity reference bank. This principle of self-sufficiency is reflected in certain structural limitations. Such limits are established both at the Group level and for each individual company, with the aim of avoiding/controlling imbalance between the various companies.

This type of organization ensures that the Group companies are self-sufficient, accessing global and local markets for liquidity in a controlled and coordinated way. This makes it possible to optimise: i) liquidity surpluses and deficits between the companies belonging to the Group; and ii) the total cost of funding for the Group.

Roles and responsibilities

Three main liquidity management structures have been identified for the Group: for *Group Risk Management*, the *Group Planning* function, the *Finance & Shareholding and Investor Relations* function and the *Treasury* function (included within the *Markets* business unit), each one with different roles and responsibilities. In particular, the operational responsibilities reside in the Group Planning Finance, Shareholding and Investor Relations 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 current Bank of Italy regulations).

More specifically, the Treasury function acts as main coordinator in the management of infra-group flows, stemming from liquidity deficits or surpluses of the various Group companies, and applies the appropriate transfer prices to such funds movements. By doing so, Treasury ensures disciplined and efficient access to the markets.

The Group Planning, Finance, Shareholding and Investor Relations function is responsible for the coordination of the entire Group's financial planning process, the liquidity reference banks and the individual group companies. This has the aim of ensuring stability and profitability of the whole financial structure over time, by addressing the composition of assets and liabilities and their associated maturities in accordance with the limits and measures established for the liquidity and balance sheet metrics. It is also responsible for executing the Group's medium/long-term finance strategy (including securitizations), coordinating access to the national and international financial markets for all the liquidity reference banks and the relevant Group companies, exploiting opportunities of local markets to reduce borrowing costs and diversify financial resources.

Optimisation 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 Group's 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.

Techniques for risk measurement

The different types of liquidity risk managed by the Issuer:

- *Short-Term Liquidity Risk* refers to the risk of amounts and/or maturities of incoming cash flows corresponding with the outgoing in the short term (less than one year);
- *Market Liquidity Risk* is the risk of the Issuer having to face significant (and unfavourable) price variations generated by external or internal factors and incurring losses from the sale of *assets* considered liquid. In the worst cases, the Issuer may not be able to liquidate such positions;
- *Intraday Liquidity Risk* where the Issuer is not able to "meet its payments and settlement obligations promptly, either in normal conditions or conditions of stress"*;*
- *Structural Liquidity Risk* is defined as the inability to receive the funds necessary to maintain an adequate ratio between assets and liabilities in the medium and long-term (more than one year) at a reasonable price level, in a stable and profitable manner, without affecting daily operations or the financial situation of the Issuer. This could have a negative impact on the cost of borrowing (own loans and market funding spread), affecting the institution's future revenues;
- *Contingency risk*, or *liquidity stress* is the risk that future and unexpected obligations (i.e. draw on committed facilities, deposits withdrawal, increase in collateral pledging) could require the Issuer to have a greater amount of liquidity compared to what is used ordinarily;
- *Intragroup liquidity risk* can arise from an excessive exposure or dependence to/on specific counterparties of the Group;
- *Funding Concentration Risk* arises when the Issuer draws on a limited number of resources for finance, i.e. when the withdrawal of one or more of them would cause liquidity problems;
- *Foreign Exchange (FX) Liquidity Risk* is generated by a lack of alignment between current and future liquidity and future incoming and outgoing cash flows in foreign currencies (*FX refinancing risk*) or relating to the distribution of assets and liabilities in foreign currencies on maturity (*FX structural mismatch risk*).

Liquidity risk, through its particular nature, is addressed by means of gap analyses, liquidity stress testing, and complementary measures (mainly through a set of indicators: e.g. loan to deposit 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 an overnight up to a 12-month maturity;
- gap ratios on a monthly basis, which control the medium to long-term risk (structural liquidity) from the 1Y maturity onwards.

The liquidity framework

The Group's liquidity framework is based on the Liquidity Risk Mismatch Model, characterized by the following fundamental principles:

- Short-term liquidity risk management (operational liquidity), which considers the events that will impact upon the Group's liquidity position from 1 day up to one year. The primary objective is to maintain the Group's capacity to fulfil 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 the Group'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 avoiding 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 techniques form an excellent tool for evaluating potential vulnerabilities. The Issuer models various scenarios, from general market crisis to idiosyncratic crises and combinations of the two.

In this context, the mismatch model will take into account all assets, liabilities, off-balance sheet positions and also both present and future events which generate certain or potential cash flows for the Group, thereby protecting the Group banks/companies from risks related to the transformation of maturities.

Moreover, the liquidity risk is included in the Group's Risk Appetite framework through some specific liquidity indicators. One of these is the investment portfolio core funding gap (an improved loan-to-depo gap), which is calculated on a quarterly basis and measures to what extent the commercial loan portfolio is financed through commercial positions.

Short-term liquidity management

Short-term liquidity management aims at ensuring that the Group remains in a position to fulfil 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 of the net contractual cash flows (in/outflows) affecting the cash position at Central Banks or the so-called "our account". Therefore, these flows directly impact the Issuer's core liquidity, over pre-defined time buckets.

The operative maturity ladder, calculated for each currency, is made up of:

- *Primary Gap*, which shows the net wholesale refinancing requirements over the various time buckets;
- *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*, is the sum of the previous components;
- *Reservation for unexpected flows*, which consists of liquidity adjustment to the operative maturity ladder, in reserves 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 market price changes.

The operative maturity ladder is included within the Group Risk Appetite Framework, with a limit per bucket of 0 to 3 months.

The Group also adopts the *cash horizon* as an indicator summarising the short-term liquidity risk levels. The cash horizon identifies the number of days after which the particular Group company 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

The Group'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 maturities 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/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 liquidity ratio*.

In general, the 1-year structural liquidity ratio is calculated as the ratio between liabilities and assets with maturity greater than 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 will be distributed at the end of 2016. It will be replaced by the *Net Stable Funding Ratio* (NSFR) as described by Basel III.

A key structural component, with the aim of measuring the financial needs deriving from the Issuer's commercial operations is the *funding gap*, which measures the need for funding that the Issuer must seek on the wholesale market. The indicator is included within the risk appetite framework with the aim of monitoring and managing levels of funds able to cover net customer loans, deriving from financial resources not solely obtained via the activity of the Treasury/Finance division.

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 the Group's assets;
- provide support to the development of the liquidity contingency plan.

In order to execute Stress tests that are consistent across all liquidity centres, the Group has a centralised approach, requiring each liquidity Centre to run the same scenario under the coordination of Group Risk Management, via local procedures. The Group runs liquidity scenarios and sensitivity analyses periodically, 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 a hypothetical, well defined and consistent stress scenario.

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 companies.

The operational risk policies, applying to all Group entities, are common principles defining the roles of the company bodies, the operational risk management division as well as the relationship with other divisions involved in operational risk monitoring and management.

The Issuer coordinates the Group companies according to internal regulation and the operational risk control rulebook. Specific risk committees (Group Risk & Internal Control Committee, GALCO, Group Operational and Reputational Risk Committee) are set up to monitor risk exposure, mitigating actions and measurement and control methods.

The methodologies for data classification and completeness verification, scenario analysis, risk indicators, reporting and capital at risk measurement is set by the Issuer's Group Operational & Reputational Risks department and applies to all Group companies. A pivot element of the risk control framework is the operational risk management application, allowing the collection of the data required for operational risk control and capital measurement.

The output of the various elements of the operational risk management system are translated as far as possible into actions that mitigate operational risk. This has seen the system develop over recent years from a control system to a complex of practices for managing and reducing risk.

The operational risk measurement and control system's compliance with external regulations and the Group's standards is assessed via an internal validation process. Responsible for this process is the Issuer's Group Internal Validation department, a unit independent from the Group Operational & Reputational Risks department.

Since March 2008, the UniCredit Group has used the AMA (Advanced Measurement Approach) model for calculating operational risk capital. The use of this method has been rolled out to the main companies of the Group.

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 Risks Committee is responsible for monitoring operational and reputational risks at Group level. It evaluates incidents significantly affecting the overall operational and reputational risk profile, presents the Group Risk & Internal Control Committee, either for approval or information, with operational and reputational risk strategies, policies, guidelines, methodologies, operational losses trend monitoring based on operational expected losses, as well as regular reporting on operational and reputational risk portfolio.

The Committee is responsible for ensuring consistency in operational and reputational risk policies, methodologies and practices across various Group business divisions and companies. It controls and monitors the Group operational and reputational risk portfolio and risk mitigation actions.

The Committee, chaired by the head of Group Risk Management, is made up of permanent and guest members. The list of participants of the Committee was updated in 2014, also in the light of changes in the organizational structure of the Group.

The Group Operational & Reputational Risks Committee meets with consulting and recommendation functions for submission to the Group Risk & Internal Control Committee, for the following topics relating to operational risk:

- Group risk appetite including capitalization targets and capital allocation criteria for Group operational risks;
- estimation model of expected operational losses for the Group and for the main Group companies based on historical losses;
- initial proposals and fundamental modifications of control and measurement systems for operational risk, including possible action plans, processes, IT and data quality requirements, supported by the validation reports;
- 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 systems resulting from Group Internal Validation and Internal Audit activities, relating to internal control and risk measurement systems;
- status update of relevant Basel 2 project activities and processes on operational risk topics;
- ICAAP topics on operational risks;
- yearly Regulatory Internal Validation Report on operational risk;
- advice on matters of operational risk, on request of the Issuer's or Group companies' functions/bodies.

and for the following topics with reference to reputational risk:

- support, for specific reputational risk events, the crisis management and stakeholder communication, in line with the provisions of the Reputational Risk Management framework;
- advice on matter of reputational risk, on request of the Issuer's or Group companies' functions/bodies.
- issue opinions, on request of the relevant committees, in case of doubt over the application of the reputational risk global rules, to evaluate the overall transaction;
- issue opinions to evaluate the reputational risk related to non-credit transactions identified by the Head of CIB Division.

The Group Operational & Reputational Risks Committee meets with divisions deliberating on the following topics:

- operational and reputational risk policies;
- corrective actions for balancing Group operational risk positions, including planned mitigation actions within the expected operational losses defined by the competent Bodies;
- Group insurance strategies, including renewals, limits and deductibles;
- approval and following fundamental modifications of the methodologies for the measurement and control of operational risk, supported by the related validation reports.

The Group Operational & Reputational Risks Committee provides the Group Risk & Internal Control Committee with the following information:

- periodic reporting on operating losses, insurance pay-outs, trends of risk indicators and also the results of the back testing and stress testing activities, including those required for Regulatory Authorities (before they are submitted)
- results of scenario analyses
- results of critical risk indicator analyses
- relevant internal and external operational events, significantly affecting the Group's portfolio
- operational and reputational risk policies
- corrective actions for balancing Group operational risk positions, including scheduled mitigation actions
- Group insurance strategies, including renewals, limits and deductibles
- methodologies for the measurement and control of operational risk
- regular reports on reputational risks included the one addressed to Regulatory Authorities (before the presentation to them).

The Group Operational & Reputational Risks Committee receives periodic reporting from the relevant committees on all transactions which have been assessed for reputational risk, based on the relevant global rules in force.

Group Operational and Reputational Risks reports to Group Risk Management and is responsible for the governance, control of operational and reputational risks (including operational risks overlapping with credit and market risk and ICT risk) and evaluation of the exposure to operational and reputational risks, thereby ensuring continual and independent oversight. It is also responsible for defining the strategies for mitigating such risks and for limiting the associated losses for UniCredit. The department is also responsible for defining programs for optimising operational losses, intervening on specific risk models and methods.

The department is divided into four organizational units:

- the Operational & Reputational Risks Advanced Analytics and Strategies unit is 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, including according to specific operational risk models, and providing suitable reporting to the functions concerned. The unit is also responsible for defining operational risk strategies, the RAF, the guidelines and instruments for transferring/hedging operational risk;
- the Operational & Reputational Risks Management unit is required to support the business divisions (i.e. *UniCredit S.p.A.* Network and Competence Line, CIB Division) in identifying operational and reputational risks by performing specific risk assessments (e.g. on significant transactions). The unit is also responsible for defining operational loss optimisation programs and controlling the metrics of the RAF. Lastly, it is responsible for managing reputational risk for UniCredit and for issuing non-binding creditworthiness opinions for the Group, according to the Group's reputational risk rules;
- the Operational and Reputational Risk Oversight unit is responsible for defining the principles and rules for identification, assessment and control of operational risk and reputational risk (including operational risks bordering on credit risk and market risk and ICT risks), and monitoring their correct application by Group companies; The unit is also responsible for ensuring homogeneity across the Group in collecting operating losses, in performing scenario analyses and monitoring risk indicators;
- the Operational, Rep. Risks on Credit Framework & Fraud Mgmt unit is responsible for identifying and controlling operational risk within the credit framework to contribute to reducing operating losses. The unit is also responsible, with reference to UniCredit, for identifying initiatives required for preventing, controlling and managing mortgage and consumer credit fraud.

The Operational Risk Management divisions of subsidiary companies provide specific operational risk training to staff, who may also use intranet training programs, and are responsible for the correct implementation of the Group framework elements.

Validation process

In compliance with regulations, an internal validation process for the operational risk control and measurement system has been set up at the Issuer and relevant Group companies, to verify the compliance with regulations and Group standards. This process is the responsibility of the Operational and Pillar II Risks Validation team, within the Group Internal Validation department.

Group methodologies for measuring and allocating the capital at risk and the IT system are validated for the Issuer by the above-mentioned function, while the implementation of the operational risk control and management system within the Group companies is analysed by local Operational Risk Management divisions by self-assessment, following the technical instructions and policies issued by Group Internal Validation.

The results of the local assessments are revised annually by Group Internal Validation, which performs additional analysis on data and documentation. The findings form the basis for the release of specific Non-Binding Opinions to the Group companies. The local validation reports, together with the opinion of Group

Internal Validation and Internal Audit report, are submitted to the competent bodies of the subsidiary companies.

All the results of the validation activities, both for the Issuer and for the Group companies, are consolidated annually within the Group validation report which, along with the annual Internal Audit, is presented to the UniCredit Board of Directors.

Periodic reporting on validation activities is submitted also to the Group Operational & Reputational Risks Committee.

Reporting

A reporting system has been developed by the Issuer to inform senior management and the relevant control bodies on the Group operational risk exposure and the risk mitigation actions.

Specifically, an estimate is provided, at least quarterly, of the capital at risk and monthly updates are provided on the trend of operating losses, the key initiatives undertaken for mitigating operating risks in the various business areas and operating losses sustained in lending processes (so-called cross-credit losses). In addition, the results of the validation are submitted to the Group Operational & Reputational Risk Committee.

Operational risk management and mitigation

Operational risk management uses a number of tools, for example reviewing processes for reducing the risks found or insurance policies management, defining proper deductibles and policy limits. Regularly tested business continuity plans assure sound operational risk management in case of interruption of main business services.

For the subsidiary companies, the Risk Committee (or other bodies, depending on local regulations) reviews risks tracked by the Operational Risk divisions with the support of divisions involved in daily operational risk control, and monitors the risk mitigation initiatives.

Other risks and risk aggregation

The types of risk described above, while representing the main types, do not cover all of those considered significant for the Group, which include:

- business risk;
- real estate risk;
- financial investment risk;
- strategic risk;
- reputational risk.

These risks are defined as follows:

Business Risk

Business risk is defined as a measurement of the variance between unanticipated unfavourable changes in future profit margins of the Issuer and those forecast. It can lead to serious losses and therefore impact the Issuer's capital. Business risk concerns the impact of future unanticipated impairment over a period of time one year. In more detail, within the context of business risk, margins are defined as difference between revenue and expense in such a way that they do not overlap with other risks (e.g. credit, market and operational). Business risk may originate from a significant deterioration of the relevant market, changes in the scenario, alternative customer conduct, and even changes in the relevant regulatory framework.

This risk is calculated for monitoring purposes based on the income statement (one-year rolling), on a quarterly basis.

Real Estate Risk

Real estate risk is defined as the potential losses resulting from market value fluctuations of the Group's real estate portfolio, including real estate special purpose vehicles (SPVs). It does not take into consideration properties held as collateral.

The data relevant for the real estate risk calculation include general information related to properties and area or regional price indexes for each property to enable calculation of volatility and correlation in the model.

A set of benchmark yield indices is prepared, one for each of the main regions, and a "fat tailed" distribution is assumed. Each index is therefore adapted to the associated benchmark and the estimation parameters are used to model fluctuations of market values via the Monte Carlo approach.

Calculation of real estate risk estimates the maximum potential loss with a confidence interval defined according to the rating objective and the time horizon of one year.

Real estate risk is calculated for monitoring purposes every six months and for budgeting purposes according to the timelines scheduled in the planning process.

Financial Investment Risk

Financial investment risk refers to volatility of the value of holdings and equity funds, which form part of the investment portfolio. The equity holdings portfolio includes primarily:

- Shares (listed and unlisted);
- Derivatives with underlying equities;
- *Private equity;*
- Holdings in funds, whether mutual, hedge or private equity.

Two subsets of assets form the inputs for two different portfolio models: the market risk model is applied to the subset of liquid assets and the portfolio credit risk model applies to the unlisted positions.

For monitoring, the global allocation of financial investment risk in economic capital amounts to the sum of Credit VaR and the level of market VaR at 99.90%.

Strategic Risk

Strategic Risk is the risk of suffering potential losses due to decisions or radical changes in the business environment, improper implementation of decisions, lack of responsiveness to changes in the business environment, with negative impact on the risk profile and consequently on capital, earnings as well as the overall direction and scope of a bank on the long run.

The quantifiable component of the risk, including the changes in the competitive scenario and the legal framework are incorporated in the business risk.

In addition, UniCredit group has in place a dedicated Corporate Governance Structure – the system of rules and procedures that serve as guidelines for the conduct of the company in carrying out its duties to its stakeholders – that allows the management of Strategic risk at Group level.

Reputational risk

UniCredit group defines Reputational Risk as the current or future risk of a loss or decline in profits or share value as a result of a negative perception of the Issuer's image by customers, counterparties, shareholders, investors or regulators.

Since 2010 UniCredit has adopted Group Reputational Risk Governance Guidelines, which define a general set of principles and rules for assessing and controlling reputational risk.

Reputational risk management reports to Group Operational & Reputational Risks Department of UniCredit and to the dedicated divisions of the Group companies.

To update the reputational risk assessment methods, reflecting the best practices already adopted by the Group, in September 2016 the governance guidelines were replaced by the Group Reputational Risk Management policy.

In addition, the Group Operational & Reputational Risks Committee ensures consistency in reputational risk policies, methodologies and practices across the various divisions/business units and legal entities, controlling and monitoring the Group Reputational Risk portfolio. Furthermore, the Transactional Credit Committees are in charge of evaluating possible reputational risks inherent in transactions, on the basis of the current reputational risk guidelines and policies.

The policies in being as at the Registration Document Date for the mitigation of specific reputational risks concern the defence/weapons industry, nuclear energy, mining, water infrastructure (dams) and coal-fired electricity generation.

Lastly, the Human Rights Commitment document aims to identify and manage human rights risks and reduce potential human rights violations.

ICAAP – Internal Capital Adequacy Assessment Process and Risk Appetite

The measurement of the risk profile is a vital element of the ICAAP (Internal Capital Adequacy Assessment Process) in accordance with the Pillar II provisions of the Basel Accords (regarding the prudential control process).

The Group's approach to the ICAAP is based on the definition of Risk Governance as a preliminary requirement, while the process is made up of the following phases:

- definition of the perimeter and identification and mapping of risks;
- measurement of the risk profile and stress testing;
- definition of the risk appetite and capital allocation;
- monitoring and reporting.

Capital adequacy is evaluated taking into consideration the balance between the risks undertaken, both Pillar I (regarding minimum capital requirements, risk hedging and leverage ratio indices to be satisfied in terms of capital adequacy) and Pillar II, and the available capital. With regard to Pillar II, the benchmark is the Risk Taking Capacity, equal to the ratio between Available Financial Resources (AFR) and Internal Capital.

A vital element of the ICAAP is the Risk Appetite, defined within the UniCredit Group as the level of risk that the Group is prepared to sustain in order to pursue its strategic objectives and business plan, taking into consideration the interest of its stakeholders (e.g. customers, regulatory and supervisory authorities, shareholders), as well as capital requirements and other regulatory and legal requirements. The Group's Risk Appetite is defined and approved annually by the Board of Directors, and is subject to monitoring and reporting, at least quarterly, by the committees, in order to ensure consistency with the risk-yield profile defined by the Board of Directors. At local level, the Risk Appetite is established for the Group companies and sub-groups, and is approved by the competent local functions.

The main objectives of the UniCredit Group Risk Appetite are:

- to explicitly assess the risks, and their connections, that the UniCredit Group decides to assume or avoid from a long-term perspective;
- to specify the types of risk that the UniCredit Group intends to assume, establishing targets, triggers and limits both in normal and stress operating conditions;
- to ensure *ex-ante* a risk-yield profile consistent with sustainable long-term growth, consistent with the return projections of the multi-year strategic plan/budget;

- to ensure that the business develops within the risk tolerance limits set by the Issuer's Board of Directors, in conformity with existing national and international regulations;
- to support evaluations of future strategic options with regard to the risk profile;
- to direct the vision of internal and external stakeholders towards a risk profile consistent with the strategic positioning;
- to provide qualitative descriptions with regard to non-quantifiable risks (for example, strategic risk, reputational risk and compliance risk) in order to strategically direct the important processes and the internal control system.

The Group Risk Appetite is defined in line with the UniCredit Group business model. For this reason, the Group Risk Appetite is incorporated in the budget process, in order to guide the choice of the desired risk-yield profile, consistent with the guidelines of the Strategic Plan and at the beginning of the budget process.

The UniCredit Group Compensation Policy is consistent with the Group Risk Appetite in order to implement effective risk remuneration for the definition and provision of bonuses.

The structure of the Risk Appetite within the UniCredit Group includes the Group Risk Appetite Statement and the Dashboard containing the Group Risk Appetite KPIs.

The Risk Appetite Statement defines the positioning of the Issuer in relation to its strategic objectives and associated risk profiles, in order to satisfy the expectations of internal and external stakeholders, and it features:

- a guide to the main restrictions for the Group in terms of activities of interest;
- a definition of the desired risk-yield profile, consistent with the overall strategy of the Group;
- a statement of the risks that the Group accepts to assume or to avoid both in normal and stress conditions;
- an indication of the management strategies of the main risks under the scope of the Group;
- qualitative descriptions for the risks that are difficult to quantify (for example, strategic risk, reputational risk, compliance risk) in order to ensure the prevention/immediate intervention for emerging risks;
- a description of the main roles and responsibilities in the Risk Appetite process as far as the approval, cascading, monitoring, reporting and escalation phases are concerned.

The quantitative elements of the Risk Appetite Framework, on the other hand, are represented by a Dashboard, composed of a collection of indicators which are based on the analysis of the expectations of stakeholders within and outside of the UniCredit Group, which leads to the identification of the following categories, which include the significant risks to which the Group is exposed:

- **Ownership of risk and positioning**, to explicitly indicate the main reference activities of the Group and the overall positioning in terms of risk (for example, target rating);

- **Regulatory requirements**, to guarantee, at all times, compliance of the KPIs required by the Supervisory Authority (for example, Common equity tier 1 ratio, risk taking capacity, liquidity coverage ratio);

- **Profitability and risk**, to guarantee an economically sustainable attitude to risk for the Group (for example net operating profit/RWA);

- **Control of specific types of risk**, to guarantee the control and direction of all the major risks (for example, credit risk, market risk, operational risk, liquidity risk and interest rate risk, shadow banking and risk culture).

One or more KPIs are identified for each of the above-mentioned dimensions, in order to be able to measure the positioning of the Group quantitatively in different ways: absolute values, ratios, sensitivity analyses on the parameters defined.

Various thresholds are also defined, which act as early warning indicators, capable of anticipating potential risk situations, to be reported promptly to the appropriate organisational levels. If the risk appetite thresholds are reached, the appropriate risk profile adjustment measures should be adopted.

The following thresholds are identified (it may not be significant to define all the types of thresholds for certain KPIs):

- **targets** represent the amount of risk that the Group intends to take in normal operating conditions, in line with the Groups' ambitions. Targets should be considered as reference levels for the development and direction of the business;

- **triggers** represent, from a managerial point of view, the maximum acceptable deviation from the targets, or more generally they represent a warning level; they are defined in order to ensure the operation of the Group even in stress conditions within the maximum acceptable risk level;

- **limits** represent, from a statutory aspect, the maximum acceptable level of risk that the Group can take.

The calculation of the levels is evaluated on a case by case basis, including through managerial decisions by the Board of Directors, complying with the regulatory requirements and control bodies, and taking into consideration the expectations of stakeholders and positioning in relation to competitors.

In addition, the UniCredit Group defines a series of transverse operating limits and metrics which cover the main risk profiles, as a supplement to the Risk Appetite Framework.

In addition, a consolidated annual report on capital adequacy is prepared, based on the guidelines of the Bank of Italy. This report, sent to the Supervisory Authorities, includes an overview of the main Group companies. The Board of Directors, which approves the sending of this report, also recognises the adequacy of the risk management system with regard to the Group risk profile and strategy.

6.1.8 Regulatory framework

The paragraphs that follow contain a brief description of the main regulations governing the activities of the UniCredit Group applicable in Italy, Germany, Poland and Austria.

Italy

The supervisory regulatory framework is divided according to the source: international, EU, primary and secondary national.

The organisation of the banking and financial sector is primarily based on the European framework. For matters involving banking activity and the supervisory tasks of the Bank of Italy, the main European regulatory references can be found in Regulation (EU) 575/2013 (the Capital Requirements Regulation – "**CRR**") and Directive 2013/36/EU (the Capital Requirements Directive IV – "**CRD IV**") which is part of the Single Supervisory Mechanism – "**SSM**" – which are referred to in the paragraphs that follow.

At the level of primary national sources, the fundamental text on banking and credit laws is the TUB (Consolidated Banking Act), while the fundamental text on financial intermediation laws is the TUF (Consolidated Finance Act).

The TUB is a consolidated act regarding principles and the granting of powers, which establishes the fundamental rules and defines the responsibilities of the credit authorities (CICR – Interministerial Credit and Savings Committee, Ministry of Economy and Finance and the Bank of Italy). Specifically, it grants the power to issue secondary rules on aspects of a technical nature and to adopt measures of a prudential nature.

The secondary sources are represented by the resolutions of the CICR – which, at the proposal of the Bank of Italy, arranges the principles and criteria for the exercising of the supervision, from the ministerial regulations and the regulations issued by the Bank of Italy (circulars, regulations, supervisory provisions), including, specifically, the Supervisory Provisions issued by the Bank of Italy through Circular 285 of 17 December 2013, as later amended and supplemented ("**Supervisory Provisions**") which incorporate the prudential supervisory provisions applicable to Italian banks and banking groups.

Authorisation to carry out banking activity

In conformity with Article 10 of the TUB, attracting savings from the public and acting as a lender constitutes banking activity. The Bank of Italy and the ECB verify the existence of conditions designed to guarantee the sound and prudent management of the bank, including the ability of the intermediary to remain efficiently on the market. The Bank of Italy directly rejects requests for authorisation when sound and prudent management is not guaranteed by the verification of the conditions laid down by Article 14 of the TUB. In other cases, it submits a draft decision to the ECB, which either grants or refuses authorisation. Banks authorised to carry out banking activity and branches of EU banks established in the Republic of Italy are enrolled in a special register kept by the Bank of Italy (Article 13 of the TUB).

Supervisory authority

The authorities responsible for the supervision and regulation of Italian banks (credit authorities) are:

- *European Central Bank* (ECB). As the European Central Bank is a European Union independent institution, it oversees banking supervision from a European perspective through: (i) the establishment of a joint approach to supervision on a daily basis; (ii) recourse to standardised supervisory initiatives and corrective measures; (iii) the consistent application of the supervisory regulations and policies. The ECB, in conjunction with the competent national authorities, is responsible for the effective and consistent operation of the SSM and it directly supervises important banks and banking groups in participating countries, while the direct supervision of less important banks and banking groups is conducted by the competent national authorities with a view to unitary supervision steered by the general guidelines and instructions issued by the ECB. The ECB has the right to directly supervise less important banks and banking groups if it believes it to be necessary for guaranteeing the consistent application of high supervisory standards;

- *Bank of Italy*. The Bank of Italy is the central bank of the Republic of Italy and it is part of the European System of Central Banks (ESCB), the European Banking Authority ("**EBA**") as well as the Eurosystem, which comprises the ECB and central banks of member states that have adopted the euro. The TUB entrusts the Bank of Italy with very wide-ranging supervisory, information, regulatory and inspection powers;

- *Ministry of Economy and Finance* (MEF). The Ministry of Economy and Finance has regulatory powers with regard to exercising banking activity. Specifically, the Ministry, having consulted the Bank of Italy, uses a decree to adopt provisions regarding the following (i) the requirements of integrity and the criteria of competence and correctness of the holders of equity investments in the banks, (ii) the requirements of professionalism, integrity and independence as well as the criteria of competence and correctness and the limits on the total offices that can be held by representatives of banks. In addition, in the case of irregularities or losses involving a bank, the Ministry, at the request of the Bank of Italy, adopts provisions for subjecting the bank to resolution measures, extraordinary administration or compulsory liquidation proceedings; and

- *Interministerial Credit and Savings Committee* (CICR). The members of the CICR come from the Ministry of Economy and Finance and other ministers responsible for economic matters. The CICR has wide-ranging regulatory powers regarding banking activity, in accordance with the provisions of the TUB and other laws.

The Bank of Italy is responsible for, among other things, the adoption of regulations and instructions (both for banks and banking groups) in the following areas: (a) capital adequacy; (b) containing risk in its various configurations; (c) equity investments that may be held; (d) corporate governance, administrative and accounting organisation, internal checks and remuneration and incentive systems; (e) information to be disclosed to the public on the above-mentioned subjects.

The Bank of Italy, as stated, submits a draft decision to the ECB where sound and prudent management is guaranteed regarding authorisation for Italian banks to exercise banking activity, and the ECB either grants or refuses authorisation. Moreover, the Bank of Italy maintains full and independent responsibility for: consumer protection, combating money laundering and the funding of terrorism, supervision of payment services and financial instrument markets, supervision of non-banking subjects and branches of banks outside the EU.

The Bank of Italy is also responsible for the approval of the Articles of Association of the banks and amendments made to them, as well as for asking the banks to send their financial statements and statistical data on a regular basis. The supervisory authorities examine the periodic reports to check that, among other things, capital requirements are complied with by the banks. The supervision also involves the accuracy of the data transmitted, conformity with banking regulations and with the rules of internal organisation and management.

If irregularities are discovered during the supervisory activity, the Bank of Italy has the power to impose administrative monetary penalties. This power is exercised alongside other supervisory instruments and is designed to be a deterrent with regard to behaviour contrary to the principles of sound and prudent management, transparency and correctness in dealing with customers.

The Bank of Italy also acts, together with other public authorities, to prevent usury by organising quarterly checks to measure the average global effective rate debited by banks and financial intermediaries. The Ministry of Economy and Finance publishes the results of these checks which are used as the basis for calculating interest rate limits (beyond which the interest rates are considered usurious).

In addition, the Financial Information Office of the Bank of Italy (“**UIF**”) strives to prevent money laundering and the funding of terrorism. With regard to competition in the banking sector, on the other hand, Law 262 of 28 December 2005 granted supervisory powers to the Italian Competition Authority.

Lastly, in conformity with the provisions of the regulations in force on the subject of banking, note that the supervision of investment services provided by banks is the province of CONSOB.

Establishment of the Single Supervisory Mechanism

On 15 October 2013, the European Union Council approved Regulation (EU) No 1024/2013 which established the Single Supervisory Mechanism (the “**SSM Regulation**”), launched on 4 November 2014.

Under the scope of the Single Supervisory Mechanism the ECB was granted wide-ranging supervisory powers including, among other things, the task of: (i) ensuring the standard application of the regulatory provisions of the Eurozone; (ii) directly supervising large banking groups (important supervised subjects); and (iii) monitoring the supervision, by the competent authorities of the member stages, of smaller banks. In addition, the ECB is exclusively responsible, with the assistance of the competent national authorities, with regard to all credit institutions established in participating member states for the issuing of authorisation for access to the business of credit institutions, the revocation of authorisations and the valuation of acquisitions and sales of qualifying equity investments. These powers are exercised in Italy with the assistance of the Bank of Italy, through the methods laid down by Regulation (EU) No 468/2014 of 16 April 2014 of the Bank of Italy (the “**SSM Framework Regulation**”), which establishes the framework of cooperation under the scope of the Single Supervisory Mechanism between the European Central Bank and competent national authorities and with the designated national authorities. The decisions are taken, at the suggestion of the Supervisory Board, by the Governing Council of the ECB; the Bank of Italy is represented in both these decision-making bodies.

Pursuant to Article 49, paragraph 1, of the above-mentioned Regulatory Framework of the SSM, the ECB publishes a list containing the names of subjects and groups supervised – including the Issuer – which come under the direct supervision of the ECB ("important supervised subjects" and "important supervised groups"), indicating the specific reason for the direct supervision for each of them and, in the case of classification as important based on the criterion of size, the total value of the assets of the subject or the group supervised.

In view of its tasks, in 2014 the ECB carried out an "in-depth evaluation" process of the credit institutions of each participating member state (comprehensive assessment). The ECB completed the comprehensive assessment in October 2014 and took up its supervisory tasks from 4 November 2014. The main objectives of the comprehensive assessment were: transparency (to improve the quality of information available on the situation of the banks), correction (to identify and undertake any corrective measures necessary) and increasing confidence (to ensure that all parties involved in banking activity and the institutions are fundamentally sound and reliable). As far as the banks where capital shortcoming emerged with regard to a specific reference parameter are concerned, they can be asked to adopt corrective measures where their application is followed and guaranteed by the ECB.

The supervisory authorities regularly assess and measure risks at the level of the individual banks. This vital point of the supervisory activity, known as the *S*upervisory Review and Evaluation Process - SREP, consists of summarising the results that emerge from the analysis for a given year and telling the bank what actions to undertake. The new feature of the SREP under the scope of the SSM is the application of methods and time scales shared by all important banks in the Eurozone.

Specifically, the SREP focuses on the situation of intermediaries in terms of capital requirements as well as risk management. In the SREP decision that the supervisory authority sends to the bank at the end of the process, the fundamental objectives for dealing with the problems found are defined. The bank must then take corrective action in the time frames laid down.

For the results of the 2016 SREP, see Chapter 5, Paragraph 5.1.6 of the Registration Document.

Deposit guarantee system

In order to guarantee depositors from losing their funds in the case of insolvency, the regulations in force require banks to belong to a recognised deposit guarantee system established in Italy (the Credito Cooperativo Deposit Guarantee Fund or the Fondo Interbancario di Tutela dei Depositi – Italian Bank Deposit Guarantee Fund). The Italian Bank Deposit Guarantee Fund ("**FITD**") – to which the Issuer belongs – hedges losses up to a maximum limit of Euro 100,000 for each depositor with regard to sums held in the form of deposits, banker's drafts and other similar debt securities, eligible for repayment in accordance with the provisions of Article 96-*bis*.1 of the TUB. On the other hand, the FITD excludes, among other things, deposits and other funds repayable to the bearer, bonds, deposits made by banks in their own name and on their behalf (including the deposits of some companies belonging to banking groups) and deposits of state administrations and local authorities.

On 16 April 2014 Directive 2014/49/EU relating to deposit guarantee systems ("**DSGD**") was also adopted. Its purpose is to eliminate several differences between the legislation of member states as far as deposit guarantee systems ("**SGD**") are concerned and to introduce important new features for standardising the provisions within the European Union. Specifically, the most important new features introduced by the DSGD include: (i) the anticipation of joint minimum financial requirements for deposit guarantee systems, where the financial means available should reach, by 3 July 2024, a target level of at least 0.8% of the amount of the deposits hedged; (ii) a gradual reduction in the repayment terms for depositors: through three phases, the SGDs should manage to ensure this payment in 7 working days, instead of the current figure of 20; (iii) the establishment of the amount hedged, in the case of non-availability, at Euro 100,000 for each depositor, whereby it is the depositor, and not the individual deposit, that is protected.

The DSGD was implemented in Italy by Legislative Decree 30 of 15 February 2016 and came into force on 9 March 2016. In implementing the DSGD, the decree confirms the maximum repayment due to depositors at Euro 100,000, establishes the minimum funding that national guarantee systems must have available, promptly identifies the intervention methods of the latter, standardises the repayment methods to depositors if the bank is insolvent. Specifically, Legislative Decree 30/2016, introduces the possibility for the FITD to: (i) implement arrangements for amounts higher than Euro 100,000 (without a maximum limit) with regard to sums credited by physical persons in deposits where the amounts involved come from, among other things, divorces, pensions and insurance claims; (ii) make arrangements through resources paid on a voluntary basis by members; (iii) contribute to the funding of a resolution measure that may have been arranged; (iv) intervene in transactions involving the sale of assets, liabilities, companies, business units, goods and legal relationships that can be identified *en masse*, and (v) contribute to overcoming a situation of failure or the risk of failure of banks belonging to the FITD.

Acquisition of equity investments in banks

The regulations on the acquisition of equity investments on banks is governed by Directive 2007/44/EC transposed in Italy by Legislative Decree 21 of 27 January 2010, which amended the TUB, and by the CICR provision adopted through emergency decree 675 of 27 July 2011 of the Ministry of Economy and Finance, Chairman of the CICR (containing implementation rules on equity investments in banks, parent companies, financial intermediaries, electronic money institutions and payment institutions). These regulations require the ECB, at the proposal of the Bank of Italy, to grant prior authorisation for the acquisition in any way of equity investments in banks, parent company financial companies of banking or finance groups (hereinafter defined as “supervised company”) which involve the control (pursuant to Article 23 of the TUB) or the possibility of exercising considerable influence over the actual supervised company or which grant a percentage of voting rights or share capital in the supervised company equal to at least 10% (taking into account the shares or percentages already owned). This authorisation is also necessary for the acquisition of control in a company that holds the equity investments mentioned above. The ECB, at the proposal of the Bank of Italy, also grants prior authorisation for changes in equity investments when the percentage of voting rights or share capital reaches or exceeds 20%, 30% or 50% and, in any event, when the changes involve the control of the actual bank.

In addition, amendments have been introduced to Article 19 of the TUB aimed at repealing the principle of separating banking activity from non-financial activities. Without prejudice to the above, the Bank of Italy can, in effect, authorise subjects who operate in given economic sectors other than the banking and finance sectors to acquire or hold stakes in banks (even to the extent of more than 15%) if they have verified the existence of the conditions set out in Article 19 of the TUB (and the enforcement regime).

In conformity with Article 19, paragraph 5 of the TUB, the ECB, through the Bank of Italy, evaluates the quality of the potential purchaser and the financial soundness of the acquisition project in view of the probable influence of the potential purchaser over the bank based on the following criteria: the reputation of the potential purchaser pursuant to Article 25 of the TUB; the suitability, pursuant to Article 26 of the TUB, of anyone who, following the acquisition, will carry out administration, management and control functions in the bank; the financial soundness of the potential purchaser; the capacity of the bank to comply, following the acquisition, with the provisions governing activity; the suitability of the structure of the group of the potential purchaser to allow effective exercising of supervision.

Authorisation is also required for transactions involving irrevocable commitments for the acquisition of significant equity investments in banks or parent companies (e.g. participation in tenders, promoting takeover bids, or exceeding the level that involves the obligation to promote an IPO).

The Bank of Italy should also receive, in accordance with the methods and deadlines set out in Article 20 of the TUB and the Supervisory Instructions of the Bank of Italy (Circular 229 of 21 April 1999 as later amended), notification of any agreement involving the concerted exercising of voting rights in a bank or in a parent company of this bank. If the bank is a listed company, notice of this agreement should also be sent to CONSOB.

Capital adequacy requirements

"Basel III" refers to a comprehensive set of reform measures, prepared by the Basel Committee on banking supervision following the 2008 banking crisis in order to strengthen, among other things, the regulation, supervision and risk management of the banking sector. These provisions are designed, among other things, to: (i) improve the capacity of the banking sector to absorb shocks resulting from economic and financial tensions, irrespective of their origin; (ii) improve risk management and governance; (iii) reinforce the transparency of banks and information. The main innovations introduced include the raising of the level and the strengthening of capital quality, better hedging of risks, containing financial leverage and the introduction of liquidity requirements.

The Basel 3 prudential regulations are based on three pillars:

- the first pillar ("**Pillar I**") introduces a capital requirement to deal with the typical risks of financial activity (credit, counterparty, market and operating). There are alternative methodologies for calculating the capital requirements featuring different levels of complexity in measuring risks and in organisational and control requirements. Specifically, as far as the following are concerned:

  (i) credit risk, there are different methods for calculating the requirement: the "standardised" method, the "internal rating based" method (IRB), in turn divided into a basic IRB and an advanced IRB. In addition, there are specific rules for credit risk mitigation (CRM) and for securitization transactions. Under the scope of CRM, admissibility requirements have been identified - legal, economic and organisational - and the methods for calculating the reduction of the risk;

  (ii) counterparty risk, which refers to the risk of a counterparty in a transaction involving financial instruments defaulting and can be considered a particular case of credit risk, with the framework focusing on rules for the quantification of the value of the exposures, while it refers to credit risk for the indication of the weighting factors;

(iii) market risks, the requirement is aimed at dealing with losses that could result from transactions on markets involving financial instruments, currency and commodities. They can be calculated by following a standard methodology or based on internal models, subject to compliance of organisational and quantitative requirements. The framework identifies and establishes the treatment of the various types of risk with reference to the trading book for supervisory purposes (position and concentration risks) and the entire financial statements of the intermediary (exchange rate risk, regulatory and position risk, for commodities). The standardised methodology adopts a building block approach for the calculation of the requirement; the internal models are based on a daily check of the exposure at risk, calculated through an approach based on statistical procedures ("value at risk" approach), to be supplemented by other forms of risk measurement and control;

(iv) operating risk, the regulations involve a specific capital requirement to deal with operating risk with the objective of increasing management and control safeguards of intermediaries. There are various methods for calculating the requirement: the Basic Indicator Approach (BIA), in which the requirement is calculated by applying a unique regulatory coefficient to the corporate operations volume indicator, identified in the brokerage margin; the "standardised method", which includes different coefficients for the various business lines into which corporate activity is divided; the Advanced Measurement Approach (AMA), in which the amount of the requirement is calculated through internal models, based on operating loss data and other evaluation elements collected and processed by the intermediary.

- the second pillar ("**Pillar II**") requires intermediaries to have a strategy and process to control capital adequacy, current and prospective, leaving the task of checking the reliability and consistency of the results to the Regulatory Authority and, where required, adopting suitable corrective measures. The framework of Pillar II requires financial intermediaries to have processes and instruments (Internal Capital Adequacy Assessment Process, ICAAP) to determine the adequate internal capital level to deal with all types of risk, including different ones to those safeguarded by Pillar I, under the scope of an evaluation of the exposure, current and prospective, which takes into account the strategies and development of the reference context. The framework identifies the phases of the process, frequency, the main risks to be assessed, providing instructions on the methods to use for some of them. The corporate bodies are responsible for the ICAAP.

- the third pillar ("**Pillar III**") introduces obligations of disclosure to the public regarding capital adequacy, exposure to risks and general characteristics of the related management and control systems, aimed at promoting a more accurate assessment of the capital solidity and exposure to risks of intermediaries. Specifically, the framework requires information of a quantitative and qualitative nature that intermediaries have to publish. Based on the principle of proportionality, intermediaries relate the details of the information to their organisational complexity and the type of operation involved. The framework identifies the frequency of the publication, exemptions, as well as the checks to be carried out into the information to be made public.

The implementation of the Basel 3 provisions is completed, at European level, through the adoption of a legislative package composed by the CRD IV and the CRR (the "**CRD IV Package**"). The provisions relating to the latter have been in force since 1 January 2014 and are directly binding and applicable within each Member State, while the CRD IV has been transposed into Italian law by Legislative Decree no. 72 of 12 May

2015 containing the changes to the TUB and the TUF, in particular with regard to the provisions concerning authorisation to exercise the banking activity, freedom of establishment and freedom to provide services, cooperation between supervisory authorities, process of prudential control, methods for the determination of capital reserves (*buffer*), discipline of administrative sanctions, rules on corporate governance and remuneration.

The CRR instead defines the rules on own funds, minimum capital requirements, liquidity risk, financial leverage (*leverage ratio*) and disclosure to the public. In terms of capital requirements, the new framework provides (art. 92 of the CRR) that the *common equity tier 1 ratio* is at least equal to 4.5% of the total amount of exposure to the risk of the bank and the *tier 1 ratio* is equal to at least 6%; the *Total Capital Ratio* must instead be 8%.

In addition to introducing the rules defined by Basel III into the European Union, the CRD IV Package includes a series of important amendments to the banking regulatory framework (on, among other things, remuneration, diversification of the composition of management bodies, corporate governance and banking transparency).

In addition, the CRD IV Package introduces additional *buffer*s to cover by tier 1 primary capital, such as: (i) the conservation reserve of capital[42] (*Capital conservation buffer* - "**CCB**", established in order to ensure that the banks are able to accumulate the *buffer* of capital outside the periods of *stress* such as to be able to be used in the event of losses) that, until 31 December 2016, must be equal to 2.5 % of the bank's overall exposure to risk; (ii) the countercyclical capital reserve [43] (*countercyclical buffer capital*) for addressing the cyclic systems risks and various other measures aimed at addressing systemic risks specific to each country (so-called macro-prudential measures); (iii) the reserve for the global systemically important institutions [44] (*global systemically important institutions buffer* - *G-SII buffer*); and (iv) the reserve for other bodies with systemic relevance[45] (*other systemically important institutions buffer* - O-SII *buffer*). These last reserves are established on the basis of specific criteria indicated in the CRD IV and in the Supervisory Provisions.

In general, the imposition of additional capital buffers compared with the regulatory minimum requirements has the goal of endowing banks with high quality capital means to use at times of market tension to prevent banking system malfunctions and avoid interruptions to the credit supply process as well as dealing with the risks resulting from the global or domestic systemic importance of these banks. Banks which do not have capital buffers of the size required are subject to distribution limits; in addition, they need to have a capital conservation plan that indicates the measures that the bank intends to adopt to restore the capital level necessary to maintain the capital buffers at the level requested within a reasonable time.

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[42] *See* Supervisory Bulletin no. 12, December 2013 of Banca d'Italia, with the subject "*Circular no. 285 of 17 December 2013 - Dossier "Provisions for the prudential supervision of banks*", Paragraph 4.1 "*Transitional and Final Provisions - Discipline of Capital Reserves*": "*The framework governing capital buffers, contained in Part One, Title II, Chapter 1 of this Circular, applies as follows: 1) The capital conservation reserve provided for in Section II shall apply from 1 January 2014, using a coefficient equal to 2.5%, to banking groups at consolidated level*".

[43] *See* Supervisory Bulletin no. 12 December 2013: "*the countercyclical capital buffer set out in Section III applies from 1 January 2016 in accordance with the provisions of Article 160, paragraphs 1 to 4 of the CRD IV*".

[44] *See* Supervisory Bulletin no. 12 December 2013: "*the capital reserve for the G-SII and any capital reserves for the O-SII provided for in Section IV shall apply as from 1 January 2016, in accordance with the provisions laid down in Article 162, sub-paragraph 5 of the CRD IV*".

[45] *See* previous note.

Finally, in reference to the capital buffer linked to the systemic risk, the authority designated to adopt capital measures related thereto is Banca d'Italia, whose evaluations must be disseminated through the publications of the Institute, in the first place in the Report on financial stability. As at 30 September 2016 no measures were adopted under this scope.

The new regulatory framework introduced through the CRD IV Package, the DSGD, the technical and regulatory implementation technical standards as well as the interpretive communications gradually adopted by the Commission and the EBA, constitute the implementation of the project defined by the European Council in June 2009 relating to the establishment of a single rulebook applicable to European Union financial institutions, in other words a single framework governing and standardising the prudential rules of member states.

In order to ensure the application of the CRD IV Package, from 1 January 2014, as well as implementing a comprehensive revision and simplification of the framework governing the supervision of banks, the Bank of Italy issued the Supervisory Provisions; they break down into four parts. The first is dedicated to implementing the CRD IV in Italy through secondary provisions under the jurisdiction of the Bank of Italy. The second contains the necessary rules for the application of the CRR, specifically through the exercising of national discretion. The third contains provisions which, although not standardised at European level, are necessary for aligning the Italian regulatory system with the best practices and requirements established by international bodies, including the core principles of the Basel Committee. The fourth, lastly, contains the provisions for specific intermediaries.

Capital conservation buffer

On 6 October 2016, the Bank of Italy published the 18th update of the Supervisory Provisions which changed the capital conservation buffer requirement, revising the decision, made when implementing the CRD IV Directive, anticipating the application in full of the CCB, to adopt the transitional regime set out by the CRD IV which involves the gradual introduction of the requirement. Specifically, it requires banks, both at an individual level and at a consolidated level, to apply a minimum capital conservation buffer equal to:

- 1.25% from 1 January 2017 to 31 December 2017;
- 1.875% from 1 January 2018 to 31 December 2018;
- 2.5% from 1 January 2019.

The amendment responds to the need to align the national framework to the one governing the majority of Eurozone countries. The Bank of Italy stressed that in this way, on the one side, it ensures equal treatment for intermediaries in different countries and, on the other side, differences between national rules are reduced, in line with the action launched by the SSM for minimising differences in the prudential framework applicable to banks.

Countercyclical buffer

The countercyclical buffer applies from 1 January 2016 pursuant to the transitional regime defined by Article 160, paragraphs 1 to 4 of the CRD IV; according to the provisions of the Bank of Italy, for the period from 1

January 2016 to 31 December 2016 it must be composed of common equity tier 1 equal to a maximum of 0.625% of the total amount of the risk-weighted exposure, pursuant to the transitional regime recognised by the Bank of Italy.

With regard to 30 September 2016:

- the countercyclical capital buffers were generally set at 0% with the exception of the following countries[46]: Sweden (1.50%), Norway (1.50%) and Hong Kong (0.625%);

- at consolidated level, the specific countercyclical buffer for UniCredit is 0.005%.

Global systemically important institutions buffer

The Financial Stability Board (FSB) and the Basel Committee identified the UniCredit Group as a global systemically important bank – G-SIB – coming under the first category (buckets). In this regard, note that, in addition, through the decision taken pursuant to the Supervisory Provisions, in March 2015 the Bank of Italy identified the UniCredit Group as a global systemically important institution – "**G-SII**" –authorised in Italy. The Supervisory Provisions explain the criteria on which the methods for identifying G-SIIs are based. Based on these criteria, the UniCredit Group comes under the first sub-category of global systemically important institutions[47]. The decision was confirmed by the Bank of Italy in December 2015.

According to the transitory regime set out by the CRD IV, the UniCredit Group should maintain a capital buffer for G-SIIs of 0.25% of its total exposures to risk from 1 January 2016. This figure will be increased by 0.25% from 1 January 2017. The buffer should be increased every year by an amount equal to 0.25% of total exposures to risk until it reaches 1% from 1 January 2019.

Other systemically important institutions buffer

In January 2016, through the decision taken pursuant to the Supervisory Provisions[48], the Bank of Italy identified the UniCredit Group and the Intesa Sanpaolo and Montepaschi Groups as other systemically important institutions – "**O-SII**") authorised in Italy. The Bank of Italy also decided to apply an additional capital buffer (O-SII buffer) of 0% to the three groups for 2016. The Bank of Italy explained this decision through a series of reasons including to prevent the overlapping of micro and macro prudential measures for hedging the same risk.

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[46] With regard to exposures to Italian counterparties as at 30 September 2016, the Bank of Italy set the buffer at 0%.

[47] The method for identifying and classifying G-SIIs in the various sub-categories was defined in Delegated Regulation 1222/2014 of the European Commission. The regulation contains provisions consistent with what was established by the Basel Committee on banking supervision and by the Financial Stability Board (FSB), in order to guarantee that the same European banks included in the list published annually by the FSB are identified as G-SIIs.

[48] The circular explains the criteria on which the methods for identifying O-SIIs are based. The evaluation was made following the instructions in the EBA guidelines for criteria for determining other systemically important institutions (O-SII) (EBA/GL/2014/10), which specify the criteria and data necessary for identifying O-SII in European Union jurisdictions. The guidelines outline the provisions consistent with what has been established by the Basel Committee on banking supervision for identifying other systemically important institutions, striving for standardisation in the identification process at international level.

Financial leverage ratio requirements

Article 429 of the CRR defines the financial leverage ratio as measuring the value of equity in a bank against its overall debt exposure, and it is expressed as a percentage of the common equity tier 1 and the total exposure of the bank, the latter calculated as the sum of the exposure values of all off-balance sheet assets and items not deducted from common equity tier 1.

The financial leverage ratio mainly pursues the objectives of containing financial leverage accumulation in the banking sector and strengthening capital requirements with a simple additional instrument not based on risk.

With regard to the adoption time scales, note the following:

- the innovations introduced by the Basel Committee (1st framework of 2010) were implemented by the CRR with the first quarterly reporting as at 31 March 2014;
- in January 2014 the Basel Committee published the 2nd framework, in which the calculation methods, time frames and disclosure obligations were refined;
- on 10 October 2014 the European Commission amended Article 429 of the CRR through (EU) Delegation Regulation 2015/62;
- from 1 January 2015, information was required from entities (Market Disclosure – Pillar III) in compliance with the provisions of Article 451 of the CRR;
- on 23 March 2016 the European Commission adopted the implementing technical standards – ITS, through Execution Regulation (EU) No 2016/428.

The definitive version, and any further adaptations of the definition of the index, will be complete by 2017, with the objective of transforming the index into a minimum requirement under the scope of Pillar I, from 1 January 2018. During the transition period, the minimum requirement of the Basel Committee will be 3%.

Liquidity requirements

The regulation also makes provision, in conformity with Basel III, for new liquidity risk requirements and supervisory systems, centred on a Liquidity Coverage Ratio – "**LCR**" – with the goal of establishing and maintaining a short-term liquidity buffer, which enables the bank to survive for thirty days in the case of serious stress and on the introduction of a structural equilibrium rule over a longer time scale, the Net Stable Funding Ratio – "**NSFR**" – aimed at ensuring the stability of the bank in the long-term. The NSFR is a ratio aimed at assessing the expected stability of the loans granted by a bank and it is calculated as the ratio between the amount of the Available Stable Funding (**ASF**) and the amount of the Required Stable Funding (**RSF**), within a one-year term.

As far as the LCR is concerned, for each year of the transition period, the requirement that all authorised banks in Italy must comply with is: (i) 70%, in the period from 1 January 2016 to 31 December 2016; (ii) 80%, in the period from 1 January 2017 to 31 December 2017; and (iii) 100% from 1 January 2018.

As far as the NSFR is concerned, the Basel Committee published a revised NSFR on 31 October 2014 and the EBA published, in December 2015, a report recommending the introduction of the NSFR on a European level, in order to ensure stable funding structures. In this respect, on 23 November 2016, the European Commission published a legislative proposal, in the context of a comprehensive package comprising measures to enhance the resilience of credit institutions and to initiate the ordinary legislative procedure known as "co-decision procedure".

On 17 January 2015 the Delegated Regulation 61/2015 of the Commission on Liquidity Coverage Ratios for banks was published in the Official Gazette of the European Union. On 24 November 2015, the Bank of Italy published the 14th update of the Supervisory Provisions in order to take into account the innovations made to the regulatory framework of the Delegated Regulation.

Limits on large exposures

The exposure of a credit institution with regard to a customer or group of associated customers is considered a large exposure, pursuant to the CRR, when its value is equal to or more than 10% of the eligible capital of the credit institution. Any large exposure to a customer or group of associated customers cannot exceed 25% of the eligible capital of the credit institution. If the customer is a credit institution or an investment company or a group of associated customer which includes one or more credit institutions or investment companies, the amount of the exposure cannot exceed 25% of the eligible capital of the credit institution or Euro 150 million, depending on whichever is higher, without prejudice to the fact that the total value of the exposure to all associated customers which are not credit institutions or investment companies cannot exceed 25% of the eligible capital of the bank. Pursuant to the Supervisory Provisions, banks must comply with rules of behaviour that guarantee the possibility of knowing large exposures, evaluating the quality and following progress over a period of time.

Future requirements

At a global regulatory level, in November 2015 the Financial Stability Board (FSB) finalised the international standard that identifies the minimum amount of liabilities and own funds eligible for bail-in (see below – paragraph "Recovery and resolution of crises in credit institutions") in the case of resolution of systemically important banks ("**TLAC**", Total Loss Absorbency Capacity). The objective of the TLAC is to ensure that each systemically important bank can absorb the losses following resolution and preserve or reconstruct the necessary capital to allow it to carry out its critical functions. It therefore involves an additional requirement to the minimum capital requirements. Based on the standard definitively approved by the FSB, the TLAC comprises a minimum requirement and a possible further add-on requirement that the competent authority should establish for each bank. The minimum requirement will be set from 1 January 2019 at a level equal to or more than: (i) 16% of the risk-weighted assets; (ii) 6% of the requirement of the financial leverage denominator (ratio between capital and non-weighted assets) and from 1 January 2022 at a level equal to or more than: (i) 18% of the risk-weight assets and (ii) 6.75% of the requirement of the financial leverage denominator. The international standard is not, in itself, of legal value and therefore it should be incorporated in the jurisdiction of the G-20 including the European Union. In this regard also note that, based on the interpretation of the regulations made by the Issuer at the Registration Document Date and the expectations of its development, the Issuer expects a minimum requirement equal to 19.5% in 2019 and 21.5% in January 2022, of which 2.5% will be exempt from the use of subordinate instruments. The two levels are made up by adding the combined capital reserve requirement anticipated for UniCredit in 2019, to the minimum requirements of the FSB TLAC term sheet (i.e. 16% in 2019 and 18% in 2022), equal to 3.5% and composed of: 1% capital reserve as a global systemically important bank, 2.5% capital conservation reserve and 0% anticyclical capital reserve.

Also note that the Basel Committee amended and is in the process of defining further amendments to the prudential regulations in important areas, including the framework governing market risk, credit risk and operating risk and part of these amendments is intended to be implemented in coming years further increasing the capital requirements of banks and investment companies.

On 23 November 2016, the European Commission published a comprehensive package comprising measures to enhance the resilience of credit institutions which aims, *inter alia*, to amend the CRD IV Package and incorporate the finalised standards into the European Union, on the subject of, among other things, market risk, leverage ratio, NSFR, TLAC, a standardised approach to counterparty risk, exposures inherent in securitisations (the legislative proposal already known as “CRD V”).

Recovery and resolution of crises in credit institutions

Directive 2014/59/EU of 15 May 2014 (Bank Recovery and Resolution Directive – “**BRRD**”) on crisis resolution or other crisis management procedures, implemented in Italy through Legislative Decrees 180 and 181 of 16 November 2015, published in the Official Gazette of 16 November 2015, concerns the establishment of a crisis restructuring and resolution framework for credit institutions and investment companies being included in the widest-ranging project of creating a single resolution mechanism for crises involving credit institutions that find themselves in situations of insolvency or serious instability. The regulatory framework governed by these provisions changes the civil and banking framework previously in force, introducing standardised rules for the prevention and management of banking crises, aimed at the same time at safeguarding banking transactions and keeping the exposure of the contributor to losses to a minimum during (i) preparation and prevention, (ii) early intervention and (iii) crisis resolution phases. Specifically, the BRRD governs:

(i) during the normal operations of the bank, preparation and prevention measures, including the drafting and periodic updating by the entities or parent companies of a recovery plan indicating the measures to adopt to restore the financial situation following a significant deterioration, as well as, the Bank of Italy (in its capacity of National Resolution Authority – “**NRA**”), preparing and periodically updating the resolution plans for each entity or group;

(ii) early intervention by the supervisory authorities, which supplement the traditional prudential measures and are calibrated according to the problems of the intermediary involved, until arriving at a request to the administrative body to adopt specific measures or to appoint one or more temporary administrators;

(iii) “resolution” tools for banks that are failing or at risk of failing, as an alternative to compulsory liquidation proceedings. “Resolution” means a restructuring process managed by the NRA through recourse to techniques and powers introduced by the BRRD. Specifically, these instruments include, also combined with one another: 1) the sale of business assets or shares of the entity subject to resolution; 2) the establishment of a bridging organisation; 3) the separation of the unimpaired assets of the failing organisation from those which are deteriorated or impaired; 4) a bail-in, through which the liabilities of the failing organisation are written-down and/or converted with consequent losses for the shareholders and for some categories of creditors (including unsubordinated bondholders).

(iv) the introduction of a Minimum Requirement for Own Funds and Eligible Liabilities ("**MREL**") for bail-in liabilities, in order to ensure that when a bank applies the bail-in it has sufficient liabilities to absorb the losses and to ensure compliance with the Common Equity Tier 1 requirement for authorisation to exercise banking activities, as well as for generating sufficient market confidence in it.

Through the BRRD there has been a shift from a crisis resolution system also based on public resources (bail-out) to a system in which losses are transferred to shareholders, holders of subordinated debt securities, holders of unsubordinated and unguaranteed debt securities, and, lastly depositors for the excess part of the guaranteed share, in other words the part exceeding Euro 100,000 (bail-in). Therefore, through the application of the bail-in instrument, subscribers may suffer reduction, with the possibility of the nominal value being zeroed, as well as the conversion of the bonds into equity securities, even if there is no formal declaration of insolvency by the Issuer.

The decrees implementing the BRRD came into force on 16 November 2015 with the exception of the provisions relating to the bail-in which are expected to apply from 1 January 2016. Moreover, the provisions regarding bail-in can be applied to existing financial instruments provided that they have been issued before the above-mentioned deadlines. In addition, the Italian implementation regulations with regard to depositor preference go beyond the provisions of the BRRD, which requires the amendment of the creditor hierarchy in the case of insolvency proceedings. In actual fact, as well as ensuring that, pursuant to Article 108 of the BRRD, the deposits of physical persons, micro companies and SMEs (for the part above the guaranteed sum of Euro 100,000) have preference over other unsecured creditors, Article 91, paragraph 1-*bis*, letter c) of the TUB (which will, however, only be effective from 1 January 2019) recognises a privilege in the hierarchy of creditors to other deposits at the bank (such as corporate deposits and inter-bank deposits) compared with other unsecured creditors.

Regulation (EU) No 806/2014 of the European Parliament and Council (the "**SRM Regulation**"), published on 30 July 2014 in the Official Gazette of the European Union and fully operational from January 2016, introduced the single resolution mechanism for banks and investment firms that provide services that involve own risk taking (Single Resolution Mechanism – "**SRM**"), complementary to the SSM with the objective of preserving financial stability in the Eurozone through the centralised management of resolution procedures. There are also plans to establish a single resolution fund for the funding of resolution programmes (Single Resolution Fund – "**SRF**") financed by contributions from intermediaries in Eurozone countries through a payment plan spread over 8 years, without using public funds.

The system is made up of the National Resolution Authorities and the Single Resolution Board – "**SRB**" – a European agency for exercising resolution functions, whose board also includes representatives of the national authorities. The SRM guarantees, from 1 January 2016, the orderly management of crises in banks qualified as important pursuant to the SSM Regulation or with trans-border operations in the Eurozone (which includes the Issuer) and the main investment firms, overcoming problems caused by the fragmented nature of procedures on a national basis. It will be the SRB to identify – *ex ante*, through resolution plans – the methods through which the crisis can be dealt with and to decide, when the crisis manifests itself, how to manage in practical terms, adopting a resolution programme and identifying the most suitable actions for achieving the targets set under the EU framework. The national resolution authorities, in addition to taking part in the SRB decision, are responsible for the implementation of the concrete resolution measures. The programme should also be submitted to the European Commission and, in some cases, to the Council as well. This division of tasks is also valid for minor banks, if the intervention of the SRF is necessary for the management of their crisis.

The NRAs will also remain responsible for the management of the crises of less important intermediaries. When carrying out these activities, the NRAs will be acting under the scope of the instructions and the guidelines set by the Single Resolution Committee which, in exceptional cases, can exercise powers of replacement ensuring the effective unity of the mechanism.

Both the SRB and the national authorities will make use of the crisis management tools introduced by the BRRD.

As mentioned above, Legislative Decree 72 of 12 May 2015, and the 2014 European Delegation Law approved on 2 July 2015, allocated the Bank of Italy the function of National Resolution Authority. The Resolution and crisis management unit was therefore established; it carries out the decision-making and operational tasks of the single resolution mechanism, collaborates with the SRB offices and manages the liquidation procedures of banks and financial intermediaries.

The Single Resolution Fund – "**SRF**" – is a vital part of the SRM which standardises the resolution procedures of banks and several investment firms in the 19 Member States of the Eurozone.

The SRB – the governing body of the SRM – is responsible for the management of the SRF, established to take part in the funding of resolution arrangements. The SRF will be funded by contributions paid from the banking system and from several investment firms established in the member states belonging to the banking union. The contributions will be collected nationally and should be shared at a European level based on an inter-governmental agreement for the transfer and mutualisation of resources. The target level of the SRF was set at 1% of the protected deposits of all banks in the Eurozone. This level should be reached at the end of a period of eight years from 1 January 2016. The *ex-ante* contributions to the SRF will be requested annually from the institutions included under the scope of the SRM. Where the *ex-ante* contributions are insufficient to hedge the losses and the costs incurred by the SRF under the scope of the resolution actions, additional contributions can be collected.

Bank equity investments

Banks and banking groups can acquire equity investments in both financial and non-financial companies, in conformity with the rules and limits laid down by Part Three, Chapter 1 of the Supervisory Regulations. Investments made by a bank involving equity investments cannot, in total, exceed the available margin for investments in equity investments and real estate (set by the difference between own funds and the amount of equity investments and real estate, held anyway).

Prior authorisation is required from the Bank of Italy (or from the ECB for the acquisition of equity investments by important banks or banking groups and for the acquisition of equity investments in banks which are part of the SSM) for the acquisition of equity investments in other banks, financial institutions, IMEL and insurance companies above 10% of the consolidated bank's own funds or in the case of purchase of equity investments that involve control or significant influence over other banks, financial institutions, IMEL and insurance companies established in a non-EU country other than Canada, Japan, the United States and Switzerland. In the case of the acquisition of equity investments in instrumental companies, authorisation is only required in relation to equity investments that involve control of or considerable influence over companies established in a non-EU country other than those indicated previously.

In addition, with reference to investments in non-financial companies, the overall qualified equity investments held cannot exceed 60% of the eligible capital of the bank, as defined pursuant to the CRR and, with regard to investments in a single non-financial company, the maximum qualified equity investment that can be held in a non-financial company is 15% of the eligible capital. With regard to this, Part Three, Chapter 1, Sections IV and VI of the Supervisory Provisions include a specific framework governing equity investments acquired under the scope of placement and guarantee activities, in companies in temporary financial difficulty and for credit recovery, as well as with reference to indirect equity investments.

Money laundering regulations

The Issuer is subject to the money laundering provisions aimed at preventing money laundering and the funding of terrorism, contained mainly in: (i) Legislative Decree 231 of 21 November 2007, as amended, containing the "Implementation of Directive 2005/60/EC concerning the prevention of the use of the financial system for the purpose of laundering the proceeds of criminal activities and funding terrorism as well as Directive 2006/70/EC which includes the execution measures" ("**Decree 231/2007**"); (ii) the Provision which includes the implementation arrangements on organisation, procedures and internal controls aimed at preventing the use of intermediaries and other subjects which carry out financial activities for the purpose of money laundering and funding terrorism adopted by the Bank of Italy, pursuant to Article 7, paragraph 2 of Decree 231/2007, on 10 March 2011; (iii) the Provision containing implementing provisions concerning adequate verification of clients, adopted by the Bank of Italy, pursuant to art. 7, paragraph 2, of Decree 231/2007, on 3 April 2013 and in force since 1 January 2014; (iv) the Provision containing the implementation arrangements for keeping the centralised computer archive and for the simplified registration methods pursuant to Article 37, paragraphs 7 and 8 of Decree 231/2007, issued by the Bank of Italy on 3 April 2013 and in force from 1 January 2014; and (v) the anomaly indicators and the anomalous behaviour patterns periodically issued by the Bank of Italy, the MEF and UIF.

Specifically, pursuant to the regulations, banks are obliged to:

- adequately identify and verify customers and the "effective owner" (in certain situations considered more exposed to the risk of money laundering and funding terrorism, through particularly rigorous identification and verification procedures);

- establish the Centralised Computer Archive;

- record and keep the identification data and other information on relations and transactions with customers in the Centralised Computer Archive;

- send the aggregate data to the UIF;

- report suspicious transactions to the UIF; and
- set up internal control measures and ensure the adequate training of employees and contractors, also in order to become more familiar with customers, in order to avoid and prevent the realisation of operations for money laundering and/or funding terrorism.

Corporate governance, administrative and accounting organisation and internal controls

From March 2008, the Bank of Italy issued supervisory provisions on the organisation and corporate governance of banks aimed at guaranteeing a more efficient organisation of the corporate governance structure of Italian banks. The current governance models are: (i) the traditional model (centred on a board of directors and a board of statutory auditors), (ii) the dual model (centred on a supervisory board and a board of management) or (iii) the one-tier system (centred on a board of directors and a management control committee).

On 6 May 2014, the Bank of Italy published the 1st update of the Supervisory Provisions (see, specifically, the Supervisory Provisions, Part One, Title IV, Chapter 1, which replaced the above-mentioned supervisory provisions on the organisation and corporate governance of banks). This update allowed the adaptation of the provisions of March 2008 to the provisions of the CRD IV on corporate governance, taking into account the 2011 EBA guidelines on internal governance as well as the guidelines issued by the Basel Committee on banking supervision (Principles for enhancing corporate governance, October 2010; Core Principles for Effective Banking Supervision, September 2012). Among other things, changes were made and/or specific provisions introduced regarding: (i) proportionality criteria through which banks should adapt to the regulations; (ii) the composition and appointment of corporate bodies; (iii) the establishment, composition and functions of the committees within the body with a strategic supervisory function ("board of directors' committees"); (iv) training plans for individuals who hold key positions within the bank; (v) succession plans for the CEO and managing director; and (vi) obligations of disclosing information to the public, to be made available on the website.

In compliance with the above and not withstanding what is specified below, banks must adapt by 30 June 2017 to the provisions on: (i) the quantitative limits on the composition of collegial bodies which allow, for larger banks or banks with complex operations, as an exception and with adequate reasons, boards with more than 15 members, up to 19 if the one-tier model is adopted or 22 overall if the two-tier model is adopted (with reference to members of the supervisory and management board), with lower numbers for other banks; (ii) the minimum number of members of the board with a strategic supervisory function who must be independent, equal to at least one quarter, for a more effective contribution to the dialectics and internal comparison; (iii) the composition of the "board of directors' committees" which involve the establishment of 3 special committees for appointments, risk and remuneration within the body with supervisory functions in larger banks or banks with complex operations and a risk committee in intermediate banks, each composed of 3 or 5 members, the majority of them independent and non-executive (note that adaptation to the provision whereby the appointments, risk and remuneration committees are composed of only non-executive directors must take place, at the latest, by the shareholders' meeting called to approve the 2014 financial statements); (iv) "people's banks"; and (v) the prohibition of the chairman of the board of directors to be a member of the executive committee, for the purpose of developing the tasks and *super partes* role.

With reference to remuneration practices and policies, on 30 March 2011, the Bank of Italy issued Provisions on the remuneration and incentive policies and practices of banks and banking groups, through which the provisions of Directive 2010/76/EU of 24 November 2010 were implemented (CRD III). This regulation specifically established the specific principles and criteria which banks should adhere to for the purpose of: (i) guaranteeing the correct processing and implementation of remuneration systems; (ii) effectively managing possible conflicts of interest; (iii) ensuring that the remuneration system takes into account current and prospective risks, the degree of capitalisation and the liquidity levels of each intermediary; (iv) increasing the degree of transparency for the market; and (v) strengthening the control actions of the supervisory authorities.

On 18 November 2014, the Bank of Italy published the 7th update of the Supervisory Provisions (see Part One, Title IV, Chapter 2 of the Supervisory Provisions) for the purpose of adapting said provisions of March 2011 to the provisions of the CRD IV and the guidelines in force on the remuneration and incentive systems of agreed banks in international settings.

Specifically, the above-mentioned 7th update introduced the following provisions: (i) the amendment of the proportionality criteria through which the banks must adapt to the regulation; (ii) a maximum limits of 1:1 as the ratio between the variable component and the fixed component of remuneration for personnel whose activities has an impact on the risk profile of the bank or the group (risk takers, which can be waived by the shareholders' meeting which, where there is provision in the Articles of Association (as in the case of the Issuer), can establish a higher ratio but no more than 2:1; (iii) a limit on the compensation of the chairman of the board of directors which cannot exceed the fixed remuneration of the CEO or the managing director; this limit, where set out in the Articles of Association, can be raised by a qualified majority at the shareholders' meeting; (iv) limits on variable remuneration if the banks do not comply with the capital requirements; (vi) *ex post* correction mechanisms for remuneration for the purpose of strengthening the connection of the variable component with the risks, capital conditions and liquidity of the bank and with individual behaviour (*malus* and claw-back); and (vi) specific criteria that the banks must conform to with regard to the remuneration and incentive systems of internal and external networks (including financial consultants operating off-site).

These provisions were later supplemented by the guidelines on sound remuneration policies published by the EBA on 21 December 2015 with the Italian version published on 27 June 2016 and applicable from 1 January 2017, as well as the regulatory technical standards on remuneration practices and policies, issued pursuant to Article 92 *et seq.* of the CRD IV.

From 22 July 2015 new provisions issued by the Bank of Italy through the 11th update of the Supervisory Provisions came into force. This update introduces, among other things, a new organic regulatory framework governing the internal control system, which includes the principles and rules contained in the CRD IV and which is based on several basic principles, namely:

(i) the definition, by the Bank of Italy, of a standardised regulatory framework which, in conformity with the principle of proportionality, takes into account the nature of the activity conducted, the type of services provided, the complexity and the operating size of the bank;

(ii) the strengthening of the capacity of the bank to manage corporate risks;

(iii) the centrality of the internal control system as a safeguard aimed at ensuring the sound and prudent management of the bank and the stability of the financial system;

(iv) the efficiency and effectiveness of the internal controls;

(v) raising the awareness of the corporate bodies which have the main responsibility for the definition of an internal control system that is complete, adequate, functional and reliable; and

(vi) the awareness of and management by the corporate bodies of all corporate risks.

In addition, for banks issuing securities admitted to trading on the stock exchange, the TUF and the Code of Corporate Governance of listed companies – to which the Issuer belongs on a voluntary basis – there are specific requirements for the composition of administrative and control bodies in order to protect the interests of investors and minority shareholders, as well as rules of transparency governing the financial information that listed banks must disclose to the market. The applicable framework also involves the annual publication of a report on corporate governance and ownership structures in which listed banks must describe, among other things, the governance model adopted (traditional, one-tier or dual), the corporate governance practices effectively applied by the company beyond the legally or regulatory required obligations, the main characteristics of the existing risk and internal control management systems with regard to the financial disclosure process, including consolidated, where applicable; the shareholders' meeting operating mechanisms, its main powers, the rights of shareholders and the methods of exercising them; the composition and operation of the administrative and control bodies and their committees.

Investment services

Pursuant to Article 1, paragraph five of the TUF, investment services means the following activities, when the subject is financial instruments (i) dealing on own account; (ii) execution of orders on behalf of customers; (iii) subscription and/or placement with an underwriting commitment or with a guarantee to the issuer; (iv) placement without an underwriting commitment or a guarantee to the issuer; (v) portfolio management; (vi) receiving and sending orders; (vii) investment advice; and (viii) multilateral trading systems management.

Pursuant to Article 18 of the TUF, the exercising of professional services and investing activities with regard to the public is reserved to banks and investment companies (or investment firms, EU and non-EU investment companies).

Article 21 of the TUF defines the general conduct criteria to be observed when providing investment services and activities, while Article 22 of the TUF governs the capital separation regime and, therefore, the obligation to keep financial instruments and individual customers' sums of money separate, however held by the qualified entity, from capital of the latter and that of other customers. Article 23 of the TUF establishes the requirement to draft the contracts for the provision of investment services in writing and to hand over a copy to customers.

The rules of behaviour for qualified entities with regard to customers are specifically governed in the CONSOB regulation adopted through resolution 16190 of 29 October 2007, as amended (Intermediaries Regulation).

With special reference to the regulation of investment services and, in general, with reference to financial activity, note that on 15 May 2014, the Council of the European Union adopted two regulatory provisions –

Directive 2014/65/EU ("**MiFID II**") and Regulation (EU) No 600/2014 ("**MiFIR**") – later published in the Official Gazette of the European Union on 12 June 2014. The implementation of MiFID II and MiFIR was launched through the 2014 European Delegation Law (Law 114 of 9 July 2015). On the point note that the legislative delegation contained in Articles 1 and 9 of the 2014 Delegation Law for the transposition of MiFID II and for the adaptation of national legislation to the provisions of MiFIR has not been exercised within the original deadline of 3 May 2016 in view of the postponement of the transposition and application deadlines of MiFID II and MiFIR by the EU legislator. The transposition deadline was postponed from 3 July 2016 to 3 July 2017 and the application deadline from 3 January 2017 to 3 January 2018. Lastly, on 5 May 2016, the MEF launched a consultation procedure on the changes to be made to the TUF, in conformity with the 2014 European Delegation Law, for the adoption of MiFID II and MiFIR and in June 2016 the MEF made the contributions received under the scope of this public consultation available.

Off-site offering

Pursuant to Article 30 of the TUF, off-site offering means the promotion and placement with the public: (i) of financial instruments, at a place other than the registered office or the establishments of the issuer, by the investment proposer or the party responsible for the promotion or the placement, and/or (ii) of investment services and activities, at a place other than the registered office or the establishments by a party providing, promoting or placing the service or activity. Anything done with regard to professional customers, as identified pursuant to Article 6, paragraphs 2-*quinquies* and 2-*sexies* of the TUF does not constitute off-site offering.

The off-site offering of financial services or investment services can only be done by subjects authorised to carry out placement services (with or without an underwriting commitment or a guarantee to the issuer) and by asset management companies, by EU management companies, by SICAVs (open ended collective investment schemes), by SICAFs (closed end funds), by EU and non-EU alternative investment fund managers, limited to treasury shares and UCI units.

Banks can carry out the off-site offering of their investment services and activities. Where the subject of the offer is services and activities provided by other intermediaries, the banks should be authorised to carry out the placement service.

The effectiveness of financial instrument placement contracts (with the exception of those involving IPOs or share subscriptions with voting rights or other financial instruments that make it possible to buy or subscribe these shares, provided the shares or financial instruments are traded on Italian or EU country regulated markets) or the management of individual portfolios concluded off-site is suspended for seven days from the investor signing date. Within this deadline the investor can announce their withdrawal without any costs or payment to the financial promoter or qualified entity; this right is indicated in the forms or documents given to the investor. The same framework applies to contractual offers made off-site.

Pursuant to Article 31 of the TUF, for off-site offering, authorised subjects use financial consultants qualified for off-site offering, who must be enrolled in the special single register, kept by a body established by the professional associations representing promoters and qualified entities. Financial advice activity qualified for off-site offering should only be conducted in the interest of a sole subject, who will be jointly and severally liable for damage caused to third-parties by the financial advisor qualified for off-site offering, even if this damage is as a result of the responsibility of the financial advisor qualified for off-site offering confirmed in criminal proceedings. In providing their activity, financial advisors qualified for off-site offering are obliged to comply with the rules of conduct and presentation with regard to investors, established by CONSOB through its regulations. For the off-site offering of its banking products and services, banks use financial services agents and credit brokers in accordance with the provisions of the TUB and the regulations issued by the competent control authorities.

Consumer credit

The framework governing "consumer credit" is regulated, *inter alia*, by: (i) Title VI, Chapter II, of the TUB, as amended by Legislative Decree 141/2010 ("*Implementation of Directive 2008/48/EC relating to consumer credit agreements, as well as amendments to title VI of the Consolidated Banking Act (Legislative Decree 385 of 1993) with regard to the framework governing subjects operating in the financial sector, financial services agents and credit brokers*"); and (ii) the Bank of Italy Provision of 29 July 2009 called "*Transparency of banking and financial transactions and services. Correctness of relations between intermediaries and customers,"* as amended.

Pursuant to Article 121 of the TUB "consumer" means "*a physical person who acts for purposes extraneous to entrepreneurial, commercial, artisan or professional activity that may be carried out"*, while "credit agreement" means "*the agreement through which a lender grants or commits to granting a consumer credit in the form of deferred payment, a loan or another financial accommodation*". The provision of Title VI, Chapter II of the TUB apply to credit agreements, however denominated, which do not come under the exclusions set out in Article 122 of the TUB. The framework governing "consumer credit", does not apply, specifically, to transactions of less than Euro 200 or more than Euro 75,000 and to those aimed at funding the purchase of real estate. It does apply, on the other hand, to unsubordinated credit agreements aimed at restructuring for residential property, even if the funding is over Euro 75,000.

The rules on "consumer credit" also include detailed disclosure obligations pertaining to the funder. Pursuant to Article 123 of the TUB, advertisements that contain the interest rate or other figures about the cost of credit should also indicate: (a) the interest rate, specifying whether it is fixed or variable, and the expenses included in the total cost of the credit; (b) the total amount of credit; (c) the Effective Global Annual Rate (TAEG); (d) if not already included in the TAEG, the existence of any ancillary services necessary to obtain the credit or to obtain it at the conditions advertised; (e) the length of the agreement, if determined; and (f) if it can be determined in advance, the total amount due from the consumer as well as the amount of the individual instalments. The funder, pursuant to Article 124 of the TUB, should also provide the consumer with "*the necessary information to allow comparison of the various credit offers on the market, in order to make an informed and conscious decision with regard to the concluding of a credit agreement*". Before the conclusion of the agreement, the funder also has the duty of evaluating the credit worthiness of the consumer based on adequate information, which can be provided by the actual consumer or obtained by the funder by consulting appropriate data bases (as per Article 124-*bis* of the TUB).

The provisions on the subject of "consumer credit" also involve certain safeguards for the consumer, including:

(i) in credit agreements of a certain length, the consumer's right of withdrawal from the credit agreement within fourteen days of the conclusion date of the agreement or, if this is later, from the time the consumer receives all the conditions and information set out in Article 125-*bis*, paragraph one of the TUB (as per Article 125-*ter* of the TUB);

(ii) in credit agreements for an indefinite period, the consumer has the right to withdraw from the credit agreement at any time without penalties and without cost (as per Article 125-*quater* of the TUB);

(iii) in credit agreements connected to the purchase of specific goods or services, in the supplier of the goods or services defaults, the right of the consumer, after having given formal notice to the supplier in vain, to terminate the credit agreement, if it is with regard to the supply of goods or services where the conditions of Article 1455 of the Civil Code apply (as per Article 125-*quinquies* of the TUB);

(iv) the right of the consumer to repay early, at any time, in full or in part, the amount due to the funder (as per Article 125-*sexies* of the TUB); and

(v) in the case of the transfer of the debt or the credit agreement, the right of the consumer to object to the assignee oppose with all the exceptions which could be valid with regard to the originator, including compensation, even as an exception to the provision of Article 1248 of the Civil Code (as per Article 125-*septies* of the TUB).

Through Directive 2014/17/EU (Mortgage Credit Directive – MCD) the EU legislator regulated the offering to consumers of property credit agreements with the objective of increasing consumer protection as the weak party, in view of the importance of the financial commitment undertaken through the concluding of these agreements and the risks associated with a possible default of the agreed obligations and to promote competition in this market within the European Union.

The implementation of these rules has involved changes to the TUB, with special reference to the rules on transparency of contractual conditions, agents and brokers and sanctions as well as the Supervisory Provisions.

Germany

In Germany, the subsidiary of UniCredit UCB AG and other German companies controlled by the latter (including Bankhaus Neelmeyer AG[49]), are authorised to operate as credit institutions (*Kreditinstitut*) and/or financial services institutions (*Finanzdienstleistungsinstitut*) (collectively "Institutions") pursuant to the German Banking Act (*Kreditwesengesetz* or KWG).

The German Banking Act – implementing, *inter alia*, substantial elements of the CRD IV and Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments ("**MiFID**") – as well as the CRR and other laws and regulations define the main regulatory framework for Institutions operating in Germany, and set out, *inter alia*, the requirements for obtaining a banking licence (*Erlaubnis*), capital and liquidity requirements, risk management requirements and the supervisory powers of the supervisory authorities. Pursuant to the German Banking Act, any company that carries out one or more of the activities that can be classified as "banking activity" (*Bankgeschäft*) or

[49] Note that in March 2016, UCB AG and Bremer Kreditbank Aktiengesellschaft signed a sales agreement regarding the sale of Bankhaus Neelmeyer AG, a subsidiary of UCB AG, to Bremer Kreditbank Aktiengesellschaft. The completion of the transaction is subject to various conditions precedent being satisfied, including obtaining the necessary authorisation from the supervisory authorities. At the Registration Document Date, the conditions precedent for the above sale (including obtaining the necessary authorisation) have not yet been satisfied.

"financial service" (*Finanzdienstleistung*) in Germany must be authorised and operate as a "credit institution" (*Kreditinstitut*) or "financial services institution" (*Finanzdienstleistungsinstitut*), depending on the case.

Supervisory authorities

Banking activities and other activities relating to financial services conducted in Germany by the Group are subject to the supervision of the German Federal Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht* – BaFin) and the German Federal Bank (*Deutsche Bundesbank* or *Bundesbank*) except where the ECB is the competent supervisory authority. BaFin is the German federal supervisory authority that reports to the German Federal Ministry of Finance (*Bundesministerium der Finanzen*). The *Deutsche Bundesbank* cooperates with and supports BaFin in its activities. Since 4 November 2014 the ECB is the principal supervisor of "significant credit institutions" domiciled in Germany. As the direct supervision also extends to the entities forming part of the supervised group of credit institutions, Group companies conducting banking activities in Germany – such as UCB AG and Bankhaus Neelmeyer AG – are also subject to direct supervision by the ECB (in coordination with the national supervisory authorities). Financial services institutions – such as UniCredit Leasing GmbH – do not fall within the scope of Regulation (EU) No 1024/2013 that established the Single Supervisory Mechanism (the "**SSM Regulation**") and are thus not subject to direct supervision by the ECB.

Supervision by the supervisory authorities includes regular checks and assessments of the bank and its control relations as well as the assessment of capital adequacy requirements and risk management systems. The German Institutions are required to disclose detailed information to the supervisory authorities in order to enable them to monitor compliance with applicable legal requirements. The Institutions are further required to provide information relating to their financial condition. Usually, supervision by the competent authorities is applied both on a non-consolidated basis (to the bank/financial services institution only) and on a consolidated basis (to the bank/financial services institution and consolidated companies as defined by the CRR).

The scope of the supervisory authorities also includes liquidity requirements, credit disbursement limits, the compliance of restrictions for given activities set by applicable banking regulations, capital adequacy, as well as the cover of market risk and related-party risk associated with transactions in bonds and foreign currency carried out by the banks.

Even though on a consolidated basis the Group (including the German credit institutions of the Group) is subject to direct supervision by the ECB, BaFin will continue to be the competent direct supervisory authority for these institutions pursuant to several regulatory supervision provisions, including anti-money laundering and the "**Covered Bonds business**" (*Pfandbriefgeschäft*) of UCB AG. Furthermore, BaFin (in coordination with the *Deutsche Bundesbank*) is part of the joint supervisory team (**JST**) carrying out the ongoing supervision of significant banks. The main tasks of the JST include executing the Supervisory Review and Evaluation Process (SREP), proposing the supervisory examination programme (including a plan of on-site inspections), implementing the approved supervisory examination programme and any supervisory decisions, ensuring coordination with on-site inspection teams and liaising with national supervisory authorities.

Supervisory powers

The ECB, as part of its direct supervision of German credit institutions belonging to the Group, according to the above-mentioned regulatory provisions, has a wide range of powers for investigating and imposing measures on the banks and respective managers, which are appropriate and necessary to stop and prevent violations of the regulations or to prevent or remedy undesirable developments that could place the safety of the capital that the bank uses in jeopardy or that could adversely affect banking activity or the provision of financial services.

In its direct supervision of significant credit institutions, such as UCB AG, the ECB receives assistance from the national supervisory authorities. BaFin assists the ECB in the performance of its tasks under the conditions set out in the SSM Regulation and ECB Regulation No 17 of 16 April 2014 establishing the framework for cooperation within the SSM between the ECB and national competent authorities and with national designated authorities, and the respective applicable national laws and regulations (the SSM Framework Regulation). BaFin, in particular, submits draft decisions to the ECB, assists the ECB in preparing and implementing any acts relating to the exercise of the tasks conferred on the ECB pursuant to the SSM Regulation, including assisting in verification activities and the day-to-day assessment of the situation of a significant supervised entity, and assists the ECB in enforcing its decisions. When assisting the ECB, BaFin must follow the ECB's instructions in relation to significant supervised banks. Outside of the scope of the ECB's direct supervision (such as the supervision of financial services institutions, anti-money laundering, *Pfandbriefbank* business and market supervision), BaFin in coordination with the *Deutsche Bundesbank* is the direct supervisor. This direct supervision includes, for example, audits that are generally required every two years under the German Covered Bonds Act (*Pfandbriefgesetz*) for banks with *Pfandbrief* activities.

In addition, the ECB may, as part of its supervisory activities, instruct BaFin to make use of such powers under national German law, which has not conferred to the ECB.

The supervisory authorities have, in particular, the power to ask Institutions for information and documents relating to their assets and for regular reports. If necessary, the supervisory authorities can ask an organisation to increase its own funds or liquidity reserve, or prohibit the holding companies from distributing or paying earnings. If the supervisory authorities discover irregularities, they can impose compliance with the law through inspections, sanctions, individual sanctions for directors, and, in the last instance, the withdrawal of authorisation to carry out regulated activities.

The scope of the regulatory measures at the disposal of the supervisory authorities has been amended continuously (*inter alia* by transposing the CRD IV into national German law) to reflect the needs that emerged from the banking sector crisis. With this in mind, the powers of the supervisory authorities were extended and now include a vast series of measures that allow the supervisory authorities to intervene in the case of misconduct and violations of the regulations. In general, the supervisory authorities can impose measures if there is a risk that an Institution does not comply with or clearly violates the regulatory provisions (e.g. the German Banking Act or the CRR), including the requirements of regulatory capital and liquidity, and its organisational obligations (including the obligation to maintain adequate risk management). *Inter alia*, the supervisory authorities have the right to prohibit or limit the distribution of earnings, certain budget measures, payments of certain hybrid financial instruments and the extension of credit. In addition, the supervisory authorities can order Institutions to take the necessary provisions for the purpose of reducing risks where these risks come from specific types of operations and products or from the use of specific systems and limit the payment to members of variable remuneration. Furthermore, the supervisory authorities can – rather than prohibit or limit financing – reduce the maximum financial exposure.

If specific regulatory provisions (such as the German Banking Act or the CRR) are violated, monetary penalties and other sanctions may be imposed on Institutions and their management. In particular, if a credit institution is intentionally or negligently in breach of any directly applicable provision of European law (e.g. requirements set out in the CRR), the ECB may impose administrative pecuniary penalties of up to 10% of the credit institution's total annual turnover (as defined in relevant European law) of the preceding financial year, or of up to twice the amount of the profits gained or losses avoided (each if quantifiable) because of the breach. If a credit institution is in breach of national provision (e.g. as set forth in the German Banking Act), the ECB can instruct BaFin to initiate administrative proceedings against the credit institution or its managing directors.

Supervisory powers by German authorities or the ECB in special cases

In order to prevent an Institution being unable to meet its obligations vis-à-vis its creditors, especially if the security of the assets entrusted to the Institution is threatened or if there is a good reason to suspect that the effective supervision of the Institution is not possible, BaFin can adopt certain measures. These measures can include arrangements with regard to the management of the Institution, the prohibition of accepting deposits, money or bonds from customers and of granting loans, the prohibition of or restriction to carry out administrative functions or ownership of the organisation and the appointment of special representatives for a dedicated period of time. Furthermore, BaFin can prohibit acts of disposal for assets and payments, suspend banking activity with regard to customers and prohibit the acceptance of all payments unless a payment is destined to fulfil an obligation vis-à-vis the Institution. If these measures are insufficient, the competent supervisory authority can withdraw the Institution's licence (*Erlaubnis*) to carry out regulated activities and, if necessary, order the closure of the Institution. BaFin has the exclusive power to request the beginning of insolvency procedures (*Antrag auf Eröffnung des Insolvenzverfahren*) in respect of the assets of an Institution.

In addition, the German Federal Government (*Bundesregierung*) can issue orders (*Rechtsverordnungen*) that impose a moratorium on payments by one or more credit institutions or the closure of these credit institutions, if there are elements that raise fears that the Credit Institutions are in such financial difficulty that could have serious consequences for the economy as a whole (*Gesamtwirtschaft*), especially for a well-coordinated operation of the general payment system.

Capital adequacy requirements

The CRR, the German Banking Act and the Regulation on Solvency (*Solvabilitätsverordnung*) issued by the German Federal Ministry of Finance (*Bundesministerium der Finanzen*) reflect the Basel 3 regulatory framework on capital adequacy and require German credit institutions to maintain a suitable level of regulatory capital in relation to their risk positions. Risk positions (usually defined as "risk-weighted assets" - RWAs) include different types of risks that a credit institution may be exposed to, in particular, credit risks, market risks and operational risks (including risks relating to certain external and technical factors, and to employee mistakes), which are aggregated to a total risk exposure amount (by taking into account risk-mitigation techniques). The implementation of the Basel 3 regulatory framework and European legislation (including the CRD IV) have a significant impact on the capital adequacy requirements applicable to UCB AG and its respective German subsidiaries. In general, the regulatory capital requirements (in particular, common equity capital requirements) applicable to German banks, including UCB AG, have become more stringent.

For further information on the regulatory capital requirements provided for by the CRR, please refer to Chapter 6, Paragraph 6.1.8, "Regulatory Framework – Italy" of the Registration Document.

In addition to the CRR's own funds requirements, the German Banking Act (introduced by the implementation of the CRD IV) provides for additional capital buffers: (a) a capital conservation buffer (*Kapitalerhaltungspuffer*); (b) a countercyclical buffer (*Antizyklischer Kapitalpuffer*); (c) a systemic risks buffer (*Kapitalpuffer für systemische Risiken*); (d) a buffer for global systemically important institutions (*Kapitalpuffer für global systemrelevante Institute*); and (e) a buffer for other systemically important institutions (*Kapitalpuffer für anderweitig systemrelevante Institute*). These additional buffers must consist of CET1.

According to the German Banking Act, Institutions must build up a capital conservation buffer (*Kapitalerhaltungspuffer*) that amounts to 2.5% of the total risk exposure amount. Moreover, BaFin may impose a countercyclical buffer (*Antizyklischer Kapitalpuffer*) during periods of high credit growth of up to 2.5% of the total risk exposure amount (if necessary, BaFin may also impose a higher ratio than 2.5%). The capital conservation buffer (*Kapitalerhaltungspuffer*) and the countercyclical buffer (*Antizyklischer Kapitalpuffer*), as imposed by BaFin, will be phased in from 2016 in four equal steps of 0.625%; the general buffer requirements of up to 2.5% (respectively) may be applicable from 2019 onwards.

If an Institution is identified as an "other systemically important institution" (**O-SII**) – in this regard, factors such as size, economic importance for the EEA (European Economic Area) and Germany, cross-border activity and interconnectedness with the financial system are taken into account – BaFin may require such Institution to maintain an additional capital buffer of up to 2% of the total risk exposure amount (*Kapitalpuffer für anderweitig systemrelevante Institute*). BaFin, in consultation with the *Deutsche Bundesbank*, has identified 16 Institutions authorised in Germany, including UCB AG, as O-SIIs. On that basis, BaFin has then set an additional capital buffer (*Kapitalpuffer für anderweitig systemrelevante Institute*). This capital buffer for UCB AG has been set at up to 1.0% of the total risk exposure amount and is to be held in CET1 on a consolidated basis. This capital buffer is to be built up proportionally from 1 January 2017 to 1 January 2019 in three steps (phase-in). From 1 January 2019, capital buffers of 1.0% of the total risk exposure amount must be reached, whereas this capital buffer shall reach 0.33% in 2017 and 0.66% in 2018.

In addition to the capital buffers as set out in the CRR and the German Banking Act, further capital requirements will apply in the future, in particular, the "minimum requirement for own funds and eligible liabilities" (MREL) as stipulated in the BRRD and the German Recovery and Resolution Act (*Sanierungs- und Abwicklungsgesetz – SAG*).

In certain circumstances (such as in the case of inadequate risk management or as a consequence of the SREP), the supervisory authorities may impose capital requirements on individual banks that are more stringent than the general mandatory requirements.

Liquidity requirements

A new liquidity regime has been introduced by the CRR which will be gradually phased in by 1 January 2018. Until the new regime has been introduced in full (i.e. until 1 January 2018), the liquidity requirements set out in the German Banking Act and the German Regulation on Liquidity (*Liquiditätsverordnung* – LiqV) (together, the "**German Regulations on Liquidity**") will remain in force respectively. The LiqV requires credit institutions and financial services institutions (which trade for their own account or are authorised as investment brokers (*Anlagevermittler*), contract brokers (*Abschlussvermittler*) or portfolio managers (*Finanzportfolioverwalter*) to obtain the ownership or possession of money or securities of customers or to trade in financial instruments for their own account) to have "adequate liquidity" *(ausreichende Liquidität*) that is calculated based on a liquidity ratio. This ratio of liquid funds available during the first maturity band (*Laufzeitband 1*) and the payment obligations due during this maturity band shall not fall below 1. BaFin may impose liquidity requirements more stringent than the requirements established by the CRR or the German Regulations on Liquidity on individual institutions, if the liquidity of a particular credit institution or financial services institution would otherwise not be ensured.

In compliance with the LiqV, cash funds and payment obligations are assigned to one of the following maturity bands: liquid and due daily either within a month (*Laufzeitband 1*), between one and three months (*Laufzeitband 2*), between three and six months (*Laufzeitband 3*), or between six and twelve months (*Laufzeitband 4*). The liquidity ratio and specific observation indices, as determined by the relevant Institution at the notification date at the end of the month, shall be reported to the *Deutsche Bundesbank*, which will forward the respective reports to BaFin.

When evaluating whether the liquidity is adequate in relation to the German Regulations on Liquidity, an institution can, with the permission of BaFin, opt permanently for the application of its evaluation of the liquidity risk and management procedure, as long as the various regulatory requirements are satisfied and BaFin has given written confirmation of the sustainability of such procedures in the light of the German Regulations on Liquidity. Thereby, the evaluation of liquidity risk and the management procedures shall, *inter alia*, also comprise adequate provisions concerning the determination and control of liquidity risks.

Furthermore, the "Minimum Requirements for Risk Management" (*Mindestanforderungen an das Risikomanagement* – **MaRisk**) specify qualitative requirements in relation to the liquidity risk management of institutions additionally to compliance with the quantitative liquidity requirements set out above. The MaRisk specify, *inter alia*, the qualitative requirements of the German Banking Act, as expected by BaFin and *Deutsche Bundesbank* in greater detail. Under MaRisk specifications, Institutions are expected to be able to meet their payment obligations at all times. The MaRisk describe general specifications expected to be met by all Institutions (e.g. the preparation of a liquidity overview, the performance of appropriate stress tests, the preparation of contingency plans and the incorporation of liquidity-related cost/benefit considerations in the management of Institutions' business activities). Capital market-orientated Institutions are subject to even stricter requirements (e.g. they must maintain an adequate liquidity reserve consisting of highly liquid assets in order to safeguard their solvency).

For further information on liquidity requirements, see Chapter 6, Paragraph 6.1.8, "Regulatory Framework – Italy" of this Registration Document.

Risk management requirements

Institutions such as UCB AG are subject to detailed prudential requirements relating to internal organisation, including prudential requirements on risk management, the outsourcing of activities and internal procedures aimed at preventing, *inter alia*, money laundering, financing terrorism and fraud.

Based on Section 25a of the German Banking Act, BaFin issued the MaRisk, which specify these requirements further and, among other things, make it mandatory for Institutions to adopt adequate internal administration, management and control procedures. The internal control procedures pursuant to MaRisk include the internal control system and internal audit.

The procedures for the identification, assessment, management, monitoring and disclosure of risks should guarantee that the most significant risks – including those resulting from outsourced activities and procedures – can be identified at the onset, intercepted and suitably defined. These procedures and the possibility for covering the risk calculated should be proportional (i.e. the procedures should be adequate for the size and nature of the organisation, the company purpose as well as the risk level of the activity carried out) and should take into consideration every correlation between the various types of risk in order to guarantee the availability of adequate levels of internal capital to cover the most significant risks.

Also, stress tests should be conducted regularly to assess the capacity of Institutions to undertake risks. In addition, the MaRisk require Institutions operating in Germany to develop a written management plan that indicates the areas of responsibility of employees and operating procedures.

Supervisory authorities have the power to impose sanctions on an Institution and its administrative bodies where the above-mentioned risk management regulations have been violated.

The *Deutsche Bundesbank* and BaFin have jointly created a first draft of a new version of the MaRisk (MaRisk 2016). Since the last revision of the MaRisk in 2012, certain national and international risk management topics that had not been (explicitly) enshrined in the MaRisk have become increasingly prominent, making it necessary to amend the MaRisk framework (*inter alia*, issues of risk data aggregation, risk reporting and requirements for an appropriate risk culture in institutions).

The draft regulations in MaRisk 2016 regarding data management, data quality and the aggregation of risk data management should ensure that the IT infrastructure of large and complex banks allows for a comprehensive, accurate and prompt aggregation of an institution's risk positions and the ability to swiftly provide this information to the bank's reporting system (*Berichtswesen*). Corresponding mandatory principles for data management, data quality and aggregation, thus a "risk data policy", will need to be determined by Institutions.

Furthermore, specifications are made in the MaRisk 2016 regulation drafts regarding executive management to ensure that an appropriate "risk culture" is developed and maintained in the Institution (i.e. the manner in which employees deal with risks, whereby the executive management must define and communicate, *inter alia*, "risk tolerance").

In addition to these envisaged changes, the draft regulations of MaRisk 2016 focus on outsourcing. According to MaRisk 2016, outsourcing of core banking areas and of important control areas will only be possible if the knowledge and experience required to ensure effective control is available within the institution itself and if an insourcing of the outsourced areas (if necessary) always remains possible. Moreover, it is noted that it should no longer be possible to outsource the risk control function in its entirety. Outsourcing of the internal audit and compliance function in their entirety is only possible for small institutions under certain conditions. In the event of a permitted complete outsourcing of core banking and control areas, it is provided that an outsourcing officer (*Beauftragter*) needs to be appointed for each outsourced area (which at the Registration Document Date is only required for the outsourcing of the internal audit, pursuant to the MaRisk 2012). Further specific changes are envisaged with regard to the list of (minimum) requirements for outsourcing contracts, including the fact that these documents must provide for BaFin's "unrestricted" information and auditing rights and that provisions in outsourcing agreements should ensure not only compliance with the provisions of data protection laws, but also "other security requirements".

Limitations to large exposures

The CRR, together with the German Banking Act and the German Regulation on Large Credit Risk Exposures (*Großkredit- und Millionenkreditverordnung* – GroMiKV), sets certain limits and restrictions for credit institutions in relation to the concentration of large credit risks (*Großkredite*). However, in compliance with the options provided by the CRR, the GroMiKV excludes certain risk positions from the CRR rules concerning large credit risks (*Großkredite*).

When calculating the relevant credit risk exposure, all risk exposures related to an individual customer (and related customers) are aggregated. Credit institutions shall notify the supervisory authorities of loans provided to a given subject and shall inform the competent authorities, if certain thresholds are exceeded. If, in an exceptional case, loans exceed these thresholds, the competent authorities may, where the circumstances warrant it, grant the credit institution a limited period of time at the end of which the credit institution must again comply with the given thresholds.

Deposit guarantee systems

Under the German Deposit Protection Act (*Einlagensicherungsgesetz*), which became effective on 3 July 2015 and implemented the DGSD into German law, protections for depositors have been expanded. Accordingly, the new legislation led to significant increases in regular deposit protection contributions by UCB AG to the respective statutory deposit protection scheme.

The German statutory deposit protection scheme of UCB AG is the *Entschädigungseinrichtung deutscher Banken GmbH* ("**EdB**"). The EdB may levy special contributions to settle compensation claims, and there is no absolute limit on such special contributions. In addition, the Deposit Protection Fund of the Association of German Banks (*Einlagensicherungsfonds des Bundesverbandes deutscher Banken e. V.*), which is the supplementary voluntary deposit protection scheme of German private banks in which UCB AG participates, is also funded by annual and special contributions by its participating institutions.

German Act on reorganisation procedures

On 1 January 2011, the German Act on the reorganisation of banks (*Kreditinstitute- Reorganisationsgesetz – KredReorgG*), which only applies to credit institutions, came into force as part of the German Act on restructuring procedures and was last amended on 22 December 2015.

On a first level, a recovery procedure (*Sanierungsverfahren*) shall facilitate the recovery of a credit institution in crisis without interfering with the rights of creditors and shareholders. The recovery procedure (*Sanierungsverfahren*) can be launched by the credit institution in question and should be accompanied by a recovery plan (*Sanierungsplan*) and a proposal for the appointment of a consultant for the recovery procedure (*Sanierungsberater*). In general, the recovery plan should not interfere with the rights of creditors and shareholders without their individual consent.

If the recovery procedure (*Sanierungsverfahren*) is not successful or not sufficient to stabilise the credit institution, the KredReorG provides on a second level for further measures known as the "reorganisation procedure" (*Reorganisationsverfahren*). This procedure is initiated by the credit institution or by the consultant for the recovery procedure (*Sanierungsberater*). As part of the reorganisation plan (*Reorganisationsplan*), creditors and shareholders may be forced to take part in the reorganisation and this may interfere with the rights of shareholders.

Supervisory powers pursuant to the European resolution regime for banks

The BRRD and Regulation (EU) No 806/2014 ("**SRM Regulation**") provide for the European framework for recovery and resolution of, *inter alia*, failing banks, certain financial services institutions and their holding companies. The BRRD was implemented in Germany through the Recovery and Resolution Act (*Sanierungs- und Abwicklungsgesetz* – "**SAG**"), which became effective on 1 January 2015. The SRM Regulation is directly applicable in the Member States participating in the SSM, such as Germany. The SRM Regulation generally entered into force on 1 January 2016. In order to make certain changes to German law as required to conform to the SRM Regulation, the Resolution Mechanism Act (*Abwicklungsmechanismusgesetz – AbwMechG*) was enacted. Thereby, the German Banking Act was amended by rules in relation to the ranking of certain receivables vis-à-vis a credit institution in the event of insolvency. In this regard, the AbwMechG provides, *inter alia*, that in the event of an insolvency proceeding commenced after 1 January 2017, certain unsecured debt instruments will not be satisfied on a priority basis and will rank junior to certain other unsecured unsubordinated obligations, but will rank in priority to all contractually subordinated instruments. In any case, these specific ranking provisions of the AbwMechG do not affect debt instruments excluded from the application of the instrument of creditor participation (*Instrument der Gläubigerbeteiligung*) under the SAG, such as certain covered deposits (*gedeckte Einlagen*) and covered bonds (*Pfandbriefe*) according to the German Act on Covered Bonds (*Pfandbriefgesetz*), debt instruments issued by public agencies (*Anstalten des öffentlichen Rechts*) not eligible for insolvency, money market instruments (*Geldmarktinstrumente*) and certain derivatives. In case of insolvency, the rank of these above-mentioned debt instruments is exclusively determined by the German Insolvency Act (*Insolvenzordnung*) as the AbwMechG is not applicable in such case.

The new framework for recovery and resolution also grants additional competencies and powers to the supervisory authorities, including additional organisational and reporting requirements for credit institutions and possible loss participations of creditors, as well as considerations for the financing of a bank restructuring fund. Furthermore, the framework grants certain resolution powers to the competent resolution authority. Under the SRM Regulation, which applies for significant credit institutions such as UCB AG, the Single Resolution Board (**SRB**) has been given the authority to write down unsecured debt of a failing institution or to convert debt into equity (bail in), and transfer assets to a bridge bank, third party or a vehicle company to manage activities, if certain requirements are met by applying the respective national law implementing the

BRRD, in Germany the SAG. Under the SRB Regulation, the SRB works in close consultation with national authorities. In Germany this is the Federal Agency for Financial Market Stabilisation (*Bundesanstalt für Finanzmarktstabilisierung*, FMSA), which, among other functions, orders and implements resolution measures initiated by the SRB under the provisions of the SAG.

The SRM comprises the national resolution authorities and the SRB, which *inter alia* takes decision on the resolution of banks supervised directly by the ECB, as well as the Single Resolution Fund (SRF). Beginning 1 January 2016, national resolution funds have largely been replaced by the SRF in all Member States participating in the SSM and SRM. The SRM aims to establish a systematic resolution scheme for a defaulting European bank to avoid any potential burdens and negative effects for taxpayers and the economy.

Supervisory powers pursuant to the Covered Bonds Act

UCB AG is a bank authorised to issue covered bonds (*Pfandbriefbank*) pursuant to the German Covered Bonds Act (*Pfandbriefgesetz – PfandBG*), which establishes the legal requirements, in Germany, of credit institutions to carry out activities related to the issue of covered bonds (*Pfandbriefe*). The activity of issuing covered bonds mainly consists of granting mortgage-backed loans or privileges, which are refinanced by the issue of bank bonds, and granting loans to some public sector organisations or the undertaking of a full guarantee of these organisations, which are refinanced through the issue of public sector guaranteed bonds (*Kommunalschuldverschreibungen* or *Kommunalobligationen*). The aggregate principal amount of the outstanding Covered Bonds issued by UCB AG must be covered by a separate pool of assets (*Deckungsmasse*) for each class of Covered Bonds (Cover Pool). Moreover, the net present value of the assets of the Cover Pool must exceed the total amount of the secured liabilities by at least 2% (*sichernde Überdeckung*) ("**Excess Cover**"). Excess Cover must consist of highly liquid assets. Furthermore, BaFin may require UCB AG to meet an Excess Cover above 2%, particularly in case of deficiencies identified by BaFin in the course of an inspection.

The PfandBG contains provisions on guarantees for the covered bonds (*Pfandbriefe*) and their valuation. In addition, the PfandBG includes preferential treatment for covered bond investors in the case of the insolvency of the issuing bank: in the case of insolvency the assets of the Cover Pool are subtracted from the bankruptcy estate of the issuing bank. Recent regulatory changes include, in particular, an extension of transparency and publication requirements as well as a time limit for the publication of certain information.

Poland

The political and economic transformation that started in Poland in 1989 has contributed to the development of the banking sector in the new legal and economic context of the country. Parliament approved two new laws on 31 January 1989: the Polish banking legislation and the *Narodowy Bank Polski* (the Polish central bank) consolidated act.

The Banking Law Act of 31 January 1989 determined mainly (i) banking activity; (ii) the establishment and organisation of banks; (iii) the performance of banking activity; (iv) the restructuring, liquidation and bankruptcy of banks; and (v) banking supervision.

The supervision of bank activities, including those of local branches and representative offices of foreign banks, was entrusted to the *Narodowy Bank Polski* which also conducted currency control. The Ministry of

Finance and the Ministry of Treasury had the right to request the chairman of *Narodowy Bank Polski* to take action or supervisory measures.

On 29 August 1997, the Polish Parliament approved a new consolidated act on Polish banking legislation and a new consolidated act for the *Narodowy Bank Polski*, which introduced significant changes to the organisation of the supervision of banking activities entrusted to the newly formed banking supervisory commission. The executive body of the banking supervisory commission replaced the *Narodowy Bank Polski* which still held responsibility for currency control. The banking supervisory commission was entrusted with all authorisation, regulation and control functions.

On 1 January 2008, banking supervision was entrusted to the PFSA (Polish Financial Supervision Authority; Polish: *Komisja Nadzoru Finansowego*), which consolidates supervision over the financial sector.

Since 1 May 2004, when Poland became a Member of the European Union, Polish regulations governing banking activity, the law safeguarding consumers and the financial instruments market (also applicable to banks) underwent changes and updates based on the applicable European legal arrangements. Among others, CRD IV, Directive 2007/44/EC (relating to procedural rules and criteria for the prudential evaluation of acquisitions and increases in equity holdings in the financial sector), Directive 2005/56/EC (relating to cross-border mergers of limited companies), the BRRD, the DGSD and Directive 2007/64/EC (relating to payment services in the domestic market) have been transposed into Polish banking legislation and other rules and regulations, to a certain extent through the guidelines and recommendations drawn up by the PFSA. Banks are also required to make every effort to comply with the European Banking Authority guidelines and recommendations regarding financial institutions.

Banking activity

The Polish banking sector is licensed and all banking activity is strictly regulated. The regulations and interpretations governing the banking sector and financial institutions are subject to frequent changes. This includes the most important regulations and interpretations concerning capital requirements, capital adequacy and consumer protection.

The conduct of banking activity in Poland is mainly regulated by Polish banking legislation, which regulates, *inter alia*: (i) banking activity and related activities; (ii) the authorisation of the performance of banking activity; (iii) the obligations and rights of banks; (iv) the establishment and organisation of banks and related branches and agencies, including the special manner of establishment of Polish banks by credit institutions that carry out banking activities in Poland by means of a branch; (v) the performance of banking activities by Polish banks overseas and in the host Member States within the meaning of the CRR and foreign credit institutions in Poland; (vi) the transformation of a state bank into a joint-stock company bank; (vii) the equity, liquidity and financial management of banks; (viii) shareholdings in banks; (ix) banking supervision (on a consolidated and non-consolidated basis); and (x) the restructuring, liquidation and bankruptcy proceedings applicable to banks.

Based on the laws in force, a bank can be established as a joint-stock company (Polish: *spółka akcyjna*), cooperative bank (Polish: *bank spółdzielczy*), or State bank (Polish: *bank państwowy*). Banks have the right to choose the scope of banking and financial activities that they can carry out and their own internal organisational structure, in compliance with the rules of stable and prudent management and the by-laws of each bank. In addition, from 14 July 2011, the amended bank regulations introduced the possibility for credit institutions, which carry out banking activities in Poland by means of a branch, to set up a bank in the form of a joint-stock company by contributing all the assets of the branch office used by the branch to conduct its activities, provided that they constitute an enterprise or a business unit thereof, as a non-cash contribution.

Conducting banking activity is subject to prior authorisation from the PFSA and the possession of various regulatory approvals. In order to commence a bank's activities, Polish banking legislation requires an application for a licence to establish a bank and a licence to commence its activities.

Polish supervisory authorities

The purpose of banking supervision is to ensure (a) the security of funds deposited in bank accounts; (b) compliance of banks' operations with applicable law provisions, articles of association and the decision on issuing the authorisation to establish the bank; and (c) the compliance of banking activities pursued in accordance with the provisions of the Financial Instrument Trading Act of 29 July 2005.

In Poland, banking supervision extends, without limits, to (a) the evaluation of the financial condition of banks, including the evaluation of solvency, the quality of assets owned, financial liquidity and financial results; (b) the evaluation of the quality of the bank management systems, with special attention to risk management and internal control systems; (c) a check on compliance with the applicable law provisions in terms of financing, money loans, letters of credit, bank guarantees and sureties and any bank bond; (d) the evaluation of the guarantee for, and the prompt repayment of, financing and money loans; (e) the examination of the level of compliance with the concentration limits set, the evaluation of the identification, monitoring and control process for the concentration of credit lines, including high ones; (f) the evaluation of the compliance of banks with the permitted PFSA risk standards, the risk management of the activity performed, including the alignment and correction of the risk identification and monitoring process and the process of risk notification based on the type and volume of transactions of the individual bank; (g) the examination of the determination, adequacy and control of capital; and (h) the examination of responsibilities of account holders related to the performance of bank accounts.

The powers of the PFSA include, *inter alia*:

(i) the granting of authorisations for the establishment of a bank, amendments to the articles of association (with reference to the subject as set out in the consolidated act on Polish banking legislation) and to the capital, the appointment of two members of the management board (including the chairman), and the acquisition of share capital which involves the exceeding of certain voting levels (with regard to the last item, in the form of a lack of objections following the notification procedure);

(ii) the supervision of the level of compliance of bank activities with the legal provisions and banks' own articles of association and with the resolution relating to the granting of authorisation for the establishment of a bank;

(iii) the monitoring of the financial condition of banks and the establishment of binding liquidity coefficients and other risk eligibility thresholds in banking transactions;

(iv) the formulation of recommendations regarding best practice in terms of prudent and stable management of banks;

(v) the formulation of instructions for banks to undertake or abstain from particular actions;

(vi) the imposing of sanctions and corrective measures if the banking regulations are violated, including monetary sanctions, the suspension of members of the management board, limitations to bank operations or the withdrawal of authorisation to carry out banking activity; and

(vii) the appointment of the trusteeships for banks.

As part of its supervisory activities PFSA may, in particular, recommend that a bank:

(i) takes the necessary measures to restore payment liquidity or to achieve and observe other standards of acceptable risk in the bank's business;

(ii) observes additional liquidity requirements, taking into account the business model of the bank, the principles, procedures and mechanisms applied by the bank in the liquidity risk management, the result of the supervisory review and assessment and the review and verification, as well as the systemic liquidity requirement posed by the bank;

(iii) increases its own funds;

(iv) observes an additional requirement to own funds in excess of the amount resulting from the requirements calculated in accordance with the detailed principles defined in the CRR;

(v) refrains from certain forms of advertisement;

(vi) develops and applies the appropriate procedures to maintain, estimate on an on-going basis, and review its internal capital and effectiveness of its control systems;

(vii) applies special rules for creating provisions for banking risk and liabilities related to the depreciation of assets while calculating the requirements of own funds;

(viii) reduces the risks inherent in the bank's activities;

(ix) fulfils additional reporting obligations or increases their frequency, including own funds and liquidity reporting; and

(x) limits the variable part of remuneration for persons covered with the remuneration policy, as a percentage of net income, in the case when its amount makes it difficult to comply with the requirements of own funds.

The PFSA has the right to initiate inspections of banks using their own supervisory staff.

Certain specific areas in which the banks operate are also subject to the supervision of other administrative authorities, with the main ones being:

(i) the UOKiK President of the supervisory office for competition and consumer protection, for safeguarding competition in the market and the collective rights of consumers;

(ii) the general inspector for the protection of personal data, for the collection, processing, management and protection of personal data;

(iii) the Polish Ministry of Economy and the general inspector for financial information, to prevent money laundering and the financing of terrorism; and

(iv) the Financial Ombudsman that checks the examination of complaints by banks filed by their clients.

Banking guarantee fund and resolution fund

The banking guarantee fund is designed to protect depositors against a bank's insolvency and from losing their funds. Until recently the establishment and the operation of the banking guarantee fund were regulated in the consolidated act for the banking guarantee fund of 14 December 1994. On 9 October 2016, the new act for the Banking Guarantee Fund, deposits guarantee scheme and compulsory restructuring of 10 June 2016 entered into force, transposing the DGSD and the BRRD.

The mandatory deposits guarantee scheme is financed through quarterly contributions made to the banking guarantee fund by all Polish banks and, in certain cases, for branches of foreign banks that operate in Poland. According to the new act, the minimum level of the deposit guarantee scheme is 0.8% of the guaranteed funds in the institutions covered by the mandatory deposit guarantee scheme. The target level of the deposit guarantee scheme is 2.6% of the guaranteed funds. Contributions are determined by the Banking Guarantee Fund at such a level that allows for the achievement of the minimum level of the deposit guarantee scheme by 31 December 2016 and the target level by 3 July 2030. Contributions to the banking guarantee fund will be based on the amount of covered deposits in the respective bank or a branch of a foreign bank at the end of the quarter preceding the quarter in which the contribution must be paid. Quarterly contributions will be charged for the first time in 2017. Therefore, until the end of 2016 all Polish banks and, in certain cases, branches of foreign banks that operate in Poland are obliged to make quarterly payments to the banking guarantee fund based on the previous rules.

The current bank account mandatory guarantee system ensures repayment to depositors of sums due to them up to a certain limit. Deposits up to a total amount of PLN equivalent to EUR 100,000 should be covered by a total guarantee. The above-mentioned guarantee limit applies to the aggregate deposits placed with the same bank irrespective of the number of deposits and the currency. Deposits covered by the deposits guarantee fund mainly comprise sums deposited in bank accounts and receivables resulting from banking operations and registered bank-issued documents, if they have been issued prior to 2 July 2014. Among others, sums deposited by the Polish Treasury, other banks, foreign banks, credit institutions, financial institutions, investment firms, insurance companies, and investment and pension funds are not covered by the above-mentioned guarantee scheme.

The new act introduces rules concerning the resolution fund. The resolution fund of Polish banks, investment firms and branches of foreign banks that operate in Poland is financed through contributions made at least once a year to the banking resolution fund. The minimum level of the banking resolution fund is 1% of the guaranteed funds in the Polish banks, investment firms and branches of foreign banks that operate in Poland. The target level of the fund is 1.2% of the guaranteed funds. Contributions are determined by the Banking Guarantee Fund at such a level that allows for the achievement of the minimum level of the banking resolution fund by 31 December 2024 and the target level by 31 December 2030. Contributions will be charged for the first time in 2017.

The part of the above contributions (with a maximum limit to be determined by the Banking Guarantee Fund) can be made in the form of payment commitments. These commitments must be entirely guaranteed by highly liquid instruments, which can be liquidated and paid on the first demand of the Banking Guarantee Fund. Such instruments cannot be pledged or encumbered in any way, they cannot be subject to court or administrative enforcement and they are excluded from the bankruptcy estate.

All Polish banks and, in certain cases, branches of foreign banks that operate in Poland are also obliged to establish and maintain a protection fund for guaranteed capital for satisfying claims of depositors in case of:

(i) in relation to a Polish bank – (a) the PFSA's decision on suspension of a Polish bank's operations and appointment of commissioned administration, unless it has been appointed previously, as well as filing a petition to declare bankruptcy or (b) the Banking Guarantee Fund filing a petition to declare bankruptcy; and

(ii) in relation to a branch of a foreign bank that operates in Poland – (a) the court's ruling on recognition of a pronouncement on initiation of cross-border bankruptcy proceedings for a foreign bank that operates in Poland through a branch or (b) the initiation of bankruptcy proceedings in respect of a foreign bank's assets located in the Republic of Poland,

until 31 December 2024. Assets reserved for the protection fund for guaranteed capital cannot be pledged or encumbered in any way, nor can they be subject to court or administrative enforcement.

Shareholdings in banks

The intention of direct or indirect acquisition or the procurement of shares or rights attached to shares equal to or more than 10%, 20%, 1/3, 50% of the share capital with voting rights at the general meeting of a Polish bank or of the share capital are subject to prior notification of the PFSA. Prior notification is also required if there is an intention to become a subject who exercises a dominant influence over a Polish bank through different methods of acquisition or procurement of shares or rights attached to shares in a number that ensures the majority of the total number of votes in the general meeting of a Polish bank. The PFSA can oppose the acquisition or procurement of shares if, among other things, the decision is justified by a need to guarantee the sound and prudent management of the Polish bank by virtue of a potential influence of the notifying subject on the Polish bank, or an evaluation of the financial capacity of the notifying entity. In order to establish whether these requirements exist, the PFSA verifies that the notifying entity has proved that: (a) it gives the guarantee of the fulfilment of its rights and obligations in a manner sufficiently protecting the interests of the customers of the Polish bank and ensuring security of the funds collected by the Polish bank; (b) the persons intended to take the posts of members of the supervisory board and management board at the Polish bank have the expertise, skills and adequate experience for the functions they intend perform and the duties entrusted to them and guarantee proper fulfilment of those obligations; (c) it is in a sound financial situation, specifically with reference to the activity conducted and the impact of their investment plans on the future financial conditions of the notifying subject and of the Polish bank; (d) it can guarantee that the Polish bank will meet the legal prudential requirements; and (e) the funds connected with the acquisition, procurement of shares or rights attached to shares or with taking other actions aimed at assuming a dominant influence and causing the Polish bank to become a subsidiary do not come from illegal or undisclosed sources nor are connected with the financing of terrorism and there is no increased risk of committing a crime, or of the occurrence of other actions connected with the introduction into trading of financial means from illegal or undisclosed sources or with the financing of terrorism.

The scope of documents that should be attached to notifications is specified by the Polish banking legislation and the Regulation of the Ministry of Finance of 20 August 2010 on documents attached to the notifications, on the intention of acquisition or procurement of shares or rights resulting from shares of a Polish bank or on the intention to become the dominant entity with respect to a Polish bank.

The PFSA may request the notifying entity to provide specific commitments and it may include in its decision the conditions under which it was issued.

Moreover, the entity that has acquired or procured, directly or indirectly, the shares or rights attached to shares of a Polish bank, in a number allowing that entity to achieve or exceed the threshold of 5%, 10%, 20%, 25%, one-third, 50%, 66% and 75% of the total votes at the general meeting, together with the shares acquired or procured earlier, or that has become a dominant entity with respect to a Polish bank, is under the obligation to notify that Polish bank thereof, immediately and in each case.

In addition, in certain conditions, in order to acquire a stake that gives direct or indirect control in a Polish bank, it is necessary to obtain authorisation from the Polish or European competition authorities.

An entity intending to dispose, directly or indirectly, its Polish bank's shareholding – where: 1) the shareholding in question entitles the exercise of over 10% of voting rights at the general meeting; 2) the proportion of shares outstanding after the disposal will entitle that entity to less than 10%, 20%, one third and 50% of voting rights at the general meeting – is required to notify the PFSA of such intentions.

Further requirements for banks

Banks are obliged to satisfy certain requirements related to their operations and they should also follow the PFSA guidelines and recommendations, including the PFSA's position on the banks' dividend policy for 2016 dated 5 December 2015. The main requirements involve capital, capital adequacy coefficients, the concentration of exposures, liquidity, risk management systems and the administration of capital in a strictly regulated fashion.

On 1 January 2014, the CRD IV Package fully replaced the previous Directive 2006/48/EC (relating to access to the activity of credit institutions and the exercise thereof) and Directive 2006/49/EC (relating to the capital adequacy of investment firms and credit entities). The CRR is legally binding in its entirety and directly applicable in Poland from 1 January 2014 (with the exception of certain provisions). On the other hand, the

CRD IV was transposed by a new act on macro-prudential oversight of the financial system and crisis management in the financial system dated 5 August 2015 (which came into force on 1 November 2015 and to some extent on 1 January 2016) and certain changes to the Polish banking legislation. The full implementation of the CRD IV Package in Polish law still requires the issuance of implementing acts, among others, to Polish banking law. They will be issued in the form of regulations by the Polish Ministry of Finance, which will replace the currently applicable PFSA resolutions in this regard.

Based on the above-mentioned act on macro-prudential oversight and crisis management in the financial system, the subsidiary Bank Pekao must have a capital conservation buffer of 1.25% of the total risk weighted exposure amounts. In addition, on 4 October 2016 the PFSA identified the subsidiary Bank Pekao as an "other systemically important institution" ("**O-SII**") and imposed on Bank Pekao, on a consolidated and individual basis, an additional capital buffer (O-SII buffer) equal to 0.75% of the total risk exposure calculated in accordance with the CRR. According to the notification provided for Article 131 of the CRD IV – Other Systemically Important Institutions (O-SII) made by the PFSA and posted on the European Systemic Risk Board's website on 21 October 2016, the capital buffer provided for other systemically important institutions (O-SII buffer) will be fully applied from 31 December 2016.

Polish regulations also require banks to guarantee bank secrecy and personal data protection in the context of banking operations. Specifically, personal data should be processed in compliance with the consolidated act on the protection of personal data of 29 August 1997 (and the relevant implementing regulations), based on the technical and organisational measures that guarantee a sufficient level of data protection. Banks are obliged to provide and disclose information that constitutes a bank secret only in exceptional cases regulated by the Polish banking legislation. Banks are also required to observe anti-money laundering laws and laws aimed at preventing the financing of terrorism (consolidated act against money laundering and financing terrorism of 16 November 2000). There are also several restrictions to the right of involving third parties in carrying out banking activities and transactions for and on behalf of a bank. However, since 27 October 2011, the provisions of the consolidated act for Polish banking legislation on externalisation have been liberalised. Under certain conditions, a bank may, by way of a written agreement, delegate part of its activities to an entrepreneur or a foreign entrepreneur. The conclusion by a bank of (i) a written agreement with a foreign entrepreneur not having a permanent place of residence or seat in the territory of a European Union Member State or (ii) a written agreement providing for the performance of delegated operations outside the territory of a European Union Member State, is subject to the approval of the PFSA. In addition, a bank is obliged to notify the PFSA at least 14 days before the conclusion of (i) an agreement providing for the possibility to delegate the performance of delegated operations on a one-off basis to a foreign entrepreneur not having a permanent place of residence or seat in the territory of a European Union Member State or (ii) an agreement providing that the delegated operations will be performed outside the territory of a European Union Member State, about the content of a contractual provision authorising such delegation.

The Act on Consumer Credit of 12 May 2011, the Polish Civil Code and other consumer protection laws impose various obligations on banks when signing contracts with customers (or parties who do not act under the scope of their commercial or professional activity), including that of not including clauses which are unfavourable towards them.

Provisions applicable to listed companies

The majority of Polish commercial banks, including the subsidiary Bank Pekao, are companies listed on the regulated market in Poland operated by the Warsaw Stock Exchange and, therefore, are subject not only to Polish corporate laws but also to the laws applicable to public companies. Specifically, these laws include: (i) the Act of 29 July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading and Public Companies, as amended; (ii) the Consolidated Act of 29 July 2005 on Trading in Financial Instruments, as amended; (iii) the Consolidated Act of 29 July 2005 on the Supervision of Capital Markets, as amended; (iv) Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse, repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC, as amended ("**MAR**"); and (v) related secondary sources of law on Polish and European level.

Therefore, Bank Pekao, the shares it issues and its activities are subject to numerous obligations, the main ones being:

(i) disclosure requirements, pursuant to which Bank Pekao is obliged to provide the public with: (a) current reports: including all inside information (i.e. information related either directly or indirectly to Bank Pekao which is (i) of a precise nature; (ii) previously not disclosed to the public; and (iii) price sensitive); (b) periodic reports: (quarterly, half-yearly and annually); and (c) certain information regarding the persons discharging managerial duties at Bank Pekao and its significant shareholders;

(ii) the notification of acquisition of significant shareholdings in Bank Pekao which could give rise to disclosure requirements and/or oblige the purchaser to launch a take-over bid for part or all of the shares;

(iii) Bank Pekao shares should be in a dematerialised form and registered in the deposit and liquidation system operated by the Polish National Depository for Securities; and

(iv) the obligation to apply for admission to trading on the regulated market of the Warsaw Stock Exchange, with respect to any newly issued shares of the same type previously offered in a public offering.

Austria

The framework of the regulation and supervision of the Austrian banking system is set forth in a number of Austrian laws and directly applicable EU regulations, most essentially the Banking Act (*Bankwesengesetz*) and related national regulations, the CRR, SSM Regulation, the Mortgage Bank Act 1899 (*Hypothekenbankgesetz*), the Securities Supervision Act (*Wertpapieraufsichtsgesetz*), the Joint Stock Act (*Börsegesetz*) and the Capital Market Act (*Kapitalmarktgesetz*).

Moreover, all EU directives relevant for the Austrian banking sector, among others the CRD IV, MiFID, Directive 2005/60/EC of the European Parliament and of the Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing, each as amended, are each implemented through amendments to the Banking Act and the Securities Supervision Act. The BRRD was implemented through the Bank Recovery and Resolution Act (*Sanierungs- und Abwicklungsgesetz*, "**BRRA**"). The DGSD was implemented through the newly introduced Deposit Insurance and Investor Compensation Act (*Einlagensicherungs- und Anlegerentschädigungsgesetz*, "**DIICA**").

Banking supervision in Austria and the Banking Union

The FMA is the competent Austrian authority for the supervision of licensed credit institutions, insurance companies, financial conglomerates, investment firms, investment funds and pension funds. In its banking supervisory activities, the financial markets authority works closely together with the Austrian National Bank (*Oesterreichische Nationalbank*, "**ANB**").

In order to ensure the compliance of Austrian licensed credit institutions with applicable regulatory requirements, the FMA and the ANB are granted a variety of powers under the Banking Act and the CRR and may take several supervisory actions. The supervisory powers involve the right to require extensive information by the credit institution, including carrying out on-site inspections at the premises of the credit institutions subject to supervision. Further, the FMA can take several supervisory actions in events of danger to the fulfilment of the credit institutions' obligations to its creditors, in particular to the security of assets entrusted to the credit institution. The FMA is competent to issue severe administrative penalties or even recall the management of a bank, prohibit its business activities or revoke its banking licence in the case of breaches of applicable regulatory law provisions.

Austria is a member of the Eurozone and thus, of the EU banking union and SSM as established in 2014. To ensure efficient supervision, CRR credit institutions are categorised as "significant" or "less significant". While the ECB directly supervises significant banks with respect to prudential areas assigned to it under the SSM Regulation, the National Competent Authorities ("**NCAs**") are in charge of supervising less significant banks. Thus, the ECB is the direct competent supervisory authority for Austrian significant banks as listed in the ECB list of supervised entities, including, among others, UCB Austria. For significant institutions, the ECB is given the same powers as the FMA. The ECB conducts its supervisory activities in the SSM in close cooperation with the FMA.

Key requirements for Austrian banks

The Banking Act comprises of a list of services that can only be conducted commercially if a licence by the FMA and the ECB has been obtained. This list of services involves such key banking services as deposit taking, lending business and trading in financial instruments.

In order to be granted a banking licence in Austria, undertakings have to meet very strict and high requirements, such as providing for initial capital in the amount of €5 million. Authorised banks of other EU Member States are allowed to perform banking activities in Austria on a cross-border basis or by way of establishment of a branch.

For further information on the regulatory capital requirements provided for by the CRR, please see Chapter 6, Paragraph 6.1.8, "Regulatory Framework – Italy" of this Registration Document.

In addition to the CRR's own funds requirements, the Banking Act – introduced by the implementation of the CRD IV – provides for additional capital buffers: (a) a capital conservation buffer (Section 23); (b) a countercyclical capital buffer (Section 23a); (c) a buffer for systemic ricks (Section 23b); (d) a buffer for global systemically important institutions (Section 23c); and (e) a buffer for other systemically important institutions (Section 23d). The additional buffers must consist of CET1 capital.

According to the Banking Act, banks must build up a capital conservation buffer that amounts to 2.5% of the total risk exposure amount. Moreover, the FMA may impose a countercyclical buffer during periods of high credit growth of up to 2.5% (or more, if additional requirements are met) of the total risk exposure amount. The level of the capital conservation buffer and countercyclical capital buffer is currently set at 0%, as provided in the FMA's Capital Buffer Regulation, *Kapitalpuffer-Verordnung*.

If an institution is identified as an "other systemically important institution" (O-SII) – which takes into account factors of size, economic importance for the European and Austrian industry, cross-border activity and interconnectedness with the financial system – the FMA may require such institution via regulation to maintain an additional capital buffer. The FMA, with the consent of the Austrian Financial Minister, has identified several institutions authorised in Austria, including UCB Austria, such as O-SIIs and has set an additional capital buffer for these institutions. According to the FMA's Capital Buffer Regulation, the capital buffer for UCB Austria is set at 0.25% until 31 December 2016, 0.5% from 1 January 2017, 1.5% from 1 January 2018 and 2% from 1 January 2019, on a consolidated basis.

Deposit guarantee

Deposits of bank customers are protected up to €100,000 per customer and bank. This amount applies also to joint accounts per customer and deposits in foreign currencies.

The Deposit Insurance and Investor Compensation Act ("**DIICA**") transposes the DGSD into Austrian law. Article 8, paragraph 1 of the DIICA establishes that CRR credit institutions in Austria must be members of an organisation for safeguarding deposits in order to guarantee the fulfilment of certain obligations if insolvency proceedings were to be initiated against the member institution or special administration proceedings were to be launched, a moratorium on protected deposits were imposed, or the FMA decided that a member institution is unable to repay due deposits, with no view that it will be able to repay the deposits in the future.

Deposits that are eligible to be protected by the deposit guarantee system are listed in Article 7, paragraph 1, number 3 of the DIICA. These include deposits at credit institutions, credit balances remaining on an account in connection with banking transactions, and certain documented claims. However, certain financial instruments, such as covered bonds of credit institutions, are not covered by the deposit guarantee system. Various requirements for payments made pursuant to the guarantee systems apply to the deposits of individuals and to those of legal entities. The deposit guarantee level for individuals is limited to €100,000 or the equivalent in foreign currency.

The Bank Recovery and Resolution Act

Under the BRRA, which transposes the BRRD into Austrian law, the resolution authority, i.e. the FMA and the Single Resolution Board for credit institutions supervised by the ECB, has the necessary powers to apply the following resolution tools to institutions that meet the conditions for resolution. The resolution tools comprise:

(i) the power to transfer to a purchaser shares, other instruments of ownership issued by the institution under resolution and/or all or any assets, rights or liabilities of the institution under resolution (the "sale of business tool"); and/or

(ii) the power to transfer shares or other instruments of ownership issued by one or more institutions under resolution and/or all or any rights, assets or liabilities of one or more institutions under resolution to a bridge institution that is wholly or partially owned by one or more public authorities, is controlled by the resolution authority and is created for the purpose of receiving and holding some or all of the shares or other instruments of ownership issued by an institution under resolution or some or all of the rights, assets and liabilities of one or more institutions under resolution with a view to maintaining access to critical functions and selling the institution (the "bridge institution tool"); and/or

(iii) the power to transfer assets, rights or liabilities of an institution under resolution or a bridge institution to one or more asset management vehicles wholly or partially owned by one or more public authorities and controlled by the resolution authority and created for the purpose of receiving some or all of the assets, rights and liabilities of one or more institutions under resolution or a bridge institution without the consent of the shareholders of the institution under resolution and without complying with any procedural requirements under company and securities law (the "asset separation tool"); and/or

(iv) the power to recapitalise an institution that meets the conditions for resolution to the extent sufficient to restore its ability to comply with the conditions for authorisation and to carry on the activities for which it is authorised or to convert to shares or reduce the principal amount of claims or debt instruments that are transferred to a bridge institution with a view to providing capital for that bridge institution or under the sale of the business tool or the asset separation tool (the "bail-in tool"), in each case by taking the measures described in the following paragraph.

Under the BRRA, the resolution authority has all powers necessary to apply the above-mentioned resolution tools to institutions that meet the conditions for resolution, *inter alia*:

(i) the power to take control of an institution under resolution and exercise all of the rights and powers conferred upon the shareholders, other owners and the management body of the institution under resolution;

(ii) the power to transfer shares and other instruments of ownership issued by an institution under resolution;

(iii) the power to transfer to another entity, with the consent of that entity, rights, assets or liabilities of an institution under resolution;

(iv) the power to reduce, including to zero, the principal amount of liabilities of an institution under resolution;

(v) the power to convert liabilities of an institution under resolution into ordinary shares or other instruments of ownership of that institution;

(vi) the power to cancel debt instruments issued by an institution under resolution;

(vii) the power to reduce, including to zero, the nominal amount of shares or other instruments of ownership of an institution under resolution and to cancel such shares or instruments.

Under the BRRA, the power to write down or convert capital instruments may be exercised together with a resolution action or, if certain conditions are met, independently of the resolution action.

Under the write-down powers and bail-in powers, the resolution authority has the power pursuant to the BRRA, upon the occurrence of certain trigger events, to cancel existing shares, to write down eligible liabilities (i.e. own funds instruments and, in the case of the bail-in power, other subordinated debt and even senior unsecured debt of a failing credit institution or to convert such eligible liabilities of a failing credit institution into equity at certain rates of conversion representing appropriate compensation to the affected holder for the loss incurred as a result of the write-down and conversion, to strengthen the credit institution's financial position and allow it to continue as a going concern subject to appropriate restructuring. Where a credit institution meets the conditions for resolution, the resolution authority would be required to use its write-down powers before using its resolution powers. With a view to ensuring that resolution authorities may effectively implement the aforementioned tools, credit institutions are required to maintain, *inter alia*, a certain level of eligible liabilities for resolution purposes (Minimum Requirement for Own Funds and Eligible Liabilities or "**MREL**").

Pursuant to the BRRA, the conditions for resolution are as follows:

(i) the FMA, after consulting the resolution authority or the resolution authority after consulting the FMA determines that the institution is going bankrupt or likely to go bankrupt soon, and

(ii) there is no reasonable prospect that any alternative private sector measures or supervisory action, including early intervention measures or the write-down or conversion of relevant capital instruments taken in respect of the institution would prevent the bankruptcy of the institution within a reasonable timeframe, and

(iii) the resolution action is necessary in the public interest.

Other regulatory requirements

In addition to the above-mentioned capital adequacy rules, the Banking Act, as amended, and the CRR impose other requirements and restrictions on Austrian credit institutions, including banking secrecy, anti-money laundering, reporting requirements, liquidity requirements, large exposure limits as well as requirements relating to remuneration of credit institutions management and employees. Non-compliance with the requirements of the Banking Act is subject to an administrative fine of up to €5 million in the case of individuals and up to 10% of annual net revenues in the case of legal entities, in each case depending on the type of violation.

Banking Secrecy

The Banking Act contains detailed provisions in relation to banking secrecy. Banking secrecy is regulated by Section 38 of the Banking Act. The violation of Austrian banking secrecy constitutes a criminal offence and is punishable by imprisonment of up to one year or an administrative fine.

Anti-money laundering

The Banking Act requires credit institutions to conduct anti-money laundering procedures when entering into transactions with customers. Section 40 of the Banking Act establishes that credit institutions should identify their customers (i) at the start of a permanent business relationship; (ii) in the case of transactions outside of a permanent business relationship that involves, in total, one or more related transactions for an amount equal to at least €15,000 or the equivalent in foreign currency; (iii) when there are reasonable grounds for suspecting that the customer is a member of a terrorist organisation, or is involved in money laundering operations or the financing of terrorism; or (iv) when there are serious doubts surrounding the truthfulness or suitability of the identification data previously obtained from the customer.

The fourth Anti-Money Laundering Directive (Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing) shall be transposed into Austrian law through the Financial Market Anti-Money Laundering Act (*Finanzmarkt-Geldwäschegesetz*), which is planned to be adopted in December 2016 and to enter into force on 1 January 2017, as well as the Beneficial Owner Register Act (*Wirtschaftlicher-Eigentümer-Registergesetz*), which will follow at a later point in time.

Periodical reports

Austrian credit institutions are required to file a number of reports with the FMA, including periodical monthly and quarterly reports. In addition, reports must also be filed to report any hidden reserves or credit in excess of certain amounts. The form of all reports is established by EU regulation or an implementing order of the FMA. All reports are delivered to the Austrian National Bank, which reviews them and provides to the FMA an opinion as to whether the regulations on solvency, eligible capital, liquidity, large exposures and participations are observed.

Liquidity

The FMA Regulation on Credit Institution Risk Management (*Kreditinstitute-Risikomanagementverordnung*) requires credit institutions to have appropriate strategies, principles, processes and systems in place to identify, measure, manage, control and limit liquidity risks over different time horizons in order to ensure that they hold adequate liquidity buffers. Among other things, this includes an internal funds transfer pricing covering all liquidity costs, a liquidity-specific limit system, an appropriate collateral management, a liquidity-specific stress testing framework and effective liquidity contingency funding plans. In order to comply with these requirements, banks must maintain a certain amount of highly liquid assets in an amount corresponding to the Liquidity Coverage Ratio ("**LCR**"). During the phasing-in period, the LCR increases from 70% in 2016, 80% in 2017 and, from 2018 onwards, 100%.

Large exposure limits

If the exposure with regard to a single client or group of connected clients exceeds 10% of a credit institution's "own funds", then a large exposure exists within the meaning of the CRR. Any large exposure to a client or a group of connected clients may not exceed 25% of the "own funds" of a credit institution and of the eligible consolidated capital of a credit institution group. Where that client is a credit institution, or where a group of connected clients includes one or more credit institutions, the value of the exposure may not exceed 25% of the "own funds" of the credit institution of the eligible consolidated capital of a credit institution group or the amount of €150 million, whichever is higher, provided that the sum of exposure values to all connected clients that are not credit institutions does not exceed 25% of the credit institution's "own funds" of the credit institution group. Credit institutions may apply certain credit risk mitigation techniques when determining large exposure limits.

6.2 Principal markets and competitive positioning

The UniCredit Group comprises a leading global financial group, established at the Registration Document Date, in 17 countries in Europe[50], with a presence through representative offices and branches.

As far as competitive positioning is concerned, the Group boasts a leading position in Italy, as well as a consolidated presence in some of the richest geographical areas of Western Europe (such as Germany and Austria), and has a role of primary standing in terms of total assets in many of the Central and Eastern European countries in which it operates.

(a) Credit brokerage activities in Italy, Germany and Austria

The UniCredit Group has a competitive position of primary importance in Italy, Germany and Austria: in each of these countries the Group is in the leading three banking groups operating in the market.

In Italy, in terms of total assets, as at 30 September 2016, the Group was second only to the Intesa Sanpaolo Group, with a market share for total credits of 12.4%[51].

In terms of the number of branches, as at 30 September 2016, the UniCredit Group is in second place in Italy with a market share of 12.1%[52]. Still as at 30 September 2016, the Group recorded market shares of over 15% in Piedmont, Aosta Valley, Umbria, Lazio, Molise and Sicily.

[50] For the sake of completeness, note that as at 31 October 2016 PJSC Ukrsotsbank was sold to Alfa Group, therefore, from this date, the operations of the Group in Central Eastern European countries no longer includes Ukraine. See Chapter 5, Paragraph 5.1.5 of the Registration Document.

[51] Source: calculations of the Issuer from internal data and based on the consolidated quarterly report as at 30 September 2016 of the Intesa Sanpaolo Group.

[52] Source: calculations of the UniCredit Group from internal reported data and Bank of Italy data, infostat system (https://infostat.bancaditalia.it).

In Germany, the Group is the third largest private bank after Deutsche Bank and Commerzbank, with a market share of 2.5%[53] as at 30 September 2016, while in Austria it has a leadership position, with a share, as at 30 September 2016, of 14.2% of total credits together with the Erste Group[54].

With reference to customer deposits, as at 30 September 2016, UniCredit boasts a market share of 12.12%[55] in Italy, 3.49%[56] in Germany and 13.64%[57]in Austria.

(b) **CEE countries**

The UniCredit Group enjoys an important position in Central Eastern Europe with a distribution network of 2,058 branches as at 30 September 2016[58].

The UniCredit Group has maintained its important role being, as at 30 September 2016, among the top 5 banks in terms of total assets in the majority of countries stated below[59], benefiting from the diversification within the area.

The table below contains the opening market shares in terms of total assets and the ranking of the UniCredit Group in the major Central and Eastern European countries in which the Group operates as at 30 September 2016.

Country	UniCredit % share	UniCredit Ranking
Bosnia-Herzegovina	24.0%	1
Bulgaria	19.9%	1
Croatia	26.7%	1
Czech Republic	10.3%	4
Romania	7.7%	5
Russia	1.6%	10
Serbia	10.0%	3
Slovakia	7.3%	5
Slovenia	7.1%	6
Turkey	9.6%	5
Hungary	8.3%	2

Source: calculation of the Issuer based on internal data and central national data bases.

53 Source: calculations of the Issuer from internal data and based on the consolidated quarterly reports as at 30 September 2016 of Deutsche Bank and Commerzbank.

54 Source: calculations of the Issuer from internal data and based on the consolidated quarterly report as at 30 September 2016 of the Erste Group.

55 Source: calculations of the Issuer based on data reported and Bank of Italy data.

56 Source: calculations of the Issuer based on data reported and Bundesbank data.

57 Source: calculation of the UniCredit Group based on reported data and OeNB data.

58 Source: calculation of the Issuer based on internal data (the total number of branches and countries includes Azerbaijan, Bosnia-Herzegovina, Bulgaria, the Czech Republic, Croatia, Hungary, Romania, Russia, Serbia, Slovenia, Slovakia and Turkey). The data for Turkey refer to 100% of the branches. The data also include leasing activities in Lithuania, Latvia and Estonia. Ukraine is excluded as it is classified as a discontinued operation.

59 Source: calculation of the Issuer based on internal data and central national data bases.

On the deposits front, in the same period the UniCredit Group recorded a market share of 5.1%, with a weighting of 6.7% in deposits from non-financial companies and 3.7% in deposits from family units[60]. In terms of deposits, as at 30 September 2016, the UniCredit Group boasts an important market share in Croatia (26.3%), Bosnia Herzegovina (24.2%) and Bulgaria (19.9%)[61].

(c) ***Poland***

As at the Date of the Registration Document, the UniCredit Group operates in Poland through Bank Pekao, which provides banking services and, through its separate division (Dom Maklerski Pekao), the subsidiary Centralny Dom Maklerski S.A. and the affiliate company Dom Inwestycyjny Xelion S.p.z o.o., is provides investment services to private and institutional customers.

With reference to commitments, as at 30 September 2016, Bank Pekao had a market share of approximately 11% of total loans, 15% in key retail products and approximately 13% in corporate products[62]. On the deposits side, in the same period, Bank Pekao recorded a market share of approximately 11.3% of the total, approximately 10% of family and private deposits and approximately 14.6% of corporate deposits[63]. The Bank Pekao Group is one of the largest distributors of mutual funds in Poland with around 17% of the market share in the private customer segment[64].

With reference to competitive positioning in Poland, note that under the scope of the actions set out in the 2016-2019 Strategic Plan, the Issuer has signed agreements relating to the sale of the entire equity investment owned in Bank Pekao (for further information on contracts and non-compete causes see Chapter 22, Paragraph 22.3 of the Registration Document), which is responsible for all UniCredit Group activities in Poland.

Following the sale of Bank Pekao, the UniCredit will exit the Polish market in full.

(d) ***Asset Management***

At the Date of the Registration Document, the UniCredit Group is active in the asset management sector through the Pioneer Investments Group.

The Pioneer Investments Group is a global asset manager, present in 28 countries managing assets of €225.8 billion as at 30 September 2016, of which €158.1 [65]billion refer to mutual funds sold on the retail market. The global mutual funds market was worth €24.2 thousand billion as at 30 September 2016 and the Pioneer Investments Group is ranked in thirty-first position in terms of size, with a market share of 0.65%[66].

[60] Source: calculation of the Issuer based on internal data and central national data bases.

[61] Source: calculation of the Issuer based on internal data and central national data bases.

[62] Source: calculation of the Issuer based on internal data and central national data bases.

[63] Source: calculation of the Issuer based on internal data and central national data bases.

[64] Report on mutual fund monitoring produced by an independent agency (www.analizy.pl).

[65] Source: Strategic Insight cross-border database. I The data exclude ETFs and internal funds of funds

[66] Source: *Strategic Insight cross-border database*. The data exclude ETFs and internal funds of funds and do not take Australia and Canada into consideration.

The Pioneer Investments Group is active, among other things, in (i) Italy (where it is the second ranked operator with a market share of 9.6%[67]); (ii) Germany (where it has a market share in the retail segment equal to 1.8%, with total assets of €12.6 billion[68] and it is also active in the "*spezial fund*" market, funds dedicated to the institutional sector); (iii) Austria (where it is the third most important operator with a market share of 10.6%[69]). The Pioneer Investments Group also has a presence in Eastern Central European countries, specifically Poland, where it is the leading operator in the market with €4.7 billion of total assets[70], as well as in the United States, where it is a well-established operator in the mutual funds sector (specifically in intermediary business).

With reference to the competitive positioning in asset management, note that under the scope of the actions set out in the 2016-2019 Strategic Plan, the Issuer signed an agreement with Amundi S.A. relating to the sale of the assets of PGAM (see Chapter 22, Paragraph 22.2 of the Registration Document).

Following the sale of the PGAM assets, the UniCredit Group will no longer have a presence as an asset manager in the asset management sector, but will act exclusively as a distributor for, among other things, Pioneer company products.

(e) ***Corporate & Investment Banking***

Through an international network with strategic key presences in Munich, London, Paris, Madrid, Milan and Vienna and in Central and Eastern European countries, as well as the United States and Asia, CIB places its specialist platform at the service of Group customers, offering a wide range of specialist products and services which combine geographical proximity with international standing in all major operating sectors, with a total market share of corporate syndicated loans which stood at 7.2% in June (EMEA Corporate Loans Bookrunner all currencies) rising, in the reference markets, to 24.1% in Italy, to 23.8% in Germany and to 28.4% in CEE countries. Similarly, the activity of issuing bonds recorded an overall market share in June of 6.0% (EMEA all Bonds EUR) which rose to 17.0% in Italy and to 11.7% in Germany[71].

Financing & Advisory (F&A). Ranked at the top of the league table[72] for credit activities and the issuing of bonds in the three main countries in which CIB operates (Italy, Germany and Austria) this is a key indicator of the strategic positioning of CIB in corporate banking activities.

The positioning of F&A with regard to competitors within the various classifications is very significant, specifically as far as syndicated loans, bonds and sponsor related are concerned.

Markets. *Markets* confirms its important positioning in the fixed income, rates, foreign exchange and equity segments, thanks to a familiarity with domestic markets, the skills of its sales force, the wide range of products available and its experience as an international bank. The Issuer's ever stronger presence in all the major

[67] Source: Strategic Insight cross-border database. The data exclude ETFs and internal funds.

[68] Source: Strategic Insight cross-border database. The data exclude ETFs and internal funds.

[69] Source: Voeig. The data include both assets managed and those in administration and consider both retail funds and *spezial fund*s, and funds dedicated to the institutional channel.

[70] Source: Strategic Insight cross-border database. The data exclude ETFs and internal funds.

[71] Source: *Dealogic*, January - June 2016.

[72] Source: *Dealogic*, January – June 2016.

"Dealer to Client" electronic trading platforms such as Bloomberg, TradeWeb, Bondvision and Reuters should also be stressed.

GTB. UniCredit's Global Transaction Banking activity (in short "GTB") combines a familiarity with domestic markets with the experience of an international bank, with GTB offering a range of products and services in the segments of payments and e-banking, trade finance, financial management of procurement, funding of exports and depositary bank services in Central and Eastern Europe.

(f) ***Asset Gathering***

Asset Gathering is a business unit specialised in collection through both direct channels and a network of financial advisors, focused mainly on the retail customer segment.

Asset Gathering operates through FinecoBank, a multichannel direct bank of the Group and through the major consultancy networks in Italy with 2,626 financial promoters as at 30 September 2016[73]. FinecoBank is the leading bank in Italy for volumes brokered (market share of 19.63% in the classification by share values as at 30 June 2016[74], last data available) on the share market and it has a leading role in Europe as far as orders executed are concerned (specifically, in 2015 FinecoBank orders executed stood at 28 million). FinecoBank operates on an integrated business model involving a direct bank and a network of advisors with a wide range of banking, credit, trading and investment services, also available on mobile devices.

As at 30 September 2016, the market share in Italy with regard to the total assets of customers stood at 1.43%[75].

For the sake of completeness, note that following the accelerated bookbuilding procedures of February and October 2016 (see Chapter 22, Paragraph 22.4 of the Registration Document), at the Date of the Registration Document the Issuer, holding a stake of approximately 35% of the share capital of FinecoBank, controls and consolidates the latter, leveraging the distinctive capacities and skills of FinecoBank and supporting its liquidity investment policy.

6.3 Exceptional factors

Without prejudice to what is indicated in the Registration Document (and, specifically Chapter 4 "*Risk factors*" and Chapter 12 "*Information on expected trends*" of the Registration Document), at the Registration Document Date no exceptional events that affected the UniCredit Groups' activities had occurred.

6.4 Dependency on patents or licences, industrial, commercial or financial contracts, or new manufacturing processes

At the Registration Document Date, the Groups' activities do not depend significantly on patents, licences, manufacturing processes of third-parties, or on industrial, commercial or financial agreements, considered individually.

[73] Source: FinecoBank, Half-Year Financial Report as at 30 June 2016

[74] Source: Assosim Report as at 30 June 2016.

[75] Source of data: Bank of Italy, BASTRA data system for direct and indirect deposits, which includes all companies subject to supervision by the Bank of Italy.

As at the Registration Document Date, Group activities do not depend in a significant way on patents, licences, third-party manufacturing processes, i.e. industrial, commercial or financial contracts considered individually.

The distribution contracts that will be concluded as part of the transfer of the PGAM assets to Amundi SA, will establish and regulate a commercial relationship for the non-exclusive distribution of the financial products of certain companies controlled by Pioneer (ref. Chapter 22, Paragraph 22.2 of the Registration Document).

According to the characteristics of the asset management market (in particular the plurality of market operators), the Issuer believes that any transfer of such agreements will not affect the distribution of these financial products by the Issuer, apart from any costs associated with the aforesaid transfer of the agreements.

With reference to the distribution agreements that will be concluded under the sale to Amundi S.A. of PGAM's assets and which do not place exclusivity obligations on the Issuer and the Group companies, see Chapter 22, Paragraph 22.2 of the Registration Document.

6.5 The basis for statements made by the Issuer regarding its competitive position

The information and declarations given by the Issuer through which the competitive position of the UniCredit Group are described are dealt with or developed starting from: (i) the sources indicated in Chapter 6, Paragraph 6.2 of the Registration Document; as well as (ii) the other sources indicated in the Registration Document.

7 ORGANISATIONAL STRUCTURE

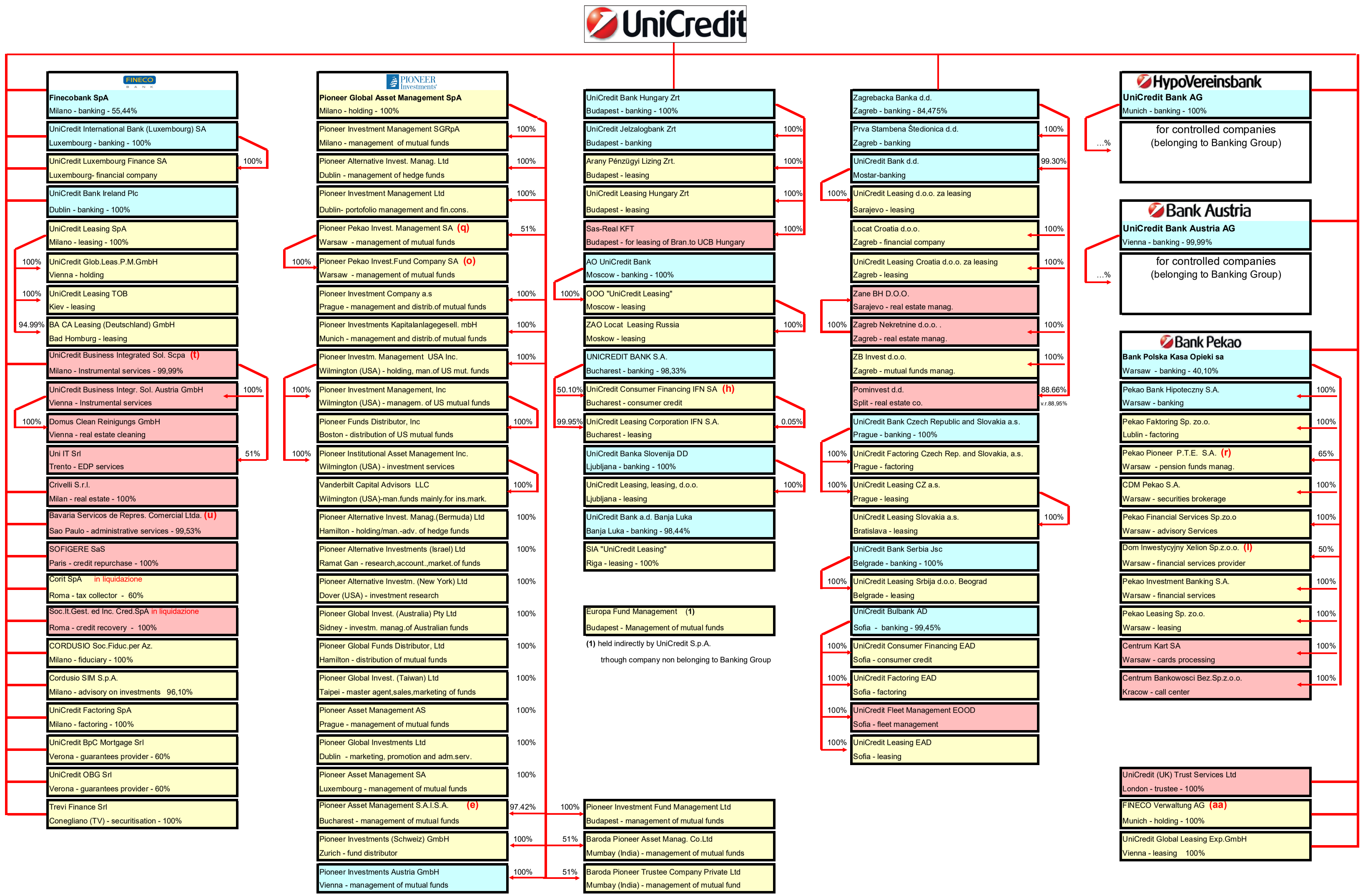
7.1 Group to which the Issuer belongs

The Issuer is the parent company of the UniCredit Banking Group and, as the parent company, in addition to banking activity, it carries out, pursuant to Article 61, paragraph four of the TUB (Consolidated Banking Act), management and coordination functions as well as having unitary control over the banking, financial and instrumental subsidiary companies that make up the UniCredit Banking Group.

The Issuer, under the scope of its management and coordination powers, issues provisions to the members of the UniCredit Banking Group, and this is also for the fulfilment of the instructions given by the Supervisory Authority and in the interest of the stability of the same Group. The Issuer also exercises management and coordination activities pursuant to Article 2497 et seq. of the Civil Code with regard to Italian companies belonging to the UniCredit Group and controlled directly or indirectly by the Issuer.

The organisational chart for the main companies of the UniCredit Banking Group as at 16 January 2017 is given below.

Banking Group (cod. 2008.1)

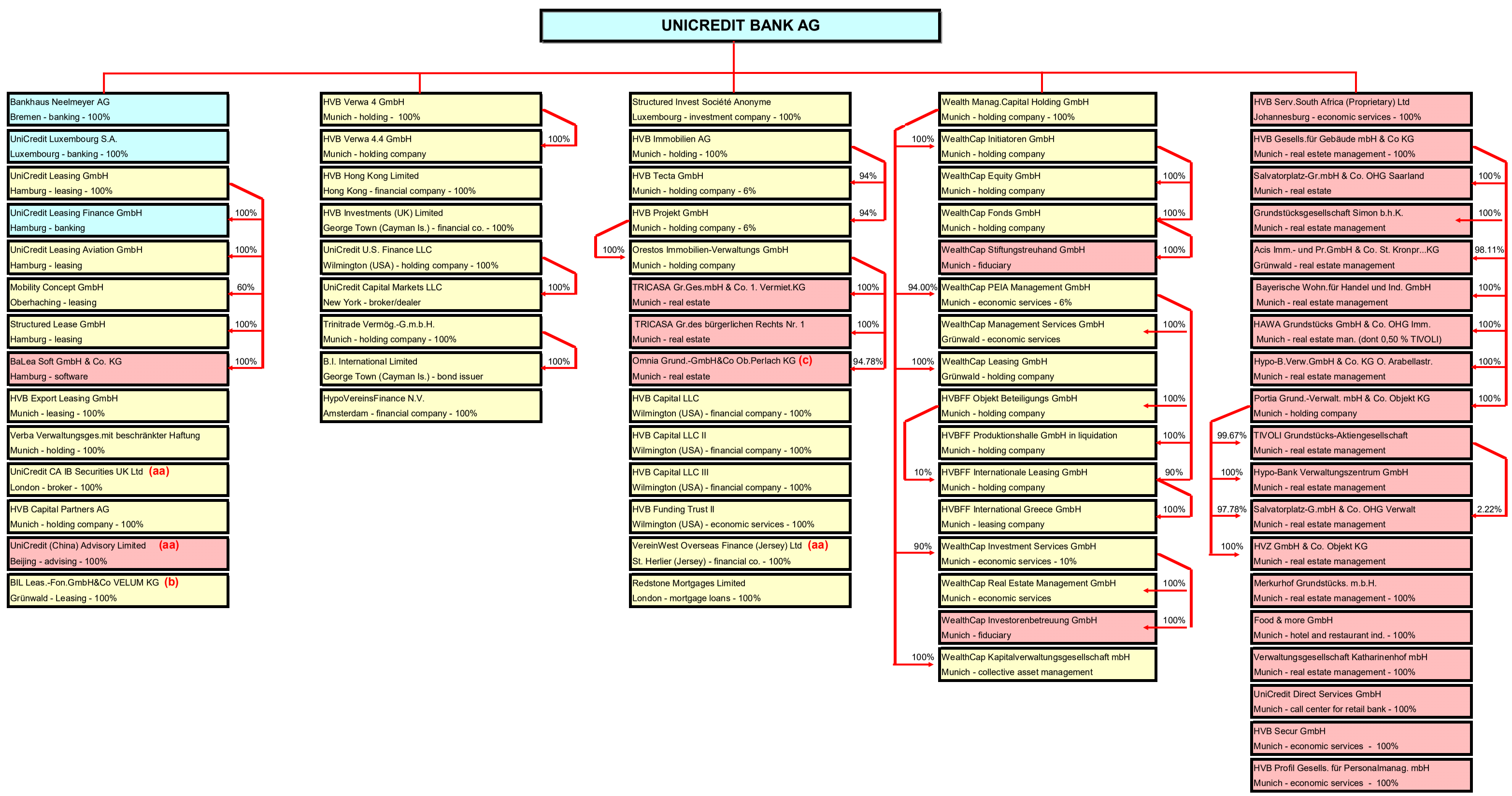


(e) 2,575% held by UNICREDIT BANK SA (h) 49,9% held by UniCredit SpA (l) 50% owned directly by UniCredit SpA (o) in Polish: Pioneer Pekao TFI SA (q) 49% held by Bank Pekao SA (r) 35% held by Pioneer Global Asset Management SpA (t) Other companies belonging to UniCredit Group and third parties hold 10/20 shares of the company (u) 0,47% held by UniCredit (UK) Trust Services Ltd (aa) under liquidation process
(z) Requested to Bank of Italy the inclusion in the Banking Group

Companies belonging to the Banking Group

banking
financial
instrumental

Updated
January 16th 2017

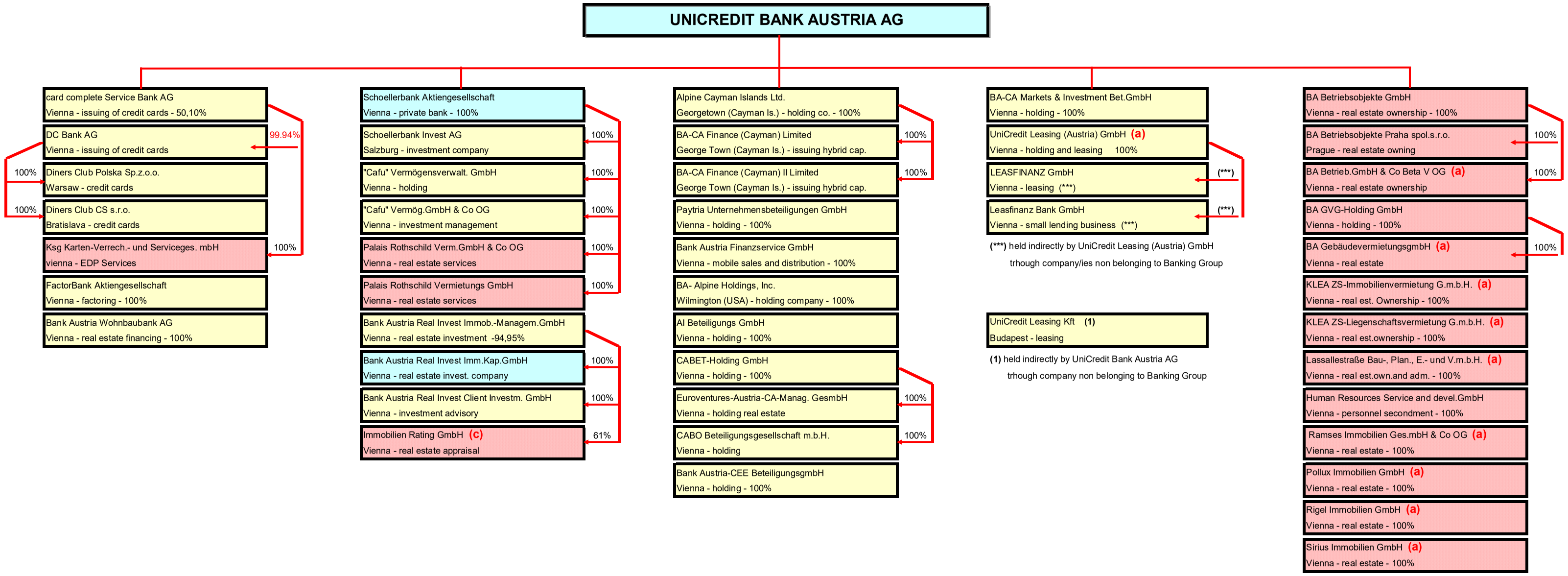


(b) Voting rights held by UCB AG (33,33%) and by BIL Leasing-Fonds Verwaltungs GmbH (33,33%) (c) 5,22% held by WealthCap Leasing GmbH (aa) under liquidation process
(z) Requested to Bank of Italy the inclusion in the Banking Group

Companies belonging to the Banking Group

banking
financial
instrumental

Updated
January 16th 2017



(a) % considering shares held by other Companies controlled by BA (c) 19% held by BA and 19% held by UniCredit Leasing (Austria) GmbH
(z) Requested to Bank of Italy the inclusion in the Banking Group

Companies belonging to the Banking Group

banking
financial
instrumental

Updated
January 16th 2017

* * *

For the sake of completeness, also note that at 12 December 2016 the Issuer has approved the 2016-2019 Strategic Plan which includes, *inter alia*, actions designed to have an impact on the perimeter of the Group (see Chapter 13, Paragraph 13.1.2 of the Registration Document).

7.2 Companies controlled by the Issuer

The tables below give some information regarding the main companies directly or indirectly controlled by the Issuer at the Registration Document Date.

List of main Subsidiaries directly or indirectly controlled by the Issuer

DENOMINATION	REGISTERED OFFICE STATE	BUSINESS	PARTICIPANT	% OF OWNERSHIP IN THE SHARE CAPITAL	% OF VOTING RIGHTS	CUR	SHARE CAPITAL
ALPINE CAYMAN ISLANDS LTD.	CAYMAN ISLANDS	HOLDING COMPANY	UNICREDIT BANK AUSTRIA AG	100	100	USD	1,100.00
ALTAIR SRL	ITALY	REAL ESTATE	VISCONTI SRL	100	100	EUR	2,100,000.00
AO UNICREDIT BANK	RUSSIA	BANK	UNICREDIT SPA	100	100	RUB	40,438,324,420.00
B A I BAUTRAEGER AUSTRIA IMMOBILIEN GMBH	AUSTRIA	REAL ESTATE	BA-CA MARKETS & INVESTMENT BETEILIGUNG GES.M.B.H.	0.25	0.25	EUR	730,000.00
B A I BAUTRAEGER AUSTRIA IMMOBILIEN GMBH	AUSTRIA	REAL ESTATE	IMMOBILIEN HOLDING GMBH	99.75	99.75	EUR	730,000.00
BA-CA FINANCE (CAYMAN) LIMITED	CAYMAN ISLANDS	HOUSING BONDS	ALPINE CAYMAN ISLANDS LTD.	100	100	EUR	15,000.00
BACA HYDRA LEASING GMBH	AUSTRIA	LEASING - SPV (NO - REQ BANKIT)	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.2	0.2	EUR	36,500.00
BACA HYDRA LEASING GMBH	AUSTRIA	LEASING - SPV (NO - REQ BANKIT)	UNICREDIT LEASING (AUSTRIA) GMBH	99.8	99.8	EUR	36,500.00
BANK AUSTRIA REAL INVEST IMMOBILIEN-MANAGEMENT GMBH	AUSTRIA	REAL ESTATE	UNICREDIT BANK AUSTRIA AG	94.954	94.954	EUR	10,900,500.00
BANK AUSTRIA WOHNBAUBANK AG	AUSTRIA	REAL ESTATE	UNICREDIT BANK AUSTRIA AG	100	100	EUR	18,765,944.00
BANK PEKAO SA	POLAND	BANK	UNICREDIT SPA	40.1	40.1	PLN	262,470,034.00
BANKHAUS NEELMEYER AG	GERMANY	BANK	UNICREDIT BANK AG	100	100	EUR	12,800,000.00
CABET-HOLDING GMBH	AUSTRIA	HOLDING COMPANY	UNICREDIT BANK AUSTRIA AG	100	100	EUR	290,909.35
CABO BETEILIGUNGSGESELLSCHAFT M.B.H.	AUSTRIA	HOLDING COMPANY	CABET-HOLDING GMBH	100	100	EUR	35,000.00
CALG ANLAGEN LEASING GMBH	AUSTRIA	LEASING - SPV (NO - REQ BANKIT)	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.2	0.2	EUR	36,500.00
CALG ANLAGEN LEASING GMBH	AUSTRIA	LEASING - SPV (NO - REQ BANKIT)	UNICREDIT LEASING (AUSTRIA) GMBH	99.8	99.8	EUR	36,500.00
CALG IMMOBILIEN LEASING GMBH	AUSTRIA	LEASING - SPV (NO - REQ BANKIT)	CALG ANLAGEN LEASING GMBH	99.8	99.8	EUR	254,354.92
CALG IMMOBILIEN LEASING GMBH	AUSTRIA	LEASING - SPV (NO - REQ BANKIT)	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.2	0.2	EUR	254,354.92
CAPITAL DEV SPA	ITALY	HOLDING	UNICREDIT SPA	100	100	EUR	272,000.00
CARD COMPLETE SERVICE BANK AG	AUSTRIA	ADMINISTRATION AND MANAGEMENT	UNICREDIT BANK AUSTRIA AG	50.1	50.1	EUR	6,000,000.00
COMPAGNIA FONDIARIA ROMANA - SOCIETA' A RESPONDABILITA' LIMITATA	ITALY	REAL ESTATE	NUOVA COMPAGNIA DI PARTECIPAZIONI SPA	87.5	87.5	EUR	103,400.00

DENOMINATION	REGISTERED OFFICE STATE	BUSINESS	PARTICIPANT	% OF OWNERSHIP IN THE SHARE CAPITAL	% OF VOTING RIGHTS	CUR	SHARE CAPITAL
COMPAGNIA FONDIARIA ROMANA - SOCIETA' A RESPONDABILITA' LIMITATA	ITALY	REAL ESTATE	SOCIETA' VERONESE GESTIONE COMPRAVENDITA IMMOBILI A R.L.	12.5	12.5	EUR	103,400.00
CORDUSIO SIM SPA	ITALY	COMPANY OF REAL ESTATE BROKERAGE	UNICREDIT SPA	96.1	96.1	EUR	51,282,051.00
EDILTRENNO SRL	ITALY	CONSTRUCTION	VISCONTI SRL	55	55	EUR	103,200.00
EKAZENT REALITAETENGESELLSCHAFT M.B.H.	AUSTRIA	REAL ESTATE	BA-CA MARKETS & INVESTMENT BETEILIGUNG GES.M.B.H.	0.015	0.015	EUR	4,370,000.00
EKAZENT REALITAETENGESELLSCHAFT M.B.H.	AUSTRIA	REAL ESTATE	IMMOBILIEN HOLDING GMBH	99.985	99.985	EUR	4,370,000.00
FACTORBANK AKTIENGESELLSCHAFT	AUSTRIA	FACTORING	UNICREDIT BANK AUSTRIA AG	100	100	EUR	3,000,000.00
FINECOBANK SPA	ITALY	BANK	UNICREDIT SPA	35.442	35.442	EUR	200,245,793.88
H.F.S. LEASINGFONDS DEUTSCHLAND 1 GMBH & CO. KG (IMMOBILIENLEASING)	GERMANY	INVESTMENT FUND	HVB IMMOBILIEN AG	99.344	99.344	EUR	61,170,962.01
H.F.S. LEASINGFONDS DEUTSCHLAND 1 GMBH & CO. KG (IMMOBILIENLEASING)	GERMANY	INVESTMENT FUND	WEALTHCAP REAL ESTATE MANAGEMENT GMBH	0.084	0.084	EUR	61,170,962.01
HVB GESELLSCHAFT FUR GEBAUDE MBH & CO KG	GERMANY	REAL ESTATE	UNICREDIT BANK AG	100	100	EUR	10,000,000.00
HVB IMMOBILIEN AG	GERMANY	HOLDING COMPANY	UNICREDIT BANK AG	100	100	EUR	520,000.00
HVB PROJEKT GMBH	GERMANY	HOLDING COMPANY	HVB IMMOBILIEN AG	94	94	EUR	24,543,000.00
HVB PROJEKT GMBH	GERMANY	HOLDING COMPANY	UNICREDIT BANK AG	6	6	EUR	24,543,000.00
HVZ GMBH & CO. OBJEKT KG	GERMANY	REAL ESTATE	PORTIA GRUNDSTUCKS-VERWALTUNGSGESELLSCHAFT MBH & CO. OBJEKT KG	100	100	EUR	148,090,766.10
HYPOVEREINSFINANCE N.V.	NETHERLANDS	FINANCIAL	UNICREDIT BANK AG	100	100	EUR	181,512.00
IMMOBILIEN HOLDING GMBH	AUSTRIA	ASSET MANAGEMENT	UNICREDIT BANK AUSTRIA AG	100	100	EUR	36,336.42
ISTITUTO IMMOBILIARE DI CATANIA SPA	ITALY	REAL ESTATE AGENCY	CAPITAL DEV SPA	93.921	93.921	EUR	7,700,000.97
ISTITUTO IMMOBILIARE DI CATANIA SPA	ITALY	REAL ESTATE AGENCY	UNICREDIT SPA	1.121	1.121	EUR	7,700,000.97
LEASFINANZ GMBH	AUSTRIA	LEASING	BACA LEASING UND BETEILIGUNGSMANAGEMENT GMBH	100	100	EUR	218,018.50
MOBILITY CONCEPT GMBH	GERMANY	LEASING	UNICREDIT LEASING GMBH	60	60	EUR	4,000,000.00
NORDBAHNHOF PROJEKTE HOLDING GMBH	AUSTRIA	HOLDING COMPANY	BA-CA MARKETS & INVESTMENT BETEILIGUNG GES.M.B.H.	7	7	EUR	35,000.00
NORDBAHNHOF PROJEKTE HOLDING GMBH	AUSTRIA	HOLDING COMPANY	UNICREDIT BANK AUSTRIA AG	93	93	EUR	35,000.00
OCEAN BREEZE ENERGY GMBH & CO. KG	GERMANY	ENERGY	HJS 12 BETEILIGUNGSGESELLSCHAFT MBH	100	100	EUR	2,000.00

DENOMINATION	REGISTERED OFFICE STATE	BUSINESS	PARTICIPANT	% OF OWNERSHIP IN THE SHARE CAPITAL	% OF VOTING RIGHTS	CUR	SHARE CAPITAL
OLG HANDELS- UND BETEILIGUNGSVERWALTUNGSGESELLSCHAFT M.B.H.	AUSTRIA	LEASING - SPV (NO - REQ BANKIT)	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	100	100	EUR	36,336.42
OOO UNICREDIT LEASING	RUSSIA	LEASING	AO UNICREDIT BANK	100	100	RUB	160,000,000.00
ORESTOS IMMOBILIEN-VERWALTUNGS GMBH	GERMANY	HOLDING COMPANY	HVB PROJEKT GMBH	100	100	EUR	10,149,150.00
PARCO DELLE ACACIE DUE S.P.A.	ITALY	REAL ESTATE	CAPITAL DEV SPA	100	100	EUR	90,000.00
PARSEC 6 SPA	ITALY	REAL ESTATE	CAPITAL DEV SPA	100	100	EUR	90,000.00
PEKAO BANK HIPOTECZNY S.A.	POLAND	BANK	BANK PEKAO SA	100	100	PLN	223,000,000.00
PEKAO INVESTMENT BANKING SA	POLAND	FINANCIAL	BANK PEKAO SA	100	100	PLN	225,141,851.00
PEKAO LEASING SP ZO.O.	POLAND	LEASING	BANK PEKAO SA	100	100	PLN	241,588,600.00
PIONEER ASSET MANAGEMENT SA	LUXEMBOURG	INVESTMENT FUND	PIONEER GLOBAL ASSET MANAGEMENT SPA	100	100	EUR	10,000,000.00
PIONEER FUNDS DISTRIBUTOR INC	U.S.A.	INVESTMENT FUND	PIONEER INVESTMENT MANAGEMENT INC	100	100	USD	51.00
PIONEER GLOBAL ASSET MANAGEMENT SPA	ITALY	HOLDING COMPANY	UNICREDIT SPA	100	100	EUR	1,219,463,433.72
PIONEER GLOBAL INVESTMENTS LIMITED	IRELAND	SERVICES	PIONEER GLOBAL ASSET MANAGEMENT SPA	100	100	USD	700,000.00
PIONEER INSTITUTIONAL ASSET MANAGEMENT INC	U.S.A.	ADMINISTRATION AND MANAGEMENT	PIONEER INVESTMENT MANAGEMENT USA INC.	100	100	USD	1.00
PIONEER INVESTMENT MANAGEMENT INC	U.S.A.	INVESTMENT FUND	PIONEER INVESTMENT MANAGEMENT USA INC.	100	100	USD	1,999.00
PIONEER INVESTMENT MANAGEMENT LIMITED	IRELAND	ADMINISTRATION AND MANAGEMENT	PIONEER GLOBAL ASSET MANAGEMENT SPA	100	100	EUR	1,032,920.00
PIONEER INVESTMENT MANAGEMENT SOC. DI GESTIONE DEL RISPARMIO PER AZ	ITALY	INVESTMENT FUND	PIONEER GLOBAL ASSET MANAGEMENT SPA	100	100	EUR	51,340,995.00
PIONEER INVESTMENT MANAGEMENT USA INC.	U.S.A.	HOLDING COMPANY	PIONEER GLOBAL ASSET MANAGEMENT SPA	100	100	USD	1.00
PIONEER INVESTMENTS AUSTRIA GMBH	AUSTRIA	INVESTMENTS	PIONEER GLOBAL ASSET MANAGEMENT SPA	100	100	EUR	5,000,000.00
PIONEER INVESTMENTS KAPITALANLAGEGESELLSCHAFT MBH	GERMANY	INVESTMENTS	PIONEER GLOBAL ASSET MANAGEMENT SPA	100	100	EUR	6,500,000.00
PORTIA GRUNDSTUCKS-VERWALTUNGSGESELLSCHAFT MBH & CO. OBJEKT KG	GERMANY	HOLDING COMPANY	HVB GESELLSCHAFT FUR GEBAUDE MBH & CO KG	100	100	EUR	500,013,550.25
PRVA STAMBENA STEDIONICA DD ZAGREB	CROATIA	BANK	ZAGREBACKA BANKA D.D.	100	100	HRK	80,000,000.00
REDSTONE MORTGAGES LIMITED	UNITED KINGDOM	OTHER BANK ACTIVITY	UNICREDIT BANK AG	100	100	GBP	100,000.00

DENOMINATION	REGISTERED OFFICE STATE	BUSINESS	PARTICIPANT	% OF OWNERSHIP IN THE SHARE CAPITAL	% OF VOTING RIGHTS	CUR	SHARE CAPITAL
SALVATORPLATZ-GRUNDSTUCKSGESELLSCHAFT MBH & CO. OHG VERWALTUNGSZENTRUM	GERMANY	REAL ESTATE	PORTIA GRUNDSTUCKS-VERWALTUNGSGESELLSCHAFT MBH & CO. OBJEKT KG	97.778	97.778	EUR	2,300,850.00
SALVATORPLATZ-GRUNDSTUCKSGESELLSCHAFT MBH & CO. OHG VERWALTUNGSZENTRUM	GERMANY	REAL ESTATE	TIVOLI GRUNDSTUCKS-AKTIENGESELLSCHAFT	2.222	2.222	EUR	2,300,850.00
SAMAR SPA	ITALY	REAL ESTATE	CAPITAL DEV SPA	100	100	EUR	50,000.00
SCHOELLERBANK AKTIENGESELLSCHAFT	AUSTRIA	BANK	BANK AUSTRIA-CEE BETEILIGUNGSGMBH	0	0	EUR	20,000,000.00
SCHOELLERBANK AKTIENGESELLSCHAFT	AUSTRIA	BANK	UNICREDIT BANK AUSTRIA AG	100	100	EUR	20,000,000.00
SIA UNICREDIT LEASING	LATVIA	LEASING	UNICREDIT SPA	100	100	EUR	15,569,120.00
SOCIETA' AGRICOLA TENUTA CESARINA SRL	ITALY	AGRICULTURE - FARMING	VISCONTI SRL	100	100	EUR	5,000,000.00
SOCIETA' VERONESE GESTIONE COMPRAVENDITA IMMOBILI A R.L.	ITALY	REAL ESTATE	NUOVA COMPAGNIA DI PARTECIPAZIONI SPA	100	100	EUR	108,500.00
STRUCTURED LEASE GMBH	GERMANY	LEASING	UNICREDIT LEASING GMBH	100	100	EUR	250,000.00
TIVOLI GRUNDSTUCKS-AKTIENGESELLSCHAFT	GERMANY	REAL ESTATE	PORTIA GRUNDSTUCKS-VERWALTUNGSGESELLSCHAFT MBH & CO. OBJEKT KG	99.667	99.667	EUR	6,240,000.00
UCTAM SVK S.R.O.	SLOVAKIA	HOLDING	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	85	85	EUR	5,000.00
UCTAM SVK S.R.O.	SLOVAKIA	HOLDING	UNICREDIT TURN-AROUND MANAGEMENT GMBH	15	15	EUR	5,000.00
UNICREDIT BANK A.D. BANJA LUKA	BOSNIA AND HERCEGOVINA	BANK	UNICREDIT SPA	98.44	98.44	BAM	97,055,000.00
UNICREDIT BANK AG	GERMANY	BANK	UNICREDIT SPA	100	100	EUR	2,407,151,016.00
UNICREDIT BANK AUSTRIA AG	AUSTRIA	BANK	UNICREDIT SPA	99.996	99.996	EUR	1,681,033,521.40
UNICREDIT BANK CZECH REPUBLIC AND SLOVAKIA, A.S.	CZECH REPUBLIC	BANK	UNICREDIT SPA	100	100	CZK	8,754,617,898.00
UNICREDIT BANK D.D.	BOSNIA AND HERCEGOVINA	BANK	ZAGREBACKA BANKA D.D.	99.304	99.309	BAM	119,195,000.00
UNICREDIT BANK HUNGARY ZRT.	HUNGARY	BANK	UNICREDIT SPA	100	100	HUF	24,118,220,000.00
UNICREDIT BANK IRELAND PLC	IRELAND	BANK	UNICREDIT SPA	100	100	EUR	1,343,118,650.00
UNICREDIT BANK S.A.	ROMANIA	BANK	UNICREDIT SPA	98.328	98.328	RON	379,075,291.20
UNICREDIT BANK SERBIA JSC	SERBIA	BANK	UNICREDIT SPA	100	100	CSD	23,607,620,000.00
UNICREDIT BANKA SLOVENIJA D.D.	SLOVENIA	BANK	UNICREDIT SPA	100	100	EUR	20,383,764.81
UNICREDIT BULBANK AD	BULGARIA	BANK	UNICREDIT SPA	99.452	99.452	BGN	285,776,674.00

DENOMINATION	REGISTERED OFFICE STATE	BUSINESS	PARTICIPANT	% OF OWNERSHIP IN THE SHARE CAPITAL	% OF VOTING RIGHTS	CUR	SHARE CAPITAL
UNICREDIT BUSINESS INTEGRATED SOLUTIONS AUSTRIA GMBH	AUSTRIA	HOLDING COMPANY	UNICREDIT BUSINESS INTEGRATED SOLUTIONS SOCIETA CONSORTILE PER AZIONI	100	100	EUR	1,200,000.00
UNICREDIT BUSINESS INTEGRATED SOLUTIONS SOCIETA CONSORTILE PER AZIONI	ITALY	ADMINISTRATION AND MANAGEMENT	CORDUSIO SOCIETA' FIDUCIARIA PER AZIONI	0	0	EUR	237,523,160.00
UNICREDIT BUSINESS INTEGRATED SOLUTIONS SOCIETA CONSORTILE PER AZIONI	ITALY	ADMINISTRATION AND MANAGEMENT	FINECOBANK SPA	0	0	EUR	237,523,160.00
UNICREDIT BUSINESS INTEGRATED SOLUTIONS SOCIETA CONSORTILE PER AZIONI	ITALY	ADMINISTRATION AND MANAGEMENT	PIONEER INVESTMENT MANAGEMENT SOC. DI GESTIONE DEL RISPARMIO PER AZ	0	0	EUR	237,523,160.00
UNICREDIT BUSINESS INTEGRATED SOLUTIONS SOCIETA CONSORTILE PER AZIONI	ITALY	ADMINISTRATION AND MANAGEMENT	UNICREDIT BANK AG	0	0	EUR	237,523,160.00
UNICREDIT BUSINESS INTEGRATED SOLUTIONS SOCIETA CONSORTILE PER AZIONI	ITALY	ADMINISTRATION AND MANAGEMENT	UNICREDIT FACTORING SPA	0	0	EUR	237,523,160.00
UNICREDIT BUSINESS INTEGRATED SOLUTIONS SOCIETA CONSORTILE PER AZIONI	ITALY	ADMINISTRATION AND MANAGEMENT	UNICREDIT SPA	100	100	EUR	237,523,160.00
UNICREDIT CAPITAL MARKETS LLC	U.S.A.	FINANCIAL	UNICREDIT U.S. FINANCE LLC	100	100	USD	100,000.00
UNICREDIT CONSUMER FINANCING EAD	BULGARIA	FINANCIAL	UNICREDIT BULBANK AD	100	100	BGN	2,800,000.00
UNICREDIT CONSUMER FINANCING IFN S.A.	ROMANIA	FINANCIAL	UNICREDIT BANK S.A.	50.096	50.096	RON	103,269,200.00
UNICREDIT CONSUMER FINANCING IFN S.A.	ROMANIA	FINANCIAL	UNICREDIT SPA	0	0	RON	103,269,200.00
UNICREDIT CONSUMER FINANCING IFN S.A.	ROMANIA	FINANCIAL	UNICREDIT SPA	49.904	49.904	RON	103,269,200.00
UNICREDIT FACTORING SPA	ITALY	FACTORING	UNICREDIT SPA	100	100	EUR	414,348,000.00
UNICREDIT INTERNATIONAL BANK (LUXEMBOURG) SA	LUXEMBOURG	BANK	UNICREDIT SPA	100	100	EUR	10,000,000.00
UNICREDIT JELZALOGBANK ZRT.	HUNGARY	BANK	UNICREDIT BANK HUNGARY ZRT.	100	100	HUF	3,000,000,000.00
UNICREDIT LEASING (AUSTRIA) GMBH	AUSTRIA	LEASING	BA-CA MARKETS & INVESTMENT BETEILIGUNG GES.M.B.H.	10	10	EUR	17,296,134.00
UNICREDIT LEASING (AUSTRIA) GMBH	AUSTRIA	LEASING	PAYTRIA UNTERNEHMENSBETEILIGUNGEN GMBH	0.018	0.018	EUR	17,296,134.00
UNICREDIT LEASING (AUSTRIA) GMBH	AUSTRIA	LEASING	UNICREDIT BANK AUSTRIA AG	89.982	89.982	EUR	17,296,134.00
UNICREDIT LEASING CORPORATION IFN S.A.	ROMANIA	LEASING	UNICREDIT BANK S.A.	99.955	99.955	RON	90,989,012.79
UNICREDIT LEASING CORPORATION IFN S.A.	ROMANIA	LEASING	UNICREDIT CONSUMER FINANCING IFN S.A.	0.045	0.045	RON	90,989,012.79
UNICREDIT LEASING CROATIA D.O.O. ZA LEASING	CROATIA	LEASING	ZAGREBACKA BANKA D.D.	100	100	HRK	28,741,800.00
UNICREDIT LEASING CZ, A.S.	CZECH REPUBLIC	LEASING	UNICREDIT BANK CZECH REPUBLIC AND SLOVAKIA, A.S.	100	100	CZK	981,452,000.00
UNICREDIT LEASING EAD	BULGARIA	LEASING	UNICREDIT BULBANK AD	100	100	BGN	2,605,000.00
UNICREDIT LEASING FINANCE GMBH	GERMANY	BANK	UNICREDIT LEASING GMBH	100	100	EUR	17,580,000.00
UNICREDIT LEASING GMBH	GERMANY	LEASING	UNICREDIT BANK AG	100	100	EUR	15,000,000.00

DENOMINATION	REGISTERED OFFICE STATE	BUSINESS	PARTICIPANT	% OF OWNERSHIP IN THE SHARE CAPITAL	% OF VOTING RIGHTS	CUR	SHARE CAPITAL
UNICREDIT LEASING S.P.A.	ITALY	LEASING	UNICREDIT SPA	100	100	EUR	1,200,131,062.00
UNICREDIT LEASING SLOVAKIA A.S.	SLOVAKIA	LEASING	UNICREDIT LEASING CZ, A.S.	100	100	EUR	26,560,000.00
UNICREDIT LUXEMBOURG FINANCE SA	LUXEMBOURG	FINANCIAL	UNICREDIT INTERNATIONAL BANK (LUXEMBOURG) SA	100	100	EUR	350,000.00
UNICREDIT LUXEMBOURG S.A.	LUXEMBOURG	BANK	UNICREDIT BANK AG	100	100	EUR	238,000,000.00
UNICREDIT MOBILIEN UND KFZ LEASING GMBH	AUSTRIA	LEASING - SPV (NO - REQ BANKIT)	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	98.8	98.8	EUR	36,500.00
UNICREDIT MOBILIEN UND KFZ LEASING GMBH	AUSTRIA	LEASING - SPV (NO - REQ BANKIT)	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.2	0.2	EUR	36,500.00
UNICREDIT MOBILIEN UND KFZ LEASING GMBH	AUSTRIA	LEASING - SPV (NO - REQ BANKIT)	UNICREDIT LEASING (AUSTRIA) GMBH	1	1	EUR	36,500.00
UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	AUSTRIA	ASSET MANAGEMENT	UNICREDIT TURN-AROUND MANAGEMENT GMBH	100	100	EUR	750,000.00
UNICREDIT TURN-AROUND MANAGEMENT GMBH	AUSTRIA	HOLDING COMPANY	UNICREDIT SPA	100	100	EUR	72,672.83
UNICREDIT U.S. FINANCE LLC	U.S.A.	HOLDING COMPANY	UNICREDIT BANK AG	100	100	USD	10.00
UNIVERSALE INTERNATIONAL REALITAETEN GMBH	AUSTRIA	REAL ESTATE	BA-CA MARKETS & INVESTMENT BETEILIGUNG GES.M.B.H.	0	0	EUR	32,715,000.00
UNIVERSALE INTERNATIONAL REALITAETEN GMBH	AUSTRIA	REAL ESTATE	UNICREDIT BANK AUSTRIA AG	100	100	EUR	32,715,000.00
VIENNA DC TOWER 1 LIEGENSCHAFTSBESITZ GMBH	AUSTRIA	REAL ESTATE	WED DONAU-CITY GESELLSCHAFT M.B.H.	100	100	EUR	35,000.00
WEALTH MANAGEMENT CAPITAL HOLDING GMBH	GERMANY	HOLDING COMPANY	UNICREDIT BANK AG	100	100	EUR	26,000.00
WMC AIRCRAFT 27 LEASING LIMITED	IRELAND	AVIATION	WEALTHCAP AIRCRAFT 27 GMBH & CO GESCHLOSSENE INVESTMENTKG	100	100	USD	1.00
ZAGREBACKA BANKA D.D.	CROATIA	BANK	UNICREDIT SPA	84.475	168.95	HRK	6,404,839,100.00

8 PROPERTY, PLANT AND EQUIPMENT

8.1 Tangible Fixed Assets

Information regarding the tangible fixed assets of the Group as at 30 September 2016 and as at 31 December 2015, as at 31 December 2014 and as at 31 December 2013, valued, respectively at cost and at fair value or revalued, is given below.

Tangible fixed assets: breakdown of assets valued at cost

Tangible fixed assets valued at cost *(in millions of Euros)*

		31 December				% Change		
	30 September 2016	2015	2014	2013 (restated) (*)	2013	30 September 2016 compared with 31 December 2015	2015 compared with 2014	2014 compared with 2013 (restated) (*)
A. Functional asset								
1.1 owned	**7,012**	**7,386**	**7,135**	**7,321**	**7,458**	**-5.1%**	**3.5%**	**-2.5%**
a) land	1,256	1,276	1,299	1,291	1,301	-1.6%	-1.8%	0.6%
b) buildings	2,606	2,674	2,684	2,890	2,973	-2.5%	-0.4%	-7.1%
c) furniture	307	297	294	274	276	3.4%	1.0%	7.7%
d) electronic equipment	510	569	545	552	581	-10.4%	4.4%	-1.3%
e) other	2,333	2,570	2,313	2,314	2,327	-9.2%	11.1%	0.0%
1.2 financial lease purchases	**54**	**55**	**59**	**127**	**129**	**-1.8%**	**-6.8%**	**-53.5%**
a) land	15	15	15	44	44	0.0%	0.0%	-65.9%
b) buildings	33	33	34	75	77	0.0%	-2.9%	-54.7%
c) furniture	-	-	-	-	-	-	-	-
d) electronic equipment	-	-	-	-	-	-	-	-
e) other	6	7	10	8	8	-14.3%	-30.0%	25.0%
Total A	**7,066**	**7,441**	**7,194**	**7,447**	**7,587**	**-5%**	**3.4%**	**-3.4%**
B. Assets held for investment purposes								
2.1 owned	**2,422**	**2,511**	**3,002**	**3,220**	**3,240**	**-3.5%**	**-16.4%**	**-6.8%**
a) land	911	923	1,120	1,219	1,226	-1.4%	-17.6%	-8.1%
b) buildings	1,511	1,588	1,882	2,001	2,014	-4.8%	-15.6%	-5.9%
2.2 financial lease purchases	**10**	**10**	**10**	**82**	**82**	**0.0%**	**0.0%**	**-87.8%**
a) land	10	10	10	13	13	0.0%	0.0%	-23.1%
b) buildings	-	-	-	69	69	-	-	-100.0%
Total B	**2,432**	**2,521**	**3,012**	**3,302**	**3,322**	**-3.5%**	**-16.3%**	**-8.8%**
Total (A+B)	**9,498**	**9,962**	**10,206**	**10,749**	**10,909**	**4.7%**	**-2.4%**	**-5.0%**

(*) Note that the data as at 31 December 2013 have been extracted from the 2014 Reports and Consolidated Financial Statements, where they have been restated, compared with those published originally, to include the retrospective application of the changes to the International Accounting Standards that took place during the year ending 31 December 2014.

Tangible fixed assets: breakdown of assets at fair value or revalued

Tangible fixed assets at fair value or revalued *(in millions of Euros)*

		31 December				% Change		
	30 September 2016	2015	2014	2013 (restated) (*)	2013	30 September 2016 compared with 31 December 2015	2015 compared with 2014	2014 compared with 2013 (restated) (*)
A. Functional asset								
1.1 owned	-	-	-	-	-	-	-	-
a) land	-	-	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-	-	-
c) furniture	-	-	-	-	-	-	-	-
d) electronic equipment	-	-	-	-	-	-	-	-
e) other	-	-	-	-	-	-	-	-
1.2 financial lease purchases	-	-	-	-	-	-	-	-
a) land	-	-	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-	-	-
c) furniture	-	-	-	-	-	-	-	-
d) electronic equipment	-	-	-	-	-	-	-	-
e) other	-	-	-	-	-	-	-	-
Total A	-	-	-	-	-	-	-	-
				-				
B. Assets held for investment purposes								
2.1 owned	**58**	**69**	**70**	**69**	**41**	**-15.9%**	**-1.4%**	**1.4%**
a) land	-	-	-	-	-	-	-	-
b) buildings	58	69	70	69	41	-15.9%	-1.4%	1.4%
2.2 financial lease purchases	-	-	-	-	-	-	-	-
a) land	-	-	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-	-	-
Total B	**-58**	**69**	**70**	**69**	**41**	**-15.9%**	**-1.4%**	**1.4%**
Total (A+B)	**58**	**69**	**70**	**69**	**41**	**-15.9%**	**-1.4%**	**1.4%**

(*) Note that the data as at 31 December 2013 have been extracted from the 2014 Reports and Consolidated Financial Statements, where they have been restated, compared with those published originally, to include the retrospective application of the changes to the International Accounting Standards that took place during the year ending 31 December 2014.

Property owned

Property and other tangible fixed assets in Italy

The table below lists the main real estate (IAS value above €20 million) owned by the UniCredit Group as at 30 September 2016.

Municipality	Address	Use	Value (millions of Euros)
Milan	Via Livio Cambi 1	Functional	125.8
Rome	Via Del Corso 307[1]	Functional	97.1
Rome	Via Del Corso 270[1]	Investment	76.2
Rome	Largo Angelo Fochetti 10-25	Functional	67.4
Rome	Via dei Casali di Torrevecchia 52[1]	Investment	62.5
Palermo	Via Ruggero Settimo 26	Functional	51.4
Bologna	Via Del Lavoro 42	Functional	48.7
Rome	Via Affile 102	Investment	46.4
Palermo	Via Ruggero Settimo 42	Functional	45.8
Milan	Via Livio Cambi, 5	Functional	42.9
Milan	Piazza Gae Aulenti 10	Functional	42.6
Rome	Largo Francesco Anzani 13	Functional	38.2
Milan	Via Verdi 7	Investment	34.6
Rome	Via Molfetta 101	Functional	26.2
Bologna	Via Zamboni 20[1]	Functional	25.3
Rome	Largo Francesco Anzani 3	Functional	24.2
Rome	Via Mario Bianchini 41/43	Investment	23.2
Palermo	Via Roma 183[1]	Functional	22.2
Modena	Piazza Grande 40	Functional	20.6

[*] Calculated taking into account the PPA (purchase price allocation) for each property.

[1] Property of historical-artistic interest subject to restrictions pursuant to Legislative Decree 42 of 22 January 2004.

Property and other tangible fixed assets abroad

The table below lists the main real estate (IAS value above €20 million, calculated on the basis of the contribution to the consolidated financial statements) located abroad, owned by the UniCredit Group as at 30 September 2016.

Country	Municipality	Address	Use	Value(*) (millions of Euros)
Germany	Island of Borkum	Off-shore facility	Functional	1,381.1
Germany	Munich in Bavaria	Arabellastr. 10, 12 / Denninger Str. 23[1]	Functional	316.5
Austria	Vienna	Donau City Straße 7	Investment	249.3
Austria	Vienna	Lassallestraße 5[2]	Functional	117.1
Germany	Offenbach-Kaiserlei	Strahlenberger Str. 11, 13, 15, 17	Investment	108.7
Germany	Munich in Bavaria	Arabellastr. 14[3]	Functional	72.0
Germany	Munich in Bavaria	Grillparzerstr.	Investment	71.6
Germany	Munich in Bavaria	KardinalFaulhaberStr. 12,14 / Maffeistr. 6,8,14[1,3]	Functional	63.3
Croatia	Fiume	Zvonimirova 3[2]	Investment	59.8
Germany	Munich in Bavaria	Am Tucherpark 14 u. 16[1.3]	Functional	57.3
Germany	Munich in Bavaria	Albrechtstr. 14, Hilblestr. 54	Investment	48.2
Austria	Wiener Neudorf	Land with no address	Investment	44.4
Germany	Munich in Bavaria	Messezentrum	Investment	43.6
Germany	Hamburg	Nagelsweg 41-53[3]	Functional	40.6
Austria	Vienna	Lassallestraße 1[2]	Functional	39.5
Germany	Munich in Bavaria	Am Tucherpark 12[1,3]	Functional	39.4
Germany	Munich in Bavaria	Am Tucherpark 4[1]	Functional	37.9
Germany	Munich in Bavaria	Am Tucherpark 7 (GR)[4]	Investment	37.9
Germany	Essen	Theodor-Althoff-Str. 1	Investment	37.5
Germany	Munich in Bavaria	Am Tucherpark 1, Sederanger 5[1,3,4]	Functional	36.6
Germany	Hanover	Hildesheimer Str. 265, 267, Peiner Str. 2 -8	Investment	36.2
Germany	Frankfurt	Lyoner Str. 20	Investment	34.9
Germany	Munich in Bavaria	Sederanger 4-6[1,3]	Functional	33.9
Hungary	Budapest	Szabadság sq. 5-6[1]	Functional	30.6
Germany	Berlin	Oberbaum City Haus 3[1]	Investment	30.0
Luxembourg	Luxembourg City	Rue Jean Monnet 8-10	Functional	28.0
Germany	Schwerin	Am Packhof 2-6	Investment	26.2
Germany	Berlin	Rotherstr. 20-22[1]	Investment	26.2
Germany	Frankfurt	Baseler Str. 46-48, Gutleustr. 80-82	Investment	25.9
Germany	Erfurt	Steigerstraße 24[1]	Investment	24.0
Croatia	Zagreb	Samoborska 145/3[2]	Functional	23.6
Hungary	Tatabánya	Győri str. 1-3[1.2]	Investment	23.1
Russia	Chekov	s/p Barantsevskoe, promzona Lyutoretskoe, vl.4	Investment	22.8
Luxembourg	Luxembourg City	Rue Alphonse Weicker 4	Functional	22.6
Germany	Nuremburg	Königstr. 1/3[1,4]	Functional	22.5
Russia	Moscow	Boutikovsky Lane 9	Functional	22.3
Germany	Wiesbaden	Kreuzberger Ring 17, 17a, 17b, 19	Investment	22.1
Germany	Hamburg	Friedrich-Ebert-Damm 111 a-c	Investment	21.8
Germany	Meerbusch-Osterrath	Am Mollsfeld 1-14	Investment	21.6
Germany	Nuremburg	Lorenzerplatz	Functional	20.4

(*) Calculated taking into account the PPA (purchase price allocation) for each property.
(1) Property of historical-artistic interest.
(2) Property with minor restrictions and/or liens (e.g. easement).
(3) Property subject to cross-border lease.
(4) Property built on land with leasehold estate.

With regard to the property located in Germany, Island of Bokrum, where the net accounting value as at 30 September 2016 was €1.4 billion, note that it refers to a wind farm called "BARD Offshore 1" owned by the UniCredit Group via Ocean Breeze Energy GmbH & Co. KG, a company wholly-owned by UCB AG. This facility has the following characteristics.

Geographical location	Owner company	Ownership percentage	Date of entry into operation	Percentage of completion	Installed capacity
German EEZ[1], 100 km before the Island of Borkum	Ocean Breeze Energy GmbH & Co. KG	100%	December 2010, operational from August 2013	100%	400 MW

(1) *Exclusive economic zone.*

This wind farm was developed by the BARD Group on behalf of Ocean Breeze Energy GmbH & Co. KG ("**OBKG**") and from 31 December 2013 it was recorded under the tangible fixed assets of OBKG.

The BARD Group was funded exclusively by UCB AG and, from 31 December 2013, was fully consolidated in UCB AG. In 2013, the wind farm was finalised and transferred to Ocean Breeze Energy GmbH & Co. KG. Following the transfer of ownership, a series of corrective measures must be completed to guarantee that the wind farm can operate sustainably for at least 25 years by improving the technical specifications and performance of the 80 turbines installed.

After the interruptions in the energy supply experiments in 2014, the connection to the grid was restored permanently; the efficiency of the wind farm improved constantly over the course of the year with, on average, around 70-75 towers in full production as at 30 September 2016.

For further information about the above-mentioned wind farm, see 2016 Condensed Interim Consolidated Financial Statements (Notes to the Consolidated Financial Statements, Part E – "Information on risks and related hedging policies", pages 159-228), in the annex to the Registration Document. Note that the page numbers given above refer to the Italian version and the English version of the 2016 Condensed Interim Consolidated Financial Statements.

Real estate in use

In conducting its activities, the Group rents many properties owned by third-parties.

These properties are mainly real estate for functional use.

As at 30 September 2016 and as at 31 December 2015 the amounts for the rentals paid by the Group stood, respectively, at €422.1 million and €589.4 million.

8.2 Environmental issues

As at the Registration Document Date, also in consideration of the activity conducted by the Group, there are no environmental problems that would significantly affect the use of the tangible fixed assets.

9 OPERATING AND FINANCIAL REVIEW

Introduction

Below is a summary of the main consolidated balance sheet, financial and economic data of the Group with regard to the financial years ended 31 December 2015, 31 December 2014, 31 December 2013 and the nine-month periods ended 30 September 2016 and 30 September 2015.

The data for the year ended 31 December 2015 were extracted from the Consolidated Financial Statements as at 31 December 2015, prepared in accordance with International Accounting Principles. This data has been audited by the External Auditors, who issued their report on 3 March 2016.

The data for the year ended 31 December 2014 were extracted from the Consolidated Financial Statements as at 31 December 2014, prepared in accordance with International Accounting Principles. This data has been audited by the External Auditors, who issued their report on 30 March 2015.

Where specified, the data referring to the year ended 31 December 2014 was extracted from the Consolidated Financial Statements as at 31 December 2015, in which it was restated to include the retrospective changes made during the preparation of the Consolidated Financial Statements as at 31 December 2015 (see below). The methods for redetermining this comparative data and the related information were re-examined by the External Auditors solely for the purpose of expressing a judgement on the Consolidated Financial Statements as at 31 December 2015.

The comparative data referring to the year ended 31 December 2013, extracted (unless indicated otherwise) from the Consolidated Financial Statements as at 31 December 2014, were restated to include the retrospective changes made during the preparation of the Consolidated Financial Statements as at 31 December 2014 (*see below*). The methods for redetermining this comparative data and the related information were re-examined by the External Auditors solely for the purpose of expressing a judgement on the Consolidated Financial Statements as at 31 December 2014. Specifically, the main changes that required the restating of the data at 31 December 2013, the economic-balance sheet items, relate to the application from 2014 of IFRS 10, IFRS 11, IAS 27 and IAS 28. For more information on these adjustments, see the Consolidated Financial Statements as at 31 December 2014 (Notes to the Consolidated Financial Statements, Part A – "IFRS 10, IFRS 11, IAS 27 and IAS 28" page 148). Note that the page number given above refers to the Italian version and the English version of the Consolidated Financial Statements as at 31 December 2014.

For the sake of completeness, the data for the year ended 31 December 2013 were extracted from the Consolidated Financial Statements as at 31 December 2013, prepared in accordance with International Accounting Principles. This data has been audited by the External Auditors, who issued their report on 7 April 2014.

The data for the nine-month period ended 30 September 2016 has been extracted from the Consolidated Interim Report at 30 September 2016 prepared in accordance with the International Accounting Principle applicable to Interim Financial Reporting (IAS 34). This data has been audited by the External Auditors, who issued their report on 15 November 2016. The comparative data with regard to the year ended 31 December 2015 and to the nine-month period ended 30 September 2015 were extracted from the Consolidated Interim Report as at 30 September 2015.

Also note that, the change in the data as at 31 December 2014 compared with 31 December 2013 was calculated on the basis of the data extracted from the Consolidated Financial Statements as at 31 December 2014 and, therefore, using the data as at 31 December 2013, restated.

The financial information presented below should be read in conjunction with the information set out in Chapters 3, 10 and 20 of the Registration Document.

The Issuer makes use of the inclusion scheme through reference to the 2015 Reports and Consolidated Financial Statements, the 2014 Reports and Consolidated Financial Statements and the 2013 Reports and Consolidated Financial Statements, pursuant to Article 7 of the Issuers' Regulation and Article 28 of Regulation (EC) No 809/2004; these documents should therefore be referred to for complete and exhaustive information on the financial years in question. These documents have been published and filed at CONSOB and are available to the public on the Issuer's website (www.unicreditgroup.eu) as well as at the Issuer's Registered Office and Head Office. Note that through inclusion with reference to the 2013 Reports and Financial Statements, the data for the year ended 31 December 2012 is also included.

To facilitate the identification of information in the accounting documents, the pages of the main sections of the 2015 Reports and Consolidated Financial Statements and the 2014 Reports and Consolidated Financial Statements and the 2013 Reports and Consolidated Financial Statements are given below.

For more information on the reconciliations of the restatements made for the years ended 31 December 2014 and 31 December 2013, see the Consolidated Financial Statements as at 31 December 2015 (Consolidated Interim Report, pages 26-29) and the Consolidated Financial Statements as at 31 December 2014 (Notes to the report and the financial statements, pages 21-25).

	Consolidated Report on Operations	**Consolidated Financial Statements**	**Notes to the Consolidated Financial Statements**	**Consolidated Financial Statements Certification**	**External Auditors' Report on the Consolidated Financial Statements**
2015 Reports and Consolidated Financial Statements	pages 23-55	pages 79-89	pages 91-505	pages 557-559	pages 561-563
2014 Reports and Consolidated Financial Statements	pages 27-63	pages 87-95	pages 97-499	pages 517-519	pages 521-523
2013 Reports and Consolidated Financial Statements	pages 25-58	pages 83-91	pages 93-447	pages 465-467	pages 469-471

Note that the page numbers given above refer to the Italian version and the English version of the Consolidated Financial Statements as at 31 December 2015, the Consolidated Financial Statements as at 31 December 2014 and the Consolidated Financial Statements as at 31 December 2013.

All the indices, including the Alternative Performance Indicators (APIs) were calculated from the restated balance sheets and income statements and are defined, together with the calculation methods, in the glossary.

Note that the amounts in the Registration Document are expressed in millions of Euros. Therefore, they may differ from those in the Consolidated Financial Statements, in the Consolidated Interim Report as at 30 September 2016 and from those reported by the Supervisory Authority during the periodic reporting on account of rounding off.

With regard to the reclassification of the reclassified economic statements presented in this Chapter and the income statement required by Circular 262, *see*. Paragraph 9.3 of this Chapter.

The trends of the Group economic-balance sheet items has been commented on, highlighting, in some cases, the contribution to the results by business segment, as presented and commented on the basis of the organisational structure currently used in management reporting for controlling the Group results, which breaks down into the following business segments:

Core sectors:

- *Commercial Banking Italy;*
- *Commercial Banking Germany;*
- *Commercial Banking Austria;*
- *Poland;*
- *Central Eastern Europe ("CEE");*
- *Corporate & Investment Banking ("CIB");*
- *Asset Management;*
- *Asset Gathering;*
- *Group Corporate Centre* (the latter includes *Global Banking Services*, *Corporate Centre Global Functions*, consolidations and consolidation adjustments not allocated to the individual business segments).

Non-core sector: the non-core segment was introduced in the first quarter of 2014. It includes individual assets of the *Commercial Banking Italy* division (identified based on transactions/customers), the assets of UniCredit Management Bank and the assets of several vehicle companies for securitisation transactions.

<u>*Group Alternative Performance Indicators*</u>

The descriptions of the Alternative Performance Indicators ("APIs") in this Chapter are given below. For the content of these indicators and further information on their interpretation, see the description in the Introduction to Chapter 3 of the Registration Document.

- "Cost of risk" calculated as the ratio between annualised net adjustments on receivables from customers and gross receivables from customers at the end of the reference period;

- The ratio between the various categories of net exposures (bad loans, unlikely to pay, doubtful, non-performing past-due, not impaired) and the total net credit exposure represents the percentage of each category of total net receivables;

- The ratio between the various categories of gross exposures (bad loans, unlikely to pay, doubtful, past-due non-performing and not impaired) and the total gross credit exposure represents the percentage of each category of total gross receivables;

- The "coverage rate" is calculated as the ratio between the adjustment in value and the gross value of the receivable, for every type of exposure (bad loans, unlikely to pay, doubtful, past-due non-performing and not impaired);

- The cost/income ratio, calculated as the ratio between operating expenses and total revenues taken from the restated income statement, is one of the main indicators of the management efficiency of the Issuer and the Group; the lower the value of this indicator, the greater the efficiency;

- The item "loans to customers/total assets" represents the ratio between loans to customers calculated as total funding to customers and the total assets at the reference period;

- The item "direct deposits/total assets" represents the ratio between direct deposits from customers and the total assets at the reference period;

- The item "loans to customers/direct deposits" represents the ratio between loans to customers, calculated as total funding to customers and direct deposits;

- The item "operating costs/brokerage margin" represents the ratio between operating costs and the brokerage margin calculated as the sum of: net interest, dividends and other income from equity investments, net commissions, the result from trading/hedging/fair value and the balance of other income and expenses;

- The item "interest margin/brokerage margin" calculated as the ratio between net interest, dividends and other income from equity investments, net commissions, the result from trading/hedging/fair value and the balance of other income and expenses;

- The item "net commissions/brokerage margin" calculated as the ratio between net commissions and the sum of: net interest, dividends and other income from equity investments, net commissions, the result from trading/hedging/fair value and the balance of other income and expenses.

9.1 Financial condition

9.1.1 Balance sheet and income statement for the nine-month period ended 30 September 2016 and for the financial years ended 31 December 2015, 31 December 2014 and 31 December 2013

The balance sheet and income statement of the Group as at 30 September 2016 accompanied by the comparative data as at 31 December 2015 are given below.

RESTATED BALANCE SHEET DATA	**As at**		**% Change**
(in millions of Euros)	**30 September 2016**	**31 December 2015**	**30 September 2016 compared with 31 December 2015**
Total assets	874,527	860,433	*1.6%*
Loans and receivables with customers	480,926	473,999	*1.5%*
Deposits from customers and debt securities in issue	**590,099**	**584,268**	*1.0%*
of which deposits from customers	470,296	449,790	*4.6%*
of which securities in issue	119,803	134,478	*-10.9%*
Deposits from banks	114,983	111,373	*3.2%*
Loans and receivables with banks	76,750	80,073	*-4.1%*
Net interbank balance	**38,233**	**31,300**	*22.2%*
Group portion of shareholders' equity	**51,237**	**50,087**	*2.3%*

30 September 2016 compared with 31 December 2015

As at 30 September 2016 loans and receivables from customers amounted to €480.9 billion, an increase of 1.5% compared with €474 billion as at 31 December 2015. The dynamics of the items were affected by an increase in other debt securities (+7.6%), other funding (+4.3%), mortgages (+2.9%), credit cards, personal loans and salary-backed loans (+1.7%) and a decrease in factoring (-12%), repo income (-7%), financial leasing (-4.4%) and current account income (-4.1%).

More specifically, customer applications relating to *core* assets (equal to €451.4 billion as at 30 September 2016) rose by 3.1% compared with 31 December 2015.

As at 30 September 2016, customer deposits stood at €470.3 billion, an increase in absolute terms of €20.5 billion (+4.6%) compared with €449.8 billion as at 31 December 2015. The dynamics of the items were mainly affected by an increase in loans (+16.2%), an increase in current accounts and demand deposits (+6%) and a decrease in time deposits (-4.4%).

As at 30 September 2016 securities amounted to €119.8 billion, a fall of 10.9% compared with €134.5 billion as at 31 December 2015. This change is mainly due to a fall in both bonds (-11.7%) and other securities (-2.6%).

More specifically, direct deposits from customers (deposits and securities) relating to *core* assets were up 1.3% compared with 31 December 2015. The following deposit items contributed to this result: *Asset Gathering*

(+8.5%), CIB (+6.8%), CEE (+3.3%), *Commercial Banking Germany* (+2.4%), *Commercial Banking Austria* (+1.5%), *Group Corporate Centre* (-6.1%), *Poland* (-3.8%) and *Commercial Banking Italy* (-0.5%).

As at 30 September 2016 deposits from banks amounted to €115 billion, a rise of 3.2% compared with €111.4 billion as at 31 December 2015. The development of the item was affected by an increase in deposits from central banks (+19.1%), an increase in other deposits (+10.2%), an increase in current accounts and demand deposits (+4.7%), a decrease in loans (-5%) and time deposits (-0.8%).

As at 30 September 2016 loans and receivables with banks amounted to €76.8 billion, a fall of 4.1% compared with €80.1 billion as at 31 December 2015. The change is due to a fall in time deposits (-32%), a fall in other loans (-5.4%), a fall in the mandatory reserve (-2.6%), a rise in other debt securities (+28.3%) and a rise in current accounts and demand deposits (+2.7%).

For the reasons explained above, the net inter-bank balance, as at 30 September 2016, stood at €38.2 billion, an increase of 22.2% compared with €31.3 billion as at 31 December 2015.

As at 30 September 2016, the Group's shareholders' equity stood at €51.2 billion, an increase in absolute terms of €1,150 billion (+2.3%) compared with €50.1 billion as at 31 December 2015. The increase is the result of:

- a free capital increase as resolved:
  - by the Board of Directors of 9 February 2016 and carried out taking €41 million from the specifically established reserve, for the issue of shares connected with the medium-term incentive plan for the Group's personnel;
  - by the Shareholders' Meeting of 14 April 2016 connected with the payment of the *scrip dividend* for 2015, carried out taking €549 million from the specially constituted reserves;
  - using the "issue premium" reserve for making good the Issuer's loss for 2015 of €1,441 million and an increase in the legal reserve of €150 million.
- an increase in the reserves, including the change in treasury shares owing to:
  - the allocation to the reserve of the result of the previous year of €1,692 million and the making good of the Issuer's loss for 2015 of €1,441 million taking from the "issue premium" reserve;
  - increase in the legal reserve taking from the "issuer premium" reserve, equal to €150 million;
  - a decrease deriving from the use of reserves for the purpose of increasing the free capital and from the use of the reserve set aside specifically for the purpose of the issue of performance shares associated with the personnel incentive plan, equal to €589 million;
  - the allocation to the reserve of the coupon paid to subscribers of the issue of Additional Tier 1 instruments, net of the related taxes, equal to €83 million;
  - use of the reserve for the usufruct fee associated with the CASHES, equal to €96 million;

- the decrease in the reserve through the extraordinary distribution of dividends, equal to €158 million;
- the increase in the reserve connected with the *Share Based Payment*, equal to €49 million;
- other increases, represented mainly by the effects resulting from the sale of 10% of Bank Pekao and 10% of FinecoBank; both UniCredit Group companies continue to maintain control, equal to €639 million.

- a change in valuation reserves owing to:
  - a decrease in the value of financial assets available for sale, equal to €88 million;
  - a decrease in the value of the reserve on actuarial gains (losses) on defined-benefit plans, equal to €855 million;
  - a decrease in the value of hedging for financial risks and of assets held for sale, equal to €83 million;
  - an increase in exchange rate differences, equal to €253 million;
  - a decrease in the value of the valuation reserve of companies carried at equity, equal to €193 million.
- An increase in the result for the period compared with 31 December 2015 equal to €74 million.

The balance sheet and income statement of the Group as at 31 December 2015, 31 December 2014 and 31 December 2013 are given below.

RESTATED BALANCE SHEET DATA	**As at 31 December**				**% Change**	
(in millions of Euros)	**2015**	**2014**	**2013 (restated)**	**2013**	**2015 compared with 2014**	**2014 compared with 2013 (restated)**
Total assets	860,433	844,217	825,919	845,838	*1.9%*	*2.2%*
Loans and receivables with customers	473,999	470,569	483,684	503,142	*0.7%*	*-2.7%*
Deposits from customers and debt securities in issue	**584,268**	**560,688**	**557,379**	**571,024**	***4.2%***	***0.6%***
of which deposits from customers	449,790	410,412	393,113	410,930	*9.6%*	*4.4%*
of which securities in issue	134,478	150,276	164,266	160,094	*-10.5%*	*-8.5%*
Deposits from banks	111,373	106,037	107,830	110,222	*5.0%*	*-1.7%*
Loans and receivables with banks	80,073	68,730	63,310	61,119	*16.5%*	*8.6%*
Net interbank balance	**31,300**	**37,307**	**44,520**	**49,103**	***-16.1%***	***-16.2%***
Group portion of shareholders' equity	**50,087**	**49,390**	**46,722**	**46,841**	***1.4%***	***5.7%***

31 December 2015 compared with 31 December 2014

As at 31 December 2015 loans and receivables from customers amounted to €474 billion, an increase of 0.7% compared with €470.6 billion as at 31 December 2014. The dynamics of the items were affected by an increase in debt securities (+11%), repo income (+4%), mortgages (+2%), other loans (+3%) and a decrease in current accounts (-12%) and financial leasing (-6%).

More specifically, customer applications relating to *core* assets (equal to €438.0 billion as at 31 December 2015) rose by 3.5% compared with the previous year (+3.7% at constant exchange rates). Commercial customer applications also confirmed the stabilisation signals, with the stock of volumes up by 3.2% year on year (3.4% at constant exchange rates), with increases at a geographical level: compared with 2014 there was growth in both Western European countries (+3.4%), specifically Italy +3.5%, Germany +2.9% and Austria +4.2%, and in Central Eastern European countries (+3.5% at constant exchange rates) driven by Russia (+5,2% at constant exchange rates), the Czech Republic (+3.7% at constant exchange rates), Romania (+6.1% at constant exchange rates) and Poland (+6.4% at constant exchange rates); Bulgaria down (-7.1% at constant exchange rates).

As at 31 December 2015, customer deposits stood at €449.8 billion, an increase in absolute terms of €39.4 billion (+9.6%) compared with €410.4 billion as at 31 December 2014. The dynamics of the items were mainly affected by an increase in current accounts and demand deposits (+15%), an increase in repo expense (+5%) and a decrease in time deposits (-4%).

As at 31 December 2015 securities amounted to €134.5 billion, a fall of 10.5% compared with €150.3 billion as at 31 December 2014. This change is mainly due to a fall in both bonds (-10%) and other securities (-11%).

More specifically, total direct deposits from customers (deposits and securities) relating to *core* assets were up 4.3% (+4.6% at constant exchange rates) compared with 2014. The item deposits from commercial customers (+6.0% at constant exchange rates) contributed to this item, while the institutional component increased to a lesser extent (+1.2%). Focusing on direct deposits from commercial customers, Western European countries saw growth, with Italy at +3.6%, Germany at +8.9% and Austria at +1.9%. The business segments *Poland* and *CEE* continue with the goal of maintaining a balance between loans and deposits increasing by 9.1% (+10.2% at constant exchange rates) on an annual basis, driven by Russia (+10.5% at constant exchange rates), the Czech Republic (+13.9% at constant exchange rates), Bulgaria (+24.6% at constant exchange rates), Croatia (+18.1% at constant exchange rates) and Poland (+3.1% at constant exchange rates). As a result of the dynamics described above, a core commercial funding surplus was recorded in 2015 (which excludes institutional items) of €22.0 billion, a further increase compared with the figure of €11.9 billion in 2014.

As at 31 December 2015 deposits from banks amounted to €111.4 billion, a rise of 5.03% compared with €106.0 billion as at 31 December 2014. The development of the item was affected by a reduction in time deposits (-38%), an increase in other liabilities (+30%), repo expense (+13%), deposits from central banks (+13%) and current accounts and demand deposits (+7%).

As at 31 December 2015 loans and receivables with banks amounted to €80.1 billion, an increase of 16.50% compared with €68.7 billion as at 31 December 2014. The change is due to a rise in the mandatory reserve (+68%), an increase in other loans (+53%), a fall in other debt securities (-53%) and a fall in current accounts and demand deposits (-22%).

For the reasons explained above, the net inter-bank balance, as at 31 December 2015, stood at €31.3 billion, a fall of 16.10% compared with €37.3 billion as at 31 December 2014.

As at 31 December 2015, the Group's shareholders' equity stood at €50.1 billion, an increase in absolute terms of €0.697 billion (+1.41%) compared with €49.4 billion as at 31 December 2014. The increase is the result of:

- a free capital increase as resolved:
    - by the Board of Directors of 9 April 2015 and carried out taking €55 million from the specifically established reserve, for the issue of shares connected with the medium-term incentive plan for the Group's personnel;
    - by the Shareholders' Meeting of 13 May 2015 and connected with the payment of the "Scrip dividend" relating to financial year 2014, carried out taking the existing "reserve for allocating profits to shareholders through the issuance of new free shares" for €297 million.
- an increase in the reserves, including the change in treasury shares owing to:
    - allocation to the reserve of the result of the previous year, net of the distribution of the preferred dividend equal to €2 million;
    - a decrease deriving from the use of reserves for the purpose of increasing the free capital and from the use of the reserve set aside specifically for the purpose of the issue of performance shares associated with the personnel incentive plan, equal to €352 million;
    - the allocation to the reserve of the coupon paid to subscribers of the issue of Additional Tier 1 instruments, net of the related taxes, equal to €117 million;
    - use of the reserve for the usufruct fee associated with the CASHES, equal to €100 million;
    - the decrease in the reserve through the extraordinary distribution of dividends, equal to €169 million;
    - the increase in the reserve connected with the *Share Based Payment*, equal to €93 million;
    - the decrease of the other reserves related to the settlement of part of the defined benefit plan (employees' liabilities) in Austria, transferred to the Austrian pension system, that triggered the reclassification from the valuation reserves to equity reserves, equal to €739 million;
    - other decreases, equal to €116 million.
- A change in valuation reserves owing to:
    - An increase in the value of financial assets available for sale, equal to €303 million;
    - An increase in the value of the reserve on actuarial gains (losses) on defined-benefit plans, equal to €625 million;
    - A decrease in the value of hedging for financial risks and of assets held for sale, equal to €164 million;
    - A decrease in exchange rate differences, equal to €249 million;

- A decrease in the value of the valuation reserve of companies carried at equity, equal to €357 million.
- A decrease in the result for the period compared with 31 December 2014 equal to €314 million.

31 December 2014 compared with 31 December 2013

As at 31 December 2014 receivables due from customers amounted to €470.6 billion, a fall of 2.71% compared with €483.7 billion as at 31 December 2013. The change was due to a decrease in repo income (-15%), a decrease in credit cards, personal loans and salary-backed loans (-9%), a decrease in current accounts (-6%) and a decrease in financial leasing (-5%).

Specifically, loans to customers relating to core activities (equal to €423.2 billion as at 31 December 2014) fell by 1.7% compared with the previous year (+0.4% at constant exchange rates) even if compared with the previous quarter signs of stabilisation were confirmed, with the stock of volumes of commercial loans to customers increasing by 0.4% (+2.1% at constant exchange rates). The dynamics of the performance of volumes of commercial loans for core assets differed by geographical location: compared with 2013 the fall in Western European countries (-0.6%) continued - albeit at a slower rate - due specifically to Italy (-0.4% for loans to commercial customers, a reflection of weak demand for credit) and Germany (-1.4% particularly for retail customers), in contrast to the growth in Central Eastern European countries (+12.4% at constant exchange rates), driven by Russia (+48.3% at constant exchange rates, partly due to the exchange rate effect resulting from loans denominated in foreign currency), Romania (+7.2% at constant exchange rates), the Czech Republic (+5.0% at constant exchange rates) and Poland (+10.5% at constant exchange rates).

As at 31 December 2014, customer deposits stood at €410 billion, an increase in absolute terms of €17.3 billion (+4.40%) compared with €393.1 billion as at 31 December 2013. The dynamics of the items were affected by an increase in current accounts and demand deposits (+7%), an increase in repo expense (+13%) and a decrease in time deposits (-5%).

As at 31 December 2014 securities amounted to €150.3 billion, a fall of 8.5% compared with €164.3 billion as at 31 December 2013. This change is due to a fall in both bonds (-7%) and other securities (-25%).

More specifically, direct deposits from total customers (deposits and securities) relating to core assets (equal to €558.4 billion as at 31 December 2014) increased by 0.6% (+2.3% at constant exchange rates) compared with December 2013 (+3.2% at constant exchange rates also excluding Dab Bank AG from 2013, reclassified under "liabilities included in disposal groups classified as held for sale" in September 2014 and then sold in December 2014). This result was affected by deposits from commercial customers (+1.5%), while the institutional component fell by 1.6%. Focusing on Direct deposits from commercial customers, Italy, as a result of the greater diversification of customers towards asset management products, fell compared with 2013 (-1.5%), while growth was recorded in Germany (+2.2%) and in Austria (+7.8%). The business segments *Poland* and *CEE* continue with the goal of maintaining a balance between loans and deposits increasing by 3.2% (+14.6% at constant exchange rates) on an annual basis, driven by Poland (+4.7% at constant exchange rates), Russia (+50.6% at constant exchange rates), the Czech Republic (+7.4% at constant exchange rates), Bulgaria (+25.0% at constant exchange rates), Hungary (+12.6% at constant exchange rates) Serbia (+32.0% at constant exchange rates) and Bosnia (+12.1% at constant exchange rates). As a result of the dynamics described above, a core commercial funding surplus was recorded in 2014 (which excludes institutional items) of €11.2 billion, compared with €5.0 billion in December 2013.

As at 31 December 2014 deposits from banks amounted to €106 billion, a rise of 1.7% compared with €107.8 billion as at 31 December 2013. The development of the item was affected by a decrease in deposits from central banks (-18%), a decrease in other time deposits (-9%), an increase in current accounts and demand deposits (+20%), an increase in other liabilities (+6%) and an increase in repo expense (+5%).

As at 31 December 2014 loans and receivables with banks amounted to €68.7 billion, an increase of 8.56% compared with €63.3 billion as at 31 December 2013. The dynamics of the items were affected by an increase in time deposits (+68%), an increase in current accounts and demand deposits (+25%), an increase in other loans (+10%), a decrease in the mandatory reserve (-30%) and a decrease in other debt securities (-14%).

As at 31 December 2014, for the reasons explained above, the net inter-bank balance stood at €37.3 billion, a fall of 16.20% compared with €44.5 billion as at 31 December 2013.

As at 31 December 2014, the Group's shareholders' equity stood at €49.4 billion, an increase in absolute terms of €2.7 billion (+5.71%) compared with €46.7 billion as at 31 December 2013. The increase is the result of:

- An increase in free capital (*scrip dividend* equal to €228 million) as resolved by the Shareholders' Meeting of 13 May 2014, and an increase (€23 million) resulting from the issuing of performance shares associated with the personal incentive plan taken from the specifically established reserve;
- A decrease in the share premium supplementing the legal reserve (€120 million) and the hedging of the loss for 2013 (€7,783 million), as approved by the Ordinary Shareholders' Meeting of 13 May 2014;
- A decrease in the reserves, including the change in treasury shares owing to:
  - the allocation to the reserve of the previous year's result, equal to (€6,186) million;
  - a decrease deriving from the use of reserves for the purpose of increasing the free capital and from the use of the reserve set aside specifically for the purpose of the issue of performance shares associated with the personnel incentive plan, equal to (€251) million;
  - the increase in the "legal reserve" taking from the "issuer premium" reserve, equal to €120 million;
  - use of the reserve for the usufruct fee associated with the CASHES, equal to (€35) million;
  - the decrease in the reserve through the extraordinary distribution of dividends, equal to (€176) million;
  - the increase in the reserve connected with the *Share Based Payment*, equal to €63 million;
  - the increase in the reserves from allocation of profit through the change in shareholdings following the sale of 34.5% of FinecoBank, in which UniCredit continues to hold the controlling interest, equal to €626 million;

- other decreases, equal to (€17) million.

- A change in valuation reserves owing to:

  - a decrease in exchange rate differences, equal to (€1,588) million;
  - an increase in the value of financial assets available for sale, equal to €1,009 million;
  - an increase in the value of hedging for financial risks and of assets held for sale, equal to €93 million;
  - a decrease in the value of the reserve on actuarial gains (losses) on defined-benefit plans, equal to (€1,468) million;
  - an increase in the value of the valuation reserve of companies carried at equity, equal to €269 million.

- An increase in "Capital instruments" relating to the issuing of Additional Tier 1 instruments of €1,250 million and €991 million, recorded net of related transaction costs.

An increase in the result for the period compared with 31 December 2013 equal to €15,973 million.

9.1.2 Loan portfolio

9.1.2.1 Impairment losses/recoveries on loans and receivables: breakdown for the nine-month period ended 30 September 2016 and for the financial years ended 31 December 2015, 31 December 2014 and 31 December 2013.

The table below gives the net credit adjustments for the Group, broken down into loans and receivables with banks and loans and receivables from customers, for the nine-month period ended 30 September 2016, accompanied by the comparative data as at 31 December 2015, plus the risk cost:

	As at		**% Change**
(in millions of Euros)	**30 September 2016**	**30 September 2015**	**30 September 2016 compared with 31 December 2015**
Net adjustments on loans and receivables with banks	9	(7)	n.d.
Net adjustments on receivables from customers	(2,755)	(2,903)	*-5.1%*
Total net adjustments on receivables	**(2,746)**	**(2,910)**	***-5.6%***
(basis points)			
Cost of risk[(1)]	76	82	*-6*

(1) Cost of risk
The cost of risk indicator is the ratio between the total of annualised net adjustments of receivables from customers and net receivables from customers at the end of the period.
The above-mentioned index is calculated in the table below.

	As at	
	30 September 2016	**30 September 2015**
A. Annualised net adjustments on receivables from customers	3,673	3,871
B. Net receivables from customers EoP	480,926	474,122
A/B. Annualised net adjustments on receivables from customers/ Net receivables from customers EoP	**76**	**82**

As at 30 September 2016, net adjustments for impairment on loans stood at €2,746 million, a fall in absolute terms of €164 million compared with 30 September 2015. These dynamics led to the cost of risk at 76 basis points, a fall of 6 points compared with the figure recorded for the first nine months of 2014.

The table below gives the net credit adjustments for the Group, broken down into loans and receivables with banks and loans and receivables from customers, for the years ended 31 December 2015, 31 December 2014 and 31 December 2013, plus the risk cost:

	As at 31 December				% Change	
(in millions of Euros)	**2015**	**2014**	**2013 (restated)**	**2013**	**2015 compared with 2014**	**2014 compared with 2013 (restated)**
Net adjustments on receivables from banks	(20)	(7)	13	13	*185.7%*	*-153.8%*
Net adjustments on receivables from customers	(4,061)	(4,171)	(13,635)	(13,808)	*-2.6%*	*-69.4%*
Total net adjustments on receivables	**(4,081)**	**(4,178)**	**(13,622)**	**(13,795)**	***-2.3%***	***-69.3%***
(basis points)						
Cost of risk[(1)]	86	90	282	274	*(4)*	*(192)*

(1) Cost of risk

The cost of risk indicator is the ratio between the total of net adjustments of receivables from customers and net receivables from customers at the end of the period.

The above-mentioned index is calculated in the table below.

	As at 31 December		
	2015	**2014**	**2013 (restated)**
A. Net adjustments on receivables from customers	4,061	4,171	13,635
B. Net receivables from customers EoP	473,999	470,569	483,684
A/B. Net adjustments on receivables from customers/ Net receivables from customers EoP	**86**	**90**	**282**

As at 31 December 2015, net adjustments for impairment on loans stood at €4,081 million, a fall in absolute terms of €97 million compared with 31 December 2014. These dynamics led to the cost of risk at 86 basis points, a fall of 4 points compared with the figure recorded in 2014.

As at 31 December 2014, net adjustments for impairment on loans stood at €4,178 million, a considerable fall in absolute terms of €9,444 million compared with 31 December 2013. These dynamics led to the cost of risk at 90 basis points, a fall of 192 basis points compared with 2013, a financial year in which in the last quarter net adjustments for impairments on loans stood at €9,337 million, of which €7,151 million related to additional allocations which led to the improvement in the coverage ratio. These additional allocations were made in order to reflect the prevailing credit conditions caused by the economic and regulatory situation in the book value, as well as the updating of valuation parameters and methods. The additional allocations involved a coverage ratio in Italy and in CEE countries in line with pre-crisis levels and with those of major European competitors. For more information, see Reports and Consolidated Financial Statements as at 31 December 2013 (Notes to the Consolidated Financial Statements, Part E, – Credit risk, information of a quantitative nature, page 271). Note that the page numbers given above refer to the Italian version and the English version of the Consolidated Financial Statements as at 31 December 2013.

9.1.2.2 Balance sheet loans and receivables from customers for the nine-month period ended 30 September 2016 and for the financial years ended 31 December 2015, 31 December 2014 and 31 December 2013.

The tables below contain summary information of the balance sheet credit exposures for Group loans and receivables with customers, classified by administrative status:

- as applied from 1 January 2015 (in accordance with the 7th update of Circular 272) for the nine-month period ended 30 September 2016, for the year ended 31 December 2015 and the restated data as at 31 December 2014;

- as applied until 31 December 2014 (in accordance with the regulations in force at the time), for the years ended 31 December 2014 and 31 December 2013;

With reference to the definition "impaired loans", note that from the first quarter of the year ended 31 December 2015, the classification of loans by risk class was updated to include the changes made in Circular 272. This update is designed to adapt the previous classification to the definition of "*Non Performing Exposure*" (NPE) introduced by the EBA. The total volume of loans classified in the previous categories that made up the perimeter of impaired loans as at 31 December 2014 (bad loans, doubtful, restructured, past-due) were reallocated to new risk classes (bad loans, unlikely to pay other than bad, past-due) through: (a) elimination of the class "restructured" and reclassification as a new class "unlikely to pay"; (b) reallocation of loans previously classified as "doubtful" to the classes "unlikely to pay" and "non-performing past due". In particular, loans for which the Issuer believes that there is a condition of unlikely to pay as at the reporting date, regardless of the existence of days/instalments past-due, were reclassified in the "unlikely to pay " class. Conversely, past due positions where the condition does not exist, were reclassified in the class of "non-performing past due"; (c) for organisations not operating in Italy, the allocation to the class "unlikely to pay" of loans previously classified under "doubtful".

(in millions of Euros)	**As at**		**% Change**
	30 September 2016	**31 December 2015**	**30 September 2016 compared with 31 December 2015**
Non-performing			
gross exposure	51,310	51,089	*0.4%*
impairment losses	31,753	31,165	*1.9%*
net exposure	19,557	19,924	*-1.8%*
Unlikely to pay			
gross exposure	23,373	26,054	*-10.3%*
impairment losses	8,022	8,968	*-10.5%*
net exposure	15,351	17,086	*-10.2%*
Non-performing past due			
gross exposure	2,100	2,617	*-19.8%*
impairment losses	592	707	*-16.3%*
net exposure	1,508	1,910	*-21.0%*
Total non-performing exposures			
gross exposure	76,784	79,760	*-3.7%*
impairment losses	40,367	40,840	*-1.2%*
net exposure	36,417	38,920	*-6.4%*
Performing exposures			
gross exposure	446,643	437,495	*2.1%*
impairment losses	2,133	2,417	*-11.8%*
net exposure	444,510	435,079	*2.2%*
Total balance sheet exposures with customers			
gross exposure	523,426	517,255	*1.2%*
impairment losses	42,500	43,257	*-1.8%*
net exposure	480,926	473,999	*1.5%*

	As at 31 December		% Change
(in millions of Euros)	**2015**	**2014 (restated)**	**2015 compared with 2014 (restated)**
Non-performing			
gross exposure	51,089	52,143	*-2.0%*
impairment losses	31,165	32,442	*-3.9%*
net exposure	19,924	19,701	*1.1%*
Unlikely to pay			
gross exposure	26,054	28,490	*-8.6%*
impairment losses	8,968	9,902	*-9.4%*
net exposure	17,086	18,588	*-8.1%*
Non-performing past due			
gross exposure	2,617	3,726	*-29.8%*
impairment losses	707	923	*-23.4%*
net exposure	1,910	2,803	*-31.9%*
Total non-performing exposures			
gross exposure	79,760	84,359	*-5.5%*
impairment losses	40,840	43,267	*-5.6%*
net exposure	38,920	41,092	*-5.3%*
Performing exposures			
gross exposure	437,495	431,982	*1.3%*
impairment losses	2,417	2,505	*-3.5%*
net exposure	435,079	429,477	*1.3%*
Total balance sheet exposures with customers			
gross exposure	517,255	516,341	*0.2%*
impairment losses	43,257	45,772	*-5.5%*
net exposure	473,999	470,569	*0.7%*

	As at 31 December			% Change
		2013		2014 compared with
(in millions of Euros)	**2014**	**(restated)**	**2013**	**2013 (restated)**
Non-performing				
gross exposure	52,143	49,059	47,592	*6.3%*
impairment losses	32,442	30,947	29,534	*4.8%*
net exposure	19,701	18,112	18,058	*8.8%*
Doubtful				
gross exposure	23,301	24,935	25,051	*-6.6%*
impairment losses	8,102	9,911	9,982	*-18.3%*
net exposure	15,199	15,024	15,069	*1.2%*
Restructured				
gross exposure	6,324	6,150	6,153	*2.8%*
impairment losses	2,119	2,216	2,217	*-4.4%*
net exposure	4,205	3,934	3,936	*6.9%*
Non-performing past due				
gross exposure	2,591	3,446	3,564	*-24.8%*
impairment losses	604	770	812	*-21.6%*
net exposure	1,987	2,676	2,752	*-25.7%*
Total non-performing exposures				
gross exposure	84,359	83,590	82,360	*0.9%*
impairment losses	43,267	43,844	42,545	*-1.3%*
net exposure	41,092	39,746	39,815	*3.4%*
Performing exposures				
gross exposure	431,982	446,866	466,927	*-3.3%*
impairment losses	2,505	2,928	3,600	*-14.4%*
net exposure	429,477	443,938	463,327	*-3.3%*
Total balance sheet exposures with customers				
gross exposure	516,341	530,456	549,287	*-2.7%*
impairment losses	45,772	46,772	46,145	*-2.1%*
net exposure	470,569	483,684	503,142	*-2.7%*

Percentage of total balance sheet credit exposures with customers (Gross exposures)

	As at		Change (basis points)
	30 September 2016	31 December 2015	30 September 2016 compared with 31 December 2015
Non-performing exposures [(4)]	**14.7%**	**15.4%**	**-70**
Non-performing [(1)]	9.8%	9.9%	-10
Unlikely to pay [(2)]	4.5%	5.0%	-50
Non-performing past due [(3)]	0.4%	0.5%	-10
Performing exposures [(5)]	**85.3%**	**84.6%**	**70**

(1) Gross non-performing loans
The indicator for Gross non-performing loans is the ratio between the gross exposure of non-performing loans over the gross exposure of receivables from customers.

(2) Unlikely to pay
The indicator for Unlikely-to-pay loans is the ratio between the gross exposure of Unlikely-to-pay loans over the gross exposure of receivables from customers.

(3) Non-performing past-due exposures
The indicator for Non-performing past-due exposures is the ratio between the gross exposure of non-performing past-due exposures over the gross exposure of receivables from customers.

(4) Impaired exposures
The indicator for Impaired exposures is the ratio between the gross exposure of impaired exposures over the gross exposure of receivables from customers.

(5) Performing loans
The indicator for Performing loans is the ratio between the gross exposure of performing loans over the gross exposure of receivables from customers.
The calculation of the above-mentioned indices is in the tables below.

	As at	
	30 September 2016	31 December 2015
A. Non-performing loans gross exposure	51,310	51,089
B. Gross exposure of receivables from customers	523,426	517,255
A/B. Gross non-performing loans/receivables from customers	**9.8%**	**9.9%**

	As at	
	30 September 2016	31 December 2015
A. Unlikely-to-pay loans gross exposure	23,373	26,054
B. Gross exposure of receivables from customers	523,426	517,255
A/B. Gross unlikely-to-pay loans/receivables from customers	**4.5%**	**5.0%**

	As at	
	30 September 2016	31 December 2015
A. Non-performing past-due gross exposure	2,100	2,617
B. Gross exposure of receivables from customers	523,426	517,255
A/B. Non-performing past-due/gross receivables from customers	**0.4%**	**0.5%**

	As at	
	30 September 2016	31 December 2015
A. Impaired loans total gross exposure	76,784	79,760
B. Gross exposure of receivables from customers	523,426	517,255
A/B. Total impaired loans/gross receivables from customers	**14.7%**	**15.4%**

	As at	
	30 September 2016	31 December 2015
A. Performing loans total gross exposure	446,643	437,495
B. Gross exposure of receivables from customers	523,426	517,255
A/B. Total performing loans/gross receivables from customers	**85.3%**	**84.6%**

	As at 31 December		Change (basis points)
			2015 compared with
	2015	2014 (restated)	2014 (restated)
Non-performing exposures [4]	**15.4%**	**16.3%**	**-90**
Non-performing [1]	9.9%	10.1%	-20
Unlikely to pay [2]	5.0%	5.5%	-50
Non-performing past due [3]	0.5%	0.7%	-20
Performing exposures [5]	**84.6%**	**83.7%**	**90**

(1) Gross non-performing loans
The indicator for Gross non-performing loans is the ratio between the gross exposure of non-performing loans over the gross exposure of receivables from customers.

(2) Unlikely to pay
The indicator for Unlikely-to-pay loans is the ratio between the gross exposure of Unlikely-to-pay loans over the gross exposure of receivables from customers.

(3) Non-performing past-due exposures
The indicator for Non-performing past-due exposures is the ratio between the gross exposure of non-performing past-due exposures over the gross exposure of receivables from customers.

(4) Impaired exposures
The indicator for Impaired exposures is the ratio between the gross exposure of impaired exposures over the gross exposure of receivables from customers.

(5) Performing loans
The indicator for Performing loans is the ratio between the gross exposure of performing loans over the gross exposure of receivables from customers.

The calculation of the above-mentioned indices is in the tables below.

	As at	
	31 December 2015	**31 December 2014 (restated)**
A. Non-performing loans gross exposure	51,089	52,143
B. Gross exposure of receivables from customers	517,255	516,341
A/B. Gross non-performing loans/receivables from customers	**9.9%**	**10.1%**

	As at	
	31 December 2015	**31 December 2014 (restated)**
A. Unlikely-to-pay loans gross exposure	26,054	28,490
B. Gross exposure of receivables from customers	517,255	516,341
A/B. Gross unlikely-to-pay loans/receivables from customers	**5.0%**	**5.5%**

	As at	
	31 December 2015	**31 December 2014 (restated)**
A. Non-performing past-due gross exposure	2,617	3,726
B. Gross exposure of receivables from customers	517,255	516,341
A/B. Non-performing past-due/gross receivables from customers	**0.5%**	**0.7%**

	As at	
	31 December 2015	**31 December 2014 (restated)**
A. Impaired loans total gross exposure	79,760	84,359
B. Gross exposure of receivables from customers	517,255	516,341
A/B. Total impaired loans/gross receivables from customers	**15.4%**	**16.3%**

	As at	
	31 December 2015	**31 December 2014 (restated)**
A. Performing loans total gross exposure	437,495	431,982
B. Gross exposure of receivables from customers	517,255	516,341
A/B. Total performing loans/gross receivables from customers	**84.6%**	**83.7%**

	As at 31 December			Change (basis points)
	2014	2013 (restated)	2013	2014 compared with 2013 (restated)
Non-performing exposures (5)	**16.3%**	**15.8%**	**15.0%**	**50**
Non-performing (1)	10.1%	9.3%	8.7%	90
Doubtful (2)	4.5%	4.7%	4.6%	-20
Restructured (3)	1.2%	1.2%	1.1%	-
Non-performing past due (4)	0.5%	0.6%	0.6%	-10
Performing exposures (6)	**83.7%**	**84.2%**	**85.0%**	**-50**

(1) Gross non-performing loans
The indicator for Gross non-performing loans is the ratio between the gross exposure of non-performing loans over the gross exposure of receivables from customers.

(2) Doubtful loans
The indicator for Doubtful loans is the ratio between the gross exposure of doubtful loans over the gross exposure of receivables from customers.

(3) Restructured loans
The indicator for Restructured loans is the ratio between the gross exposure of restructured loans over the gross exposure of receivables from customers.

(4) Non-performing past-due exposures
The indicator for Non-performing past-due loans is the ratio between the gross exposure of non-performing past-due loans over the gross exposure of receivables from customers.

(5) Impaired exposures
The indicator for Impaired exposures is the ratio between the gross exposure of impaired exposures over the gross exposure of receivables from customers.

(6) Performing loans
The indicator for Performing loans is the ratio between the gross exposure of performing loans over the gross exposure of receivables from customers.

The calculation of the above-mentioned indices is in the tables below.

	As at	
	31 December 2014	31 December 2013 (restated)
A. Non-performing loans gross exposure	52,143	49,059
B. Gross exposure of receivables from customers	516,341	530,456
A/B. Gross non-performing loans/receivables from customers	**10.1%**	**9.3%**

	As at	
	31 December 2014	31 December 2013 (restated)
A. Doubtful loans gross exposure	23,301	24,935
B. Gross exposure of receivables from customers	516,341	530,456
A/B. Doubtful loans/gross receivables from customers	**4.5%**	**4.7%**

	As at	
	31 December 2014	31 December 2013 (restated)
A. Restructured loans gross exposure	6,324	6,150
B. Gross exposure of receivables from customers	516,341	530,456
A/B. Restructured loans/gross receivables from customers	**1.2%**	**1.2%**

	As at	
	31 December 2014	31 December 2013 (restated)
A. Non-performing past-due gross exposure	2,591	3,446
B. Gross exposure of receivables from customers	516,341	530,456
A/B. Non-performing past-due/gross receivables from customers	**0.5%**	**0.6%**

	As at	
	31 December 2014	31 December 2013 (restated)
A. Impaired loans total gross exposure	84,359	83,590
B. Gross exposure of receivables from customers	516,341	530,456
A/B. Total impaired loans/gross receivables from customers	**16.3%**	**15.8%**

	As at	
	31 December 2014	**31 December 2013 (restated)**
A. Performing loans total gross exposure	431,982	446,866
B. Gross exposure of receivables from customers	516,341	530,456
A/B. Total performing loans/gross receivables from customers	**83.7%**	**84.2%**

Percentage of total balance sheet credit exposures with customers (Net exposures)

	As at		Change (basis points)
	30 September 2016	31 December 2015	30 September 2016 compared with 31 December 2015
Non-performing exposures (4)	**7.57%**	**8.2%**	**-60**
Non-performing (1)	4.07%	4.2%	-10
Unlikely to pay (2)	3.19%	3.6%	-40
Non-performing past due (3)	0.31%	0.4%	-10
Performing exposures (5)	**92.43%**	**91.8%**	**60**

(1) Net non-performing loans
The indicator for Net non-performing loans is the ratio between the net exposure of non-performing loans over the net exposure of receivables from customers.

(2) Unlikely to pay
The indicator for Unlikely-to-pay loans is the ratio between the net exposure of unlikely-to-pay loans over the net exposure of receivables from customers.

(3) Non-performing past-due exposures
The indicator for Non-performing past-due exposures is the ratio between the net exposure of non-performing past-due exposures over the net exposure of receivables from customers.

(4) Impaired exposures
The indicator for Impaired exposures is the ratio between the net exposure of impaired exposures over the net exposure of receivables from customers.

(5) Performing loans
The indicator for Performing loans is the ratio between the net exposure of performing loans over the net exposure of receivables from customers.

The calculation of the above-mentioned indices is in the tables below.

	As at	
	30 September 2016	31 December 2015
A. Non-performing loans net exposure	19,557	19,924
B. Net exposure of receivables from customers	480,926	473,999
A/B. Net non-performing loans/net receivables from customers	**4.1%**	**4.2%**

	As at	
	30 September 2016	31 December 2015
A. Unlikely-to-pay loans net exposure	15,351	17,086
B. Net exposure of receivables from customers	480,926	473,999
C. Net unlikely-to-pay loans/net receivables from customers	**3.2%**	**3.6%**

	As at	
	30 September 2016	31 December 2015
A. Non-performing past-due net exposure	1,508	1,910
B. Net exposure of receivables from customers	480,926	473,999
A/B. Net non-performing past-due loans/net receivables from customers	**0.3%**	**0.4%**

	As at	
	30 September 2016	31 December 2015
A. Impaired loans total net exposure	36,417	38,920
B. Net exposure of receivables from customers	480,926	473,999
A/B. Total net impaired loans/net receivables from customers	**7.6%**	**8.2%**

	As at	
	30 September 2016	31 December 2015
A. Performing loans total net exposure	444,510	435,079
B. Net exposure of receivables from customers	480,926	473,999
A/B. Total net performing loans/net receivables from customers	**92.4%**	**91.8%**

	As at 31 December		Change (basis points)
	2015	2014 (restated)	2015 compared with 2014 (restated)
Non-performing exposures [(4)]	**8.2%**	**8.7%**	**-50**
Non-performing [(1)]	4.2%	4.2%	-
Unlikely to pay [(2)]	3.6%	3.9%	-30
Non-performing past due [(3)]	0.4%	0.6%	-20
Performing exposures [(5)]	**91.8%**	**91.3%**	**50**

(1) Net non-performing loans
The indicator for Net non-performing loans is the ratio between the net exposure of non-performing loans over the net exposure of receivables from customers.

(2) Unlikely-to-pay loans
The indicator for Unlikely-to-pay loans is the ratio between the net exposure of unlikely-to-pay loans over the net exposure of receivables from customers.

(3) Non-performing past-due exposures
The indicator for Non-performing past-due loans is the ratio between the net exposure of non-performing past-due loans over the net exposure of receivables from customers.

(4) Impaired exposures
The indicator for Impaired exposures is the ratio between the net exposure of impaired exposures over the net exposure of receivables from customers.

(5) Performing loans
The indicator for Performing loans is the ratio between the net exposure of performing loans over the net exposure of receivables from customers.
The calculation of the above-mentioned indices is in the tables below.

	As at	
	31 December 2015	31 December 2014 (restated)
A. Non-performing loans net exposure	19,924	19,701
B. Net exposure of receivables from customers	473,999	470,569
A/B. Net non-performing loans/net receivables from customers	**4.2%**	**4.2%**

	As at	
	31 December 2015	31 December 2014 (restated)
A. Unlikely-to-pay loans net exposure	17,086	18,588
B. Net exposure of receivables from customers	473,999	470,569
C. Net unlikely-to-pay loans/net receivables from customers	**3.6%**	**4.0%**

	As at	
	31 December 2015	31 December 2014 (restated)
A. Non-performing past-due net exposure	1,910	2,803
B. Net exposure of receivables from customers	473,999	470,569
A/B. Net non-performing past-due loans/net receivables from customers	**0.4%**	**0.6%**

	As at	
	31 December 2015	31 December 2014 (restated)
A. Impaired loans total net exposure	38,920	41,092
B. Net exposure of receivables from customers	473,999	470,569
A/B. Total net impaired loans/net receivables from customers	**8.2%**	**8.7%**

	As at	
	31 December 2015	**31 December 2014 (restated)**
A. Performing loans total net exposure	435,079	429,477
B. Net exposure of receivables from customers	473,999	470,569
A/B Total net performing loans/net receivables from customers	**91.8%**	**91.3%**

	As at 31 December			Change (basis points)
	2014	2013 (restated)	2013	2014 compared with 2013 (restated)
Non-performing exposures (5)	**8.7%**	**8.2%**	**7.9%**	**50**
Non-performing (1)	4.2%	3.7%	3.6%	50
Doubtful (2)	3.2%	3.1%	3.0%	10
Restructured (3)	0.9%	0.8%	0.8%	10
Non-performing past due (4)	0.4%	0.6%	0.5%	-20
Performing exposures (6)	**91.3%**	**91.8%**	**92.1%**	**-50**

(1) Gross non-performing loans
The indicator for Gross non-performing loans is the ratio between the gross exposure of non-performing loans over the gross exposure of receivables from customers.

(2) Doubtful loans
The indicator for Doubtful loans is the ratio between the gross exposure of doubtful loans over the gross exposure of receivables from customers.

(3) Restructured loans
The indicator for Restructured loans is the ratio between the gross exposure of restructured loans over the gross exposure of receivables from customers.

(4) Non-performing past-due exposures
The indicator for Non-performing past-due loans is the ratio between the gross exposure of non-performing past-due loans over the gross exposure of receivables from customers.

(5) Impaired exposures
The indicator for Impaired exposures is the ratio between the gross exposure of impaired exposures over the gross exposure of receivables from customers.

(6) Performing loans
The indicator for Performing loans is the ratio between the gross exposure of performing loans over the gross exposure of receivables from customers.
The calculation of the above-mentioned indices is in the tables below.

	As at	
	31 December 2014	31 December 2013 (restated)
A. Non-performing loans net exposure	19,701	18,112
B. Net exposure of receivables from customers	470,569	483,684
A/B. Net non-performing loans/net receivables from customers	**4.2%**	**3.7%**

	As at	
	31 December 2014	31 December 2013 (restated)
A. Doubtful loans net exposure	15,199	15,024
B. Net exposure of receivables from customers	470,569	483,684
A/B. Net doubtful loans/net receivables from customers	**3.2%**	**3.1%**

	As at	
	31 December 2014	31 December 2013 (restated)
A. Restructured loans net exposure	4,205	3,934
B. Net exposure of receivables from customers	470,569	483,684
A/B. Net restructured loans/net receivables from customers	**0.9%**	**0.8%**

	As at	
	31 December 2014	31 December 2013 (restated)
A. Non-performing past-due net exposure	1,987	2,676
B. Net exposure of receivables from customers	470,569	483,684
A/B. Net non-performing past-due loans/net receivables from customers	**0.4%**	**0.6%**

	As at	
	31 December 2014	31 December 2013 (restated)
A. Impaired loans total net exposure	41,092	39,746
B. Net exposure of receivables from customers	470,569	483,684
A/B. Total net impaired loans/net receivables from customers	**8.7%**	**8.2%**

	As at	
	31 December 2014	31 December 2013 (restated)
A. Performing loans total net exposure	429,477	443,938
B. Net exposure of receivables from customers	470,569	483,684
A/B Total net performing loans/net receivables from customers	**91.3%**	**91.8%**

Coverage percentages (Impairment allowances in relation to nominal gross exposure of receivables from customers)

	As at		Change (basis points)
	30 September 2016	31 December 2015	30 September 2016 compared with 31 December 2015
Non-performing exposures [(4)]	**52.6%**	**51.2%**	**140**
Non-performing [(1)]	61.9%	61.0%	90
Unlikely to pay [(2)]	34.3%	34.4%	-10
Non-performing past due [(3)]	28.2%	27.0%	120
Performing exposures [(5)]	**0.5%**	**0.6%**	**-10**

(1) Non-performing loans
The indicator for Non-performing loans is the ratio between total adjustments in value of non-performing loans over non-performing loans gross exposure.

(2) Unlikely-to-pay loans
The indicator for Unlikely-to-pay loans is the ratio between total adjustments in value of unlikely-to-pay loans over unlikely-to-pay loans gross exposure.

(3) Non-performing past-due exposures
The indicator for Non-performing past-due is the ratio between total adjustments in value of non-performing past-due over non-performing past-due gross exposure.

(4) Impaired exposures
The indicator for Impaired loans is the ratio between total adjustments in value of impaired loans over impaired loans gross exposure.

(5) Performing loans
The indicator for Performing loans is the ratio between total adjustments in value of performing loans over performing loans gross exposure.
The calculation of the above-mentioned indices is in the tables below.

	As at	
	30 September 2016	31 December 2015
A. Non-performing loans adjustments in value	31,753	31,165
B. Non-performing loans gross exposure	51,310	51,089
A/B. Non-performing loans adjustments in value/Non-performing loans gross exposure	**61.9%**	**61.0%**

	As at	
	30 September 2016	31 December 2015
A. Unlikely-to-pay loans adjustments in value	8,022	8,968
B. Unlikely-to-pay loans gross exposure	23,373	26,054
A/B. Unlikely-to-pay adjustments in value/Unlikely-to-pay gross exposure	**34.3%**	**34.4%**

	As at	
	30 September 2016	31 December 2015
A. Non-performing past-due adjustments in value	592	707
B. Non-performing past-due gross exposure	2,100	2,617
A/B. Non-performing past-due adjustments in value/Non-performing past-due gross exposure	**28.2%**	**27.0%**

	As at	
	30 September 2016	31 December 2015
A. Impaired total adjustments in value	40,367	40,840
B. Impaired total gross exposure	76,784	79,760
A/B. Total impaired adjustments in value/Impaired total gross exposure	**52.6%**	**51.2%**

	As at	
	30 September 2016	31 December 2015
A. Performing total adjustments in value	2,133	2,417
B. Performing loans total gross exposure	446,643	437,495
A/B. Total performing adjustments in value/Performing total gross exposure	**0.5%**	**0.6%**

	As at 31 December		Change (basis points)
	2015	2014 (restated)	2015 compared with 2014 (restated)
Non-performing exposures (4)	**51.2%**	**51.3%**	**-10**
Non-performing (1)	61.0%	62.2%	-120
Unlikely to pay (2)	34.4%	34.8%	-40
Non-performing past due (3)	27.0%	24.8%	220
Performing exposures (5)	**0.6%**	**0.6%**	**-**

(1) Non-performing loans
The indicator for Non-performing loans is the ratio between total adjustments in value of non-performing loans over non-performing loans gross exposure.

(2) Unlikely-to-pay loans
The indicator for Unlikely-to-pay loans is the ratio between total adjustments in value of unlikely-to-pay loans over unlikely-to-pay gross exposure.

(3) Non-performing past-due exposures
The indicator for Non-performing past-due is the ratio between total adjustments in value of non-performing past due over non-performing past-due gross exposure.

(4) Impaired exposures
The indicator for Impaired loans is the ratio between total adjustments in value of impaired loans over impaired loans gross exposure.

(5) Performing loans
The indicator for Performing loans is the ratio between total adjustments in value of performing loans over performing loans gross exposure.
The calculation of the above-mentioned indices is in the tables below.

	As at	
	31 December 2015	31 December 2014 (restated)
A. Non-performing loans adjustments in value	31,165	32,442
B. Non-performing loans gross exposure	51,089	52,143
A/B. Non-performing loans adjustments in value/Non-performing loans gross exposure	**61.0%**	**62.2%**

	As at	
	31 December 2015	31 December 2014 (restated)
A. Unlikely-to-pay loans adjustments in value	8,968	9,902
B. Unlikely-to-pay loans gross exposure	26,054	28,490
A/B. Unlikely-to-pay loans adjustments in value/Unlikely-to-pay loans gross exposure	**34.4%**	**34.8%**

	As at	
	31 December 2015	31 December 2014 (restated)
A. Non-performing past-due adjustments in value	707	923
B. Non-performing past-due gross exposure	2,617	3,726
A/B. Non-performing past-due adjustments in value /Non-performing past-due gross exposure	**27.0%**	**24.8%**

	As at	
	31 December 2015	31 December 2014 (restated)
A. Impaired total adjustments in value	40,840	43,267
B. Impaired total gross exposure	79,760	84,359
A/B. Total impaired adjustments in value/Impaired total gross exposure	**51.2%**	**51.3%**

	As at	
	31 December 2015	31 December 2014 (restated)
A. Performing total adjustments in value	2,417	2,505
B. Performing loans total gross exposure	437,495	431,982
A/B. Total Performing adjustments in value/Performing total gross exposure	**0.6%**	**0.6%**

	As at 31 December			Change (basis points)
	2014	2013 (restated)	2013	2014 compared with 2013 (restated)
Non-performing exposures [6]	**51.3%**	**52.5%**	**51.7%**	**-120**
Non-performing [1]	62.2%	63.1%	62,1%	-90
Doubtful [2]	34.8%	39.7%	39,8%	-490
Restructured [3]	33.5%	36.0%	36,0%	-250
Non-performing past-due [4]	23.3%	22.3%	22,8%	100
Performing exposures [5]	**0.6%**	**0.7%**	**0.8%**	**-10**

(1) Non-performing loans
The indicator for Non-performing loans is the ratio between total adjustments in value of non-performing loans over non-performing loans gross exposure.

(2) Doubtful loans
The indicator for Doubtful loans is the ratio between total adjustments in value of doubtful loans over doubtful loans gross exposure.

(3) Restructured loans
The indicator for Restructured loans is the ratio between total adjustments in value of restructured loans over restructured loans gross exposure.

(4) Non-performing past-due exposures
The indicator for Non-performing past-due is the ratio between total adjustments in value of non-performing past due over non-performing past-due gross exposure.

(5) Impaired exposures
The indicator for Non-performing loans is the ratio between total adjustments in value of non-performing loans over non-performing loans gross exposure.

(6) Performing loans
The indicator for Performing loans is the ratio between total adjustments in value of performing loans over performing loans gross exposure.

The calculation of the above-mentioned indices is in the tables below.

	As at	
	31 December 2014	31 December 2013 (restated)
A. Bad loans adjustments in value	32,442	30,947
B. Bad loans gross exposure	52,143	49,059
A/B. Bad loans adjustments in value/Bad loans gross exposure	**62.2%**	**63.1%**

	As at	
	31 December 2014	31 December 2013 (restated)
A. Doubtful loans adjustments in value	8,102	9,911
B. Doubtful loans gross exposure	23,301	24,935
A/B. Doubtful loans adjustments in value/Doubtful loans gross exposure	**34.8%**	**39.7%**

	As at	
	31 December 2014	31 December 2013 (restated)
A. Restructured loans adjustments in value	2,119	2,216
B. Restructured loans gross exposure	6,324	6,150
A/B. Restructured loans adjustments in value/Restructured loans gross exposure	**33.5%**	**36.0%**

	As at	
	31 December 2014	31 December 2013 (restated)
A. Non-performing past-due adjustments in value	604	770
B. Non-performing past-due gross exposure	2,591	3,446
A/B. Non-performing past-due adjustments in value/Non-performing past-due gross exposure	**23.3%**	**22.3%**

	As at	
	31 December 2014	31 December 2013 (restated)
A. Impaired total adjustments in value	43,267	43,844
B. Impaired total gross exposure	84,359	83,590
A/B. Total impaired adjustments in value/Impaired total gross exposure	**51.3%**	**52.5%**

	As at	
	31 December 2014	31 December 2013 (restated)
A. Performing total adjustments in value	2,505	2,928
B. Performing loans total gross exposure	431,982	446,866
A/B. Total performing adjustments in value/Performing total gross exposure	**0.6%**	**0.7%**

30 September 2016 compared with 31 December 2015

As at 30 September 2016 net exposure in terms of non-performing loans with customers amounted to €36.4 billion, a fall of 6.4% compared with €38.9 billion as at 31 December 2015. The fall, equal to €2.5 billion, was influenced by the reduction in bad loans (-1.8%), unlikely to pay (-10.2%) and the reduction in non-performing past due exposures (-21%).

Similarly, the percentage of impaired loans of balance sheet receivables from customers (net book values), equal to 7.6% as at 30 September 2016, was down by 60 basis points compared with 8.2% as at 31 December 2015.

As at 30 September 2016, the coverage percentage of impaired loans stood at 52.6%, a rise of 140 basis points compared with 51.2% as at 31 December 2015. As far as bad loans only are concerned, the coverage percentage as at 30 September 2016 was equal to 61.9% (a rise of 90 basis points compared with 61% as at 31 December 2015), while for unlikely to pay the coverage percentage was 34.3% (a fall of 10 basis points compared with 34.4% as at 31 December 2015).

The coverage percentage of performing loans as at 30 September 2016, stood at 0.5%, a fall compared with 31 December 2015 when it was 0.6%.

31 December 2015 compared with 31 December 2014

As at 31 December 2015 net exposure in terms of non-performing loans with customers amounted to €38.9 billion, a fall of 5.3% compared with €41.1 billion as at 31 December 2014. The decrease, equal to €2.2 billion, was affected by the reduction in unlikely to pay (-8.1%), the reduction in non-performing past due exposures (-31.9%), partly offset by the increase in bad loans (+1.1%).

Similarly, the percentage of impaired loans of balance sheet receivables from customers (net book values), equal to 8.2% as at 31 December 2015, was down by 50 basis points compared with 8.7% as at 31 December 2014.

As at 31 December 2015, the coverage percentage of impaired loans stood at 51.2%, a slight reduction of 10 basis points compared with 51.3% as at 31 December 2014. As far as bad loans only are concerned, the coverage percentage as at 31 December 2015 was equal to 61.0% (a fall of 120 basis points compared with

62.2% as at 31 December 2014), while for unlikely to pay the coverage percentage was 34.4% (a fall of 40 basis points compared with 34.8% as at 31 December 2014 restated).

The coverage percentage of performing loans as at 31 December 2015, stood at 0.6%, in line with 31 December 2014.

31 December 2014 compared with 31 December 2013

As at 31 December 2014 net exposure in terms of non-performing loans with customers amounted to €41.1 billion, a rise of 3.4% compared with €39.7 billion as at 31 December 2013, restated. The rise, equal to €1.4 billion, was influenced by the increase in bad loans (+8.8%), doubtful (+1.2%), restructured exposures (+6.9%) and partly offset by the reduction in non-performing past due exposures (-25.7%).

Similarly, the percentage of impaired loans of total receivables from customers (net book values), equal to 8.7% as at 31 December 2014, was up by 50 basis points compared with 8.2% as at 31 December 2013, restated.

As at 31 December 2014, the coverage percentage of impaired loans stood at 51.3%, a fall of 120 basis points compared with 52.5% as at 31 December 2013, restated. As far as bad loans only are concerned, the coverage percentage as at 31 December 2014 was equal to 62.2% (a fall of 90 basis points compared with 63.1% as at 31 December 2013, restated), while for doubtful loans the coverage percentage was 34.8% (a fall of 490 basis points compared with 39.7% as at 31 December 2013 restated).

The coverage percentage of other performing assets as at 31 December 2014 stood at 0.6%, a fall of 10 basis points compared with 0.7% as at 31 December 2013, restated.

9.1.3 Guarantees and commitments

The tables below contain the guarantees and commitments issued by the Group as at 30 September 2016, 31 December 2015, 31 December 2014 and 31 December 2013. For more information relating to constraints on the availability of the Groups' financial resources, see Chapter 10, Paragraph 10.5 of the Registration Document.

TRANSACTIONS	**As at**		**% Change**
(in millions of Euros)	**30 September 2016**	**31 December 2015**	**30 September 2016 compared with 31 December 2015**
1) Financial guarantees given to	**21,963**	**23,056**	***-4.7%***
a) banks	9,106	9,671	*-5.8%*
b) customers	12,857	13,385	*-3.9%*
2) Commercial guarantees given to	**50,720**	**48,847**	***3.8%***
a) banks	9,257	10,194	*-9.2%*
b) customers	41,463	38,653	*7.3%*
3) Other irrevocable commitments to disburse funds	**103,770**	**107,721**	***-3.7%***
a) banks	4,666	8,081	*-42.3%*
i) usage certain	*2,915*	3,943	*-26.1%*
ii) usage uncertain	*1,751*	4,138	*-57.7%*
b) customers	99,104	99,640	*-0.5%*
i) usage certain	*25,550*	23,375	*9.3%*
ii) usage uncertain	*73,554*	76,265	*-3.6%*
4) Underlying obligations for credit derivatives: sales of protection	**-**	**-**	**-**
5) Assets used to guarantee others' obligations	**55**	**13**	***n.d.***
6) Other commitments	**1,520**	**2,676**	***-43.2%***
Total	**178,028**	**182,313**	***-2.4%***

TRANSACTIONS	As at 31 December				% Change	
(in millions of Euros)	2015	2014	2013 (restated)	2013	2015 compared with 2014	2014 compared with 2013 (restated)
1) Financial guarantees given to	**23,056**	**23,738**	**16,376**	**16,112**	***-2.9%***	***45.0%***
a) banks	9,671	9,848	1,766	1,457	*-1.8%*	*457.7%*
b) customers	13,385	13,890	14,610	14,656	*-3.6%*	*-4.9%*
2) Commercial guarantees given to	**48,847**	**50,489**	**44,488**	**49,234**	***-3.3%***	***13.5%***
a) banks	10,194	8,710	5,839	5,441	*17.0%*	*49.2%*
b) customers	38,653	41,779	38,649	43,794	*-7.5%*	*8.1%*
3) Other irrevocable commitments to disburse funds	**107,721**	**99,086**	**96,042**	**102,263**	***8.7%***	***3.2%***
a) banks	8,081	5,006	5,255	5,251	*61.4%*	*-4.7%*
i) usage certain	3,943	3,174	3,591	3,589	*24.2%*	*-11.6%*
ii) usage uncertain	4,138	1,832	1,664	1,662	*125.9%*	*10.1%*
b) customers	99,640	94,080	90,787	97,012	*5.9%*	*3.6%*
i) usage certain	23,375	25,105	25,808	25,805	*-6.9%*	*-2.7%*
ii) usage uncertain	76,265	68,975	64,979	71,207	*10.6%*	*6.2%*
4) Underlying obligations for credit derivatives: sales of protection	**-**	**-**	**-**	**-**	**-**	**-**
5) Assets used to guarantee others' obligations	**13**	**13**	**2**	**2**	***8.3%***	***n.d.***
6) Other commitments	**2,676**	**5,538**	**7,069**	**7,024**	***-51.7%***	***-21.7%***
Total	**182,313**	**178,864**	**163,977**	**174,635**	***1.9%***	***9.1%***

9.1.4 Consolidated Own Funds

9.1.4.1 Consolidated Own Funds for the nine-month period ended 30 September 2016 and for the financial years ended 31 December 2015, 31 December 2014 and 31 December 2013

From 1 January 2014, the calculation of the capital requirements has taken into account the regulatory framework known as Basel 3, transposed into the CRR and CRD IV, in accordance with the new Italian regulations. In order to highlight the capital impact of Basel 3, this paragraph also contains the data, limited to items which are comparable with one another, as at 31 December 2013, calculated according to the rules in force at that date.

The table below summarises the main regulatory capital indicators expressed by the Group as at 30 September 2016 accompanied by the comparative data as at 31 December 2015.

Note that the profit for the first half of 2016, equal to €1,321 million, is fully recognised in the Own Funds consistent with the formal authorisation from the competent Supervisory Authority pursuant to Article 26, paragraph 2 of the CRR. The profit for the first half of 2016 does not reflect deductions relating to foreseeable dividends for 2016, in line with the decision taken on 3 August 2016 by the Board of Directors. The profit for the third quarter of 2016, on the other hand, has not been included in Own Funds.

	As at		% Change
(in millions of Euros)	**30 September 2016**	**31 December 2015**	**30 September 2016 compared with 31 December 2015**
Common Equity Tier 1 capital	42,980	41,375	*3.9%*
Tier 1 capital [(1)]	46,152	44,920	*2.7%*
Tier 2 capital	10,515	10,659	*-1.4%*
Own Funds Total	**56,667**	**55,579**	***2.0%***
RWA (Risk Weighted Assets)	**390,901**	**390,599**	***0.1%***
			Change (basis points)
Common Equity Tier 1 Capital / risk-weighted assets	11.00%	10.59%	41
Tier 1 Capital / risk-weighted assets	11.81%	11.50%	31
Total Own Funds / risk-weighted assets	14.50%	14.23%	27

(1) Tier 1 capital is given by the sum of the tier 1 core capital and tier 1 additional capital.

The table below contains information on Group consolidated Own Funds as at 30 September 2016 accompanied by the comparative data as at 31 December 2015.

OWN FUNDS	As at		% Change
(in millions of Euros)	**30 September 2016**	**31 December 2015**	**30 September 2016 compared with 31 December 2015**
A. Common Equity Tier 1 Capital (CET1) before prudential filters	49,770	48,146	*3.4%*
B. CET1 Prudential Filters (+/-)	(1,153)	(1,271)	*-9.3%*
C. CET1 gross of deductions and transitional adjustments (A + B)	48,617	46,875	*3.7%*
D. Items to be deducted from CET1	6,334	6,331	*0.0%*
E. Transitional adjustments – Effect on CET1 (+/-), including minority interests subject to transitional adjustments	697	831	*-16.1%*
F. Total Common Equity Tier 1 capital (CET1) (C - D +/- E)	**42,980**	**41,375**	*3.9%*
G. Additional Tier 1 Capital (AT1) gross of deductions and transitional adjustments	3,237	3,602	*-10.1%*
H. Items to be deducted from AT1	73	71	*2.8%*
I. Transitional adjustments – Effect on AT1 (+/-), including qualifying instruments issued by subsidiaries and computable in AT1 due to transitional provisions	8	14	*-42.9%*
L. Total Additional Tier 1 Capital (AT1) (G - H +/- I)	**3,172**	**3,545**	*-10.5%*
Tier 1 Capital (F + L)	**46,152**	**44,920**	*2.7%*
M. Tier 2 (T2) Capital gross of deductions and transitional adjustments	10,825	10,655	*1.6%*
N. Items to be deducted from T2	847	792	*6.9%*
O. Transitional adjustments – Effect on T2 (+/-), including qualifying instruments issued by subsidiaries and computable in T2 due to transitional provisions	537	796	*-32.5%*
P. Total Tier 2 Capital (M - N +/- O)	**10,515**	**10,659**	*-1.4%*
Q. Total Own Funds (F + L + P)	**56,667**	**55,579**	*2.0%*
			Change (basis points)
Common Equity Tier 1 Capital / risk-weighted assets	**11.00%**	**10.59%**	**41**
Tier 1 Capital / risk-weighted assets	**11.81%**	**11.50%**	**31**
Total Own Funds / risk-weighted assets	**14.50%**	**14.23%**	**27**

As at 30 September 2016, Common Equity Tier 1 capital stood at €43 billion, an increase of €1.6 billion compared with 31 December 2015, while Tier 1 capital stood at €46.2 billion, an increase of €1.3 billion compared with 31 December 2015. Tier 2 capital as at 30 September 2016 stood at €10.5 billion, a fall of €0.1 billion compared with the figure recorded at 31 December 2015.

From this the Own Funds total as at 30 September 2016 stood at €56.7 billion, an increase of €1.1 billion compared with the figure at 31 December 2015, mainly as a result of the positive changes involving the Common Equity Tier 1 capital and Tier 1 capital.

With reference to the risk-weight assets (RWA), as at 30 September 2016, the value was €390.9 billion, an increase of €0.3 billion compared with the values as at 31 December 2015.

By virtue of the above, as at 30 September 2016, the ratio between Common Equity Tier 1 capital and risk-weighted assets was 11.00% (compared with 10.59% as at 31 December 2015), while the ratio between total Own Funds and risk-weighted assets was 14.50% (compared with 14.23% as at 31 December 2015).

The table below summarises the main regulatory capital indicators expressed by the Group as at 31 December 2015, 31 December 2014 and 31 December 2013. Note that the data for 2014 and 2015 are phase-in data in accordance with the Basel 3 transitory provisions in force from time to time.

	As at 31 December			**% Changes**	
(in millions of Euros)	**2015**	**2014**	**2013(1)**	**2015 compared with 2014**	**2014 compared with 2013(1)**
Common Equity Tier 1 capital	41,375	41,998	n.a.	*-1.5%*	*n.a*
Tier 1 capital(2)	44,920	45,499	42,737	*-1.3%*	*6.5%*
Tier 2 capital	10,659	9,358	14,914	*13.9%*	*-37.3%*
Own Funds Total3	**55,579**	**54,857**	**57,651**	***1.3%***	***-4.8%***
RWA (Risk Weighted Assets)	**390,599**	**409,223**	**423,759**	***-4.6%***	***-3.4%***
				(basis points)	
Common Equity Tier 1 Capital / risk-weighted assets	10.59%	10.26%	n.a.	33	n.a
Tier 1 Capital / risk-weighted assets	11.50%	11.12%	10.09%	38	103
Total Own Funds(4) / risk-weighted assets	14.23%	13.41%	13.61%	82	-20

(1) Values calculated in accordance with the rules in force at that date.

(2) Tier 1 capital is given by the sum of the tier 1 core capital and tier 1 additional capital. With reference to 2013, "total tier 1 capital".

(3) With reference to 2013, "total regulatory capital".

(4) Until 31 December 2013 Own Funds were known as "regulatory capital".

As at 31 December 2015, Common Equity Tier 1 capital stood at €41.4 billion, a decrease of €0.62 billion compared with 31 December 2014, while Tier 1 capital stood at €44.9 billion, a decrease of €0.6 billion compared with 31 December 2014. Tier 2 capital as at 31 December 2015 stood at €10.7 billion, a rise of €1.3 billion compared with the figure recorded at 31 December 2014.

From this the Own Funds total as at 31 December 2015 stood at €55.6 billion, an increase of €0.72 billion compared with the figure at 31 December 2014, mainly as a result of the positive changes involving Tier 2 capital.

With reference to 2013 (when the regulations applicable at the time were in force), it is noted that the tier 1 capital stood at €42.7 billion, the additional capital stood at €14.9 billion and the total regulatory capital stood at €57.7 billion.

With reference to the risk-weight assets (RWA), as at 31 December 2015, the value was €390.6 billion, a decrease of €18.6 billion compared with the values as at 31 December 2014. The figure as at 31 December 2013 stood at €423.7 billion.

By virtue of the above, as at 31 December 2015, the ratio between Common Equity Tier 1 capital and risk-weighted assets was 10.59% (compared with 10.26% as at 31 December 2014), while the ratio between total Own Funds and risk-weighted assets was 14.23% (compared with 13.41% as at 31 December 2014). Lastly, with reference to the data as at 31 December 2013, the ratio between tier 1 capital and risk-weighted assets was 10.09% and the ratio between total regulatory capital and risk-weighted assets was 13.61%.

The table below contains information on Group consolidated Own Funds as at 31 December 2015, 31 December 2014 and 31 December 2013.

OWN FUNDS	As at 31 December			% Change	
(in millions of Euros)	2015	2014	2013[1]	2015 compared with 2014	2014 2013
A. Common Equity Tier 1 Capital (CET1) before prudential filters	48,146	47,501	n.d.	1.4%	n.a.
B. CET1 Prudential Filters (+/-)	(1,271)	(1,577)	n.d.	-19.4%	n.a.
C. CET1 gross of deductions and transitional adjustments (A + B)	46,875	45,924	n.d.	2.1%	n.a.
D. Items to be deducted from CET1	6,331	6,955	n.d.	-9.0%	n.a.
E. Transitional adjustments – Effect on CET1 (+/-), including minority interests subject to transitional adjustments	831	3,029	n.d.	-72.6%	n.a.
F. Total Common Equity Tier 1 capital (CET1) (C - D +/- E)	**41,375**	**41,998**	**n.d.**	**-1.5%**	**n.a.**
G. Additional Tier 1 Capital (AT1) gross of deductions and transitional adjustments	3,602	3,736	n.d.	-3.6%	n.a.
H. Items to be deducted from AT1	71	71	n.d.	0.0%	n.a.
I. Transitional adjustments – Effect on AT1 (+/-), including qualifying instruments issued by subsidiaries and computable in AT1 due to transitional provisions	14	(163)	n.d.	108.6%	n.a.
L. Total Additional Tier 1 Capital (AT1) (G - H +/- I)	**3,545**	**3,502**	**n.d.**	**1.2%**	**n.a.**
Tier 1 Capital[2] (F + L)	**44,920**	**45,500**	**42,737**	**-1.3%**	**6.5%**
M. Tier 2 (T2) Capital gross of deductions and transitional adjustments	10,655	9,815	n.d.	8.6%	n.a.
N. Items to be deducted from T2	792	1,058	n.d.	-25.1%	n.a.
O. Transitional adjustments – Effect on T2 (+/-), including qualifying instruments issued by subsidiaries and computable in T2 due to transitional provisions	796	600	n.d.	32.7%	n.a.
P. Total Tier 2 Capital[3] (T2) (M - N +/- O)	**10,659**	**9,357**	**14,914**	**13.9%**	**-37.3%**
Q. Total Own Funds[4] (F + L + P)	**55,579**	**54,857**	**57,651**	**1.3%**	**-4.8%**
				Change (basis points)	
Common Equity Tier 1 Capital / risk-weighted assets	**10.59%**	**10.26%**	**n.d.**	**33**	n.a.
Tier 1 Capital / risk-weighted assets	**11.50%**	**11.12%**	**10.09%**	**38**	**103**
Total Own Funds / risk-weighted assets	**14.23%**	**13.41%**	**13.61%**	**82**	**-20**

(1) Taking into consideration the entry into force of the new Basel 3 regulations and therefore the discontinuity with the previous regulatory framework in force until 31 December 2013, the detailed information for the CET1 capital and additional tier 1 capital are not standardised and therefore not comparable. Therefore, with regard to 31 December 2013, only the items relating to tier 1 capital and total regulatory capital have been completed, for the purpose of providing a restated representation. The figures as at 31 December 2013 have been calculated in line with the regulatory forecasts in force at that date. For the reconciliation of the composition of the items in the above table, see Reports and Consolidated Financial Statements as at 31 December 2014, (Notes to the Consolidated Financial Statements, Part F pages 453 - 474). Note that the page numbers given above refer to the Italian version and the English version of the Consolidated Financial Statements as at 31 December 2014.

(2) Values calculated in accordance with the rules in force at that date.

(3) With reference to the data as at 31 December 2013, the value refers to the "Tier 1 capital".

(4) With reference to the data as at 31 December 2013, the value refers to the "Additional capital".

(5) With reference to the data as at 31 December 2013, the value refers to the "supervisory capital".

As at 31 December 2015 the Group recorded an increase in the capital level compared with the figure as at 31 December 2014, going from €54.9 billion as at 31 December 2014 to €55.6 billion at the same date in 2015.

For a detailed description of the new regulatory requirements that came into force on 1 January 2014, see 2015 Reports and Financial Statements (Notes to the Consolidated Financial Statements, Part F - pages 461-475). Note that the page numbers given above refer to the Italian version and the English version of the 2015 Reports and Financial Statements.

As at 31 December 2013, the total regulatory capital calculated in accordance with the regulations in force at that date stood at €57.7 billion.

9.1.4.2 Consolidated capital adequacy for the nine-month period ended 30 September 2016 and for the financial years ended 31 December 2015, 31 December 2014 and 31 December 2013

The table below contains the capital requirements and consolidated regulatory coefficient as at 30 September 2016 and 31 December 2015.

	Non-weighted amounts as at		**Weighted amounts as at**	
(in millions of Euros)	**30 September 2016**	**31 December 2015**	**30 September 2016**	**31 December 2015**
A. RISK ASSETS				
A.1 CREDIT RISK AND COUNTERPARTY RISK	**882,617**	**893,410**	**333,133**	**333,598**
1. Standardised method	407,949	407,955	183,890	184,884
2. Method based on internal ratings	454,217	466,173	146,467	145,834
2.1 Basic	17,553	20,528	12,079	13,969
2.2 Advanced	436,664	445,645	134,388	131,865
3. Securitisations	20,451	19,282	2,776	2,880
B. REGULATORY CAPITAL REQUIREMENTS				
A.1 Credit risk and counterparty risk			**26,651**	**26,688**
B.2 Credit valuation adjustment risk			**305**	**391**
B.3 Regulatory risk			**2**	**2**
B.4 Market risks			**1,149**	**877**
1. Standard method			148	178
2. Internal models			1,001	699
3. Concentration risk			-	-
B.5 Operating risk			**3,165**	**3,290**
1. Basic method			190	225
2. Standardised models			287	301
3. Advanced method			2,688	2,764
B.6 Other calculation elements			**-**	**-**
B.7 Total prudential requirements			**31,272**	**31,248**
C. RISK ASSETS AND REGULATORY COEFFICIENTS			**-**	**-**
C.1 risk-weighted assets			390,901	390,599
C.2 Common Equity Tier 1 Capital / risk-weighted assets (CET1 capital ratio)			11.00%	10.59%
C.3 Tier 1 Capital / risk-weighted assets (TIER 1 capital ratio)			11.81%	11.50%
C.4 Total Own Funds/ risk-weighted assets (Total capital ratio)			14.50%	14.23%

As at 30 September 2016, risk-weighted assets (RWA) stood at €390.9 billion, an increase of €0.3 billion compared with the figure at 31 December 2015. Specifically, absorptions associated with credit risk were stable at €26.7 billion, capital absorptions relating to market risk increased by €0.3 billion and those relating to operating risk fell by €0.1 billion and those relating to the credit valuation adjustment risk also fell by €0.1 billion.

By virtue of the above, as at 30 September 2016, the ratio between Common Equity Tier 1 capital and risk-weighted assets was 11.00% (compared with 10.59% as at 31 December 2015), while the ratio between Total Own Funds and risk-weighted assets was 14.50% (compared with 14.23% as at 31 December 2015).

The table below contains the capital requirements and consolidated regulatory coefficient as at 31 December 2015 and 31 December 2014.

	Non-weighted amounts as at 31 December		**Weighted amounts as at 31 December**	
(in millions of Euros)	**2015**	**2014**	**2015**	**2014**
A. RISK ASSETS				
A.1 CREDIT RISK AND COUNTERPARTY RISK	**893,410**	**864,338**	**333,598**	**344,211**
1. Standardised method	407,956	401,609	184,884	187,662
2. Method based on internal ratings	466,173	453,356	145,834	153,875
2.1 Basic	20,528	19,109	13,969	13,036
2.2 Advanced	445,645	434,247	131,865	140,839
3. Securitisations	19,282	9,373	2,880	2,674
B. REGULATORY CAPITAL REQUIREMENTS				
A.1 Credit risk and counterparty risk			**26,688**	**27,537**
B.2 Credit valuation adjustment risk			**391**	**434**
B.3 Regulatory risk			**2**	**4**
B. 4 Market risks			**877**	**1,224**
1. Standard method			178	182
2. Internal models			699	1,042
3. Concentration risk			-	-
B.5 Operating risk			**3,290**	**3,538**
1. Basic method			225	236
2. Standardised models			301	306
3. Advanced method			2,764	2,996
B.6 Other calculation elements			**-**	**-**
B.7 Total prudential requirements			**31,248**	**32,738**
C. RISK ASSETS AND REGULATORY COEFFICIENTS				
C.1 risk-weighted assets			390,599	409,223
C.2 Common Equity Tier 1 Capital / risk-weighted assets (CET1 capital ratio)			10.59%	10.26%
C.3 Tier 1 Capital / risk-weighted assets (TIER 1 capital ratio)			11.50%	11.12%
C.4 Total Own Funds/ risk-weighted assets (Total capital ratio)			14.23%	13.41%

As at 31 December 2015, risk-weighted assets (RWA) stood at €390.6 billion, a decrease of €18.6 billion compared with the figure at 31 December 2014. Specifically, absorptions associated with credit fell by €0.8 billion, market risk by €0.3 billion and operating risk by €0.2 billion. The changes in requirements to meet the credit valuation adjustment risk and regulatory risk were insignificant.

By virtue of the above, as at 31 December 2015, the ratio between Common Equity Tier 1 capital and risk-weighted assets was 10.59% (compared with 10.26% as at 31 December 2014), and the ratio between tier 1 capital and risk-weighted assets was 11.50% (11.12% at 31 December 2014), while the ratio between total

Own Funds and risk-weighted assets was 14.23% (compared with 13.41% as at 31 December 2014). Lastly, with reference to the data as at 31 December 2013, the ratio between tier 1 capital and risk-weighted assets was 10.09% and the ratio between total Own Funds and risk-weighted assets was 13.61%.

The table below contains the capital requirements and consolidated regulatory coefficient as at 31 December 2014 and 31 December 2013.

	Non-weighted amounts as at 31 December		**Weighted amounts as at 31 December**	
(in millions of Euros)	**2014**	**2013[5]**	**2014**	**2013**
A. RISK ASSETS				
A.1 CREDIT RISK AND COUNTERPARTY RISK	**864,338**	**844,041**	**344,211**	**314,927**
1. Standardised method[1]	**401,609**	384,010	187,662	161,818
2. Method based on internal ratings	453,356	450,897	153,875	149,581
2.1 Basic	19,109	24,342	13,036	14,249
2.2 Advanced	434,247	426,555	140,839	135,332
3. Securitisations	9,373	9,134	2,674	3,528
B. REGULATORY CAPITAL REQUIREMENTS			-	-
A.1 Credit risk and counterparty risk			**27,537**	**25,194**
B.2 Credit valuation adjustment risk[2]			**434**	-
B.3 Regulatory risk[3]			**4**	-
B. 4 Market risks			**1,224**	**1,425**
1. Standard method			182	56
2. Internal models			1,042	1,369
3. Concentration risk			-	-
B.5 Operating risk			**3,538**	**4,161**
1. Basic method			236	286
2. Standardised models			306	319
3. Advanced method			2,996	3,556
B.6 Other calculation elements[4]			-	3,119
B.7 Total prudential requirements			**32,738**	**33,899**
C. RISK ASSETS AND REGULATORY COEFFICIENTS			-	-
C.1 risk-weighted assets			409,223	423,739
C.2 Common Equity Tier 1 Capital / risk-weighted assets (CET1 capital ratio)			10.26%	n.a.
C.3 Tier 1 Capital / risk-weighted assets (TIER 1 capital ratio)			11.12%	10.09%
C.4 Total Own Funds/ risk-weighted assets (Total capital ratio)			13.41%	13.61%

(1) The weighted amount as at 31 December 2014 includes the “Exposures with or central counterparties as pre-funded contributions to the default fund”.

(2) The credit valuation adjustment risk (CVA) was introduced from 1 January 2014 (when Basel 3 came into force).

(3) Included in credit risk and counterparty risk as at 31 December 2013.

(4) As at 31 December 2013, the amount was relative to the floor adjustment.

(5) The figures as at 31 December 2013 have been calculated in line with the regulatory forecasts in force at that date.

As at 31 December 2014, risk-weighted assets (RWA) stood at €409.2 billion, a decrease of €14.5 billion compared with the figure at 31 December 2013. Specifically, capital requirements associated with credit risk rose by €2.3 billion and credit valuation adjustment risk by €0.4 billion, while requirements for market risk fell by €0.2 billion, operating risk by €0.6 billion and other requirements relating to the calculation methods in force as at 31 December 2013 by €3.1 billion (application of requirement for Basel 1 floor).

By virtue of the above, as at 31 December 2014, the ratio between Common Equity Tier 1 capital and risk-weighted assets was 10.26% (not applicable at 31 December 2013), and the ratio between tier 1 capital and risk-weighted assets was 11.12% (10.09% at 31 December 2013, like the ratio between tier 1 capital and risk-weighted assets), while the ratio between total Own Funds and risk-weighted assets was 13.41% (compared with 13.61% as at 31 December 2013, like the ratio between regulatory capital and risk-weighted assets).

Supervisory and Evaluation Process – SREP

In 2015 the UniCredit Group underwent a prudential supervisory and evaluation process (so-called SREP), under the auspices of the Supervisory Authority – under the scope of the tasks assigned to it under the framework of the SSM – which conducted a risk assessment of credit institutions, their governance processes and their capital and financial position.

Following the results of the SREP conducted in 2016, the Issuer must comply with a (*phased in*) tier 1 primary capital level on a consolidated basis of 9.75%; added to this coefficient are (i) the above-mentioned reserve for banks of systemic importance, equal to 0.25% for 2016 based on the transitional arrangements (the G-SIB *buffer* will reach 1% in 2019), and (ii) the specific anti-cyclical coefficient for UniCredit applicable from time to time (equal to 0.005% as at 30 September 2016), which, in total, determine compliance with a minimum coefficient of 10.005%.

The table below contains the common equity tier 1 capital coefficient of the Issuer, on a consolidated basis, as at 30 September 2016 compared with the minimum regulatory requirement in the SREP.

(in millions of Euros; percent)	**30 September 2016**	**Minimum requirements as at 30 September 2016**
Common Equity Tier 1 Capital / risk-weighted assets (CET1 capital ratio)	11.00%	10.005%

The SREP requirements for 2016 only apply to CET1. The *Common equity tier 1 ratio* of the UniCredit Group equal to 11.00% as at 30 September 2016 and 10.59% as at 31 December 2015 correspond, respectively, to approximately 10.82% and approximately 10.38% (*fully loaded*), understood as the *Common equity tier* 1 ratio calculated on the basis of the rules that will be in force at the end of the transition period. Note that the figure for the *Common equity tier 1 ratio* (*fully loaded*) of the UniCredit Group as at 30 September 2016 and 31 December 2015 was a mere draft, provided exclusively for information purposes to demonstrate the impact that the Basel 3 provisions would have if there were no transition period during which the new regulatory measures were gradually introduced and it does not constitute a guarantee of the levels of capitalisation that will be available at the end of the transition period.

9.2 Operating results

9.2.1 Information regarding significant factors materially affecting the Group's income from operations

United States/Eurozone

The results of the Group were affected by the macro economic developments in the Eurozone and in the United States.

In the years from 2013 to 2015 the world economy featured a general recovery in economic activity, which, however, differed significantly at regional level. Specifically, growth rhythms in the advanced economies were, on the whole, sustained, while the emerging economies suffered from slowdowns which, in turn, had an impact on the economic position of developed countries, in particular the Eurozone.

As far as the developed countries are concerned, the positive growth trend was due mainly to the favourable economic policies in Europe and in the United States. Specifically, in Europe, the European Central Bank (ECB) already reduced the rate on refinancing transactions in 2013 to the current 0.00% and in 2015 it launched a large scale quantitative easing programme with the goal of expanding its own budget. This quantitative easing programme was later extended until at least March 2017 in order to stimulate economic growth and inflation through a reduction in long-term interest rates and the depreciation of the Euro compared with the major currencies. Following this monetary policy, economic growth in the Eurozone accelerated from a rate of 1.2% in 2014 to 1.9% in 2015 (note, however, that the figure for 2015 is impacted by an accounting reclassification that took place in Ireland and added approximately 0.3 to growth of the GDP in the Eurozone). In the United States already since 2013 there were signs of economic prospects improving and a reduction in uncertainties regarding budget policies. Economic growth remained solid even over the next two years, standing at 2.4% in 2014 and 2.6% in 2015, in spite of lower investments in the energy sector as a result of uncertainties in the oil market.

Emerging countries showed weak signs of growth, mainly as a result of lower investments and the collapse in the price of oil. This collapse had effects at an international level, weakening world trade and pushing inflation downwards in the Eurozone; in December 2015 the level of inflation in the Eurozone stood at 0.2%. The general weakening of world trade and energy market tensions that made the recovery in the Eurozone more measured, led the ECB to extend its quantitative easing programme until 2017 (and possibly beyond) in order to generate new monetary stimuli and restore inflation to around 2%.

During 2016, global economic growth remained rather moderate. Brexit was the event that triggered major uncertainty, although until now there have been no significant consequences seen at international level, nor have global macroeconomic prospects changed. Inflation in the Eurozone remains contained and it is expected that the ECB will extend its quantitative easing programme.

Banking and financial markets

The financial market in the area of interest of the Group (Germany, Austria and Italy) featured a considerable reduction from 2013 in bank loans to the private sector, in other words businesses and families (respectively, -6% and -1% in December 2013). The causes of this reduction were due to both weak demand for loans and a marked aversion to risk by banks. During the year, thanks to the general economic growth following the crisis and the favourable monetary policy of the ECB, market conditions returned to normal, the risk appetite of investors is increasing and share markets are also finding benefit in this. This positive trend, led in the following months (2014) to an expansion of bank loans and deposits and a slight improvement in loans to businesses and families (especially for house purchases) in Germany and in Austria. In Italy, on the other hand, there was a slight reduction in loans to businesses, albeit at a lower rate compared with previous months. At the beginning of 2015 the recovery in bank loans (especially to families) was well defined and an increase in consumer credit was also recorded in the three countries of interest to the Group. These recoveries together with a clear recovery of the share markets, led to the creation of positive expectations for 2016, particularly with regard to the increase in loans and investments.

In 2016, in all three countries that the Group has interests in, there was a general increase in loans to both businesses and families. Specifically, in September 2016, loans to families recorded an annual growth rate of 1.4% compared with a negative rate of -0.4% in September 2015. As far as credit to businesses is concerned, growth rates are positive in Germany and Austria (4.2% and 1.3%, respectively in September 2016), while the figures continue to be negative in Italy (-2.1%).

The financial markets in the Eurozone showed signs of instability, especially during the third quarter of 2016, on account of the Brexit referendum and the uncertainty surrounding the US presidential elections. The Italian Stock Exchange recorded the worst result of the three countries of interest to the Group with a 23% fall compared with December 2015, also due to the uncertainty surrounding the constitutional referendum.

CEE Countries

The economic performance in Central Eastern European (CEE) countries is extremely different in the central region and the eastern region.

Central European countries recorded positive trends in the period 2013-2015. The provision of European funds led to an increase in confidence of businesses and private consumers. In general, the Central Banks reduced the costs of borrowing in the private sector and there was a general increase in consumption and investments. Competitiveness as centres of production within the industrial sector increased in central countries.

The situation was different in Eastern Europe with the Balkan economies slowing down in terms of economic growth or even contracting. In addition, situations like the conflict in Ukraine, political uncertainty in Turkey and in general slow growth in some countries like Serbia and Croatia encouraged a fall in investor confidence.

As far as 2016 is concerned, the majority of CEE countries have achieved economic growth estimated at around 3%. Economic growth has accelerated in Croatia and Serbia, even if rates have remained lower than in other countries. In Russia the GDP has decreased further, even if this has been less than the previous year, while in Turkey performance has been affected by political tensions and uncertainty which led to a year-on-year fall of the GDP in the third quarter of 2016. As far as 2017 is concerned, stronger growth in the majority of CEE countries is expected.

9.2.1.1 Analysis of the Group's economic performance for the nine-month periods ended 30 September 2016 and 30 September 2015.

The tables below show the reclassified economic position for the Group for the nine-month periods ended 30 September 2016 and 30 September 2015.

RESTATED ECONOMIC DATA	As at 30 September		% Change
(in millions of Euros)	**2016**	**2015**	**2016 compared with 2015**
Net interest	8,644	8,887	*-2.7%*
Dividends and other income from equity investments	700	579	*20.9%*
Net commissions	5,736	5,914	*-3.0%*
Net trading, hedging and fair value income	1,820	1,342	*35.6%*
Net non-interest income	171	94	*81.9%*
OPERATING INCOME	**17,071**	**16,816**	***1.5%***
Personnel costs	(6,013)	(6,287)	*-4.4%*
Other administrative expenses	(3,628)	(3,869)	*-6.2%*
Recovery of expenses	561	598	*-6.2%*
Adjustments in value of tangible and intangible assets	(728)	(678)	*7.4%*
Operating costs	(9,808)	(10,236)	*-4.2%*
OPERATING PROFIT (LOSS)	**7,263**	**6,580**	***10.4%***
Other charges and provisions	(1,231)	(777)	*58.4%*
Integration costs	(398)	(12)	*n.d.*
Net impairment losses on loans and provisions for guarantees and commitments	(2,677)	(2,898)	*-7.6%*
Net profits from investments	(24)	32	*-175%*
GROSS PROFIT ON CONTINUING OPERATIONS	**2,933**	**2,925**	***0.3%***
Income tax for the period	(821)	(778)	*5.5%*
Profit (loss) after tax from discontinued operations	12	(152)	*-107.9%*
PROFIT (LOSS) FOR THE PERIOD	**2,124**	**1,995**	***6.5%***
Minority interests	(343)	(280)	*22.5%*
NET PROFIT ATTRIBUTABLE TO THE GROUP BEFORE PPA	**1,781**	**1,715**	***3.8%***
Purchase Price Allocation effect	(13)	(174)	*-92.3%*
Impairment of goodwill	-	-	-
NET PROFIT ATTRIBUTABLE TO THE GROUP	**1,768**	**1,541**	***14.7%***

30 September 2016 compared with 30 September 2015

In the first nine months of 2016, the Group recorded a net profit of €1,768 million, up 14.7% (+19.5% at constant exchange rates) compared with €1,541 million recorded in the same period in 2015.

Core assets (which include strategic business segments and in line with the risk profile decided by the Group) contributed €2,898 million to the net profit in the first nine months, growth of 11.9% compared with the same period in 2015 (+14.7% at constant exchange rates). This growth is the result of an increase in revenues

(+2.8%), cost-cutting (-2.8%) and the decrease in allocations for loans (-19.1%), while non-operating items recorded a negative trend.

Conversely, non-core assets (comprising non-strategic segments and/or with a risk/return profile not deemed adequate, for which the primary objective is the reduction of the overall exposure) recorded a loss of €1,130 million in the first nine months of 2016 as a result of lower revenues following the progressive reduction in loan volumes, the growing impact of the item bad loans where interest does not accrue and the still high provision for credit risk.

The loss for the nine months for non-core activities, increased by 7.8% compared with the same period of 2015.

Below is the breakdown of the net result of the Group as at 30 September 2016 and 30 September 2015 (with the core activities highlighted).

	As at 30 September				% Change	
Group share of net profit	**2016**		**2015 (restated)**		**2016 compared with 2015 (restated)**	
(in millions of Euros)	**Group**	**of which core**	**Group**	**of which core**	**Group**	**of which core**
Brokerage margin	**17,071**	**17,224**	**16,816**	**16,756**	***1.5%***	***2.8%***
Operating costs	(9,808)	(9,601)	(10,236)	(9,881)	*-4.2%*	*-2.8%*
Operating profit (loss)	**7,263**	**7,623**	**6,580**	**6,875**	***10.4%***	***10.9%***
Net impairment losses on loans and provisions for guarantees and commitments	(2,677)	(1,388)	(2,898)	(1,716)	*-7.6%*	*-19.1%*
Net operating profit (loss)	**4,586**	**6,235**	**3,682**	**5,159**	***24.6%***	***20.9%***
Provision for risks and charges	(1,231)	(1,183)	(777)	(717)	*58.4%*	*65.0%*
Integration costs	(398)	(395)	(12)	(12)	*n.s*	*n.s*
Net profits from investments	(24)	(14)	32	35	*-175%*	*-140.0%*
Gross result of continuing operations	**2,933**	**4,643**	**2,925**	**4,465**	***0.3%***	***4.0%***
Income tax for the period	(822)	(1,402)	(778)	(1,270)	*5.7%*	*10.4%*
Profit (loss) after tax from discontinued operations	13	13	(152)	(152)	*-108.6%*	*-108.6%*
Result for the period	**2,124**	**3,254**	**1,995**	**3,043**	***6.5%***	***6.9%***
Minority interests	(343)	(343)	(280)	(280)	*22.5%*	*22.5%*
Net profit (loss) attributable to the Group before PPA	**1,781**	**2,911**	**1,715**	**2,763**	***3.8%***	***5.4%***
Purchase Price Allocation effect	(13)	(13)	(174)	(174)	*-92.5%*	*-92.5%*
Impairment of goodwill	-	-	-	-	-	-
Group share of net profit	**1,768**	**2,898**	**1,541**	**2,589**	***14.7%***	***11.9%***

Brokerage margin

In the first nine months of 2016, the Group's brokerage margin stood at €17,071 million, an increase of 1.5% compared with the same period of 2015 (+2.6% at constant exchange rates) due mainly to the dynamics of the result from trading, dividends and other operating income.

Below is the breakdown of the Group's brokerage margin as at 30 September 2016 and 30 September 2015.

Brokerage margin	**As at 30 September**				**% Change**	
	2016		**2015 (restated)**		**2016 compared with 2015 (restated)**	
(in millions of Euros)	**Group**	**of which core**	**Group**	**of which core**	**Group**	**of which core**
Net interest	8,644	8,766	8,887	8,864	*-2.7%*	*-1.1%*
Dividends and other income from equity investments	700	700	579	579	*20.9%*	*20.9%*
Net commissions	5,736	5,763	5,914	5,862	*-3.0%*	*-1.7%*
Net trading, hedging and fair value income	1,820	1,799	1,342	1,329	*35.6%*	*35.4%*
Balance of other income/expense	171	196	94	122	*81.9%*	*60.7%*
Brokerage margin	**17,071**	**17,224**	**16,816**	**16,756**	***1.5%***	***2.8%***

Specifically, net interest was €8,644 million, a fall of 2.7% compared with the same period of 2015, dividends (which include the earnings of companies valued at the equity method) stood at €700 million, an increase of 20.9% compared with the first nine months of 2015, net commissions were €5,736 million, a 3.0% fall compared with the same period of 2015, while the trading, hedging and fair value result rose by 35.6% to €1,820 million. Lastly, the balance of other income and expense for the first nine months stood at €171 million compared with €94 million in the corresponding period of the previous year.

Almost the entire brokerage market (€17,224 million) was attributable to the scope of core activities, up compared with the previous year (+3.9% at constant exchange rates) mainly thanks to an improvement in the trading, hedging and fair value result, dividends and other operating income, only partly offset by the fall in commissions (-1.3% at constant exchange rates compared with the first nine months of 2015). The interest margin, on the other hand, remained essentially stable (0.0% at constant exchange rates).

Specifically, net interest of core activities was equal to €8,766 million, a fall of 1.1% compared with the previous year, but essentially stable at constant exchange rates (0.0%).

The interest margin still features the reduction in interest income on loans to customers, offset by the fall in the average cost of deposits from commercial customers and the growth in other non-commercial components. In the first nine months of 2016 the progressive narrowing of credit spreads continued, in a scenario of interest rates which went into negative territory (the 3 month Euribor average in the first nine months of 2016 was -0.25% compared with 0.00% in the same period in 2015).

Dividends of core activities (which include the earnings of companies valued at equity) stood at €700 million in the first nine months of 2016, a rise of €121 million compared with the same period of 2015.

As far as net commissions of core activities are concerned, in the first nine months of 2016 they stood at €5,763 million, a fall of 1.7% (-1.3% at constant exchange rates) compared with the same period of the previous year.

The fall is widespread in all commission categories linked to the credit component (-3.6% compared with the first nine months of 2015), transactional services (-1.7% compared with the first nine months of 2015), investment services (-0.7% compared with the first nine months of 2015), which were affected by the fall in commissions on asset management products (-1.0% compared with the first nine months of 2015) following less placements compared with the same period of the previous year.

The result of trading, hedging and fair value for core activities in the first nine months of 2016 was €1,799 million, an increase of 35.4% compared with the same period of 2015 (+37.0% at constant exchange rates). The sale of the investment in VISA Europe (€306 million) and the effects associated with the conclusion of securitisation transactions contributed to this result.

Lastly, in the first nine months of 2016, the balance of other income and expense from core activities was €196 million, an increase of €74 million compared with the same period of 2015.

As far as non-core activities are concerned, they recorded a negative brokerage margin of -€153 million in the first nine months of 2016 compared with +€60 million in the same period of the previous year. These dynamics are consistent with the -21.6% reduction in volumes of loans to customers, together with an ever increasing weighting of the share of impaired loans which do not accrue interest.

Operating costs

The Groups' operating costs in the first nine months of 2016 was €9,808 million, a fall of 4.2% compared with the same period of 2015 (-3.7% at constant exchange rates).

The breakdown of operating costs as at 30 September 2016 and 30 September 2015 is given below.

Operating costs	**As at 30 September**				**% Change**	
	2016		**2015 (restated)**		**2016 compared with 2015 (restated)**	
(in millions of Euros)	**Group**	**of which core**	**Group**	**of which core**	**Group**	**of which core**
Personnel costs	(6,013)	(5,976)	(6,287)	(6,183)	*-4.4%*	*-3.3%*
Other administrative expenses	(3,628)	(3,372)	(3,869)	(3,525)	*-6.2%*	*-4.3%*
Recovery of expenses	561	475	598	505	*-6.2%*	*-6.1%*
Adjustments in value of tangible and intangible assets	(728)	(727)	(678)	(678)	*7.4%*	*7.2%*
Operating costs	**(9,808)**	**(9,600)**	**(10,236)**	**(9,881)**	***-4.2%***	***-2.8%***

Specifically, personnel costs amounted to €6,013 million, a fall of 4.4% compared with the previous year, other administrative expenses were equal to €3,628 million, a fall of 6.2% compared with the previous year, recovery of expenses stood at €561 million, a fall of 6.1% compared with the same period of the previous year. Lastly, value adjustments of intangible and tangible assets stood at €728 million, a rise of 7.2% compared with the same period of the previous year.

The result of operating costs was determined by Group core activities, which in the first nine months of the year amounted to €9,600 million, a reduction of 2.8% compared with the same period of 2015 (-2.3% at constant exchange rates), thanks to savings in both personnel costs and other administrative expenses.

On analysing the individual items in greater detail, personnel costs relating to core activities in the first nine months of 2016 was €5,976 million, a fall of 3.3% compared with the same period of 2015 (-2.9% at constant exchange rates).

This result was mainly achieved thanks to the general dynamics of the reduction of personnel and restructuring of pension expenses that took place in Austria.

As far as other administrative expenses for core activities are concerned, in the first nine months of 2016 they stood at €3,372 million, a fall of 4.3% compared with the same period of 2015 (-3.9% at constant exchange rates). A large part of the fall in expenses was due to less consultancy, ICT, credit information and credit recovery, personnel-related expenses and property-related expenses.

The recovery of core expenses in the first nine months of 2016 came to €475 million, compared with €505 million in the same period of the previous year.

Lastly, value adjustments on intangible and tangible assets of core activities in the first nine months of 2016 amounted to €728 million, a rise of 7.4% (+8.0% at constant exchange rates), mainly as a result of investments made in IT.

Overall, total operating costs for core activities excluding personnel costs fell (-2.0%) compared with the same period in 2015.

Operating costs for non-core activities in the first nine months of 2016 stood at €208 million, a decrease of 41.5% compared with the same period in 2015, mainly thanks to the sale of the credit recovery company UniCredit Credit Management Bank (UCCMB).

The growth in revenues, together with the fall in costs, created a Group operating profit (loss) in the first nine months of 2016 of €7,263 million, up 10.4% compared with the same period in 2015 (+12.4% at constant exchange rates). The best result was the operating profit (loss) for core activities, equal to €7,623 million, a rise of 10.9% (+12.9% at constant exchange rates).

The cost income ratio for core activities in the first nine months of 2016 was 55.7%, an improvement of 3.2 percentage points compared with the same period of 2015.

The operating profit (loss) of non-core activities in the first nine months of 2016, on the other hand, was -€360 million, compared with -€295 million for the same period in 2015, as a result of the lower revenue following the progressive reduction in loan volumes and the growing impact of bad loans where interest does not accrue.

Net adjustments on receivables

Net adjustments on receivables and on allocations for Group guarantees and commitments stood at €2,677 million in the first nine months of 2016, a fall compared with the same period of 2015 (-7.6%).

In the first nine months of 2016 gross impaired loans for the Group fell by €3.0 billion (-3.7%) compared with the figure at the beginning of the year, with an impact on total receivables of 14.67% compared with 15.42% at the end of 2015. The coverage ratio (52.57%) improved compared with the figure recorded at the end of 2015 (51.20%).

As far as core activities are concerned, in the first nine months of 2016 net adjustments to receivables and allocations for guarantees and commitments of €1,388 million were made, a fall of 19.1% (-17.8% at constant exchange rates) compared with the same period of 2015.

The cost of risk in the first nine months of 2016 was 41 basis points, an improvement compared with the same period of 2015 (equal to 53 basis points), continuing, however, to differ considerably on a geographical basis, with Italy at 53 basis points, Germany 19 basis points, Austria -14 basis points, Poland 27 basis points and the CEE 109 basis points.

Gross impaired loans relating to core activities as at 30 September 2016 fell by €638 million compared with 31 December 2015 (-2.3%). Thanks to this reduction compared with the last quarter of 2015, the impact of impaired loans on total receivables improved, going from 6.11% in December 2015 to 5.80% in September 2016. Gross non-performing loans totalled €14.2 billion, an increase of €512 million compared with December 2015.

On the other hand, as far as non-core activities are concerned, net adjustments to receivables and allocations for guarantees and commitments increased compared with the same period of the previous year, going from €1,182 million for the first nine months of 2015 to €1,289 million for the first nine months of 2016.

Gross impaired loans relating to non-core activities as at 30 September 2016 stood at €49.7 billion, a fall of 4.5% compared with the figure of €52.0 billion at the end of 2015. Bad loans stood at €37.1 billion, a fall of €290 million over the figure at the end of 2015.

The coverage ratio of non-core activities as at 30 September 2016 improved further by another one percentage point reaching 53.57% compared with 52.37% at the end of 2015.

Group share of net profit

As a result of the gross profit of current assets equal to €2,933 million, in the first nine months of 2016 Group income tax stood at €821 million with a tax rate of 28.0% compared with 26.6% for the same period of the previous year.

The profit from assets held for sale net of tax stood at +€13 million and refers to the Ukraine subsidiary Ukrsotsbank and to the Immobilien Holding group, classified under the application of IFRS 5.

The result for the period in the first nine months of 2016 stood at €2,124 million, to which core activities contributed €3,254 million, growth of 6.9% (+9.5% at constant exchange rates) compared with €3,043 million in the same period of 2015.

The profit pertaining to minority interests was €343 million.

The purchase price allocation totalled -€13 million, a fall compared with the figure of -€174 million recorded in the first nine months of 2015.

As a result, in the first nine months of 2016, the Group recorded a net profit of €1,768 million, up 14.7% (+19.5% at constant exchange rates) compared with €1,541 million recorded in the same period in 2015.

Core activities in the first nine months of 2016, produced a Group net profit of €2,898 million, up 11.9% (+14.7% at constant exchange rates) compared with €2,589 million recorded in the same period in 2015.

Group non-core activities recorded a net loss of €1,130 million compared with a loss of €1,048 million recorded in the first nine months of 2015 (+7.8%).

9.2.1.2 Analysis of the Group's economic performance for financial years ended 31 December 2015, 31 December 2014 and 31 December 2013.

The tables below show reclassified economic position for the Group for the financial years ended 31 December 2015, 31 December 2014 and 31 December 2013.

	As at 31 December					% Change			
(in millions of Euros)	**2015**	**2014 (restated)**	**2014**	**2013 (restated)**	**2013**	**2015 compared with 2014 (restated)**		**2014 compared with 2013 (restated)**	
Net interest	11,916	12,442	12,442	12,303	12,990	(526)	-4.2%	139	*1.1%*
Dividends and other income from equity investments	830	794	794	964	324	35	4.5%	(170)	*-17.6%*
Net commissions	7,848	7,593	7,572	7,361	7,728	255	3.4%	211	*2.9%*
Net trading, hedging and fair value income	1,644	1,536	1,557	2,505	2,657	108	7.0%	(948)	*-37.8%*
Balance of other income/expense	**167**	**187**	**148**	**202**	**274**	**(20)**	**-10.7%**	**(54)**	***-26.6%***
OPERATING INCOME	**22,405**	**22,552**	**22,513**	**23,335**	**23,973**	**(147)**	**-0.7%**	**(822)**	***-3.5%***
Personnel costs	(8,339)	(8,201)	(8,201)	(8,375)	(8,649)	(138)	1.7%	174	*-2.1%*
Other administrative expenses	(5,159)	(5,244)	(5,575)	(5,357)	(5,559)	85	-1.6%	(218)	*4.1%*
Recovery of expenses	809	834	834	717	714	(25)	-3.0%	117	*16.5%*
Adjustments in value of tangible and intangible assets	(929)	(896)	(896)	(1,238)	(1,307)	(33)	3.7%	342	*-27.6%*
Operating costs	**(13,618)**	**(13,507)**	**(13,838)**	**(14,253)**	**(14,801)**	**(111)**	**0.8%**	**415**	***-2.9%***
OPERATING PROFIT (LOSS)	**8,787**	**9,045**	**8,675**	**9,082**	**9,172**	**(258)**	**-2.9%**	**(407)**	***-4.5%***
Other charges and provisions	(1,585)	(728)	(358)	(984)	(996)	(857)	-117.5%	626	*-63.6%*
Integration costs	(410)	(20)	(20)	(727)	(727)	(390)	n.s	707	*-97.2%*
Net impairment losses on loans and provisions for guarantees and commitments	(4,114)	(4,292)	(4,292)	(13,481)	(13,658)	178	-4.1%	9,189	*-68.2%*
Net profits from investments	(7)	86	86	890	1,321	(93)	-108.1%	(804)	*-90.3%*
GROSS PROFIT ON CONTINUING OPERATIONS	**2,671**	**4,091**	**4,091**	**(5,220)**	**(4,888)**	**(1,420)**	**-34.7%**	**9,311**	***-178.4%***
Income tax for the period	(137)	(1,297)	(1,297)	1,716	1,607	1,160	-89.4%	(3,013)	*-175.6%*
Profit (loss) after tax from discontinued operations	(295)	(125)	(125)	(639)	(639)	(170)	136.0%	514	*-80.4%*
PROFIT (LOSS) FOR THE PERIOD	**2,239**	**2,669**	**2,669**	**(4,143)**	**(3,920)**	**(430)**	**-16.1%**	**6,812**	***-164.4%***
Minority interests	(352)	(380)	(380)	(381)	(382)	28	-7.4%	1	*-0.3%*
NET PROFIT ATTRIBUTABLE TO THE GROUP BEFORE PPA	**1,887**	**2,289**	**2,289**	**(4,524)**	**(4,302)**	**(402)**	**-17.6%**	**6,813**	***-150.6%***
Purchase Price Allocation effect	(193)	(281)	(281)	(1,673)	(1,673)	88	-31.3%	1,392	*-83.2%*
Impairment of goodwill	0	0	0	(7,768)	(7,990)	0	n.s	7,767	*-100.0%*
NET PROFIT ATTRIBUTABLE TO THE GROUP	**1,694**	**2,008**	**2,008**	**(13,965)**	**(13,965)**	**(314)**	**-15.6%**	**15,973**	***-114.4%***

31 December 2015 compared with 31 December 2014

As at 31 December 2015 the UniCredit Group recorded a net profit of €1,694 million, a 15.6% fall compared with €2,008 million for the year ended 31 December 2014 (-16.0% at constant exchange rates).

Several extraordinary items had an impact on the result for the period, namely:

(i) the allocation of integration costs for the implementation of the new strategic plan;

(ii) the write-downs of the Ukraine subsidiary Ukrsotsbank with regard to its classification under assets held for sale;

(iii) the systemic contributions for saving 4 Italian banks and 1 Polish bank;

(iv) the additional allocations for credit adjustments in Croatia as a result of the need to convert loans in Swiss francs into local currency;

(v) the benefits associated with the sale of several pension liabilities in Austria;

(vi) several non-recurring tax items.

Core assets[76] (which include strategic business segments and in line with the risk profile decided by the Group) contributed €3,228 million to the net profit for 2015, a fall of 13.2% compared with 31 December 2014 (-13.3% at constant exchange rates).

[76] Note that the current breakdown by business segments, divided between core and non-core sectors was introduced from the first quarter of 2014. The non-core sector included the individual activities of the Commercial Banking Italy Division, the activities of UniCredit Credit Management Bank and the activities of several vehicle companies for securitisation transactions.

Below is the breakdown of the net result of the Group as at 31 December 2015 and 31 December 2014 (with the core assets highlighted).

	As at 31 December				**% Change**	
Group share of net profit	**2015**		**2014 (restated)**		**2015 compared with 2014 (restated)**	
(in millions of Euros)	**Group**	**of which core**	**Group**	**of which core**	**Group**	**of which core**
Brokerage margin	**22,405**	**22,304**	**22,552**	**22,177**	***-0.7%***	***0.6%***
Operating costs	(13,618)	(13,082)	(13,507)	(12,916)	*0.8%*	*1.3%*
Operating profit (loss)	**8,787**	**9,222**	**9,045**	**9,261**	***-2.9%***	***-0.4%***
Net impairment losses on loans and provisions for guarantees and commitments	(4,115)	(2,455)	(4,292)	(2,137)	*-4.1%*	*14.9%*
Net operating profit (loss)	**4,672**	**6,767**	**4,753**	**7,124**	***-1.7%***	***-5.0%***
Provision for risks and charges	(1,585)	(1,437)	(728)	(696)	*117.7%*	*106.5%*
Integration costs	(410)	(401)	(21)	(2)	*n.s*	*n.s*
Net profits from investments	(6)	(4)	87	170	*-106.9%*	*-102.4%*
Gross result of continuing operations	**2,671**	**4,925**	**4,091**	**6,596**	***-34.7%***	***-25.3%***
Income tax for the period	(137)	(857)	(1,297)	(2,093)	*-89.4%*	*-59.1%*
Profit (loss) after tax from discontinued operations	(295)	(295)	(125)	(124)	*136.0%*	*137.9%*
Result for the period	**2,239**	**3,773**	**2,669**	**4,379**	***-16.1%***	***-13.8%***
Minority interests	(352)	(352)	(380)	(380)	*-7.4%*	*-7.4%*
Net profit (loss) attributable to the Group before PPA	**1,887**	**3,421**	**2,289**	**3,999**	***-17.6%***	***-14.5%***
Purchase Price Allocation economic effects	(193)	(193)	(281)	(281)	*-31.3%*	*-31.3%*
Impairment of goodwill	-	-	-	-	-	-
Group share of net profit	**1,694**	**3,228**	**2,008**	**3,718**	***-15.6%***	***-13.2%***

The fall in net profit for the year as at 31 December 2015 in core activities is mainly due to the extraordinary items already mentioned, such as the larger net adjustments to receivables, systemic expenses, integration costs and the loss of the Ukraine subsidiary. Conversely, non-core assets (comprising non-strategic segments and/or with a risk/return profile not deemed adequate, for which the primary objective is the reduction of the overall exposure) recorded a loss in 2015 of €1,534 million as a result of lower revenues following the progressive reduction in loan volumes, the growing impact of the non-performing loans item and the still high provision for credit risk. The loss as at 31 December 2015 for non-core assets fell by 10.3% compared with the figure recorded for the same business segment as at 31 December 2014.

Brokerage margin

The Group brokerage margin as at 31 December 2015 stood at €22,405 million, a fall of 0.7% compared with 31 December 2014 (+0.2% at constant exchange rates). This change is essentially due to the fall in the interest margin.

Below is the breakdown of the Group's brokerage margin as at 31 December 2015 and 31 December 2014.

	As at 31 December				% Change	
Brokerage margin	**2015**		**2014 (restated)**		**2015 compared with 2014 (restated)**	
(in millions of Euros)	**Group**	**of which core**	**Group**	**of which core**	**Group**	**of which core**
Net interest	11,916	11,910	12,442	12,252	*-4.2%*	*-2.8%*
Dividends and other income from equity investments	829	829	794	794	*4.4%*	*4.4%*
Net commissions	7,849	7,730	7,593	7,380	*3.4%*	*4.7%*
Net trading, hedging and fair value income	1,644	1,629	1,536	1,540	*7.0%*	*5.8%*
Balance of other income/expense	167	206	187	211	*-10.7%*	*-2.4%*
Brokerage margin	**22,405**	**22,304**	**22,552**	**22,177**	***-0.7%***	***0.6%***

Specifically, net interest as at 31 December 2015 was €11,916 million, a fall of 4.2% compared with 31 December 2014. More specifically net interest of core assets as at 31 December 2015 was equal to €11,910 million, a fall of 2.8% compared with the end of 2014, (-1.1% at constant exchange rates). This negative trend is due to the reduction in interest income on customer loans, only partly offset by the fall in the average cost of commercial customer deposits. The interest dynamics are attributable to the progressive narrowing of the credit spreads, which started with government bonds and continued in the corporate sector against a background of falling interest rates. The fall in net interest as at 31 December 2015 compared with the same period of the previous year took place under the dynamics of improving volumes. Specifically, customer loans relating to core assets (equal to €438.0 billion as at 31 December 2015) rose by 3.5% compared with the previous year (+3.7% at constant exchange rates).

Dividends (which include the earnings of companies valued at equity) as at 31 December 2015 came to €829 million, an increase of 4.4% compared with 31 December 2014. More specifically, dividends for core assets (which include earnings of companies valued at equity) as at 31 December 2015, stood at €829 million, an increase of €35 million compared with 31 December 2014.

Net commissions as at 31 December 2015 totalled €7,849 million, up 3.4% compared with the end of the previous year. With regard to net commissions for core activity segments, as at 31 December 2015 they stood at €7,730 million, a rise of 4.7% (+4.4% at constant exchange rates) compared with 31 December 2014. This increase is due to commissions accrued on investment services (+12.1% compared with 31 December 2014) and was mainly driven by asset management products, thanks to the growth in volumes (+€27 billion compared with the end of the 2014). Commissions relating to the credit component fell (-0.4% compared with 31 December 2014) and transactional services (-1.6% compared with 31 December 2014).

The trading, hedging and fair value result as at 31 December 2015 increased by 7.0% to €1,644 million compared with the amount at 31 December 2014. Specifically, the trading, hedging and fair value result for core assets as at 31 December 2015 was €1,629 million, a 5.8% increase compared with the same period of 2014 (+7.2% at constant exchange rates), with a good performance for treasury activities and customers, reflecting the good performance of the markets which reabsorbed the times of crisis in Greece and Russia.

The balance of the item "other income and expense" as at 31 December 2015 stood at €167 million compared with €187 million at the end of 2014, with the contribution of core activity sectors as at 31 December 2015 equal to €206 million, a fall of €5 million compared with the end of 2014.

Operating costs

The UniCredit Group's operating costs as at 31 December 2015 were €13,618 million, a rise of 0.8% compared with the same period of 2014 (+1.1% at constant exchange rates).

The breakdown of operating costs as at 31 December 2015 and 31 December 2014 is given below.

	As at 31 December				**% Change**	
Operating costs	**2015**		**2014 (restated)**		**2015 compared with 2014 (restated)**	
(in millions of Euros)	**Group**	**of which core**	**Group**	**of which core**	**Group**	**of which core**
Personnel costs	(8,339)	(8,215)	(8,201)	(8,053)	*1.7%*	*2.0%*
Other administrative expenses	(5,159)	(4,629)	(5,244)	(4,648)	*-1.6%*	*-0.4%*
Recovery of expenses	808	690	834	678	*-3.1%*	*1.8%*
Adjustments in value of tangible and intangible assets	(928)	(928)	(896)	(893)	*3.6%*	*3.9%*
Operating costs	**(13,618)**	**(13,082)**	**(13,507)**	**(12,916)**	***0.8%***	***1.3%***

Specifically, personnel costs amounted to €8,339 million as at 31 December 2015, an increase of 1.7% compared with the previous year, other administrative expenses were equal to €5,159 million, a fall of 1.6% compared with the previous year, recovery of expenses stood at €808 million, a fall of 3.1% compared with the previous year.

Value adjustments on intangible and tangible assets as at 31 December 2015 stood at €928 million, a rise of 3.6% compared with the figure recorded for 2014.

Net adjustments on receivables

In 2015 gross impaired loans for the Group fell by €4.6 billion (-5.5%) compared with the figure at the end of the previous year, with an impact on total receivables of 15.42% compared with 16.34% as at 31 December 2015. The degree of coverage of impaired loans as at 31 December 2015, equal to 51.2%, was stable compared with the figure recorded at the end of 2014. As far as core activities are concerned, in 2015 net adjustments to receivables and allocations for guarantees and commitments of €2,455 million were made, a rise of 14.9% (+19.1% at constant exchange rates) compared with 2014. The cost of risk recorded for 2015 was 56 basis points, slightly higher than the level for the previous year (50 basis points). The amount of gross impaired loans relating to core activities as at 31 December 2015 was €27.5 billion, stable compared with 31 December 2014 (+€13 million). The impact of impaired loans on total receivables as at 31 December 2015 improved compared with the previous year, going from 6.27% in December 2014 to 6.06% in December 2015. Gross non-performing loans as at 31 December 2015 totalled €13.7 billion, a fall of €817 million compared with December 2014. With regard to non-core activities, net adjustments to receivables and allocations for guarantees and commitments were reduced, going from €2,155 million as at 31 December 2014 to €1,659 million for 2015. Gross impaired loans relating to non-core activities as at 31 December 2015 stood at €52.2 billion, a fall of 8.2% compared with the figure of €56.9 billion at the end of 2014. Bad loans as at 31 December 2015 totalled €37.4 billion, stable compared with the figure at the end of 2014 (-0.6%). These dynamics also benefited from the sale of UniCredit Credit Management Bank (UCCMB) which took place in the fourth quarter of 2015. The coverage ratio of non-core activities as at 31 December 2015 was 52.2% compared with 52.9% at the end of 2014.

Group share of net profit

As a result of the gross profit for current assets as at 31 December 2015 of €2,671 million and several positive non-recurring tax items worth €287 million as at 31 December 2015, Group income tax was €137 million. These non-recurring items recorded in 2015 mainly involved deferred tax assets and the release of tax provisions allocated in Germany and the release of deferred tax liabilities in Austria. The tax rate therefore stood at 5.1% compared with 31.7% in the previous year.

The loss from assets held for sale net of tax as at 31 December 2015 stood at €295 million and refers mainly to the Ukraine subsidiary Ukrsotsbank in the process of being sold, reclassified following the application of IFRS 5.

The result for the period as at 31 December 2015 stood at €2,239 million, to which core activities contributed €3,772 million, down by 13.9% (-14.0% at constant exchange rates) compared with €4,379 million as at 31 December 2014.

The purchase price allocation as at 31 December 2015 totalled -€193 million, a fall compared with -€281 million in 2014.

The Group net profit as at 31 December 2015 was €1,694 million, a fall of 15.6% compared with the profit of €2,008 million recorded in 2014, benefiting from a net profit for core activities equal to €3,228 million, a fall of 13.2% (-13.4% at constant exchange rates) compared with a profit of €3,718 million as at 31 December 2014, partly offset by a net loss for non-core activities as at 31 December 2015 of €1,534 million compared with a loss of €1,710 million recorded in 2014 (-10.3%).

31 December 2014 compared with 31 December 2013

As at 31 December 2014 the Group recorded a net profit of €2,008 million compared with a loss of €13,965 million as at 31 December 2013, mainly due to the write-down of goodwill and the increase in the coverage level of loans with the consequent increase in value adjustments recorded during the year.

Core activities (which include the strategic business segments and in line with the risk profile decided by the Group) contributed around €3,749 million, thanks to the growth of the interest margin and commissions, accompanied by a decided fall in operating costs and adjustments to receivables, which were offset by a loss of €1,741 million in non-core activities (comprising non-strategic segments and/or with a risk/return profile deemed inadequate, for which the primary objective is the reduction of the overall exposure).

Below is the detailed breakdown of the Group's net result as at 31 December 2014 and 31 December 2013.

	As at 31 December				% Change	
Group share of net profit	**2014**		**2013 (restated)**		**2014 compared with 2013 (restated)**	
(in millions of Euros)	**Group**	**of which core**	**Group**	**of which core**	**Group**	**of which core**
Brokerage margin	**22,513**	**22,183**	**23,335**	**22,644**	***-3.5%***	***-2.0%***
Operating costs	(13,838)	(13,247)	(14,253)	(13,649)	*-2.9%*	*-2.9%*
Operating profit (loss)	**8,675**	**8,936**	**9,082**	**8,995**	***-4.5%***	***-0.7%***
Net impairment losses on loans and provisions for guarantees and commitments	(4,292)	(2,135)	(13,481)	(3,761)	*-68.2%*	*-43.2%*
Net operating profit (loss)	**4,383**	**6,801**	(4,399)	5,234	*-199.6%*	*29.9%*
Provision for risks and charges	(358)	(326)	(984)	(927)	*-63.6%*	*-64.8%*
Integration costs	(20)	(2)	(727)	(719)	*-97.2%*	*-99.7%*
Net profits from investments	86	171	890	898	*-90.3%*	*-81.0%*
Gross result of continuing operations	**4,091**	**6,644**	**(5,220)**	**4,486**	***-178.4%***	***48.1%***
Income tax for the period	(1,298)	(2,110)	1,716	(1,471)	*-175.6%*	*43.4%*
Profit (loss) after tax from discontinued operations	(124)	(124)	(638)	(639)	*-80.6%*	*-80.6%*
Result for the period	**2,669**	**4,410**	**(4,143)**	**2,377**	***-164.4%***	***85.5%***
Minority interests	(380)	(380)	(382)	(382)	*-0.5%*	*-0.5%*
Net profit (loss) attributable to the Group before PPA	**2,289**	**4,030**	**(4,525)**	**1,995**	***-150.6%***	***102.0%***
Purchase Price Allocation economic effects	(281)	(281)	(1,673)	(1,673)	*-83.2%*	*-83.2%*
Impairment of goodwill	-	-	(7,767)	(7,767)	*-100.0%*	*-100.0%*
Group share of net profit	**2,008**	**3,749**	**(13,965)**	**(7,445)**	***-114.4%***	***-150.4%***

Brokerage margin

As at 31 December 2014, the UniCredit Group brokerage margin totalled €22,513 million, a fall of 3.5% compared with 31 December 2013 (-2.5% at constant exchange rates) mainly as a result of the downturn in the trading result. Almost the entire brokerage margin is attributable to the scope of core activities (€22,183 million as at 31 December 2014), down by 1.1% at constant exchange rates compared with the previous year mainly as a result of the lower earnings of the subsidiary Yapi Kredi (recorded under dividends) which as at 31 December 2013 benefited from the capital gain from the sale of the insurance division and from lower profits from repurchasing its liabilities. Net of these two effects, the brokerage margin as at 31 December 2014, at constant exchange rates, recorded a slight increase over the figure at 31 December 2013.

Below is the breakdown of the Group's brokerage margin as at 31 December 2014 and 31 December 2013.

Brokerage margin	**As at 31 December**				**% Change**	
	2014		**2013 (restated)**		**2014 compared with 2013 (restated)**	
(in millions of Euros)	**Group**	**of which core**	**Group**	**of which core**	**Group**	**of which core**
Net interest	12,442	12,293	12,303	11,894	*1.1%*	*3.4%*
Dividends and other income from equity investments	794	794	964	964	*-17.6%*	*-17.6%*
Net commissions	7,572	7,355	7,361	7,053	*2.9%*	*4.3%*
Net trading, hedging and fair value income	1,557	1,569	2,505	2,512	*-37.8%*	*-37.5%*
Balance of other income/expense	148	172	202	221	*-26.7%*	*-22.2%*
Brokerage margin	**22,513**	**22,183**	**23,335**	**22,644**	***-3.5%***	***-2.0%***

Specifically, net interest as at 31 December 2014 totalled €12,442 million, a rise of 1.1% compared with the end of 2013. This growth in net interest was achieved in spite of the dynamics of volumes which are still not particularly favourable. Specifically, loans to customers relating to core activities (equal to €423.2 billion as at 31 December 2014) fell by 1.7% compared with the previous year (+0.4% at constant exchange rates) even if compared with the previous quarter signs of stabilisation were confirmed, with the stock of volumes of commercial loans to customers increasing by 0.4% (+2.1% at constant exchange rates).

Net interest as at 31 December 2014 relating to the item core activities stood at €12,293 million, an increase of 3.4% compared with 31 December 2013 (+4.9% at constant exchange rates). As already took place in the previous quarters, this positive trend was attributable to the reduction in the average cost of deposits from commercial customers, which more than offset the reduction in interest income on loans to customers. These dynamics were encouraged by the progressive narrowing of credit spreads, which began with government bonds and continued in the corporate sector against a background of stable interest rates (the 3 month Euribor average was 0.21% in 2014 compared with 0.22% in 2013). As far as non-core activities are concerned, they recorded a brokerage margin in 2014 of €330 million, a 52.2% fall compared with the previous year. These dynamics are consistent with the 11.2% reduction in volumes of loans to customers, together with a greater weighting of the share of impaired loans which do not record revenue.

Dividends (which include the profits of companies valued at equity) stood at €794 million as at 31 December 2014, a fall of 17.6% compared with 2013. Dividends for core activities (which include the profits of companies valued at equity) stood in 2014 at €794 million, a fall of €170 million compared with 2013 mainly as a result of the capital gain of €181 million from the sale of the insurance division in Turkey (Yapi Sigorta) recorded in the third quarter of 2013.

Net commissions as at 31 December 2014 totalled €7,572 million, up 2.9% compared with 2013. As far as net commissions of core assets are concerned, in 2014 they stood at €7,355 million, an increase of 4.3% (+4.9% at constant exchange rates) compared with the previous year. This increase is due to commissions on investment services (+9.5% compared with 2013) and was mainly driven by asset management products, thanks to the growth in volumes (+€29.2 billion compared with 2013). Commissions related to the credit component were also up (+1.8% compared with 2013), while transactional services fell by 0.6% compared with 2013.

The trading, hedging and fair value result as at 31 December 2014 was €1,557 million, a fall of 37.8% compared with 2013. The result of trading, hedging and fair value for core assets in 2014 was €1,569 million, a fall of 37.5% compared with 2013 (-38.8% at constant exchange rates). Even net of repurchase offers promoted on several Group bond issues, which generated a gross capital gain of €254 million in 2013 and €49 million in 2014, compared with 2013 there was a 32.7% fall due mainly to Commercial Banking Germany - which in 2013 benefited from a particularly positive contribution from treasury activities to the CEE and to the CIB Division.

Lastly, the balance for other income and expense stood at €148 million compared with €202 million in 2013. The balance for other income and expense for core activities was €173 million, a fall of €48 million compared with 2013, mainly as a result of the lower revenue generated by the subsidiary Ocean Breeze Energy GmbH & Co.KG, the owner of the BARD Offshore 1 wind farm.

Operating costs

The Groups' operating costs in 2014 were €13,838 million, a fall of 2.9% compared with 2013 (-2.3% at constant exchange rates).

The breakdown of operating costs as at 31 December 2014 and 31 December 2013 is given below.

	As at 31 December				**% Change**	
Operating costs	**2014**		**2013 (restated)**		**2014 compared with 2013 (restated)**	
(in millions of Euros)	**Group**	**of which core**	**Group**	**of which core**	**Group**	**of which core**
Personnel costs	(8,201)	(8,053)	(8,375)	(8,228)	*-2.1%*	*-2.1%*
Other administrative expenses	(5,575)	(4,990)	(5,356)	(4,733)	*4.1%*	*5.4%*
Recovery of expenses	834	689	716	545	*16.5%*	*26.4%*
Adjustments in value of tangible and intangible assets	(896)	(893)	(1,238)	(1,233)	*-27.6%*	*-27.5%*
Operating costs	**(13,838)**	**(13,247)**	**(14,253)**	**(13,649)**	***-2.9%***	***-2.9%***

Specifically, personnel costs as at 31 December 2014 amounted to €8,201 million, a fall of 2.1% compared with 31 December 2013, other administrative expenses were equal to €5,575 million, a rise of 4.1% compared with 2013, recovery of expenses stood at €834 million, a rise of 16.5% compared with 2013. Lastly, value adjustments of intangible and tangible assets stood at €896 million, a fall of 27.6% compared with 2013. Core activities in particular contributed to the reduction in operating costs, which in 2014 recorded total operating costs of €13,247 million, a fall of 2.9% compared with 2013 (-2.4% at constant exchange rates) thanks to the component relating to personnel costs, down 2.1% compared with 2013 (-1.6% at constant exchange rates) and value adjustments to intangible and tangible assets, downy by 27.6% (-27.0% at constant exchange rates). On analysing the individual items in greater detail, personnel costs relating to core activities in 2014 were €8,053 million, a fall of 2.1% compared with 2013 (-1.6% at constant exchange rates). This positive performance was specifically affected by the reduction in the workforce compared with 2013, measured in terms of full time equivalents, of 2,975 employees (of which 1,313 are in Ukraine, plus the outsourcing of the management of technological infrastructures and invoice management) as well as the release of excesses compared with previous provisions.

The dynamics of personnel costs as at 31 December 2014 include geographical differences, with the CEE up 3.3% at constant exchange rates and the rest of the Group significantly down (-2.5%). At divisional level, the greatest saving was recorded in Commercial Banking Italy, which continued with the implementation of the rationalisation activities in the strategic plan. As far as other administrative expenses for core activities are concerned, in 2014 they stood at €4,990 million, a rise of 5.4% compared with 2013 (+6.0% at constant exchange rates). A large part of the increase is attributable to the growth of IT costs as a result on the one side to greater recurring and development activities, and on the other side to fees for outsourcing services.

Lastly, value adjustments on intangible and tangible assets of core activities as at 31 December 2014 amounted to €893 million, a fall of 27.6% (-27.0% at constant exchange rates), compared with 31 December 2013. This reduction was affected positively by the revision of the useful life of several categories of intangible assets, the effect of several write-downs on intangible assets and the cancellation of the customer relationships made in the last quarter of 2013, as well as the sale of assets relating to the outsourcing of the management of technological infrastructures.

The operating costs of non-core activities as at 31 December 2014 were equal to €591 million, a fall of 2.2% compared with 2013, mainly as a result of the lower administration expenses incurred.

The cost income ratio of core activities was essentially stable, going from 60.3% for 2013, reconstructed at 59.7% for 2014 thanks to cutting operating costs, while the operating result for non-core activities in 2014 was -€261 million compared with +€87 million in 2013.

Adjustments on receivables

Net adjustments on receivables and allocations for Group guarantees and commitments stood at €4,292 million as at 31 December 2014, a considerable reduction compared with 2013 (-68.2%), also following the actions to strengthen the coverage level made in the fourth quarter of 2013.

In 2014 gross impaired loans for the Group increased by €769 billion (+0.9%) compared with 2013, with an impact on total receivables of 16.34% compared with 15.76% at the end of 2013. The coverage ratio (51.3%) remains essentially in line with the levels at 31 December 2013.

It is worth observing that the net value adjustments on receivables have benefited from a change that took place in the evaluation methods of loans classified as doubtful by UniCredit. The evaluation methodology was changed in order to reflect a change that took place in the underlying credit management process, which is currently more focused on recovery activities in the phase prior to withdrawal of overdrafts, from which it is expected to derive an increase in cash flows. The change in methodology was recognised in the accounts as a change in estimates under IAS 8.35

This change led, in the third quarter of 2014, to a release of adjustment funds of approximately €775 million (gross nominal value as at 30 September 2014 of the portfolio affected by the change equal to approximately €18.1 billion). Following the dynamics of the underlying portfolio in the fourth quarter of 2014, the overall benefit on the income statement was reduced to €560 million, also highlighted by the overall reduction in the coverage rate for the doubtful loans category compared with the same figure in 2013.

With particular reference to core activities, in 2014 net adjustments to receivables and allocations for guarantees and commitments of €2,135 million were made, a fall of 43.2% (-42.3% at constant exchange rates) compared with 2013.

The significant reduction in adjustments is due, in addition to the additional allocation for strengthening the coverage level made in the fourth quarter of 2013, also to the above-mentioned change in methodology which, in 2014, produced a reduction in adjustment funds.

Gross impaired loans relating to core activities as at 31 December 2014 rose by €1.8 billion compared with 31 December 2013 (+6.9%). This created an increase in the impact of impaired loans on total loans from 5.78% in December 2013 to 6.27% in December 2014. Gross non-performing loans totalled €14.5 billion, an increase of €813 million compared with the end of 2013 reconstructed. On the other hand, as far as non-core activities are concerned, in 2014 net adjustments on receivables and allocations for guarantees and commitments were reduced by about a quarter, going from €9,720 million in 2013 to €2,157 million in 2014. Non-core activities were also affected by the additional allocation made in the fourth quarter of 2013 and the change that took place in 2014 in the evaluation method of doubtful loans in UniCredit.

Group provisions for risks and charges stood at -€358 million, of which -€326 million relates to core activities and includes -€107 million relating to the application of the new standards on exchange rates and interest rates on retail loans in foreign currency in Hungary.

Integration expenses stood at -€20 million and are mainly related to the restructuring of the leasing commercial network in Italy with the closing of the agents' channel.

Lastly, net profits from investments stood at €87 million and relate mainly to the sale of the German subsidiary Dab Bank AG, the sale of the stakeholding in SIA as well as several properties especially in Austria, offset by write-downs of some equity investments.

Group share of net profit

As a result of the entries described above, in 2014 the gross profit for Group current assets was €4,091 million, compared with a loss of €5,220 million in 2013, where €6,644 was due to core activities (+48.1% compared with €4,486 million in 2013 reconstructed) and -€2,553 million for non-core activities (compared with -€9,707 million for 2013).

As a result of the gross profit of current assets equal to €4,091 million, in 2014 Group income tax stood at €1,297 million with a tax rate of 31.7% as at 31 December 2014.

The loss on assets held for sale net of tax as at 31 December 2014 stood at €124 million and essentially refers to the result for the period of the Ukrainian subsidiaries, partly counterbalanced by the economic effects resulting from gaining control of the Immobilien Holding Group which caused a revaluation of the non-controlling interests not previously owned.

The result for the period as at 31 December 2014 stood at €2,669 million, to which core activities contributed +€4,410 million, compared with the loss of €4,143 million in 2013.

As a result, in 2014 the Group recorded a net profit of €2,008 million, compared with a loss of €13,965 million in 2013.

Core activities in 2014 produced a Group net profit of €3,749 million, compared with a loss of €7,445 million in 2013. Group non-core activities recorded a net loss of €1,741 million compared with a loss of €6,520 million recorded in 2013 (-73.3%).

9.2.2 Economic and capital indicators

The table below contains several Group capital indicators as at 30 September 2016 and 31 December 2015.

	As at		Change (basis points)
	30 September 2016	31 December 2015	30 September 2016 compared with 31 December 2015
Loans to customers/Total assets (1)	53.5%	56.6%	-310
Direct deposits/Total assets (2)	67.6%	67.9%	-30
Loans to customers/Direct deposits (3)	79.4%	83.3%	-410

(1) Loans to customers/Total assets
The indicator for Loans to customers/Total assets, equal to the ratio between receivables from customers (total of loans to customers) and the total assets of the consolidated balance sheet of the Group, is represented by the percentage of receivables over the total assets of the balance sheet.

(2) Direct deposits/Total assets
The indicator for Direct deposits/Total assets, equal to the ratio between direct deposits defined as the sum of the three items of the liabilities of the consolidated balance sheet: payables to customers, debt securities in issue and financial liabilities at fair value (items 20 and 30, respectively of the liabilities) and the total assets of the Group's consolidated balance sheet, represents the extent to which total loans are funded through direct deposits from customers;

(3) Loans to customers/Direct deposits
The indicator for Loans to customers/Direct deposits, also known as the Loan to Deposit Ratio, is the ratio between receivables from customers (total of loans to customers) and direct deposits defined as the sum of the three items of the liabilities of the consolidated balance sheet: payables to customers and debt securities in issue(items 20 and 30, respectively of the liabilities) and represents the percentage of deposits directed at customers. The index is a synthetic but effective measure of a bank's capacity to deal with fluctuations in liquidation requests by customers.

The table below contains several Group capital indicators as at 31 December 2015, 31 December 2014 and 31 December 2013.

	As at 31 December			Change (basis points)	
	2015	2014	2013	2015 compared with 2014	2014 compared with 2013
Loans to customers/Total assets (1)	56.6%	45.7%	58.6%	1,090	-1,290
Direct deposits/Total assets (2)	67.9%	66.4%	67.5%	150	-110
Loans to customers/Direct deposits (3)	83.3%	68.8%	86.8%	1,450	-1,800

(1) Loans to customers/Total assets
The indicator for Loans to customers/Total assets, equal to the ratio between receivables from customers (item 70 of the assets of the consolidated balance sheet) and the total assets of the consolidated balance sheet of the Group, is represented by the percentage of receivables over the total assets of the balance sheet.

(2) Direct deposits/Total assets
The indicator for Direct deposits/Total assets, equal to the ratio between direct deposits defined as the sum of the three items of the liabilities of the consolidated balance sheet: payables to customers, debt securities in issue and financial liabilities at fair value (items 20, and 30, respectively of the liabilities) and the total assets of the Group's consolidated balance sheet, represents the extent to which total loans are funded through direct deposits from customers;

(3) Loans to customers/Direct deposits
The indicator for Loans to customers/Direct deposits, also known as the Loan to Deposit Ratio, is the ratio between receivables from customers (item 70 of the assets of the consolidated balance sheet) and direct deposits defined as the sum of the three items of the liabilities of the consolidated balance sheet: payables to customers, debt securities in issue and financial liabilities at fair value (items 20, 30 and 50, respectively of the liabilities)

and represents the percentage of deposits directed at customers. The index is a synthetic but effective measure of a bank's capacity to deal with fluctuations in liquidation requests by customers.

The table below contains several Group economic indicators relating to the nine-month periods ended 30 September 2016 and 30 September 2015.

	As at 30 September		**Change (basis points)**
	2016	**2015**	**2016 compared with 2015**
Operating costs/Brokerage margin(1)	57.5%	60.9%	-340
Interest margin/Brokerage margin(2)	50.6%	52.8%	-220
Net commissions/Brokerage margin(3)	33.6%	35.2%	-160

(1) Operating costs/Brokerage margin
The Operating costs/Brokerage margin indicator, equal to the ratio between items 230 and 120 of the Group's consolidated income statement, represents a bank's management efficiency; the lower the value of this indicator, the greater the bank's efficiency.

(2) Interest margin/Brokerage margin
The Interest margin/Brokerage margin indicator, equal to the ratio between items 30 and 120 of the Group's consolidated income statement, indicates the percentage of revenues stemming from traditional credit activities and makes it possible to understand to what extent the bank is exposed to the performance of interest spreads and brokerage volumes;

(3) Net commissions/Brokerage margin
The Net commissions/Brokerage margin indicator, equal to the ratio between items 60 and 120 of the Group's consolidated income statement, indicates the percentage of revenues stemming from credit activities offered to customers of various types of services.

The table below contains several Group capital indicators relating to the years ended 31 December 2015, 31 December 2014 and 31 December 2013.

	As at 31 December					**Change (basis points)**	
	2015	**2014 (restated)**	**2014**	**2013 (restated)**	**2013**	**2015 compared with 2014 (restated)**	**2014 compared with 2013 (restated)**
Operating costs/Brokerage margin(1)	60.8%	59.9%	61.5%	61.1%	61.7%	90	40
Interest margin/Brokerage margin(2)	53.2%	55.2%	55.3%	52.7%	54.2%	-200	260
Net commissions/Brokerage margin(3)	35.0%	33.7%	33.6%	31.5%	32.2%	130	210

(1) Operating costs/Brokerage margin
The Operating costs/Brokerage margin indicator, equal to the ratio between items 230 and 120 of the Group's consolidated income statement, represents a bank's management efficiency; the lower the value of this indicator, the greater the bank's efficiency.

(2) Interest margin/Brokerage margin
The Interest margin/Brokerage margin indicator, equal to the ratio between items 30 and 120 of the Group's consolidated income statement, indicates the percentage of revenues stemming from traditional credit activities and makes it possible to understand to what extent the bank is exposed to the performance of interest spreads and brokerage volumes;

(3) Net commissions/Brokerage margin
The indicator Net commissions/Brokerage margin, equal to the ratio between items 60 and 120 of the Group's consolidated income statement, indicates the percentage of revenues stemming from credit activities offered to customers of various types of services.

9.2.3 Result per share

The table below contains information on the profit/loss per share for the nine-month period ended 30 September 2016 and the financial years ended 31 December 2015, 31 December 2014 and 31 December 2013.

	As at	**As at 31 December**		
(in millions)	**30 September 2016**	**2015**	**2014**	**2013**
Number of outstanding shares at the end of the year	6,180	5,970	5,866	5,792
Average number of outstanding shares at the end of the year	6,087	5,927	5,837	5,791
Profit per share (in Euros)	0.28	0.27	0.34	(2.47)

The profit/loss per share is calculated by dividing the net overall result pertaining to the Issuer by the weighted average of the outstanding ordinary shares.

9.3 Reconciliation table of reclassified income statements and statements required by Bank of Italy regulation 262

		As at 31 December		**Notes to the Financial Statements**
(in millions of Euros)		**2015**	**2014 (restated)**	**Part C**
Net interest		**11,916**	**12,442**	**Section 1**
Item 30.	Interest margin	11,658	12,062	
	less: Net interest margin of industrial companies	-	1	
less: Purchase Price Allocation economic effects		258	379	
Dividends and other income from equity investments		**829**	**794**	
Item 70.	Dividend income and similar revenue	410	402	Section 3
	less: Dividends from held for trading equity instruments included in item 70	(232)	(203)	
Item 240.	Profit (loss) of associates - of which: Profit (loss) of associates valued at equity	652	539	Section 16
	less: Profit (loss) of associates - Debt to equity	-	56	
Net commissions		**7,848**	**7,593**	**Section 2**
Item 60.	Net commissions	7,818	7,506	Section 2
	less: Other administrative expenses - of which: outsourced services for the management of non-performing loans	(25)	-	
	+ Other operating income - of which: recovery of costs - fast credit processing fee (CIV)	55	87	
Gains (losses) on financial assets and liabilities held for trading		**1,644**	**1,536**	
Item 80.	Gains (losses) on financial assets and liabilities held for trading	1,079	615	Section 4
	+ Dividends from held for trading equity instruments (from item 70)	232	203	
Item 90.	Gains and losses on hedging instruments	(14)	(9)	Section 5
Item 100.	Gains (losses) on disposal or repurchase of: d) financial liabilities	(47)	43	Section 6
	+ Gains (losses) on disposal or repurchase of: b) available-for-sale financial assets (from item 100)	399	623	Section 6
	+ Gains (losses) on disposal or repurchase of: c) held-to-maturity investments (from item 100)	-	4	Section 6
Item 110.	Gains and losses on financial assets/liabilities at fair value through profit or loss	(5)	58	Section 7
Balance of other income/expense		**166**	**188**	

(in millions of Euros)		As at 31 December 2015	2014 (restated)	Notes to the Financial Statements Part C
	Gains (losses) on disposals/repurchases on loans and receivables - not impaired position (from item 100 a)	65	49	
Item 220.	Other net operating income	1,139	1,264	Section 15
	less: Other operating income - of which: recovery of costs	(709)	(725)	
	less: Other operating income - of which: recovery of costs - fast credit processing fee (CIV)	(55)	(87)	
	Net write-downs/-backs of tangible operating lease assets (from item 200)	(122)	(105)	
	less: Write-downs on leasehold improvements (on non-separable assets) - No Group	73	56	
	less: Other operating income - Other income from invoicing JVs (only with respect to UBIS)	(100)	(109)	
	+ Result of industrial companies	(131)	(156)	
	Gains (losses) on disposals of investments - assets leasing operation (from item 270)	6	1	
BROKERAGE MARGIN		**22,405**	**22,552**	
Personnel costs		**(8,339)**	**(8,201)**	
Item 180.	Administrative costs: a) staff expenses	(8,669)	(8,204)	Section 11
	less: Administrative expenses: a) employee payroll costs - Provision for post-retirement benefit obligations - Settlement Gains (losses)	(1,199)	-	
	less: Administrative costs: a) staff expenses of industrial companies	9	30	
	less: Integration costs	1,520	(27)	
Other administrative expenses		**(5,159)**	**(5,244)**	
Item 180.	Administrative costs: b) other administrative expenses	(6,084)	(5,608)	Section 11
	less: Administrative costs: b) other administrative expenses of industrial companies	40	39	
	less: Administrative costs - contributions to Resolution funds and to Deposit Guarantee Systems (DGS) and Bank Levy	901	331	
	less: Other income/expenses - contributions to Resolution funds and to Deposit Guarantee Systems (DGS)	-	39	
	less: outsourced services for the management of non-performing loans	25	-	
	Write-downs on leasehold improvements (on non-separable assets) - No Group	(73)	- 56	
	less: Integration costs	32	10	
Recovery of expenses		**808**	**834**	**Section 15**
Item 220.	Other net operating income - of which: Operating income - recovery of costs	709	725	
	+ Other operating income - Other income from invoicing JVs (only with respect to UBIS)	100	109	
Adjustments in value of tangible and intangible assets		**(929)**	**(896)**	
Item 200.	Impairment/Write-backs on property, plant and equipment	(678)	(763)	Section 13
	less: Impairment losses/write backs on property owned for investment	15	58	
	less: Net write-downs/-backs of tangible operating lease assets (from item 200)	122	105	
	less: Integration costs	(5)		
Item 210.	Impairment/Write-backs on intangible assets	(475)	(431)	Section 14
	Net write-downs on property, plant and equipment and intangible assets of industrial companies	69	103	
less: Purchase Price Allocation economic effects		23	32	

(in millions of Euros)		As at 31 December 2015	2014 (restated)	Notes to the Financial Statements Part C
Operating costs		**(13,618)**	**(13,507)**	
OPERATING PROFIT (LOSS)		**8,787**	**9,045**	
Net adjustments to credits and provisions for guarantees and commitments		**(4,114)**	**(4,292)**	
Item 100.	Gains (losses) on disposal and repurchase of: a) loans	29	17	Section 6
	less: Gains (losses) on disposals/repurchases on loans and receivables - not impaired position (from item 100 a)	(65)	(49)	
Item 130.	Net losses/recoveries on impairment: a) loans	(4,081)	(4,178)	Section 8
Item 130.	Net losses/recoveries on impairment: d) other financial assets	4	(93)	Section 8
	less: Net losses on impairment other financial assets - contribution to National Interbank Deposit Guarantee Fund (FITD)	-	11	
NET OPERATING PROFIT (LOSS)		**4,672**	**4,753**	
Provision for risks and charges		**(1,585)**	**(728)**	
Item 190.	Provisions for risks and charges	(753)	(384)	Section 12
	+ Other income/expenses - ex-ante contributions to Resolution funds and to Deposit Guarantee Systems (DGS)	-	(39)	
	less: Provisions for risks and charges of industrial companies	9	2	
	+ Administrative costs - ex-ante contributions to Resolution funds and to Deposit Guarantee Systems (DGS) and Bank Levy	(901)	(331)	
	+ Provisions for risks and charges - contribution to National Interbank Deposit Guarantee Fund (FITD)	-	(11)	
	Surplus on release of integration provision	61	35	
Integration costs		**(410)**	**(20)**	
	+Administrative expenses: a) employee payroll costs - Provision for post-retirement benefit obligations - Settlement Gains (losses)	1,199	-	
	Integration costs before Purchase Price Allocation economic effects	(1,607)	(18)	
less: Purchase Price Allocation economic effects		(2)	(3)	
Net profits from investments		**(6)**	**87**	
Item 130.	Net losses/recoveries on impairment: b) available-for-sale financial assets	(59)	(249)	Section 8
Item 130.	Net losses/recoveries on impairment: c) held-to-maturity investments	(6)	-	Section 8
	Impairment losses/write backs on property owned for investment (from item 200)	(15)	(58)	
Item 240.	Profit (loss) of associates -of which: write-backs/impairment losses and gains/losses on disposal of associates valued at equity	(32)	144	Section 16
	+ Profit (loss) of associates - Debt to equity	-	(56)	
Item 250.	Net valuation at fair value of tangible and intangible assets	(2)	3	Section 17
Item 270.	Gains (losses) on disposal of investments	114	319	Section 19
	less: Gains (losses) on disposals of investments - assets leasing operation (from item 270)	(6)	(1)	
	less: Industrial companies	-	(19)	
less: Purchase Price Allocation economic effects		-	3	
GROSS RESULT FOR CONTINUING OPERATIONS		**2,671**	**4,091**	
Income tax for the period		**(137)**	**(1,297)**	
Item 290.	Income tax for the year on continuing operations	(55)	(1,167)	Section 20
	less: Tax expense related to profit from continuing operations of industrial companies	4	-	
less: Purchase Price Allocation economic effects		(87)	(130)	
NET RESULT FOR CONTINUING OPERATIONS		**2,534**	**2,793**	
Profit (loss) after tax from discontinued operations = item 310		**(295)**	**(124)**	

(in millions of Euros)		As at 31 December 2015	2014 (restated)	Notes to the Financial Statements Part C
Item 310.	Profit (loss) after tax from discontinued operations	(295)	(124)	Section 21
PROFIT (LOSS) FOR THE PERIOD		**2,239**	**2,669**	
Minority interests		**(352)**	**(380)**	
Item 330.	Minority interests	(352)	(380)	Section 22
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP BEFORE PPA		**1,887**	**2,289**	
Purchase Price Allocation economic effects		**(193)**	**(281)**	
Impairment of goodwill		**-**	**-**	
Item 260.	Impairment of goodwill	-	-	Section 18
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP		**1,694**	**2,008**	

	(in millions of Euros)	As at 31 December 2014	2013 (restated)	2013	Notes to the Financial Statements Part C
	Net interest	**12,442**	**12,303**	**12,990**	**Section 1**
Item 30.	Interest margin	12,062	11,918	12,605	
	less: Net interest margin of industrial companies	1	-		
	less: Purchase Price Allocation economic effects	379	385	385	
	Dividends and other income from equity investments	**794**	**964**	**324**	
Item 70.	Dividend income and similar revenue	402	261	262	Section 3
	less: Dividends from held for trading equity instruments included in item 70	(203)	(84)	(84)	
Item 240.	Profit (loss) of associates - of which: Profit (loss) of associates valued at equity	539	784	146	Section 16
	less: Profit (loss) of associates - Debt to equity	56	3		
	Net commissions	**7,572**	**7,361**	**7,728**	**Section 2**
Item 60.	Net commissions	7,485	7,226	7,594	Section 2
	+ Other operating income - of which: recovery of costs - fast credit processing fee (CIV)	87	135	135	
	Gains (losses) on financial assets and liabilities held for trading	**1,557**	**2,505**	**2,657**	
Item 80.	Gains (losses) on financial assets and liabilities held for trading	636	1,228	1,305	Section 4
	+ Dividends from held for trading equity instruments (from item 70)	203	84	84	
Item 90.	Gains and losses on hedging instruments	(9)	(17)	(15)	Section 5
Item 100.	Gains (losses) on disposal or repurchase of: d) financial liabilities	43	442	442	Section 6
	+ Gains (losses) on disposal or repurchase of: b) available-for-sale financial assets (from item 100)	623	1,927	2,000	Section 6
	less: income that refers to stake in the Bank of Italy	-	(1,374)	(1,374)	Section 6
	+ Gains (losses) on disposal or repurchase of: c) held-to-maturity investments (from item 100)	4	4	4	Section 6
Item 110.	Gains and losses on financial assets/liabilities at fair value through profit or loss	58	211	211	Section 7
	Balance of other income/expense	**149**	**203**	**273**	

	(in millions of Euros)	As at 31 December 2014	2013 (restated)	2013	Notes to the Financial Statements Part C
	Gains (losses) on disposals/repurchases on loans and receivables - not impaired position (from item 100 a)	49	41	41	
Item 150.	Net premiums	-	-	83	Section 9
Item 160.	Other income (net) from insurance activities	-	(2)	(68)	Section 10
Item 220.	Other net operating income	1,225	1,130	1,112	Section 15
	less: Other operating income - of which: recovery of costs	(725)	(668)	(667)	
	less: Other operating income - of which: recovery of costs - fast credit processing fee (CIV)	(87)	(135)	(135)	
	Net write-downs/-backs of tangible operating lease assets (from item 200)	(105)	(106)	(107)	
	less: Write-downs on leasehold improvements (on non-separable assets) - No Group	56	62	62	
	less: Other operating income - Other income from invoicing JVs (only with respect to UBIS)	(109)	(48)	(48)	
	+ Result of industrial companies	(156)	(70)		
	Gains (losses) on disposals of investments - assets leasing operation (from item 270)	1	(1)	(1)	
	BROKERAGE MARGIN	**22,513**	**23,335**	**23,973**	
	Personnel costs	**(8,201)**	**(8,375)**	**(8,649)**	
Item 180.	Administrative costs: a) staff expenses	(8,204)	(9,005)	(9,273)	Section 11
	less: Administrative costs: a) staff expenses of industrial companies	30	7		
	less: Integration costs	(27)	623	623	
	Other administrative expenses	**(5,575)**	**(5,357)**	**(5,559)**	
Item 180.	Administrative costs: b) other administrative expenses	(5,569)	(5,381)	(5,573)	Section 11
	less: Administrative costs: b) other administrative expenses of industrial companies	39	11		
	Write-downs on leasehold improvements (on non-separable assets) - No Group	(56)	(62)	(62)	
	less: Integration costs	10	76	76	
	Recovery of expenses	**834**	**716**	**715**	**Section 15**
Item 220.	Other net operating income - of which: Operating income - recovery of costs	725	668	667	
	+ Other operating income - Other income from invoicing JVs (only with respect to UBIS)	109	48	48	
	Adjustments in value of tangible and intangible assets	**(896)**	**(1,238)**	**(1,307)**	
Item 200.	Impairment/Write-backs on property, plant and equipment	(763)	(842)	(870)	Section 13
	less: Impairment losses/write backs on property owned for investment	58	81	81	
	less: Net write-downs/-backs of tangible operating lease assets (from item 200)	105	106	107	
	less: Integration costs	-	26	26	
Item 210.	Impairment/Write-backs on intangible assets	(431)	(2,694)	(2,707)	Section 14
	less: Integration costs	-	3	3	
	Net write-downs on tangible and intangible assets of industrial companies	103	29		
	less: Purchase Price Allocation economic effects	32	2,053	2,053	

	(in millions of Euros)	As at 31 December 2014	2013 (restated)	2013	Notes to the Financial Statements Part C
	Operating costs	**(13,838)**	**(14,253)**	**(14,801)**	
	OPERATING PROFIT (LOSS)	**8,675**	**9,082**	**9,172**	
	Net adjustments to credits and provisions for guarantees and commitments	**(4,292)**	**(13,481)**	**(13,658)**	
Item 100.	Gains (losses) on disposal and repurchase of: a) loans	17	(3)	(6)	Section 6
	less: Gains (losses) on disposals/repurchases on loans and receivables - not impaired position (from item 100 a)	(49)	(41)	(41)	
Item 130.	Net losses/recoveries on impairment: a) loans	(4,178)	(13,621)	(13,795)	Section 8
Item 130.	Net losses/recoveries on impairment: d) other financial assets	(93)	125	184	Section 8
	less: Net losses on impairment other financial assets - contribution to National Interbank Deposit Guarantee Fund (FITD)	11	48		
	+ Net adjustments on receivables - industrial companies	-	12		
	NET OPERATING PROFIT (LOSS)	**4,383**	**(4,399)**	**(4,486)**	
	Provision for risks and charges	**(358)**	**(984)**	**(996)**	
Item 190.	Provisions for risks and charges	(384)	(818)	(879)	Section 12
	less: Provisions for risks and charges of industrial companies	2	(1)		
	less: Provision for risks for losses from "exchange rate difference" on Kazakh subsidiary	-	(122)	(122)	
	+ Provisions for risks and charges - contribution to National Interbank Deposit Guarantee Fund (FITD)	(11)	(48)	5	
	Surplus on release of integration provision	35	5		
	Integration costs	**(20)**	**(727)**	**(727)**	
	Integration costs before Purchase Price Allocation economic effects	(18)	(733)	(733)	
	less: Purchase Price Allocation economic effects	(3)	6	6	
	Net profits from investments	**87**	**890**	**1,322**	
	+ Income relating to stake in the Bank of Italy (Item 100) Net value adjustments/recoveries for impairment of: b) financial assets available for sale	-	1,374	1,374	Section 6
Item 130.	Net value adjustments/recoveries for impairment of: c)	(249)	(147)	(147)	Section 8
Item 130.	financial assets held to maturity	-	-	-	Section 8
	Impairment losses/write backs on property owned for investment (from item 200)	(58)	(81)	(81)	
Item 240.	Profit (loss) of associates -of which: write-backs/impairment losses and gains/losses on disposal of associates valued at equity	144	(266)	(43)	Section 16
	+ Profit (loss) of associates - Debt to equity	(56)	(3)		
Item 250.	Gains and losses on property, equipment and investment property and intangible assets measured at fair value	3	(3)	(1)	Section 17
Item 270.	Gains (losses) on disposal of investments	319	(7)	218	Section 19
	less: Gains (losses) on disposals of investments - assets leasing operation (from item 270)	(1)	1	1	

	(in millions of Euros)		2014	As at 31 December 2013 (restated)	2013	Notes to the Financial Statements Part C
		less: Industrial companies	(19)	21		
	less: Purchase Price Allocation economic effects		3	1	1	
	GROSS RESULT FOR CONTINUING OPERATIONS		**4,091**	**(5,220)**	**(4,888)**	
	Income tax for the period		**(1,297)**	**1,716**	**1,607**	
Item 290.		Income tax for the year on continuing operations	(1,167)	2,495	2,378	Section 20
		less: Tax expense related to profit from continuing operations of industrial companies	-	(9)		
	less: Purchase Price Allocation economic effects		(130)	(771)	(771)	
	NET RESULT FOR CONTINUING OPERATIONS		**2,793**	**(3,504)**	**(3,281)**	
	Profit (loss) after tax from discontinued operations = item 310		**(124)**	**(639)**	**(639)**	
		+ Provision for risks for losses from "exchange rate difference" on Kazakh subsidiary	-	122	122	
Item 310.		Profit (loss) after tax from discontinued operations	(124)	(760)	(760)	Section 21
	PROFIT (LOSS) FOR THE PERIOD		**2,669**	**(4,143)**	**(3,920)**	
	Minority interests		(380)	(382)	(382)	
Item 330.		Minority interests	(380)	(382)	(382)	Section 22
	NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP BEFORE PPA		**2,289**	**(4,524)**	**(4,302)**	
	Purchase Price Allocation economic effects		**(281)**	**(1,673)**	**(1,673)**	
	Impairment of goodwill		**-**	**(7,767)**	**(7,990)**	
Item 260.		Impairment of goodwill	-	(7,767)	(7,990)	Section 18
	NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP		**2,008**	**(13,965)**	**(13,965)**	

10 CAPITAL RESOURCES

10.1 Introduction

Balance sheet and financial data, information concerning the Group's financial resources, sources, investments and cash flows as well as borrowing requirements and the loan structure at 30 September 2016, 31 December 2015, 31 December 2014 and 31 December 2013 are presented below.

The data for the nine-month period ended 30 September 2016 has been extracted from the Consolidated Interim Report at 30 September 2016 prepared in accordance with the International Accounting Principle applicable to Interim Financial Reporting (IAS 34). This data has been audited by the External Auditors, who issued their report on 15 November 2016. The comparative data with regard to the year ended 31 December 2015 and to the nine-month period ended 30 September 2015 were extracted from the Consolidated Interim Report as at 30 September 2015.

The data for the year ended 31 December 2015 were extracted from the Consolidated Financial Statements as at 31 December 2015, prepared in accordance with International Accounting Principles. This data has been audited by the External Auditors, who issued their report on 3 March 2016.

The data for the year ended 31 December 2014 were extracted from the Consolidated Financial Statements as at 31 December 2014, prepared in accordance with International Accounting Principles. This data has been audited by the External Auditors, who issued their report on 30 March 2015. Where specified, the data referring to the year ended 31 December 2014 was extracted from the Consolidated Financial Statements as at 31 December 2015, in which it was restated to include the retrospective changes made during the preparation of the Consolidated Financial Statements as at 31 December 2015 (see below). The methods for redetermining this comparative data and the related information were re-examined by the External Auditors solely for the purpose of expressing a judgement on the Consolidated Financial Statements as at 31 December 2015.

The comparative data referring to the year ended 31 December 2013, extracted (unless indicated otherwise) from the Consolidated Financial Statements as at 31 December 2014, were restated to include the retrospective changes made during the preparation of the Consolidated Financial Statements as at 31 December 2014 (*see below*). The methods for redetermining this comparative data and the related information were re-examined by the External Auditors solely for the purpose of expressing a judgement on the Consolidated Financial Statements as at 31 December 2014.

For the sake of completeness, the data for the year ended 31 December 2013 were extracted from the 2013 Consolidated Financial Statements, prepared in accordance with International Accounting Principles. This data has been audited by the External Auditors, which issued its report on 7 April 2014. Also note that the change in the data as at 31 December 2014 compared with 31 December 2013 was calculated on the basis of the data extracted from the Consolidated Financial Statements as at 31 December 2014 and therefore using the restated data as at 31 December 2013.

The financial information presented below should be read in conjunction with the information set out in Chapters 9, 10 and 20 of the Registration Document.

The Issuer makes use of the inclusion scheme through reference to the 2015 Reports and Consolidated Financial Statements, the 2014 Reports and Consolidated Financial Statements and the 2013 Reports and Consolidated Financial Statements, pursuant to Article 7 of the Issuers' Regulation and Article 28 of Regulation (EC) No 809/2004. These documents have been published and filed at CONSOB and are available to the public on the Issuer's website (www.unicreditgroup.eu) as well as at the Issuer's Registered Office and Head Office.

Note that the amounts in this Chapter of the Registration Document are expressed in millions of Euros. Therefore, they may differ from those in the Consolidated Financial Statements, in the Consolidated Interim Report as at 30 September 2016 and from those reported by the Supervisory Authority during the periodic reporting on account of rounding off.

10.2 Group's financial resources

The Group obtains the resources needed to fund its operations mainly through traditional deposits from customers, the issuance of bonds and by accessing the interbank market. For more information on the Groups' capital and reserves and information about the regulatory capital requirements, see Chapter 3 and Chapter 9 of the Registration Document.

The table below gives information relating to financial resources, other than capital and reserves, used by the Group for carrying out its activities, broken down into direct deposits and the net inter-bank position as at 30 September 2016, with the comparative data as at 31 December 2015.

Total direct deposits and net interbank position	**As at**		**% Change**
(in millions of Euros)	**30 September 2016**	**31 December 2015**	**30 September 2016 compared with 31 December 2015**
Payables to customers	470,296	449,790	*4.6%*
Debt securities in issue	119,803	134,478	*-10.9%*
Total direct deposits	**590,099**	**584,268**	*1.0%*
Deposits from banks	114,983	111,373	*3.2%*
Loans and receivables with banks	76,750	80,073	*-4.1%*
Net interbank balance	**38,233**	**31,300**	*22.2%*
Total	**628,332**	**615,568**	*2.1%*

30 September 2016 compared with 31 December 2015

As at 30 September 2016 direct deposits totalled €590.1 billion representing an increase of €5.8 billion compared with 31 December 2015 (+1.0%) due to an increase in payables to customers of €20.5 billion (+4.6%), which was partially offset by a reduction in outstanding securities totalling €14.7 billion (-10.9%).

As at 30 September 2016 the consolidated net liquidity position on the inter-bank market stood at €38.2 billion, a rise of €6.9 billion compared with €31.3 billion as at 31 December 2015.

Total Group liabilities as at 30 September 2016 were €628.3 billion, of which 74.8% is represented by payables to customers (73.1% as at 31 December 2015), 19.1% by outstanding securities (21.8% as at 31 December 2015) and 6.1% (5.1% as at 31 December 2015) by net payables to banks.

The table below gives information relating to financial resources, other than capital and reserves, used by the Group for carrying out its activities, broken down into direct deposits and the net inter-bank position as at 31 December 2015, 31 December 2014 and 31 December 2013.

Total direct deposits and net interbank position	**As at 31 December**				**% Change**	
(in millions of Euros)	**2015**	**2014**	**2013 (restated)**	**2013**	**2015 compared with 2014**	**2014 compared with 2013 (restated)**
Payables to customers	449,790	410,412	393,113	410,930	*9.6%*	*4.4%*
Debt securities in issue	134,478	150,276	164,266	160,094	*-10.5%*	*-8.5%*
Total direct deposits	**584,268**	**560,688**	**557,379**	**571,024**	***4.2%***	***0.6%***
Deposits from banks	111,373	106,037	107,830	110,222	*5.0%*	*-1.7%*
Loans and receivables with banks	80,073	68,730	63,310	61,119	*16.5%*	*8.6%*
Net interbank balance	**31,300**	**37,307**	**44,520**	**49,103**	***-16.1%***	***-16.2%***
Total	**615,568**	**597,995**	**601,899**	**620,127**	***2.9%***	***-0.6%***

31 December 2015 compared with 31 December 2014

As at 31 December 2015 direct deposits totalled €584.3 billion representing an increase of €23.6 billion compared with 31 December 2014 (+4.2%) due to an increase in payables to customers of €39.4 billion (+9.6%), which was partially offset by a reduction in outstanding securities totalling €15.8 billion (-10.5%).

As at 31 December 2015 the consolidated net liquidity position on the inter-bank market stood at €31.3 billion, a fall of €6.0 billion compared with €37.3 billion as at 31 December 2014.

Total Group liabilities at 31 December 2015 were €615.6 billion, of which 73.1% is represented by payables to customers (68.6% as at 31 December 2014), 21.8% by outstanding securities (25.1% as at 31 December 2014) and 5.1% (6.3% as at 31 December 2014) by net payables to banks.

31 December 2014 compared with 31 December 2013

As at 31 December 2014 Group direct deposits stood at €560.7 billion, slightly up on the figure of €557.4 billion recorded at 31 December 2013. From the comparison between 31 December 2013 and 31 December 2014, there was a decrease in the item outstanding securities (€14.0 billion), while the item payables to customers increased (€17.3 billion compared with the balance recorded at 31 December 2013), like the net inter-bank position which went from a balance of €44.5 billion as at 31 December 2013 to a balance of €37.3 billion as at 31 December 2014, down by 16.2%.

As at 31 December 2014 the consolidated net liquidity position on the inter-bank market stood at €37.3 billion, a fall of €7.2 billion compared with €44.5 billion as at 31 December 2013.

Total Group liabilities as at 31 December 2014 were €598.0 billion, of which 68.6% is represented by payables to customers (65.3% as at 31 December 2013), 25.1% by outstanding securities (27.3% as at 31 December 2013) and 6.3% (7.4% as at 31 December 2013) by net payables to banks.

10.2.1 Direct deposits

Below is a breakdown of the individual items that make up Group direct deposits as at 30 September 2016, 31 December 2015, 31 December 2014 and 31 December 2013.

Deposits from customers

Below is a breakdown of the individual items that make up Group direct deposits as at 30 September 2016 with the comparative data as at 31 December 2015.

	As at		% Change
(in millions of Euros)	**30 September 2016**	**31 December 2015**	**30 September 2016 compared with 31 December 2015**
Current accounts and demand deposits	314,457	296,632	*6.0%*
Time deposits	82,479	86,253	*-4.4%*
Loans	68,946	59,341	*16.2%*
Other liabilities	4,413	7,564	*-41.7%*
Payables to customers	**470,295**	**449,790**	*4.6%*

Payables to customers as at 30 September 2016 were made up of typical forms of savings under banking activities.

This item as at 30 September 2016 was made up of current accounts and demand deposits of €314.5 billion equal to 66.9% of the total item (65.9% as at 31 December 2015), time deposits of €82.5 billion, equal to 17.5% of the total item (19.2% as at 31 December 2015), loans of €68.9 billion, equal to 14.7% of the total item (13.2% as at 31 December 2015) and other payables of €4.4 billion, equal to 0.9% of the total item (1.7% as at 31 December 2015).

The development of payables to customer between 30 September 2016 and 31 December 2015 was driven by the development of current accounts (+€17.9 billion), loans (+€9.6 billion) only partly offset by a fall in time deposits (-€3.8 billion) and other payables (-€3.2 billion).

The table below gives the breakdown of the item "payables to customers" as at 31 December 2015, 31 December 2014 and 31 December 2013.

	31 December				% Change	
(in millions of Euros)	**2015**	**2014**	**2013 (restated)**	**2013**	**2015 compared with 2014**	**2014 compared with 2013 (restated)**
Current accounts and demand deposits	296,632	258,307	241,473	243,406	*14.8%*	*7.0%*
Time deposits	86,253	89,761	94,670	104,689	*-3.9%*	*-5.2%*
Loans	59,341	55,673	51,693	52,212	*6.6%*	*7.7%*
Other liabilities	7,564	6,671	5,277	10,623	*13.4%*	*26.4%*
Payables to customers	**449,790**	**410,412**	**393,113**	**410,930**	***9.6%***	***4.4%***

Payables to customers as at 31 December 2015 were made up of typical forms of savings under banking activities.

This item as at 31 December 2015 was made up of current accounts and demand deposits of €296.6 billion equal to 65.9% of the total item (62.9% as at 31 December 2014), time deposits of €86.3 billion, equal to 19.2% of the total item (21.9% as at 31 December 2014), loans of €59.3 billion, equal to 13.2% of the total item (13.6% as at 31 December 2014) and other payables of €7.6 billion, equal to 1.7% of the total item (1.6% as at 31 December 2014).

The development of payables to customers between 31 December 2014 and 31 December 2015 was driven by the significant development of current accounts (+€38.3 billion), loans (+€3.7 billion, of which +€2.3 billion relate to repo expenses and +€1.4 billion relate to other loans) and other payables (+€0.9 billion) only partly offset by the reduction in time deposits (-€3.5 billion).

Payables to customers as at 31 December 2014 were made up of typical forms of savings under banking activities.

This item as at 31 December 2014 was made up of current accounts and demand deposits of €258.3 billion equal to 62.9% of the total item (€241.5 billion, 61.4% as at 31 December 2013), time deposits of €89.8 billion, equal to 21.9% of the total item (€94.7 billion, 24.1% as at 31 December 2013), loans of €55.7 billion, equal to 13.6% of the total item (€51.7 billion, 13.2% as at 31 December 2013) and other payables of €6.7 billion, equal to 1.6% of the total item (€5.3 billion, 1.3% as at 31 December 2013).

As at 31 December 2014 the item was up 4.4% (+€17.3 billion) compared with the balance for the same item as at 31 December 2013. This change is attributable to the expansion of current accounts (+€16.8 billion), loans (+€4.0 billion) and other payables (+€1.4 billion), which were offset by a decrease in time deposits (-€4.9 billion).

Debt securities in issue

The table below contains the breakdown of the item debt securities in issue as at 30 September 2016 with the comparative data as at 31 December 2015.

	30 September 2016		31 December 2015	
(in millions of Euros)	**Book value**	**Fair value**	**Book value**	**Fair value**
Debt securities in issue				
Bonds	108,039	115,571	122,403	129,579
Other securities	11,764	11,780	12,075	12,086
Total	**119,803**	**127,351**	**134,478**	**141,665**

As at 30 September 2016 the item debt securities in issue stood at €119.8 billion, a fall of €14.7 billion compared with 31 December 2015.

The decrease in the item is due for €14.4 billion to the fall in outstanding bonds (-11.7% compared with 31 December 2015) and €0.3 billion to the decrease in the balance of other securities (-2.6% compared with 31 December 2015).

The table below gives the breakdown of the item "debt securities in issue" as at 31 December 2015, 31 December 2014 and 31 December 2013.

	31 December 2015		31 December 2014		31 December 2013 (restated)		31 December 2013	
(in millions of Euros)	**Book value**	**Fair value**	**Book value**	**Fair value**	**Book value**	**Fair value**	**Book value**	**Fair value**
Debt securities in issue								
Bonds	122,403	129,579	136,645	145,870	146,202	150,433	142,029	147,101
Other securities	12,075	12,086	13,631	13,696	18,064	18,295	18,065	18,295
Total	**134,478**	**141,665**	**150,276**	**159,566**	**164,266**	**168,728**	**160,094**	**165,396**

As at 31 December 2015 the item debt securities in issue stood at €134.5 billion, a fall of €15.8 billion compared with 31 December 2014.

The decrease in the item is due for €14.2 billion to the fall in outstanding bonds (-10.4% compared with 31 December 2014) and €1.6 billion to the decrease in the balance of other securities (-11.4% compared with 31 December 2014).

As at 31 December 2014 the item debt securities in issue stood at €150.3 billion, a fall of €14.0 billion compared with 31 December 2013.

The decrease in the item is due for €9.6 billion to the fall in outstanding bonds (-6.5% compared with 31 December 2013) and €4.4 billion to the decrease in the balance of other securities (-24.5% compared with 31 December 2013).

The table below gives the amount of subordinate debt securities as at 30 September 2016, 30 September 2015, 31 December 2015, 31 December 2014 and 31 December 2013.

	As at 30 September		As at 31 December		
(in millions of Euros)	**2016**	**2015**	**2015**	**2014**	**2013**
Subordinate debt securities					
Total	15,653	18,687	18,209	18,415	20,054

10.2.2 Net inter-bank deposits

At 30 September 2016, the net inter-bank position was negative, as it was at 31 December 2015, 31 December 2014 and 31 December 2013 and was equal, respectively to €38.2 billion, €31.3 billion, €37.3 billion and €44.5 billion.

With reference to ECB refinancing operations, note that in March 2016 the ECB announced a second series of TLTRO II (Targeted Longer-Term Refinancing Operations). The banks authorised for open market transactions have the opportunity of joining the TLTRO II transactions with up to 30% of the stock (measured at 31 January 2016) of "incentivised" loans under the TLTRO. The windows for participating in the TLTRO II are set for June, September and December 2016 and March 2017.

The deadline for the operations is 4 bullet years from the demand date, without obligations of early repayment, with the bank having the right of early extinguishment on a quarterly basis after two years.

The interest applied is fixed for each operation and is equal to the Main Refinancing Operation (MRO) rate carried out by the ECB in force at the time of demand, at the Registration Document Date equal to 0%.

In the case of virtuous behaviour of the bank in the provision of loans, the ECB will pay *ex post* at the time of the repayment, a discount (for the total duration of the operation) on the cost of the loan between a minimum of 0% and a maximum equal to the difference between the frozen MRO rate and the rate on the deposit facility applicable at the time of the demand (currently this would be 40 bps). The behaviour of the bank will be judged to be totally "virtuous" by the ECB if the "incentivised" stock as at 31/01/18 is greater than or equal to 2.5% compared with that calculated by the ECB using a specific benchmark for each bank (if it is only partly "virtuous", the discount will be lowered down to 0%).

As at 30 September 2016, the total debt of the UniCredit Group with the ECB through TLTRO II was €26.7 billion. Still at the same date, the maximum additional debt through TLTRO II was €29.9 billion.

Also taking into consideration forms of refinancing other than TLTRO II (e.g. refinancing operations with a due date of one week), still as at 30 September 2016, the total debt position of the UniCredit Group with regard to the ECB was €30.3 billion.

Below is a breakdown of the individual items that make up net inter-bank deposits as at 30 September 2016, 31 December 2015, 31 December 2014 and 31 December 2013.

Deposits from banks

The table below contains the breakdown of the item deposits from banks as at 30 September 2016 with the comparative data as at 31 December 2015.

	As at		**% Change**
(in millions of Euros)	**30 September 2016**	**31 December 2015 (restated)[1]**	**30 September 2016 compared with 31 December 2015 (restated)**
Deposits from central banks	35,056	**29,445**	*19.1%*
Deposits from banks	**79,927**	**81,927**	*-2.4%*
- Current accounts and demand deposits	17,694	16,902	*4.7%*
- Time deposits	7,247	7,309	*-0.8%*
-Loans	53,958	56,785	*-5.0%*
- repo expense	29,434	30,354	*-3.0%*
-other	24,525	26,431	*-7.2%*
- Liabilities in respect of commitments to repurchase treasury shares	-	-	-
- Other liabilities	1,028	932	*10.3%*
Total deposits from banks	**114,983**	**111,373**	*3.2%*

(1) The comparative figures for the previous period have been restated compared with what was published with regard to a reclassification made from item 2.5 to item 2.3.2.

The total item "deposits from banks" as at 30 September 2016 was €115 billion, an increase of 3.2% compared with €111 billion as at 31 December 2015.

The item "deposits from central banks" as at 30 September 2016 was €35.1 billion, (an increase of +19.1% compared with €29.4 billion as at 31 December 2015).

The item "deposits from banks" as at 30 September 2016 was equal to €79.9 billion, a fall of €2.0 billion compared with the end of 2015 (-2.4%). This change is due to an increase in current accounts and demand deposits of €0.8 billion and other payables of €0.1 billion and a decrease in loans of €2.8 billion and the balance of time deposits of €0.1 billion.

The table below contains the breakdown of the item deposits from banks as at 31 December 2015, 31 December 2014 and 31 December 2013.

	As at 31 December				% Change	
(in millions of Euros)	**2015**	**2014**	**2013 (restated)**	**2013**	**2015 compared with 2014**	**2014 compared with 2013 (restated)**
Deposits from central banks	**29,445**	**26,090**	**31,691**	**31,691**	***12.9%***	***-17.7%***
Deposits from banks	**81,928**	**79,947**	**76,139**	**78,531**	***2.5%***	***5.0%***
- Current accounts and demand deposits	16,902	15,799	13,198	13,292	*7.0%*	*19.7%*
- Time deposits	7,309	11,773	12,978	13,136	*-37.9%*	*-9.3%*
-Loans	48,870	45,545	43,493	45,634	*7.3%*	*4.7%*
- repo expense	30,354	26,772	25,501	25,529	*13.4%*	*5.0%*
-other	18,516	18,773	17,991	20,106	*-1.4%*	*4.3%*
- Liabilities in respect of commitments to repurchase treasury shares	-	-	-	-	-	-
- Other liabilities	8,847	6,830	6,470	6,469	*29.5%*	*5.6%*
Total deposits from banks	**111,373**	**106,037**	**107,830**	**110,222**	***5.0%***	***-1.7%***

The total item "deposits from banks" as at 31 December 2015 was €111.4 billion, an increase of 5.0% compared with €106.0 billion as at 31 December 2014.

The item "deposits from central banks" as at 31 December 2015 was €29.5 billion, (an increase of 12.9% compared with €26.1 billion as at 31 December 2014).

The item "deposits from banks" as at 31 December 2015 was equal to €81.9 billion, a rise of €2.0 billion compared with the end of 2014 (+2.5%). This change comprises an increase in current accounts and demand deposits of €1.1 billion, loans of €3.3 billion and other payables of €2.0 billion, partly offset by a decrease in the balance of time deposits of €4.5 billion.

The item "deposits from banks" as at 31 December 2014 was €106.0 billion, an increase of 1.7% compared with €107.8 billion as at 31 December 2013.

The item “deposits from central banks” as at 31 December 2014 was equal to €26.1 billion, a fall of €5.6 billion compared with the end of 2013, when it stood at €31.7 billion.

The item “deposits from banks” as at 31 December 2014 was equal to €79.9 billion, an increase of €3.8 billion compared with 31 December 2013, due to the increase in current accounts and demand deposits of €2.6 billion, loans of €2.1 billion and other payables of €0.4 billion, partly offset by a decrease in time deposits of €1.2 billion.

Loans and receivables with banks

The table below contains the breakdown of the item loans and receivables with banks as at 30 September 2016 with the comparative data as at 31 December 2015.

	As at		**% Change**
(in millions of Euros)	**30 September 2016**	**31 December 2015**	**30 September 2016 compared with 31 December 2015**
A. Loans and receivables with central banks	**18,871**	**21,121**	***-10.7%***
1. Time deposits	1,182	3,990	*-70.4%*
2. Mandatory reserve	14,672	15,065	*-2.6%*
3. Repos	2,993	1,702	*75.9%*
4. Other	24	364	*-93.4%*
B. Loans and receivables with banks	**57,879**	**58,952**	***-1.8%***
1. Loans	**54,764**	**56,525**	***-3.1%***
1.1 Current accounts and demand deposits	19,088	18,589	*2.7%*
1.2 Time deposits	5,956	6,512	*-8.5%*
1.3 Other loans	29,720	31,424	*-5.4%*
- Repo income	21,806	25,194	*-13.4%*
- Finance leases	3	4	*-25.0%*
- Other	7,911	6,225	*27.1%*
2. Debt securities	**3,115**	**2,427**	*28.3%*
2.1. Structured securities	-	-	-
2.2 Other debt securities	3,115	2,427	*28.3%*
Total loans and receivables with banks	**76,750**	**80,073**	***-4.1%***

As at 30 September 2016 loans and receivables to banks amounted to €76.8 billion, a fall of 4.1% compared with €80.1 billion as at 31 December 2015.

The item “loans and receivables with central banks” as at 30 September 2016 was €18.9 billion, (down 10.7% compared with €21.1 billion as at 31 December 2015).

The item “loans and receivables with banks” as at 30 September 2016 was equal to €57.9 billion, a fall of €1.1 billion compared with the end of 2015 (-1.8%). This change was caused by a decrease in loans of €1.8 billion, partly offset by an increase in the balance of debt securities of €0.7 billion. The table below contains the breakdown of the item loans and receivables with banks as at 31 December 2015, 31 December 2014 and 31 December 2013.

	As at 31 December				% Change	
(in millions of Euros)	**2015**	**2014**	**2013 (restated)**	**2013**	**2015 compared with 2014**	**2014 compared with 2013 (restated)**
A. Loans and receivables with central banks	**21,121**	**12,910**	**14,968**	**17,331**	***63.6%***	***-13.7%***
1. Time deposits	3,990	3,955	1,358	1,363	*0.9%*	*191.2%*
2. Mandatory reserve	15,065	8,942	12,781	15,139	*68.5%*	*-30.0%*
3. Repos	1,702	-	825	825	*100.0%*	*-100.0%*
4. Other	364	13	4	4	*n.s.*	*n.s.*
B. Loans and receivables with banks	**58,952**	**55,820**	**48,342**	**43,788**	***5.6%***	***15.5%***
1. Loans	**56,525**	**50,690**	**42,388**	**37,834**	***11.5%***	***19.6%***
1.1 Current accounts and demand deposits	18,589	23,958	19,103	15,016	*-22.4%*	*25.4%*
1.2 Time deposits	6,512	6,202	4,697	5,436	*5.0%*	*32.0%*
1.3 Other loans	31,424	20,530	18,588	17,382	*53.1%*	*10.4%*
- Repo income	25,194	15,942	13,361	12,687	*58.0%*	*19.3%*
- Finance leases	4	5	5	5	*-20.0%*	*0.0%*
- Other	6,225	4,584	5,222	4,690	*35.8%*	*-12.2%*
2. Debt securities	**2,427**	**5,130**	**5,954**	**5,954**	***-52.7%***	***-13.8%***
2.1. Structured securities	-	-	-	-	0.0%	0.0%
2.2 Other debt securities	2,427	5,130	5,954	5,954	*-52.7%*	*-13.8%*
Total loans and receivables with banks	**80,073**	**68,730**	**63,310**	**61,119**	***16.5%***	***8.6%***

As at 31 December 2015 loans and receivables with banks amounted to €80.1 billion, an increase of 16.5% compared with €68.7 billion as at 31 December 2014.

The item "loans and receivables with central banks" as at 31 December 2015 was €21.1 billion, (up 63.6% compared with €12.9 billion as at 31 December 2014).

The item "loans and receivables with banks" as at 31 December 2015 was equal to €58.9 billion, a rise of €3.1 billion compared with the end of 2014 (+5.6%). This change was caused by an increase in loans of €5.8 billion, partly offset by a decrease in the balance of debt securities of €2.7 billion.

The total of the item "loans and receivables with banks" as at 31 December 2014 was €68.7 billion, an increase of 8.6% compared with €63.3 billion as at 31 December 2013.

The item "loans and receivables with central banks" as at 31 December 2014 was equal to €12.9 billion, a fall of €2.1 billion compared with the end of 2013, when it stood at €15 billion.

The item "loans and receivables with banks" as at 31 December 2014 was €55.8 billion, an increase of €7.5 billion compared with 31 December 2013, attributable to the increase in loans of €8.3 billion, partly offset by a decrease in debt securities of €0.8 billion.

10.3 Sources, investments and cash flows

Below are the Group's cash flow statements for the periods ended 30 September 2016 and 2015 taken from the Consolidated Interim Report as at 30 September 2016 reported in the appendix to the Registration Document.

Consolidated cash flow statement (indirect method)	**As at 30 September**		**% Change**
(in millions of Euros)	**2016**	**2015**	**2016 compared with 2015**
A. OPERATING ACTIVITIES			
1. Operations	**6,514**	**6,912**	-5.8%
- profit and loss for the period (+/-)	1,768	1,541	14.7%
- capital gains (losses) on financial assets/liabilities held for trading and on assets/liabilities designated at fair value through profit and loss (+/-)	(1,731)	(994)	74.1%
- capital gains/losses on hedging operations (+/-)	33	33	0.0%
- net impairment losses/writebacks (+/-)	4,309	4,553	-5.4%
- net impairment losses/writebacks on property, equipment and investment property and intangible assets (+/-)	929	835	11.3%
- net provisions for risks and charges and other income/expenses (+/-)	76	332	-77.1%
- uncollected net premiums (+/-)	-	-	-
- other uncollected insurance income and expenses (+/-)	-	-	-
- unpaid tax (+)	749	182	n.s.
- net value adjustments/recoveries for groups of assets held for sale net of the tax effect (-/+)	5	149	-96.6%
- other adjustments (+/-)	376	281	33.8%
2. Liquidity generated/absorbed by financial assets	**(8,423)**	**(33,241)**	**-74.7%**
- held-for-trading financial assets	(1,411)	10,601	-113.3%
- financial assets at fair value through profit or loss	4,783	(2,639)	n.s.
- available-for-sale financial assets	(7,160)	(12,547)	-42.9%
- loans and receivables with banks	3,066	(20,870)	-114.7%
- loans and receivables from customers	(10,136)	(10,083)	0.5%
- other assets	2,435	2,297	6.0%
3. Liquidity generated/absorbed by financial liabilities	**9,168**	**30,115**	**-69.6%**
- deposits from banks	4,909	14,552	-66.3%
- deposits from customers	19,459	39,203	-50.4%
- securities in issue	(14,257)	(14,546)	-2.0%
- financial liabilities held for trading	(551)	(9,120)	-94.0%
-financial liabilities at fair value through profit or loss	1,054	(112)	n.s.
- other liabilities	(1,446)	138	n.s.
Net liquidity generated/absorbed by operating activities	**7,258**	**3,786**	**91.7%**
B. INVESTMENT ACTIVITIES			
Liquidity generated/absorbed by			
- equity investments	(138)	33	n.s.
- collected dividends on equity investments	84	114	-26.3%
- financial assets held to maturity	(75)	676	-111.1%
- property, equipment and investment property	(338)	(399)	15.3%
- intangible assets	(355)	(367)	-3.3%
- sales/purchases of subsidiaries and divisions	34	29	17.2%
Net liquidity generated/absorbed by investment activities	**(788)**	**86**	**n.s.**
C. FUNDING ACTIVITIES			
- issue/purchase of treasury shares	-	-	-
- issue/purchase of equity instruments	-	-	-
- distribution of dividends and other scopes	(702)	(749)	-6.3%
Net liquidity generated/absorbed by funding activities	**(702)**	**(749)**	**-6.3%**
NET LIQUIDITY GENERATED/ABSORBED DURING THE YEAR	**5,768**	**3,123**	**84.7%**

RECONCILIATION	As at 30 September		% Change
	2016	2015	2016 compared
(in millions of Euros)			with 2015
Cash and cash equivalents at the beginning of the period	**10,303**	**8,051**	28.0%
Total liquidity generated/absorbed during the period	5,769	3,123	84.7%
Cash and cash equivalents: effect of change in exchange rates	81	8	n.s.
Cash and cash equivalents at the end of the period	**16,153**	**11,182**	44.5%

Below are the Group's cash flow statements for the periods ended 31 December 2015, 31 December 2014 and 31 December 2013 taken from the Group's consolidated financial statements on those dates.

Consolidated cash flow statement (indirect method)	**As at 31 December**				**Change**	
(in millions of Euros)	**2015**	**2014**	**2013 (restated)**	**2013**	**2015 compared with 2014**	**2014 compared with 2013 (restated)**
A. OPERATING ACTIVITIES						
1. Operations	**8,577**	**9,205**	**11,068**	**11,836**	***-6.8%***	***-16.8%***
- profit and loss for the year (+/-)	1,695	2,008	(13,965)	(13,965)	*-15.6%*	*-114.4%*
- capital gains (losses) on financial assets/liabilities held for trading and on assets/liabilities designated at fair value through profit and loss (+/-)	(1,410)	(2,111)	(808)	(826)	*-33.2%*	*161.3%*
- capital gains/losses on hedging operations (+/-)	14	9	17	15	*55.6%*	*-47.1%*
- net impairment losses/writebacks (+/-)	6,491	6,767	23,438	23,878	*-4.1%*	*-71.1%*
- net impairment losses/writebacks on property, equipment and investment property and intangible assets (+/-)	1,155	1,190	3,539	3,578	*-2.9%*	*-66.4%*
- net provisions for risks and charges and other income/expenses (+/-)	744	(333)	381	824	*n.s.*	*-187.4%*
- uncollected net premiums (+/-)	-	-	-	-	-	-
- other uncollected insurance income and expenses (+/-)	-	-	3	2	-	*-100.0%*
- unpaid tax (+)	(827)	953	(3,162)	(3,072)	*-186.8%*	*-130.1%*
- net value adjustments/recoveries for groups of assets held for sale net of the tax effect (-/+)	315	279	940	940	*12.9%*	*-70.3%*
- other adjustments (+/-)	400	443	685	462	*-9.7%*	*-35.3%*
2. Liquidity generated/absorbed by financial assets	**(24,102)**	**(40,412)**	**43,515**	**36,529**	***-40.4%***	***-192.9%***
- held-for-trading financial assets	11,587	(19,216)	26,679	26,662	*-160.3%*	*-172.0%*
- financial assets at fair value through profit or loss	(2,558)	(1,209)	(5,350)	(5,350)	*111.6%*	*-77.4%*
- available-for-sale financial assets	(11,975)	(16,302)	(13,548)	(13,397)	*-26.5%*	*20.3%*
- loans and receivables with banks	(7,864)	(10,227)	11,407	12,312	*-23.1%*	*-189.7%*
- loans and receivables from customers	(12,788)	(524)	21,102	18,672	*n.s.*	*-102.5%*
- other assets	(504)	7,066	3,225	(2,370)	*-107.1%*	*119.1%*
3. Liquidity generated/absorbed by financial liabilities	**18,804**	**25,932**	**(50,449)**	**(44,270)**	***-27.5%***	***-151.4%***
- deposits from banks	5,395	384	(7,136)	(7,200)	*n.s.*	*-105.4%*
- deposits from customers	40,012	29,051	7,064	8,385	*37.7%*	*n.s.*
- securities in issue	(20,362)	(10,714)	(10,795)	(10,328)	*90.1%*	*-0.8%*
- financial liabilities held for trading	(7,514)	14,011	(35,915)	(35,888)	*-153.6%*	*-139.0%*
-financial liabilities at fair value through profit or loss	(112)	(170)	(151)	(150)	*-34.1%*	*12.6%*
- other liabilities	1,385	(6,630)	(3,516)	911	*-120.9%*	*88.6%*
Net liquidity generated/absorbed by operating activities	**3,279**	**(5,275)**	**4,134**	**4,095**	***-162.2%***	***n.s.***
B. INVESTMENT ACTIVITIES						
1. Liquidity generated by	**13,035**	**15,054**	**13,211**	**13,408**	**-13.4%**	**14.0%**
- sales of equity investments	54	833	261	167	-93.5%	n.s.
- collected dividends on equity investments	173	193	240	189	-10.4%	-19.6%
- sales of financial assets held to maturity	12,002	13,044	11,899	11,933	-8.0%	9.6%
- sales of property, equipment and investment property	298	381	239	255	-21.8%	59.4%
- sales of intangible assets	7	1	2	5	n.s.	-50.0%
- sales of subsidiaries and divisions	501	602	570	859	-16.8%	5.6%
2. Liquidity absorbed by	**(13,193)**	**(13,136)**	**(13,061)**	**(13,162)**	**0.4%**	**0.6%**
- purchases of equity investments	(72)	(139)	(439)	(416)	-48.2%	-68.3%
- purchases of financial assets held to maturity	(11,547)	(11,379)	(11,052)	(11,127)	1.5%	3.0%
- purchases of property, equipment and investment property	(922)	(867)	(929)	(957)	6.3%	-6.7%
- purchases of intangible assets	(652)	(682)	(641)	(662)	-4.4%	6.4%
- purchases of subsidiaries and divisions	-	(69)	-	-	100.0%	-100.0%
Net liquidity generated/absorbed by investment activities	**(158)**	**1,918**	**150**	**246**	**-108.2%**	**n.s.**
C. FUNDING ACTIVITIES						
- issue/purchase of treasury shares	-	-	-	-	-	-
- issue/purchase of equity instruments	-	1,889	-	-	-100.0%	100.0%
- distribution of dividends and other scopes	(842)	(612)	(934)	(934)	37.6%	-34.5%
Net liquidity generated/absorbed by funding activities	**(842)**	**1,277**	**(934)**	**(934)**	**-165.9%**	**n.s.**
NET LIQUIDITY GENERATED/ABSORBED DURING THE YEAR	**2,279**	**(2,080)**	**3,350**	**3,407**	**n.s.**	**-162.1%**

RECONCILIATION	**As at 31 December**				**Change**	
(in millions of Euros)	**2015**	**2014**	**2013 (restated)**	**2013**	**2015 compared with 2014**	**2014 compared with 2013 (restated)**
Cash and cash equivalents at the beginning of the year	**8,051**	**10,520**	**7,274**	**7,570**	**-23.5%**	**44.6%**
Total liquidity generated/absorbed during the year	2,279	(2,080)	3,351	3,407	n.s.	-162.1%
Cash and cash equivalents: effect of change in exchange rates	(27)	(389)	(105)	(169)	-93.1%	n.s.
Cash and cash equivalents at the end of the year	**10,303**	**8,051**	**10,520**	**10,808**	**28.0%**	**-23.5%**

10.4 Borrowing requirements and loan structure

With regard to the Group's borrowing requirements, below are figures related to changes in direct deposits and loans represented by loans and receivables from customers at 30 September 2016 and at 31 December 2015, 31 December 2014 and 31 December 2013.

	As at		**% Change**
(in millions of Euros)	**30 September 2016**	**31 December 2015**	**30 September 2016 compared with 31 December 2015**
Direct deposits	590,099	584,268	*1.0%*
Loans to customers	468,282	486,687	*-3.8%*
Ratio of direct deposits to loans	***126.0%***	***120.1%***	***4.9%***

	As at 31 December			**% Change**	
(in millions of Euros)	**2015**	**2014**	**2013**	**2015 compared with 2014**	**2014 compared with 2013**
Direct deposits	584,268	560,688	571,024	*4.2%*	*-1.8%*
Loans to customers	486,687	385,765	495,383	*26.2%*	*-22.1%*
Ratio of direct deposits to loans	***120.1%***	***145.3%***	***115.3%***	***-17.4%***	***26.1%***

See Paragraph 10.2 above for information on the structure of direct deposits.

10.5 Limitations on the use of the Group's financial resources

The Group owns tied assets under the scope of regulatory provisions regarding "asset encumbrance", the details of which for the years ended 31 December 2014 (before the reporting date under the scope of the regulatory provisions relating to "asset encumbrance") and at 31 December 2015 are reported in the information document of issuers pursuant to the CRR, in the section dedicated to liquidity risk.

Also note that tied asses include assets that the Group has arranged as a guarantee for its liabilities and commitments. For more information about the above-mentioned assets, see the Consolidated Financial Statements as at 31 December 2015 (Notes to the Consolidated Financial Statements, Part B - "Other Information", page 273), Consolidated Financial Statements as at 31 December 2014 (Notes to the Consolidated Financial Statements, Part B – "Other Information", page 246) and Consolidated Financial

Statements as at 31 December 2013 (Notes to the Consolidated Financial Statements, Part B – “Other Information”, page 229). The Issuer makes use of the inclusion scheme through reference to the above-mentioned documents, pursuant to Article 7 of the Issuers Regulation and Article 28 of Regulation (EC) No 809/2004. These documents have been published and filed at CONSOB and are available to the public on the Issuer’s website (www.unicreditgroup.eu) as well as at the Issuer’s Registered Office and Head Office. Note that the page numbers given above refer to the Italian version and the English version of the Consolidated Financial Statements as at 31 December 2015, the Consolidated Financial Statements as at 31 December 2014 and the Consolidated Financial Statements as at 31 December 2013.

Lastly, with reference to legal or substantive impediments, current or foreseeable, which prevent the rapid transfer of capital resources or funds within the Group, note the existence of shareholders’ agreements, regulatory requirements and contractual agreements which may limit the ability of the Group to access the assets or regulate the liabilities of entities controlled or restrict the possibility of the latter distributing capital and/or dividends.

Specifically, with regard to shareholders’ agreements, note the following:

- relating to the consolidated entities UniCredit BPC Mortgages S.r.l. and UniCredit OBG S.r.l, companies established pursuant to law 130 of 30 April 1999 for the execution of securitisation transactions or the issuing of covered bonds, there are shareholders’ agreements which only allow the distribution of dividends once the credit claims of the secured creditors and holders of covered bonds are met;

- relating to the Card Complete Service Bank AG, there are shareholders’ agreements where the amount of dividends that the company has the right to distribute depends, not only on the shares owned, but also on the amount of commission paid to shareholders during the year.

With regard to the regulatory requirements, note that the UniCredit Group is a banking group subject to the framework of the CRD IV and the CRR which controls financial institutions subject to this framework.

The capacity of subsidiary banks to distribute capital or dividends is, therefore, restricted in compliance with this framework both in terms of capital requirements and in terms of the “Maximum Distributable Amount” (AMD) as well as by further recommendations issued, from time to time, by the competent authorities (e.g. ECB Recommendation of 13 December 2016; for more information, see Chapter 20, Paragraph 20.6 of the Registration Document).

UniCredit’s capital requirements, specifically its consolidated ones, shared with the competent Supervisory Authority (ECB), also following the SREP, may be higher than the minimum ones set out in the above legislation. For more information about the UniCredit Groups’ capital requirements and the results of the above-mentioned SREP, see Chapter 6, Paragraph 6.1.8 of the Registration Document.

On the other hand, as far as the subsidiaries are concerned, note that in some jurisdictions and other foreign Group entities, there may be commitments to maintain the regulatory capital above the minimum legal requirements also following the SREP at local level.

The liquidity available at Group level – in terms of free circulation between entities located in different countries is concerned – suffers from certain restrictions connected with the prudential limits of “large exposures", according to the regulatory definitions of the CRR and based on the decisions taken on the subject by Member States (on the subject of intragroup cross border exposures). As a result, part of the liquidity available may be subject to impediments that restrict its transfer between entities that are part of the Group.

With regard to contractual agreements, also note that the UniCredit Group has issued financial instruments, whose repayment, including early, repurchase or repayment, is subject to authorisation from the competent authority. The book value of these instruments as at 30 September 2016 was €17,017 million.

Taking the financial crisis into consideration, with special reference to the sovereign sector, some Supervisory Authorities have requested, from the previous periods, that the companies which are part of the Group (including the Issuer) reduce their credit exposure with regard to other Group companies operating in the respective jurisdictions. At the moment there are no critical impediments from this perspective.

10.6 Projected sources of funding

The main sources of funding for future Group activities are composed of:

(i) self-financing;

(ii) traditional deposit instruments used by the Group and described in Chapter 10;

(iii) financial resources possibly obtained through the Capital Increase.

11 RESEARCH AND DEVELOPMENT, PATENTS AND LICENCES

11.1 Research and development activities

In light of the business sector in which it operates, the Issuer does not believe that research and development activities are significant for the purposes of the Registration Document.

For the sake of completeness note that from 2012 the Research and Development team operates as a UniCredit experimental laboratory for the development of innovative ideas and prototypes with a high scientific and technological content to be applied in the field of banking, focusing the implementations on high investment return products and solutions. This includes the associated activity of filing patents, in order to expand the technological capacities of the Group with new customer services that are certified and recognised as the intellectual property of the Group. Some of the patents filed up to now involve solutions for the biometric recognition of users in the use of POS/ATM, geo-location systems, advanced teleconferencing solutions and new database processing methods.

The “Research and Development” working model is based on the mixing of diversified and highly specialist skills such as engineering, IT, programming and design, as well as collaboration with Group business structures. This approach is also nurtured by well-established relations with several important Italian and foreign academic institutions.

In carrying out its activities, the UniCredit Group also uses numerous brands, institutional and product, registered both in Italy and abroad.

The registration of brands by the UniCredit Group through a systemic approach featuring an initial design and concept phase for new naming, followed by the necessary clearance searches and registration checks prior to filing the registration requests for naming and the logos designed to distinguish the products and services offered to the public.

One of the most significant brands of the Group is the “UniCredit” logo featuring the word “UNICREDIT” in lower case except for the letters “U” and “C” which are in upper case. There is a red sphere next to the word “UNICREDIT” which has a white number “1” at a 45-degree angle in a clockwise direction - which, depending on the case, is combined with different wording of claim/pay off.

12 TRENDS INFORMATION

12.1 Significant recent trends in the performance of production, sales and inventories, and costs and selling prices since the end of the last period and until the Date of the Registration Document

With the exception of what is described with regard to the 2016-2019 Strategic Plan (see Chapter 13 of the Registration Document), following the approval of the Consolidated Interim Report as at 30 September 2016 by the Board of Directors, there were no negative changes in the outlook for the Company and Group companies.

12.2 Information on trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Issuer's prospects for at least the current financial year

As at the Registration Document Date, with the exception of the content of the Consolidated Interim Report as at 30 September 2016 and in Chapter 13 ("Projections or Estimates of Profits") of the Registration Document, the Issuer is not aware of any trends, uncertainties, requirements, obligations or known facts that could reasonably have material repercussions on the Issuer's or Group's outlook, at least for the current period.

In this regard note that as at 30 September 2016 direct deposits from customers (deposits and securities) rose by 0.7% (+0.6% at constant exchange rates) compared with the first nine months of 2015. The item deposits from commercial customers (+3.9%) contributed to this item, while the institutional component fell (-7.1%).

Focusing on direct deposits from commercial customers, Western European countries saw growth of 4.4%, with Italy at +2.7%, Germany at +11.9% and Austria at -2.1%. Central and Eastern Europe maintained a balance between loans and deposits increasing by 2.3% (+2.0% at constant exchange rates) compared with the first nine months of 2015, driven by the Czech Republic (+2.1% at constant exchange rates), Bulgaria (+12.9% at constant exchange rates), Croatia (+5.2% at constant exchange rates), Hungary (+16.0% at constant exchange rates) and Romania (+30.3% at constant exchange rates, while there were falls in Poland (-0.9% at constant exchange rates) and in Russia (-11.0% at constant exchange rates).

Loans to customers (equal to €480.9 billion as at 30 September 2016) were up 1.4% compared with the same period of the previous year (+1.4% at constant exchange rates). The same performance was recorded for the stock of volumes of commercial loans to customers which grew by 3.3% (+3.3% at constant exchange rates), highlighting widespread increases at a geographical level: compared with the first nine months of 2015 there was growth in both Western European countries (+1.4%), in particular Germany +4.6%, while Austria recorded a fall of -0.2% and Italy 5.2%, and in Central and Eastern European countries (+0.7% at constant exchange rates) driven by the Czech Republic (+8.9% at constant exchange rates), Romania (+5.8% at constant exchange rates), Bulgaria (+2.7% at constant exchange rates) and Hungary (+12.7% at constant exchange rates), while there were falls in Russia (-12.4% at constant exchange rates) and in Poland (-1.8% at constant exchange rates).

In the first nine months of 2016 net adjustments to receivables and allocations for guarantees and commitments of €2,677 million were made, a fall of 7.6% (-6.7% at constant exchange rates) compared with the same period of 2015.

The cost of risk in the first nine months of 2016 was 74 basis points, an improvement compared with the same period of 2015 (equal to 81 basis points), continuing, however, to differ considerably on a geographical basis, with Italy at 123 basis points, Germany 19 basis points, Austria -14 basis points, Poland 27 basis points and CEE 109 basis points.

Gross impaired loans as at 30 September 2016 fell by €2,977 million compared with 31 December 2015 (-3.7%). Thanks to this reduction compared with the last quarter of 2015, the impact of impaired loans on total receivables improved, going from 15.42% in December 2015 to 14.67% in September 2016. Gross non-performing loans totalled €51.3 billion, an increase of €221 million compared with December 2015.

Net interest as at 30 September 2016 was equal to €8,644 million, a fall of 2.7% compared with the previous financial year (-1.8% at constant exchange rates).

The interest margin still features the reduction in interest income on loans to customers, offset by the fall in the average cost of deposits from commercial customers and the growth in other non-commercial components. In the first nine months of 2016 the progressive narrowing of credit spreads continued, in a scenario of interest rates which went into negative territory (the 3-month Euribor average in the first nine months of 2016 was -0.25% compared with 0.00% in the same period in 2015).

As far as net commissions are concerned, in the first nine months of 2016 they stood at €5,736 million, a fall of 3.0% (-2.2% at constant exchange rates) compared with the same period of the previous year.

The fall is widespread in all commission categories linked to the credit component (-7.7% compared with the first nine months of 2015), transactional services (-2.3% compared with the first nine months of 2015), investment services (-0.7% compared with the first nine months of 2015), which were affected by the fall in commissions on asset management products (-1.1% compared with the first nine months of 2015) following less placements compared with the same period of the previous year.

Dividends (which include the earnings of companies valued at equity) stood at €700 million in the first nine months of 2016, a rise of €121 million compared with the same period of 2015.

The result of trading, hedging and fair value in the first nine months of 2016 was €1,820 million, an increase of 35.6% compared with the same period of 2015 (+37.3% at constant exchange rates). The sale of the equity investment in VISA Europe (€306 million) and the effects associated with the conclusion of securitisation transactions contributed to this result.

Lastly, in the first nine months of 2016, the balance of other income and expenses from core activities was €170 million, an increase of €76 million compared with the same period of 2015.

Personnel costs in the first nine months of 2016 were €6,013 million, a fall of 4.4% compared with the same period of 2015 (-3.7% at constant exchange rates).

This result was mainly achieved thanks to the general dynamics of the reduction of personnel and restructuring of pension expenses that took place in Austria.

As far as other administrative expenses are concerned, in the first nine months of 2016 they stood at €3,628 million, a fall of 6.2% compared with the same period of 2015 (-5.8% at constant exchange rates). A large part of the fall in expenses was due to less consultancy, ICT, credit information and credit recovery, personnel-related expenses and property-related expenses.

The recovery of expenses in the first nine months of 2016 came to €562 million, compared with €598 million in the same period of the previous year.

Lastly, value adjustments on intangible and tangible assets in the first nine months of 2016 amounted to €728 million, a rise of 7.3% (+8.1% at constant exchange rates), mainly as a result of investments made in IT.

Overall, total operating costs excluding personnel costs fell (-3.9%) compared with the same period in 2015.

For more information, see the Consolidated Interim Report at 30 September 2016 (Consolidated Interim Report, pages 12-43), in the annex to the Registration Document. Note that the page numbers given above refer to the Italian version and the English version of the Consolidated Interim Report at 30 September 2016.

After the end of the quarter, in the fourth quarter 2016 and until the Registration Document Date, volumes of customer loans recorded an improvement, supported by the commercial divisions, mainly in Germany and in Central and Eastern European countries.

With reference to direct deposits from customers, in this period the positive growth of stock continued, in particular of the component related to deposits from commercial customers.

The interest margin continued to feature the reduction in interest income on loans to customers, offset by the fall in the average cost of deposits from commercial customers and the maintenance of other non-commercial components. The spread is falling in all geographical areas.

As far as net commissions are concerned, in the fourth quarter 2016 and until the Registration Document Date the contribution from the sale of services, especially transactional services, increased.

Costs – net of extraordinary events – in the period after 30 September 2016 and until the Registration Document Date are rising both for the personnel costs item, after the one-off disbursements that took place in the previous quarter, and for the administration item linked to consultancy expenses.
Furthermore, as at the Date of the Registration Document, data relating to the net result of the Group for the period 1 January 2016 - 31 December 2016, which the Issuer expects will be the final 2016 data, does not show any deviation from the corresponding forecast given in the Strategic Plan for 2016, net of the effects deriving from the different areas of consolidation and accounting principles applied (it should also be noted that the Forecasts were drawn up assuming the deconsolidation of the companies subject to M&A Asset Sale Transactions, while the final income statement for 2016 will be defined by presenting the companies subject of M&A Asset Sale Transactions in accordance with the IFRS5 standard, therefore the other items of the income statement in relation to the net result will not be directly comparable) which could have affected in a significant way the forecast data underlying the overall objective of the 2016-2019 Strategic Plan for subsequent years.

Based on the actions set out in the 2016-2019 Strategic Plan, there are also expected to be non-recurring negative impacts on the net result for the fourth quarter of 2016 totalling €12.2 billion. These impacts (net of tax effects) are due to the estimated combined effect of the following phenomena:

(i) -€8.1 billion of net adjustments on loans;

(ii) -€1.7 billion of integration costs;

(iii) -€1.4 billion of other write-downs on balance sheet asset items;

(iv) +€0.4 billion of profits on the sale of credit card processing activities;

(v) -€0.7 billion negative impact resulting from the cancellation of the exchange rate reserve connected to the sale of PJSC Ukrsotsbank;

(vi) -€0.3 billion resulting from the reclassification of Bank Pekao in accordance with IFRS 5;

(vii) -€0.5 billion write-down of goodwill and other intangible assets.

The last three phenomena described above are not expected to have an impact on the regulatory capital (see Chapter 13 of the Registration Document).

Without prejudice to the above, note that Banca d'Italia, as *National Resolution Authority* ("**NRA**"), through the provision of 28 December 2016, requested the extraordinary contribution from the National Resolution Fund ("**FNR**") in compliance with Law 208/2015 ("**2016 Stability Law**"). Specifically, the 2016 Stability Law makes provision, if the financial provision of the National Resolution Fund is not sufficient to support the resolution measures over a period of time, that the banks pay: (i) additional contributions to the actual National Resolution Fund, with the amount calculated by Banca d'Italia, albeit within the total limit, including the contributions paid to the Single Resolution Fund, set out in Articles 70 and 71 of Regulation (EU) No 806/2014; and (ii) for 2016 only, two further annual portions. In consideration of the financial requirements of the National Resolution Fund resulting from the resolution agreement with Banca delle Marche, Banca Popolare dell'Etruria e del Lazio, Cassa di Risparmio di Ferrara and Cassa di Risparmio della Provincia di Chieti, the NRA has recalled the two annuities in the previous point (ii), calculating the contribution that the Issuer is responsible for at €214,172,973.00. Taking into account the possibility set out in Decree-Law 237/2016, not yet converted, of recalling the contributions pursuant to the above-mentioned Law 28/2015 in financial years after 2016, the NRA also reserved the right to indicate the deadline and payment methods for the extraordinary contribution through a subsequent provision and to reconsider the decision taken.

13 PROFIT FORECASTS OR ESTIMATES

13.1 Principal assumptions upon which the Issuer has based its forecast or estimate

13.1.1 Introduction

On 12 December 2016 the Board of Directors of UniCredit approved the 2016-2019 Strategic Plan (hereinafter also the "**Plan**") containing the Group's strategic guidelines and operating, financial and capital targets from 2017 to 2019.

The 2016-2019 Strategic Plan includes projections for certain operating and capital indicators that are described in this chapter (hereinafter also the "**Projected Data**").

The 2016-2019 Strategic Plan was presented to the financial community on 13 December 2016 via the presentation documents respectively titled "One Bank, One UniCredit – Transform 2019", "One Bank, One UniCredit – Transform Operating Model and Maximise Commercial Bank Value", "One Bank, One UniCredit – Transform Operating Model", "One Bank, One UniCredit – Improve Group Asset Quality", "One Bank, One UniCredit – Compensation strategy", "One Bank, One UniCredit – CFO presentation", "One Bank, One UniCredit – Closing remarks" and "One Bank, One UniCredit – Glossary", which are available to the public on the Issuer's website (www.unicreditgroup.eu). The Strategic Plan was submitted to the European Central Bank to which the theories, assumptions and data bases were presented. Any considerations of the European Central Bank on the Strategic Plan will be communicated in the context of the process of *"2017 Business Model Analysis*", for which the Issuer has not yet received the conclusions as at the Date of the Registration Document.

The main assumptions on which the Projected Data was processed are indicated in Paragraphs 13.1.3, 13.1.4 and 13.1.5 and were presented to the financial community under the scope of the Strategic Plan.

The 2016-2019 Strategic Plan was completed in a process involving the management of the parent company UniCredit and companies belonging to the Group, which prepared their proposals based on strategic guidelines established by the management of the parent company UniCredit.

The development of the 2016-2019 Strategic Plan is based, among other things, on:

(i) assumptions of a general and hypothetical nature relating to future events and actions that may not necessarily come to fruition and that essentially depend on variables that are out of the control of the Issuer or other Group companies (the "**General and Hypothetical Assumptions**") (see Chapter 13, Paragraph 13.1.4 of the Registration Document); and

(ii) assumptions of a discretionary nature relating to future events that the Issuer can influence in full or in part (the "**Discretionary Assumptions**" and, together with the General and Hypothetical Assumptions, the "**Assumptions**") (see Chapter 13, Paragraph 13.1.5 of the Registration Document).

Note that as a result of the precariousness associated with the realisation of any future event both as far as the event taking place is concerned and as far as the measurement and timing of its manifestation is concerned, the differences between the actual values and the projected values could be significant, even if the Assumptions were to occur.

Lastly, note that the references to the net earnings and other of the Issuer's reporting figures set out in this chapter always refer to consolidated balance sheet figures.

13.1.2 Perimeter for the definition of the Strategic Plan 2016-2019

The Strategic Plan 2016-2019 was prepared based on a different parameter for the UniCredit Group than that in being as at the Registration Document Date, because in addition to the effects of the extraordinary transactions concluded as at that date, the effects of certain extraordinary transactions in course of conclusion were anticipated. Their impact was considered solely for the portion they contributed to shareholders' equity and the capital ratios, while the effect on the balance of the income statement was not considered for the calculation of the forecast profits brought forward as they were one-off items.

With reference to the 2015 figures and the figures for the first nine months of 2016, the Pro Forma Consolidated Statements reported in Chapter 20, paragraph 20.2 of the Registration Document form the essential data used for the comments on the trends indicated below, for homogeneity of scenarios with the content of this Registration Document.

Lastly, note that the figures for 2015 and the first nine months of 2016 released to the market on 13 December 2016 as part of the presentation of the Strategic Plan 2016-2019 differ partly from the pro forma figures as the pro forma ones include net adjustments on additional loans in the amount of €8.1 billion (€5.4 billion net of pro forma taxes) and the profits/losses, excluding any cancellation of the exchange rate reserves, for the M&A Asset Sale Transactions in the amount of €1.3 billion on the 2015 figures and €1.1 billion on the figures for the first nine months of 2016. Therefore, net adjustments on loans and the net earnings for the 2015 period released to the market on 13 December 2016, and the ratios calculated from these such as the cost of risk and RoTE, differ significantly from the corresponding pro forma figures released in this document. Equally, the 2015-19 changes regarding the net adjustments on lending and the net earnings differ from the net variations submitted to the market on 13 December 2016. The difference is attributable to the fact that the figures released to the market do not illustrate the non-recurring impacts, such as those relating to the net adjustments on lending of €8.1 billion associated primarily with the Porto Project and the Fino Project and those relating to the M&A Asset Sale Transactions. For completeness, we report that the marginal impacts on the CET1 capital ratio do not incorporate the differences over those released to the market on 13 December 2016 as calculated on the same bases as for CET1 capital and weighted assets ("RWA").

13.1.3 Guidelines of the 2016-2019 Strategic Plan

The 2016-2019 Strategic Plan was produced with the aim of maintaining a level of profitability that is sustainable over time, using the leverage of a simple commercial bank business model, and strengthening cross-selling activities (i.e. commercial synergies) and offering customers access to an extensive network of branches.

The Strategic Plan is broken down into five well-defined pillars indicated below:

- significant capital strengthening, to align the capital ratios to the best G-SII (Global Systemic Important Institutions), whose average CET1 ratio (fully loaded) was 13.1% based on the quarterly data published as at 30 September 2016[77];

- improvement of the quality of balance sheet assets, both in terms of resolution of the issues associated with the Italian loans portfolio (legacy of the underwriting activities mainly going back to years before the financial crisis that affected the Italian and European banking system), through a proactive reduction of the risk of balance sheet assets and increasing the coverage level of non-performing loans and in terms of the context of strengthening risk management policies for improving the supply of new loans;

- transformation of the operating model, in order to reduce the service cost to customers, at the same time increasing the focus on customers and the quality of products and services, using IT investments as leverage;

- maximising the value of the commercial bank, capitalising the potential of the retail customer base and exploiting the position of reference bank for corporate customers in Western Europe, further strengthening the leadership position in CEE and the generation of synergies between divisions and countries, taking advantage of the close connection between Corporate and Investment Banking and commercial bank activities; and

- the adoption of a lean governance model that is strongly directed at the coordination of activities, with the implementation of key performance indicators rolled out in the divisions and networks, streamlining support functions and the transparent allocation of costs between divisions.

13.1.4 Main General and Hypothetical Assumptions based on the 2016-2019 Strategic Plan

The 2016-2019 Strategic Plan is based on an analysis of the relevant economic situation developed by the Issuer by computing forecasts on the development of the economic situation and the financial brokerage sector, which have been properly adjusted for the context and environment in which the Group operates.

Macroeconomic scenario

The reference macroeconomic scenario was developed by management on the basis of the macroeconomic projections prepared by the economists in the Corporate and Investment Banking division, and includes contained economic growth in Western European countries[78], while growth is expected to be higher than average in Central and Eastern European countries[79].

[77] Source: calculation of the Issuer based on published financial statements.

[78] The item “Western European countries” includes the following countries: Italy, Germany and Austria.

[79] The item “Central and Eastern European countries” includes the following countries: Hungary, the Czech Republic, Slovakia, Slovenia, Romania, Bulgaria, Croatia, Bosnia, Serbia, Turkey and Russia. For the sake of completeness note that for the purpose of this chapter “Central and Eastern European countries” excludes Poland and Ukraine.

Growth and inflation

For the period 2015-2019 the projected average growth rate of the Gross Domestic Product (hereinafter also the "**GDP**") for the Eurozone and the CEE area is, respectively, 1.3% and 2.2%, essentially in line with a consensus that anticipates growth, respectively, of 1.4% and 2.1% at October 2016. With regard to Italy, note that the projected average growth rate of the GDP for 2015-2019 is 0.8%, lower than the average of Eurozone countries and in line with the consensus, while for the same period in Germany and Austria projected growth is 1.5%. Specifically, for 2017 growth of 2.2% is expected for the CEE area, 0.6% for Italy, 0.9% for Germany and 1.1% for Austria, while for 2016 growth is expected to be 0.9% for CEE, 0.9% for Italy, 1.7% for Germany, 1.5% for Austria.

Reference rates

The interest rate scenario includes a continued accommodating monetary policy by the ECB, albeit with a progressive reduction in the purchase of government bonds over the time frame of the plan, as announced by the ECB.

In line with the projections on growth and inflation, the projected increase in the ECB refinancing rate is consistent with the continuation of an accommodating monetary policy over the time frame of the Strategic Plan. These dynamics lead to a constantly negative projection over the time frame of the plan of the 3-month Euribor rate, albeit with moderate growth in recent years, which would take it from -35 basis points in 2016 and 2017 to -5 basis points at the end of 2019, with an average for the period of -24 basis points compared with a higher consensus of -13 basis points.

With reference to long-term interest rates, a prudential theory of persistence is adopted with a shallow rates curve, with the 10-year swap rate expected to increase moderately from 0.45% at the end of 2016 to 0.58% at 31 December 2017, to 0.74% at 31 December 2018 and to 0.9% at 31 December 2019 with an average of 67 basis points in the period compared with a consensus of 108 basis points[80].

Sector scenario

Deposits and loans

Assumptions on movements in loan and deposit aggregates were developed by the Issuer on the basis of the macroeconomic situation described in the paragraphs above.

Deposits at system level between 2015 and 2019 in the Western European countries in which the Group operates are expected to grow, at an average rate in Italy of 2.6%, in Germany of 2.9% and in Austria of 1.9%. For Central and Eastern European countries the scenario involves overall growth between 2015 and 2019 in deposits of approximately 7% per annum on average (in local currency) in line with expectations in 2016.

As far as the dynamics of loans are concerned, the scenario predicts moderate annual average growth in the period between 2015 and 2019 in the banking systems in Western Europe in which the Group operates, equal to 2% in Italy, 1.9% in Germany and 2.3% in Austria (and specifically 1.7%, 1.7% and 2.3% in 2017,

[80] As at 8 December 2016

respectively and 1.4%, 1.3%, 1.7% in 2016 respectively), in line with the expectation of a progressive recovery of the economy in the Eurozone. In general, the scenario expects the growth rate of loans to households to remain slightly higher than loans to businesses, consistent with the fact that the recovery is initially driven by the surge in domestic demand.

In Central and Eastern European countries growth forecasts for economic activities are higher than for Western European countries and the current difference with regard to the penetration of banking activities represent the main factors underlying more sustained growth in credit activities compared with Eurozone markets, albeit with elements of differentiation in the dynamics of the various countries.

Rates of return on deposits and loans were projected taking into account the expected growth in (short-, medium- and long-term) reference rates.

The expected development of the various components of assets under management and administration is consistent with the low level of interest rates, which facilitates a migration of volumes to assets under management. Between 2015 and 2019 the assets under management (AUM) in Italy is expected to increase by 6.8% (7.2% in 2016 and 2017) against a 2.3% (0.8% in 2016 and 2.6% in 2017).

Legislative and regulatory development

The prudential regulatory framework is constantly under development and many legislative developments are expected in the years to come. This paragraph lists the most significant new features that were taken into account over the multi-year development of the Plan. (For further information about the development of the individual regulations, see Chapter 6, Paragraph 6.1.8 of the Registration Document).

European Commission Proposal "CRD V".

On 23 November 2016 the European Commission published draft legislative proposals (known as "**CRD V**") that will update the CRR, CRD IV, BRRD and the SRM regulation.

The majority of the proposed changes should come into force from 2020 (the actual date depends on the time scales for completing the European legislative process). The main regulatory areas taken into account in the development of the 2016-2019 Strategic Plan are listed below.

TLAC/MREL

In November 2015, the Financial Stability Board (FSB) finalised the international standard that identifies the minimum amount of liabilities and own funds eligible for bail-in in the case of the withdrawal of systemically important banks ("**TLAC**", Total Loss Absorbing Capacity). The objective of the TLAC is to ensure that systemically important banks ("G-SII" banks like UniCredit) can absorb the losses following resolution and preserve or reconstruct the necessary capital to allow them to carry out their critical functions. It therefore involves an additional requirement to the minimum capital requirements demanded by the ECB. The CRD V proposal of the Commission includes the TLAC within the requirement already defined by European regulations and applicable to all banks, namely the minimum requirement for own funds and eligible liabilities for bail-in ("**MREL**").

From reading the text of this legislation it emerges that the UniCredit Group will be subject, from 1 January 2019, to a minimum requirement of 16% for risk-weighted assets, plus 3.5% for the Combined buffer requirement, resulting in a total TLAC requirement of 19.5%; 2.5% of the latter does not require subordination. It is likely that from 1 January 2020 the Commission will also propose the introduction of a leverage ratio calculated as the ratio between the Tier 1 capital and the total exposure, of at least 3%. In addition, the introduction of an additional buffer for G-SII systemically important banks is under discussion.

The multi-year Funding Plan was developed taking the new TLAC and MREL requirements as a reference and includes a plan of issues that will allow the UniCredit Group in 2019 to be well above these minimum requirements[81].

NSFR

As far as long-term liquidity risk is concerned, the Commission proposes the introduction of a liquidity structural equilibrium requirement: the Net Stable Funding Ratio ("**NSFR**"), calculated as the ratio between the amount of stable funding available and the mandatory amount of stable funding.

The 2016-2019 Strategic Plan was developed taking into account the introduction of the NSFR requirement and including short- and long-term liquidity buffers.

FRTB

For market risk (trading book exposures), the Commission is introducing the overall reform of the systems for calculating the capital requirements, following the work carried out by the Basel Committee, known as the Fundamental Review of the Trading Book ("**FRTB**"). The 2016-2019 Strategic Plan takes into account the possible increase in capital requirements connected with this reform from 2019 (the date it is expected to come into force before the publication of the "CRD V").

IFRS 9

Regulation (EU) No 2016/2067 of 22 November 2016 adopts International Financial Reporting Standard 9 ("**IFRS 9**"). The introduction of IFRS 9 involves significant changes for the banking sector with regard to provisions for possible losses resulting from credit exposures. The proposed CRD V described above includes the provisions to dilute the possible negative impact on regulatory capital resulting from IFRS 9 at the time of its initial adoption, which is expected to be in 2018, over a period of time.

The 2016-2019 Strategic Plan takes into account the negative impact on the CET1 ratio (equal to 34 basis points) of the introduction of IFRS 9 from 2018 (no considerations were made regarding the effect of the phase-in proposed in the "CRD V").

81 The evaluations relating to the minimum TLAC and MREL requirements refer to the first preliminary findings received from the Supervisory Authority.

Guidelines for estimating the PD and the LGD and for dealing with exposures at default

In November 2016, the EBA also published a consultation paper with regard to the revision of the estimation methods of the Probability of Default (PD) and Loss Given Default (LGD) indicators (EBA, consultation paper "Guidelines on PD estimation, LGD estimation and the treatment of default exposures", EBA/CP/2016/21, 14 November 2016), as well as on the treatment of non-performing loans. At the Registration Document Date this consultation is still in progress and the provisions of the final text are expected to apply from 1 January 2021, or sooner if the competent Supervisory Authority decides that this should be the case.

The consultation involves in-depth and detailed guidelines on the PD and LGD calculation models. At the Registration Document Date there is an ongoing consultation period during which operators can make observations to the EBA in response to the questions posed by the Supervisory Authority. In consideration of the questions drawn up by the EBA and the possibility for operators to draw up alternative proposals, at the Registration Document Date there is the risk that there could be further amendments to the final version of the guidelines compared with the text of the consultation paper.

At the Registration Document Date, in consideration of the complexity and extent of the amendment proposals drawn up in the EBA consultation paper and the differences between the various jurisdictions, it is not possible to accurately estimate the impacts resulting from the implementation of the guidelines described in the UniCredit Group consultation document (also taking into account the amendments that could be made to the final text of the guidelines).

With special reference to the more significant changes in the consultation paper, note that the following points have already been partly addressed in the preparation of the 2016-2019 Strategic Plan and Projected Data:

1) definition of long-term historical series in line with the new requirements and the introduction of a conservative factor to take into account adverse cyclical conditions in rates (a component of the LGD model);

2) inclusion in the LGD calculation model of open defaults and estimates of possible future recoveries;

3) potential regulatory non-compliance of credit consortia and private trustees.

The most significant changes, which are not taken into account in the preparation of the Strategic Plan and the Projected Data because the level of definition of the guidelines does not allow a sufficiently accurate quantitative estimate at the date this document was prepared, are indicated below instead:

4) inclusion of the unexpected losses component in the LGD for default loans;

5) introduction of a fixed discount margin of 5% for the calculation of the economic LGD;

6) inclusion of all default interest not paid on exposures and losses;

7) different methods for managing loans after the confirmed default of an exposure;

8) reduction of the time scale for the development of the "non-performing" LGD.

With regard to the main changes highlighted above, note that the major impacts on the Italian loan portfolio of the UniCredit Group could result from the proposed changes relating to: (i) the inclusion in the LGD calculation model of the open defaults and possible future recovery estimates; and (ii) the inclusion of the unexpected component of LGD losses for default loans. The inclusion of open defaults and estimates of possible future recoveries in the LGD calculation model pursuant to point 2) above could also have an impact on other entities of the UniCredit Group, while points 4) to 7) should impact on all Group companies.

Also note that the impact in terms of capital absorption expected in 2021 (the date of entry into force anticipated by the ECB) will not depend exclusively on the final text of the guidelines, but also on the projected economic development until 2020 which should be incorporated in the updating of the risk model parameters. This potential impact should also be considered in the light of any transitional periods (and how long they may be) for the adoption of the revised standards.

In addition, the effects should manifest themselves beyond the time scale of the Strategic Plan and, therefore, they are not indicated in it. In addition, the potential impact could be covered by the generation of organic capital planned for the end of the period of the Strategic Plan, also taking into account the dividends policy indicated therein.

For the sake of completeness, it should be noted that the Forecast Data relating to the capital requirements do not take account of the impacts arising from the introduction of the Basel 4 rules, whose entry into force - also taking account of the cancellation of the GHOS meeting ("*Group of Governors and Heads of Supervision*"), which was due to be held on 8 January 2017 - is envisaged after the horizon of the 2016-2019 Strategic Plan.

13.1.5 Main Discretionary Assumptions based on the 2016-2019 Strategic Plan

The Projected Data, as already mentioned, are based on assumptions relating to the effects of specific actions or concerning future events that can be influenced by the directors, which also include assumptions of a hypothetical nature that are not completely under the control of the latter and which could therefore not come to fruition during the period of the Strategic Plan; this would lead to differences, including significant ones, in relation to the forecasts underlying the 2016-2019 Strategic Plan.

Specifically, the 2016-2019 Strategic Plan focuses on the following key action areas:

- significant strengthening and optimisation of the capital structure;
- proactive reduction of the risk of balance sheet assets, resolving the issues connected to the Italian loan portfolio (a legacy of the credit underwriting activity going back to the years before the financial crisis) and improvement of the quality of new loans;
- transformation of the operating model;
- maximisation of the value of the commercial bank; and
- adoption of a lean governance model which is strongly directed at the coordination of activities.

Significant strengthening and optimisation of the capital structure

The 2016-2019 Strategic Plan proposes to significantly strengthen the Group's capital structure, increasing the capital ratios so that they are in line with the best G-SIIs.

The key management actions aimed at strengthening capital that are included in the 2016-2019 Strategic Plan entail the following, as from the *CET1 ratio* (*fully loaded*) of 10.82% as at 30 September 2016:

- a rights issue of up to a maximum of €13 billion, corresponding to a CET1 ratio increase for UniCredit of 345 basis points[82], approved by the Extraordinary Shareholders' Meeting on 12 January 2017 and entirely guaranteed by a consortium made up of leading international banks that have signed a pre-underwriting agreement. Pursuant to this agreement the banks are obliged – subject to conditions in line with market practices for similar transactions – to sign an underwriting agreement for the subscription of any new shares not subscribed at the end of the auction for rights not taken up;

- the completion of the M&A Asset Sale Transactions[83], which are expected to contribute overall to the strengthening of the CET1 ratio by 168 basis points[84], broken down as follows: 12 basis points for the sale of 20% of FinecoBank; 6 basis points for the sale of PJSC Ukrstosbank; 58 basis points for the sale of the stakeholding in Bank Pekao; 91 basis points for the sale of the Pioneer assets; 1 basis point for the sale of Immo Holding. In particular, 150 basis points relate to the M&A Asset Sale Transactions in course of Execution and 18 basis points relate to the M&A Asset Sale Transactions Completed;
- no payment of dividends for 2016. The 2016-2019 Strategic Plan includes an implicit pay-out of 20% in the period 2017-2019. On the basis of the actual Group results that will be achieved in the years of the plan the said pay-out ratio may be increased up to 50%, without prejudice to the necessary approval of the resolutions by the Ordinary Shareholders' Meetings. Also note that the pay-out ratio is calculated on the net profit of the Group reduced for the extraordinary contribution of the M&A Asset Sale Transactions.

The assumptions relating to the Share Capital Increase and to the completion of the M&A Asset Sale Transactions are hypothetical in nature because they are partly out of the control of the Issuer and presume the completion of the transactions in accordance with the time scales and conditions provided for the purpose of the preparation of the 2016-2019 Strategic Plan. There are no extraordinary transactions in the Plan aimed at capital strengthening other than those described above.

For a detailed description of the M&A Asset Sale Transactions, please see Chapter 20.2.

As described above, the strengthening of the capital structure of the UniCredit Group will become necessary not only to improve the Group's capital ratios, but even to offset the negative impact on them resulting from:

- the execution of the "Fino Project", which is designed to accelerate the reduction of the non-core loan portfolio classified as impaired (for a total amount of approximately €17.7 billion) through a market

[82] Calculated on the basis of the pro forma weighted assets at 30 September 2016.

[83] Having excluded the sale of the first 10% of Fineco Bank, whose contribution to the capital was already included in the figures as at 30 September 2016.

[84] Calculated on the basis of the pro forma weighted assets at 30 September 2016.

transaction. In this regard as at the Date of the Registration Document, the Issuer has signed two separate framework agreements, respectively with FIG LLC, an affiliate company of the Fortress Investment Group LLC (as later amended) and LVS III SPE I LP, a subsidiary of PIMCO BRAVO Fund III, L.P. (each a "**Framework Agreement**"). The "Fino Project" is expected to be implemented in two phases, pursuant to each Framework Agreement:

(i) firstly, the securitization of the portfolio and the subscription by third-party investors of 50.1% of each class of ABS securities (the "**Notes**") issued by the special purpose vehicle ("**SPV**" or "**Vehicle**") by the first half of 2017 (the remaining 49.9% of the Notes will be subscribed by UniCredit). Specifically, the payment of the consideration by each SPV to UniCredit for the sale of the portfolio will be regulated by the SPV in part at the issue date of the Notes (a) through offsetting with the amount due from UniCredit to the SPV by way of the subscription price of the Notes on behalf of UniCredit, (b) in cash through the funds received by the third-party investors by way of payment of a portion of the subscription price of the Notes subscribed by said investors and (ci) through the sale in place of UniCredit's compliance with the receivable due from the Vehicle with regard to third-party investors by way of deferred payment of the portion of the subscription price of the Notes subscribed by said investors not paid in cash to the SPV on the completion of the securitization;

(ii) Later, through, inter alia: (a) a progressive transfer, also to third-party investors, by UniCredit, of Notes subscribed by it, in compliance with the requirements of the maintenance of a net economic interest in securitisation transactions identified by each Framework Agreement; and (b) the optimization of the financial structure of the Notes issued in the context of the "phase 1", including the possible obtaining of guarantee on securitisations of defaults ("**GACS**") by MEF.

Under the scope of the "Fino Project", the coverage ratio of the said portfolio has been increased to a level consistent with the price indicated for the portfolios in the respective Framework Agreement concluded with the selected investors chosen by UniCredit in the first of the above-mentioned sale stages. The assumption relating to the "Fino Project" is hypothetical in nature;

- the execution of the "Porto Project" by increasing the coverage ratio on impaired loans and unlikely-to-pay loans in the Italian loans portfolio, both in the Commercial Banking Italy segment and the non-core segment following the changes in the estimates, in turn resulting from the changed management approach to non-performing loans adopted in December 2016 by the Issuer and other Italian Group companies, with the intention of:

  - proceeding more quickly and efficiently with the streamlining of positions through management that favours the prompt collection and/or the demobilisation of the same;

  - expressing the possibility of recovering said non-performing loans taking into account the most recent estimates with regard to the presumed realisable value of assets also in consideration of the related guarantees;

- mainly as a result of the realisation of the Fino and Porto projects, there are net adjustments to the credits of 8.1 billion at the end of 2016. These net adjustments also include the impact of the corrective measures relating the inspection carried out by the Regulatory Authority into leasing activities;

- from the point of view of capital, also assuming the completion of the second phase of the project mentioned above, the overall impact on the CET1 ratio generated by the specific credit adjustments resulting from the increasing of the coverage ratio on the portfolio sold under the scope of the Fino Project, equal to €3.6 billion and the reduction of the capital requirements following the sale is equal to approximately 99 basis points[85]. Similarly, the impact on the CET1 ratio resulting from the specific adjustments to the credits resulting from the increasing of the coverage ratio on impaired loans and on unlikely-to-pay loans in the remainder of the non-core portfolio and the Italian loans portfolio under the scope of the Porto Project, is equal to approximately 124 basis points[86]. The overall capital impact on net loan adjustments mainly related to the Fino and Porto projects is thus equal to 223 basis points[87].

- the incurring of integration costs totalling approximately €1.7 billion (excluding tax effects), equal to approximately 46 basis points[88] on the CET1 ratio, aimed at funding the exit from the Group of approximately 5,600 FTEs through a combination of early retirement and incentivised departure plans. The reduction of 5,600 FTEs is part of a wider reduction of the Group's workforce of 14,200 FTEs, of which 7,700 refer to the previous plan and 6,500 refer to the new plan. Specifically, the exits of 6,500 FTEs referred to the new plan, include the aforementioned 5,600 FTEs related to integration costs, 800 FTEs related to the "*Bank Austria Reloaded*" project, already previously financed and about 100 FTEs as the combined effect of closures of certain companies and new projections of net recruitment in the period 2015-2019; such recruitment has a hypothetical nature. In Germany and Austria an agreement has already been reached with the representatives of employees ("*Workers' Council*"), while in Italy the contractual procedure with the trade union is in progress in order to reach mutually beneficial solutions within the first days of February. The Issuer considers to be able to arrive at a socially responsible and constructive agreement with the syndicate, but in the event of failure to reach an agreement it reserves the right to use the instruments provided for by the workforce reduction law (collective dismissals under 223/91), activating at the same time alternative and unilateral measures for reduction of structural costs. In such a case the ratio between costs and benefits expected in the Strategic Plan with regard to the policy of pre-retirement and early exit would remain substantially unchanged;

- several write-downs on balance sheet asset items and provisions for risks and charges for a total amount of €1 billion, net of €0.4 billion of profits from the sale of credit card processing activities and mainly related to write-downs of equity investments and financial assets (€0.6 billion), provisions for risks and charges (€0.4 billion), as well as write-downs relating to IT outsourcing contracts (€0.4 billion) with an impact of approximately 30 basis points[89] on the CET1 ratio of UniCredit.

[85] Calculated on the basis of the weighted assets at 30 September 2016 reconstructed for the M&A Transactions.

[86] Calculated on the basis of the weighted assets at 30 September 2016 reconstructed for the M&A Transactions.

[87] Calculated on the basis of the weighted assets at 30 September 2016 reconstructed for the M&A Transactions.

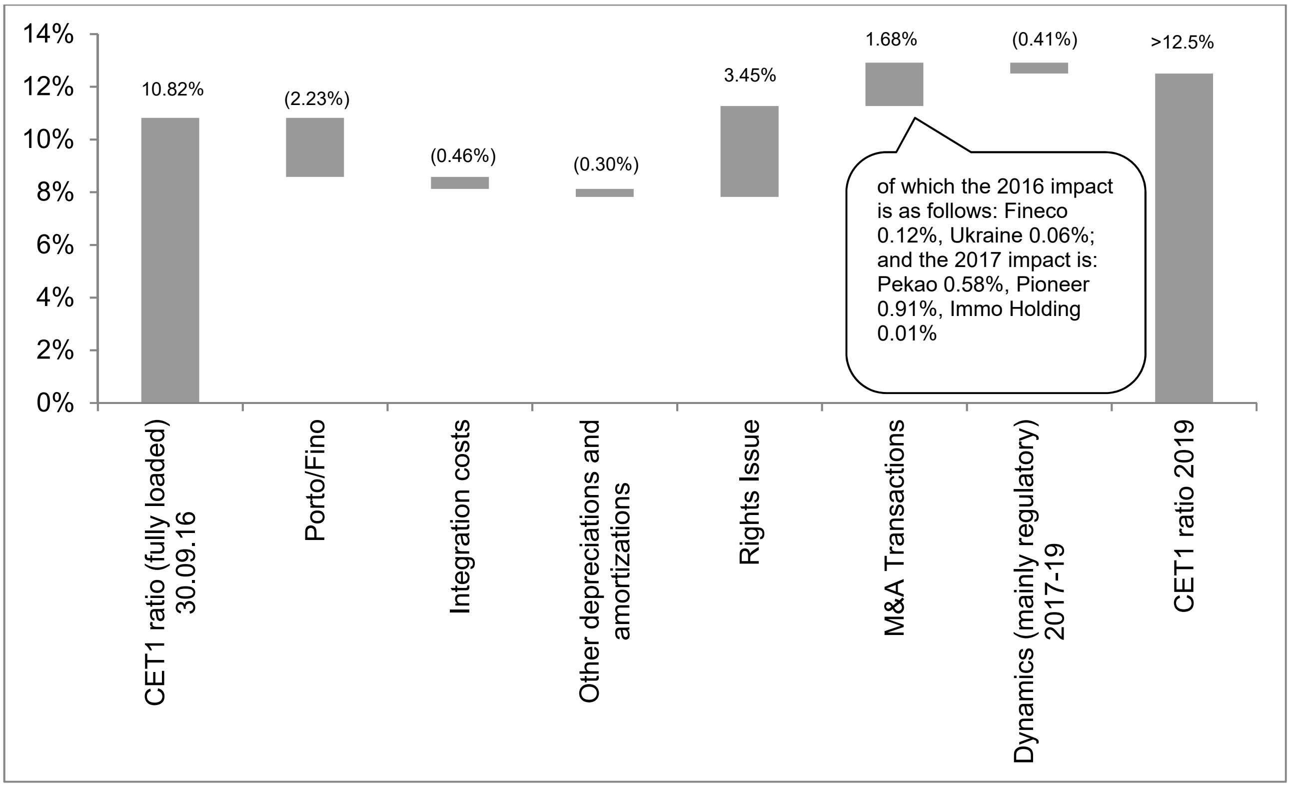
[88] Calculated on the basis of the weighted assets at 30 September 2016 reconstructed for the M&A Transactions.

[89] Ibidem

- an expected reduction of the CET1 ratio of approximately 41 basis points due to different impacts, mainly cause by phenomena of a regulatory nature, expected for the period 2017-19

As a result of the actions identified and the dynamics of the capital provided for the period 2017-2019, the CET1 *ratio* is expected to grow to more than 12.5% at the end of 2019.

Construction of the forecast of CET1 ratio at 2019 on the basis of the sources and uses of the Issuer's capital



Therefore, by effect of these negative impacts being chronologically out of phase with the Capital Increase and the M&A Transactions in course of Execution, the capital ratios (phase in) of the Issuer as at 31 December 2016 are forecast to be around 8% of CET1 capital ratio, 9% of tier1 capital ratio and 11.5% of Total capital ratio.

Therefore, as at 31 December 2016, only the capital ratio relating to CET1 [90] was not respected by approximately 2 percentage points[91].

[90] CET1 capital ratio refers to the "SREP requirements including the Countercyclical and G-SII buffers" amounting to 10.005%.

[91] This negative discrepancy is attributable entirely to not conforming to the Combined buffer (Capital conservation, Countercyclical capital and G-SII) of 2.755%.

However, with reference to the applicable capital requirements with effect from 1 January 2017, it is anticipated that the following will not be met temporarily:

- o the "OCR Requirements"[92]:
  - the CET1 capital ratio (8.755%) by approximately 1 percentage point;
  - the Tier1 capital ratio (10.255%) by approximately 1.5 percentage points;
  - the Total capital ratio (12.255%) by approximately 1 percentage point;
- o the OCR Requirements + Pillar 2 capital guidance (applicable only with reference to CET1 capital ratio):
  - the CET1 capital ratio (10.005%) by approximately 2 percentage points[93];

Failure to meet the CET1 capital ratio as at 31 December 2016 and the applicable OCR Requirements with effect from 1 January 2016 brings about, according to the applicable regulations:

- immediate reporting (starting from the verification date) to the regulatory authority (ECB), with a capital conservation plan for reinstating the capital requirements; and
- impossibility of the following:
  - o distributing primary class 1 capital (dividends);
  - o making payments on additional class 1 capital instruments (Additional tier 1) and making payments or taking on obligation for payment of variable remunerations or discretionary pension benefits, in an amount exceeding the Maximum Distributable Amount (MDA).

On this issue, we report that the completion of the Capital Increase (which had a positive impact on the CET1 ratio of around 3.5%[94], ref. Chapter 13, Paragraph 13.1.5 of the Registration Document) was enough in itself to reinstate compliance with all of the above requirements, while the M&A Transactions in course of Execution (which had a positive estimated impact on the CET1 ratio around 1.5%[95], ref. Chapter 13, Paragraph 13.1.5 of the Registration Document) were not sufficient to reinstate the requirements of the OCR Requirements + Pillar 2 capital guidance for the CET1 capital ratio, a negative discrepancy below requirement, referred to above, of approximately 2 percentage points and (ii) would not alone be sufficient to reinstate the OCR Requirements applicable from 1 January 2017 for the tier 1 capital ratio, whose negative discrepancy below requirements, referred to above, was approximately 1.5 percentage points (while they would have been sufficient to reinstate the OCR Requirement for the CET1 capital ratio and for the Total capital ratio[96], whose negative discrepancy

[92] The negative discrepancies are attributable entirely to not conforming to the Combined buffer (Capital conservation, Countercyclical capital and G-SII) of 1.755%.

[93] This negative difference is attributable for around 1 percentage point to the non compliance of the Pillar 2 capital guidance (which is equal to 1.25%) and for around 1 percentage point to the non compliance of the Combined buffer (Capital conservation, Countercylical capital and GSII) which is 1.755%.

[94] Note that this impact was established using the same database used to calculate the differences in terms of capital *ratios* as at 31 December 2016 and applicable from 1 January 2017

[95] Note that this impact was established using the same database used to calculate the differences in terms of capital *ratios* as at 31 December 2016 and applicable from 1 January 2017

[96] Note that, in spite of the Tier 1 capital ratio not being met following the M&A Transactions, the Total capital ratio would however have been met by effect of the additional capital instruments (Tier 2 instruments) issued by the Issuer.

below requirements was approximately 1 percentage point). It follows that the corresponding impacts calculated on the pro forma figures were intended purely for illustration purposes.

The capital strengthening actions in the Strategic Plan are consistent, among other things, with the measures identified to remedy the problems identified during the inspection conducted by the ECB with regard to "Capital position calculation accuracy" ("Common Equity calculation method") into the Group.

With reference to the funding of the balance sheet assets and the management of liquidity, the 2016-2019 Strategic Plan involves full compliance with the Liquidity Coverage Ratios (LCR, short-term liquidity indicator) and NSFR and the maintaining of adequate buffers, as well as reaching a TLAC of 23% (compared with the total TALC requirement for UniCredit of 19.5%, of which 2.5% does not require subordination). In this regard the Strategic Plan involves the implementation of a funding plan in 2017-2019 of €78.7 billion, which breaks down as follows:

- the placement of €22.9 billion of valid instruments for compliance with TLAC requirements;
- the placement of €14.1 billion of senior bonds;
- the placement of €20 billion of covered bonds;
- the realisation of €8.2 billion of funding from supranational bodies;
- the realisation of €10.1 billion of medium-/long-term funding;
- the placement of additional Tier 1 capital instruments on the institutional market for a cumulative amount in the period 2017-2019 equal to approximately €3.5 billion;
- the continued use of the TLTRO programme promoted by the ECB, with the progressive repayment of the amounts used from 2020.

The assumptions relating to the above-mentioned placements are hypothetical in nature, because they presume their completion in accordance with the time scales and conditions laid down for the purpose of preparing the 2016-2019 Strategic Plan.

The management of infra-group liquidity will be facilitated by the new structure of the Group resulting from the transfer of Group activities in Central and Eastern Europe from UCB Austria to the Issuer, which has led the UniCredit Group to directly control the major banks of the Group. The 2016-2019 Strategic Plan factors a cumulative distribution of dividends by Group companies to the Issuer of €4.1 billion in 2017 (in respect of the 2016 profits), including an extraordinary distribution of dividends by UCB AG of €3 billion, and equal to €1.7 billion in 2019.

Lastly, as far as the (fully loaded) leverage ratio is concerned, the projected development in the 2016-2019 Strategic Plan assumes growth from 4.5% in 2015 to 5.6% in 2019.

Proactive reduction of the risk of balance sheet assets and improvement of the quality of new loans

The strengthening of the UniCredit Group's capital structure will also take place following the implementation of the actions aimed at improving the quality of the balance sheet assets, which include the execution of the Fino Project and the Porto Project described above.

As mentioned previously, the above-mentioned initiatives will involve the posting of adjustments on the loans for a total amount of approximately €8.1 billion, of which approximately €7.2 billion relates to the portfolio of impaired loans and unlikely-to-pay loans, considered non-core, in order to reduce their size and realise the Fino Project, and approximately €0.9 billion relates to the core portfolio[97].

The performance of the net adjustments and those resulting from the cost of risk is affected by the trend anticipated for Italy, which benefits from the actions aimed at increasing the coverage ratio on non-performing loans and reducing the weighting of the latter on balance sheet assets.

As a result of the expected dynamics of the loans portfolio (average Group default rate[98] expected to fall from 2.1% in 2015 to 1.3% in 2019), the proactive management of non-performing loans, as well as the actions aimed at reducing the risk of balance sheet assets mentioned above, the stock of gross non-performing loans at Group level is expected to reduce materially in the period 2015-2019 by approximately €33.5 billion, going from €77.8 billion in 2015 to €44.3 billion in 2019[99]. Similarly, the stock of net impaired loans will fall in the period 2015-2019 by €10.0 billion to €20.2 billion. Conversely, gross loans are expected to increase from €487.3 billion in 2015 to €525.9 billion in 2019.

This development is consistent with a reduction in the ratio between gross non-performing loans and total gross loans from 16.0% at the end of 2015 (15.1% at 30 September 2016) to 8.4% at the end of 2019, with a weighting of impaired loans, unlikely-to-pay loans and past-due unpaid loans falling from 10.2%, 5.2% and 0.5% at the end of 2015 to 5.4%, 2.7% and 0.3%, respectively, at the end of 2019. The coverage ratio on non-performing loans, on the other hand, is expected to go from 61.2% at the end of 2015 (63% at 30 September 2016) to over 54% at the end of 2017 and the end of 2019. With regard to impaired loans, unlikely-to-pay loans and past-due unpaid loans, the respective coverage ratios are expected to go from 73.7% at the end of 2015 (74.5% as at 30 September 2016) to over 63% at the end of 2019, from 40.3% at the end of 2015 (40.8% at 30 September 2016) to over 38% at the end of 2019 and from 27.0% at the end of 2015 (28.2% at 30 September 2016) to over 26% at the end of 2019.

With regard to the exposure in non-performing loans, the gross stock of the non-core sector is expected to fall by €52.0 billion at 31 December 2015 (€49.7 billion as at 30 September 2016) to €19.2 billion at the end of 2019, while net non-performing loans are expected to fall from €17.5 billion at 31 December 2015 (€15.8 billion as at 30 September 2016) to €8.1 billion at the end of 2019. These dynamics are consistent with the development of the coverage ratio on non-performing loans from 66.3% at 31 December 2015 (68.2% as at 30 September 2016) to over 57% in 2019. With regard to the details of non-performing loans, the coverage ratio of impaired loans is expected to go from 76.5% at 31 December 2015 (77.1% as at 30 September 2016) to over

[97] Core refers to the entire Group excluding the non-core division as reported in Chapter 6, Paragraph 6.1.2 of the Registration Document

[98] Default Gross Flows for the year (t)/ performing portfolio in the period (t-1)

[99] All indicators relating to 2015 and 30 September 2016 in this section refer to the pro-forma data as presented in Chapter 20.2.

63% at the end of 2019, while the coverage ratio for unlikely-to-pay loans is expected to go from 41.2% at 31 December 2015 (42.8% as at 30 September 2016) to over 38% at the end of 2019.

In parallel, the dynamics of the quality of the Group's loan portfolio excluding the non-core sector is expected to show a distinct improvement, with a fall in the ratio of gross non-performing loans and total gross loans from 6.1% at the end of 2015 (5.7% as at 30 September 2016) to 5.0% at the end of 2019, with the coverage ratio expected to remain essentially stable from 51.0% at the end of 2015 (52.9%) to over 51% at the end of 2019. With reference to distribution by class of risk, weighting of impaired loans, unlikely-to-pay loans and past-due unpaid loans, they are expected to fall from 2.9%, 2.8% and 0.4% at the end of 2015 to 2.7%, 2.0% and 0.3%, respectively, at the end of 2019. The dynamics of the cost of risk on the same portfolio is expected to fall, by 79 basis points in 2015 (63 basis points as at 30 September 2016) to 43 basis points in 2019.

The assumptions relating to the expected dynamics of the portfolio and the quality of credit are hypothetical in nature, because they presume the completion of the actions on the loans portfolio in accordance with the time scales and conditions laid down for the purpose of preparing the 2016-2019 Strategic Plan.

Transformation of the operating model

The transformation of the operating model of the Group aims to improve the efficiency of activities, on the one side reducing the cost of services to customers and on the other side freeing resources for investment and guaranteeing high-quality services, leveraging the digitalisation of processes to facilitate this transformation.

The main actions related to the transformation of the operating model include:

- **the transformation of the operating model to a lower cost and sustainable structure**, through the total redesigning and streamlining of the processes and the reduction of the ordinary management costs of banking activities, leveraging the presence of global production centres and the development of management economies of scale;

- **the increase in the focus on customers**, through close attention to customer experience, the standardisation of products and the increase in the weighting of interaction activities with customers, albeit in a context of a general reduction of FTEs;

- **investment to support the transformation of the business and strengthen the IT infrastructure**, through digitalisation initiatives, the technological development of core systems and the constant updating of the infrastructure to guarantee compliance with regulatory requirements.

The transformation of the Group's operating model is expected to allow a significant reduction of FTEs, and as a result of personnel costs and other operating costs. The cost base is expected to fall by approximately €1.7 billion in the period 2015-2019, from €12.2 billion in 2015 to €10.6 billion in 2019, of which €1.1 billion relates to personnel costs, thanks also to a reduction of approximately 14,000 net FTEs (of which approximately 6,500 are in addition to those already set out in the previous business plan) and to the closing of around 944 retail branches in Western Europe. The transformation will also be made possible by the realisation of IT investments in the years 2017, 2018 and 2019 of a total of approximately €1.6 billion[100].

The savings of €1.7 billion planned in the period 2015-2019 represent an increase of approximately €900 million compared with the previous business plan, approved on 11 November 2015. In terms of time progression, 34% of the savings are planned for 2017 and 77% for 2018.

Specifically, personnel costs are expected to fall from €7.5 billion in 2015 to €6.4 billion in 2019, while other operating costs are expected to fall from €4.8 billion in 2015 to €4.2 billion in 2019. In terms of geographical breakdown, the weighting of costs on the Group total will increase in Central and Eastern Europe, from 12% in 2015 to 16% in 2019, with a consequent reduction in Western Europe.

The expected €1.1 billion reduction in personnel costs in the period 2015-2019 is the combined effect of gross savings of €1.5 billion and "inertial" growth of €0.4 billion, linked specifically to the increase in salaries also as a result of national employment contracts.

The exits for restructuring are a result of the organisational efficiencies planned in the three-year period 2017-2019 in Italy, Germany and Austria. Following these organisational efficiencies, the Group intends to incentivise the departure of approximately a further 5,600 FTEs compared with the business plan announced in November 2015 (included in the Austrian plan – "BA reloaded" – defined in December 2015, for which the related restructuring costs have already been accounted). To fund the incentivised departure, the Group intends to incur approximately €1.7 billion (net of tax effects) in restructuring costs, which will be reflected in the financial statements for the year ended 31 December 2016. The incentive plans vary according to the regulatory frameworks and industrial relations. In Italy it is usual to negotiate the restructuring plan with trade union representatives. For this reason the details of the plan cannot be announced in advance. Previous plans have, until now, used early retirement or if possible direct recipients, with the cost borne by the company. Various methods were followed for senior managers, given the specific nature of the contracts. In Germany and Austria the restructuring and incentivised departure plans are agreed with workers' councils. In general, these departures are not limited to certain age groups, but are confined to specific areas that are the subject of restructuring. For the plan in question, the further departures planned in Austria come under the plan already agreed in December 2015. In Germany, UniCredit is in advanced discussions with the workers' council to achieve the plan target.

In line with the defined action of the Plan and the goal of increasing the focus on customers, the planned reduction of FTEs will mainly relate to support and operating activities, with the related FTEs expected to fall by 19% in the period 2015-2019, while FTEs involved in business activities are only expected to fall by 12% in the same period. The percentage reduction of FTEs is, on the other hand, focused on Western Europe, but essentially homogeneous by geographical breakdown: -21% in Italy, -21% in Germany and -19% in Austria in the period 2015-2019.

[100] Excluding regulatory IT investments, namely those resulting from the need to adapt to new and/or changed regulatory requirements, equal to a cumulative total of €0.6 billion in the period.

As far as other operating costs are concerned, the growing automation of processes will lead to the weighting of IT costs on the total increasing from 35% to 37%, with a reduction in the weighting of property costs from 26% to 25% and other costs from 39% to 38% between 2015 and 2019.

With reference to the distribution network, the number of retail branches is expected to fall by 944 in the period 2015-2019 in Western Europe, from 3,809 to 2,865, a 25% reduction. In addition to the reduction in branches, management costs of properties are expected to fall by €165 million in the period 2015-2019 also as a result of the optimisation of central structures, with a reduction in square metres per employee from approximately 18 in 2015 to approximately 12 in 2019.

The actions underlying the reduction in operating costs are also made possible by the realisation of significant IT investments in the years 2017, 2018 and 2019 of a total of approximately €1.6 billion[101], which break down as follows: €0.6 billion in 2017, €0.5 billion in 2018 and €0.5 billion in 2019.

The assumptions relating to the performance of costs and related operating indicators are hypothetical in nature, because they presume the completion of the efficiency actions on the structure in accordance with the time scales and conditions laid down for the purpose of preparing the 2016-2019 Strategic Plan.

Maximisation of the value of the commercial bank

The 2016-2019 Strategic Plan aims to maximise the value associated with the commercial bank model of UniCredit and its strong positioning in numerous European markets, also leveraging the corporate & investment banking activities and developing synergies between divisions and countries.

UniCredit has set four priorities for this purpose:

- the development of the commercial banking model in Italy, Germany and Austria;
- the further strengthening of the leadership position in the CEE area;
- the continued management of the Corporate and Investment Banking business efficiently and in close connection with commercial banking activities;
- the strengthening of cross-selling between different divisions and countries.

As far as the development of the commercial bank model in Western Europe is concerned, UniCredit can boast a positive experience in the restructuring of its commercial bank divisions.

In Germany, the restructuring programme of the retail business was completed and led to the closing of 234 branches, with a 41% reduction in branches in the period 2013-2015, also involving a 15% reduction in FTEs, allowing the business to be refocused on affluent customers. In Austria, the programme is in the process of being implemented and has already led to the closure of 78 branches, with a 31% reduction in the period 2013-2015, also with a 9% reduction in FTEs, thanks to the focus on high band consultancy and the migration to alternative channels, as well as a 40% reduction of organisational units at the head office in the period 2015-

[101] Excluding regulatory IT investments, namely those resulting from the need to adapt to new and/or changed regulatory requirements, equal to a cumulative total of €0.6 billion in the period.

9M 2016. The programme is being launched in Italy and involves the streamlining and simplification of the business model, the 360-degree redesigning of processes and the development of the service model, with a reduction of approximately 21% in FTEs and the closing of 883 branches, a 27% reduction. Specifically, the closure of 222 branches has been completed, with a 6% reduction in the period 2013-2015, equal in total to 24% if the period 2008-2015 is taken into consideration, as well as a 2% reduction of FTEs in the period 2013-2015, equal in total to 9% if the period 2008-2015 is taken into consideration, and 88% of transactions were carried out remotely in 2015.

The commercial bank model development initiatives follow several shared strategic guidelines:

- the strengthening of the leadership position in asset gathering, by increasing the managed component of customer financial assets, boosted by the macroeconomic context with negative rates, cross-selling to corporate customers, the strengthening of advisory processes and product innovation. These actions are expected to cause a rise in net investment fees and commissions of almost 0.5 billion between 2015 and 2019, mainly supported by management fees (0.4 billion). Overall, the commissions on asset management products are expected to increase with a CAGR of 4.9% between 2015 and 2019, thanks to the expected increase in the volumes of assets under management (a hypothetical assumption). In turn, the volumes of the managed assets are expected to increase due to the combined effect of the growth of the financial assets held by customers (CAGR of 2.5% between 2015 and 2019, in line with the forecasts for the market) and the weight of the managed assets as part of total financial assets is expected to grow from 24% to 30%, in line with the market forecasts and thanks to the support of the identified plan actions, such as: the partnership with Amundi in the field of managed assets, with enlargement of the range of the offer and the entry into force of the new service model in the top segment of private banking in Italy, with the establishment of Cordusio SIM; the strengthening of synergies between the corporate and private banking segments; implementation of "robo advisory" models supporting managers in the consulting activity. The expected growth of assets under management is in line with the significant growth noted in recent years: CAGR of 10% between 2013 and 2016;

- the further development of consumer finance, through the introduction of pre-approved account overdrafts, the development of salary-backed loan products in Italy and cross-selling initiatives to corporate clients and small businesses (an assumption of a hypothetical nature);

- the confirmation of the competitive advantage in the small business segment, through the creation of dedicated small business centres and the introduction of remote interaction mechanisms for small customers, also developing the commercial synergies between the merchant bank and affluent and private sectors as well as the synergies between the same two segments (an assumption of a hypothetical nature);

- leveraging the position of reference bank for local corporate customers and for the best SME customers. The purpose is to increase the share of business carried out with customers with fewer transactions and in regions where activities are below the "natural" market share, focusing customer relationship management activities on the overall relationship to direct offers of services and products, at the same time maintaining strong control over risks (an assumption of a hypothetical nature); and

- strengthening the planning of activities with customers and the identification of opportunities to "bring the entire bank to customers", developing an approach to customers with the specialisation of the offering and the innovation of the product range, leveraging the Group's global offering (an assumption of a hypothetical nature).

From the operations described above, the net commissions were anticipated to grow in total by 2% a year from 2015 to 2019, as resulting from the weighted average of the following dynamics of the underlying components: net commissions and investment services (which include, inter alia, net commissions from investment management mentioned above) +4.5%, net commissions from financial services -0.8%, net commissions from banking services and transactions +1.3%.

With regard to activities in the CEE area, the maximisation of the value of the commercial bank is based on the combination of innovation and efficiency. The 2016-2019 Strategic Plan aims to organically increase the customer base in Central and Eastern Europe, not, however, ruling out selective portfolio acquisitions (an assumption of a hypothetical nature). In Central and Eastern Europe too specific investments are being made to exploit the database and related analysis potential to support marketing activities, developing the digitalisation of processes. As a result, the net number of customers in the region is expected to grow by 2.6 million[102] units in the period of the plan. Synergies between countries and cross divisional synergies will be strengthened further, balancing the focus on European countries with careful management of activities in Russia and Turkey to confirm a prudent risk profile of the business portfolio (an assumption of a hypothetical nature).

In addition, the 2016-2019 Strategic Plan of the Corporate & Investment Banking division leverages its strong integration with commercial banking activities, also through forms of joint ventures for offering Corporate and Investment Banking services to corporate and retail customers. As far as the main product areas are concerned, the operating model for the Markets area will be simplified, while the aim will be to consolidate areas of excellence, strengthening the leadership position in Global Transaction Banking, leveraging the Group's international customer base and developing separate activities in the Markets area to encourage corporate customers and financial institutions. In line with the 2016-2019 Strategic Plan, the initiatives of the Corporate and Investment Banking Division also include the optimisation of operating costs and close attention to the management of risk and the quality of new loans.

Lastly, albeit in the context of very contained growth in revenues over the time frame of the plan, UniCredit intends to further develop the synergies resulting from the integration of the activities of the Corporate & Investment Banking division and those of the commercial bank, from the offering of services to the corporate and retail segments and private banking, and the presence of an extended network of branches covering numerous European and global markets.

Specifically, the related initiatives that are expected to allow the percentage weighting of cross-selling revenues to be increased include:

- synergies between the Corporate and Investment Banking Division and commercial banks: a new coordination mechanism and the definition of joint objectives. In this regard, the revenues from cross-

[102] Including Turkey 100%

selling are expected to be €3.2 billion in 2019, a rise of €363 million in the period 2015-2019 (an assumption of a hypothetical nature);

- synergies between corporate and retail/private segments: the joint acquisition of customers, with reporting between the various channels and the composition of unique points of entry for customers with regard to the entire bank;
- support to international customers: the constant mapping of customers present in several markets, also through reporting activities and the integration of international centres, will make it possible to offer these customers a 360-degree integrated service; and
- constant sharing of best practices between the various divisions and markets.

It is expected that the Group's focus on the digitalisation of processes and the development of remote channels will make it possible to reach approximately 13.8 million online active customers in 2019, starting from a figure of approximately 8.5 million in 2015 (2015-2019 CAGR: +13%). Similarly, active customers on mobile devices are expected to increase by approximately 3.6 million in 2015 to approximately 10.7 million in 2019 (2015-2019 CAGR: +32%) (an assumption of a hypothetical nature).

Through the combined effect of the expected growth of the market and the commercial actions defined, the 2016-2019 Strategic Plan involves a moderate growth in volumes, in line with the macroeconomic framework underlying the Plan, with loans to customers expected to increase to a CAGR of 2.8% in the period 2015-2019. The Strategic Plan pays special attention to asset gathering activities, with the financial assets of customers expected to grow by approximately €80 billion in the period 2015-2019, from €776 billion in 2015 to €856 billion in 2019, with a CAGR of 2.5% in the period.

As far as risk-weighted activities (RWA) are concerned, the expected growth in the period between 30 September 2016 and 31 December 2019 is mainly attributable to the credit risk of €39.2 billion, of which €31.5 billion is for regulatory impacts and €30.1 billion for organic growth, mitigated by €22.5 billion by business actions such as sales of non-performing loans, securitisations of non-performing loans and securitisations of performing loans. The expected impact of market risk and operating risk on risk-weighted assets, on the other hand, is €4.1 billion and -€1.2 billion, respectively.

Adoption of a lean governance model that is strongly directed at the coordination of activities

The fifth pillar of the 2016-2019 Strategic Plan involves the creation of a lean holding model, which at the same time allows effective business governance.

The initiatives include:

- the creation of a strong governance function, also through the definition of key performance indicators focused on sources of creation of value, which are rolled out in the divisions (such as, for example, the expected loss of the new loan, the expected loss of the stock of performing loans, the change in operating costs, the acquisition of customers, cross-selling);
- the appointment of a Managing Director responsible for all business activities;

- the establishment of a single management committee (Executive Management Committee);
- the greater allocation of costs to the divisions to increase their responsibility for their management; and
- the optimisation of support and central functions, whose weighting in terms of costs is expected to fall from 5.1% in 2015 to 2.9% in 2019.

Thanks to several of the initiatives described above, the contribution of the gross operating profit to the corporate centre is expected to improve from -16.9% in 2015 to -2.6% in 2019.

The actions in the plan are consistent, among other things, with the measures identified to remedy the problems highlighted during the inspection conducted by the ECB with regard to the governance, management and control of liquidity risk and interest rate risk at a consolidated level, with special reference to the recommendations identified in data quality, the IT framework and several aspects of risk management activities.

13.1.6 Estimate of 2016 results

Based on the actions defined in the plan, one-off negative impacts on the net profit in the fourth quarter of 2016 are estimated at a total of €12.2 billion, of which: (i) €8.1 billion of additional net adjustments to loans; (ii) €1.7 billion of integration costs; (iii) €1.4 billion of other write-downs on balance sheet asset items and provisions for risks; (iv) €0.4 billion of profits on the sale of credit card processing activities; (v) €1.4 billion negative impact resulting mainly from the cancellation of the exchange rate reserve connected with the sale of PJSC Ukrstotsbank and goodwill and other intangible assets that did not have an impact on Common Equity Tier 1 capital.

Because of the one-off impacts described above, the Issuer's net profit for the 2016 period will be calculated, assuming the current Group perimeter and considering the financial impact of the one-off transactions recognised in the 2016 period, in accordance with the accounting standards applied by UniCredit in the preparation of the Consolidated Financial Statements as at 31 December 2015 and according to the scenarios for 2016, in terms of trends of market volumes and rates, and the industrial operations of the Strategic Plan, in terms of operations for the maximisation of commercial banking value and transformation of the operating model, in consideration of the definitive results of the first nine months of 2016 and the trends forecast for the fourth quarter of 2016.

This net profit will not share continuity with that of the first nine months of 2016 as a significant loss is expected in 2016, compared with the profit reported for the first nine months of that year. Significant impacts are not however anticipated to derive from the M&A Asset Sale Transactions in course of Execution on the net profit for the 2016 period, at least not in terms of the impact of the presentation of these operations according to accounting standard IFRS 5. Based on the timescale envisaged for the M&A Asset Sale Transactions in course of Execution, changes are not therefore envisaged to the Group consolidation perimeter as at 31 December 2016, except for the participation in PJSC Ukrsotsbank consequently to the transfer of the same to the Luxembourg holding company ABH Holdings S.A.

13.1.7 Projected data

The Strategic Plan, which was prepared on the basis of the assumptions outlined above, includes Projected Data for 2017 and 2019 as indicated below. The estimates are based on an average taxation level of 23.5% and 23.8% respectively in 2017 and 2019.

Data of an accounting nature

(Billions of Euros, %)	Pro-forma data		Estimated	
	2015	9m 2016	2017	2019
Brokerage margin	19.9	15.2	-	20.4
Operating costs	-12.2	-8.9	-11.7	-10.6
Net profit	2.7	5.6	-	4.7

Accounting derived data not defined by the reference accounting standards

(Billions of Euros, %)	Pro-forma data		Estimated	
	2015	9m 2016	2017	2019
C/I (%)(1)	61.6			< 52
Costo del rischio (punti base) (2)	270	254	65	49
RoTE(3)	-5%			> 9%
Group NPE Coverage ratio(4)	61.2%	63.0%	> 54%	> 54%
Group Bad loan Coverage ratio(5)	73.7%	74.5%	> 65%	> 63%
Group UTP Coverage ratio(6)	40.3%	40.8%	> 38%	> 38%
Non-Core Net NPE(7)	17.5bn	15.8bn	Euro 11.4bn	Euro 8.1bn
Non-Core NPE coverage ratio(8)	66.3%	68.2%	56.5%	> 57%
Core Net NPE(9)	12.7bn	11.9bn		12.1bn
Core Net NPE ratio(10)	3.1%	2.8%		2.5%
Group Gross NPE(11)	77.8bn	74.8bn		44.3bn
Group Gross NPE ratio(12)	16.0%	15.1%		8.4%
Group Net NPE(13)	30.2bn	27.7bn		20.2bn
Group Net NPE ratio(14)	6.9%	6.2%		4.0%

Data of a management/regulatory nature

(Billions of Euros, %)	Pro-forma data		Estimated	
	2015	9m 2016	2017	2019
Common Equity Tier 1 FL ratio	-	13.7%	12.0%	> 12.5%
RWA	361	362	389	404

(1) Cost/Income: the ratio between operating costs and the brokerage margin.

(2) Cost of risk: the ratio between net adjustments on loans and receivables from customers.

(3) RoTE (Return on Tangible Equity): the ratio between annualised net earnings and tangible average equity (excluding AT1). Tangible average equity is calculated from net equity excluding intangible assets (i.e. goodwill and other intangible assets) and AT1.

(4) *Group NPE Coverage ratio*: indicates the ratio between the amount of the value adjustments relating to the portfolio of *non-performing exposures* (which includes the deteriorated financial assets broken down into the categories of bad debts, likely defaults and deteriorated overdue amounts and/or overdrafts, as defined by the "*Implementing Technical Standards on Supervisory reporting on forbearance and non performing exposures*" (ITS) approved by the European Commission on 9 January 2015) and gross exposure of this portfolio at the group level.

(5) *Group Bad loan coverage ratio*: indicates the ratio between the amount of the value adjustments relating to the portfolio of non-performing loans and overall gross exposure of this portfolio at the group level.

(6) *Group UTP Coverage ratio*: indicates the ratio between the amount of the value adjustments relating to the portfolio of likely defaults ("*unlikely to pay*", which represent the exposures, for which there is an assessment of unlikelihood that the debtor is able to fulfil its credit obligations in full) and gross exposure of this portfolio at the group level.

(7) *Non-Core Net NPE*: indicates the credit exposures net of value adjustments of *non-performing exposures* relating to the "*non-core*" portfolio (which includes exposures relating to areas of activity indicated in Chapter 6, Paragraph 6.1.2 of the Registration Document).

(8) *Non-Core NPE coverage ratio*: indicates, as regards the "*non-core*" loan portfolio (which includes exposures relating to areas of activity indicated in Chapter 6, Paragraph 6.1.2 of the Registration Document), the ratio between the amount of the value adjustments relating to *non-performing exposures* and gross exposure of this portfolio.

(9) *Core Net NPE*: indicates the credit exposures net of value adjustments on *non-performing exposures* relating to the "*core*" portfolio.

(10) *Core Net NPE ratio*: indicates, as regards the "*core*" loan portfolio, the ratio between the amount of the *non-performing exposures* net of value adjustments thereto relative to overall exposure of this portfolio net of value adjustments.

(11) *Group Gross NPE*: indicates the total amount, gross of value adjustments, of *non-performing exposures* relating to credit portfolio of customers of the group.

(12) *Group Gross NPE ratio:* Indicates the ratio between the amount of the *non-performing exposures*, gross of value adjustments, and the overall exposure of credit portfolio of customers of the group, gross of value adjustments.

(13) *Group Net NPE:* Indicates the credit exposures net of value adjustments on *non-performing exposures*.

(14) *Group Net NPE ratio:* Indicates the ratio between the amount of the *non-performing exposures*, net of value adjustments, and the overall exposure of credit portfolio of customers of the group, net of value adjustments.

Comments on some of the trends in the Projected Data

Net Result and RoTE

The net result is expected to grow from €-2.7 billion pro-forma in 2015 to €4.7 billion in 2019, primarily as a result of reductions in operating costs and the expected reduction in the cost of risk, also considering that the net pro-forma 2015 result is influenced by non-recurrent impacts, such as net write-downs on loans for € 8.1 billion (€ 5.4 billion net of pro forma tax) and gains / losses, inclusive of any cancellation of foreign exchange reserves, relating to M&A Asset Sale Transactions for € 1.3 billion. In the same period the *Return on Tangible Equity* is expected to rise from about -5% in 2015 pro-forma to over 9% in 2019. Of this increase, approximately 8% percentage points are related to the impact of non-recurrent phenomena that affect the pro-forma income statement.

Brokerage margin

The brokerage margin is expected to rise very moderately over the period of the plan, with a CAGR of 0.6% in the period 2015-2019, as the result of the combined effect of an essentially stable brokerage margin (-€0.1 billion in the period) and net commissions expected to increase by around €0.5 billion (2% CAGR), while other revenues are expected to remain essentially stable (-€0.1 billion).

Operating costs

In the period 2015-2019 costs are expected to fall by approximately €1.7 billion, from €12.2 billion to €10.6 billion (for the greater part of the first 24 months), as a result of the combined effect of a €1.1 billion reduction in personnel costs and a €0.6 billion reduction in other operating costs, leveraging the strategic initiatives of a 360-degree redesigning of processes, making support structures and functions more efficient and optimising the distribution network. Among other things, as already pointed out, this will allow the net number of FTEs to be reduced by around 14,000 between 2015 and 2019, from approximately 101,000 to approximately 87,000, a reduction that includes the effect of the actions underlying the previous business plan.

Cost of risk

The performance of the net adjustments on loans planned in the period 2015-2019 reflects the impact of the initiatives to improve the quality of balance sheet assets and the quality of new loans, bringing about an anticipated reduction from 270 basis points in 2015 to 49 basis points in 2019. It can be highlighted, as mentioned above, that the 2015 pro-forma cost of risk is influenced by non-recurrent net write-downs on loans for 8.1 billion.

Capital ratios and dividend distribution policy

As a result of the anticipated development of capital, also in the light of the profits forecast for the period, projected growth of risk-weighted assets (RWAs) from €361 billion at the end of 2015 pro-forma to €404 billion at the end of 2019 and, assuming a pay-out ratio of 20%, the Common Equity Tier 1 (fully loaded) ratio is expected to increase from 10.8% as at 30 September 2016 (13.71% pro-forma) to over 12.5% at the end of 2019.

Based on the information currently available, the Maximum Distributable Amount (MDA) capital requirements for 2017 and 2019, as defined according to Article 141 of the CRD IV, will be:

- Common equity tier 1 ratio 8.75% transitional in 2017; 10.50% fully loaded in 2019;
- Tier 1 Ratio: 10.25% transitional in 2017; 12% fully loaded in 2019;
- Total capital ratio: 12.25% transitional in 2017; 14% fully loaded in 2019.

Considering the levels envisaged as at 2019 for the Common equity tier 1 ratio, Tier 1 ratio and Total capital ratio, estimated at 12.5%, 14% and 17.1% respectively, there will therefore be a margin of at least 200 basis points between these levels and the associated minimum fully loaded regulatory requirements listed above.

Development of the non-core sector

With special reference to the non-core sector, it is expected that the actions of the Plan will allow a significant reduction in loan exposures, which will go from €63.4 billion at 31 December 2015 to €56.4 billion at 30 September 2016 to €19.2 billion at the end of 2019, a reduction of €37.2 billion. Specifically, this reduction is due to a diversified share portfolio: €17.7 billion thanks to the Fino Project, €2.5 billion due to the movement in the core portfolio of performing loans in recent financial years, €1.6 billion related to the partial repayment of loans, €5.5 billion for additional sales to those planned in the Fino Project, €5 billion thanks to cash recoveries and, lastly, €4.8 billion for the cancellation of part of the loans portfolio.

13.1.8 Main Division Projected Data

The performance of the various divisions is expected to follow different trends according to the starting point and the implementation of the various strategic priorities, albeit in a context of revenue growth expected to be prudent in Eastern European countries and slightly more buoyant in Western Central European countries and keeping a close eye on cost cutting.

The anticipated development of the cost of the risk should follow various trends based on the starting point, with the cost of the risk expected to fall sharply for the Commercial Banking Italy and CEE Division and to be stable for all other divisions[103].

[103] In the tables below the 2015 data refers to the pro-forma statements reported in Chapter 20.2

	Data of an accounting nature															
Euro	**CBK ITA**		**CBK GER**		**CBK AT**		**CEE**		**CIB**		**NON CORE**		**AGH**		**GCC**	
billions, %	2015	2019	2015	2019	2015	2019	2015	2019	2015	2019	2015	2019	2015	2019	2015	2019
Brokerage margin	7.7	7.6	2.7	2.4	1.7	1.6	4	4.4	4	3.8	0	-0.2	0.5	0.6	-0/7	0.1
Operating costs	-4.6	-4	-2	-1.7	-1.3	-1	-1.5	-1.6	-1.8	-1/6	-0.2	-0.1	-0.2	-0.3	-0.6	-0.3

	Accounting derived data not defined by the reference accounting standards															
Euro	**CBK ITA**		**CBK GER**		**CBK AT**		**CEE**		**CIB**		**NON CORE**		**AGH**		**GCC**	
billions, basis points	2015	2019	2015	2019	2015	2019	2015	2019	2015	2019	2015	2019	2015	2019	2015	2019
Change (basis points)	99	53	6	15	3	23	174	110	12	19	2.183	365	81	44	nm	nm
NPE Coverage	54.3%	>52%	43.1%	>46%	61.3%	>59%	52.9%	>58%	41.9%	>43%	66.3%	>57%	80.6%	>85%	nm	nm
Bad loan Coverage	79.0%	>68%	46.3%	>54%	87.3%	>80%	72.1%	>72%	47.0%	>51%	76.5%	>63%	84.0%	>87%	nm	nm
UTP Coverage	40.3%	>38%	34.0%	>29%	42.3%	>37%	36.6%	>47%	39.9%	>34%	41.2%	>38%	63.6%	>79%	nm	nm

	Data of a management / regulatory nature															
Euro	**CBK ITA**		**CBK GER**		**CBK AT**		**CEE**		**CIB**		**NON CORE**		**AGH**		**GCC**	
billions	2015	2019	2015	2019	2015	2019	2015	2019	2015	2019	2015	2019	2015	2019	2015	2019
RWA (€bn)[3]	77	91	34	37	25	24	91	108	71	88	31	18	2	3	30	35

(1) *CBK ITA*: Commercial Banking Italy

(2) *CBK GER*: Commercial Banking Germany

(3) *CBK AT*: Commercial Banking Austria

(4) *CEE*: The CEE Division

(5) *CIB*: Corporate & Investment Banking Division

(6) *AGH*: Asset Gathering

(7) *GCC*: Group Corporate Centre

13.1.9 Sensitivity analysis

The Projected Data in Paragraph 13.1.7 depend on the General and Hypothetical Assumptions as well as on assumptions of a discretionary nature relating to future events over which the Issuer have total or some control. Below is a sensitivity analysis of several key variables in the 2016-2019 Strategic Plan and the related impact on its economic objectives.

Macro variables sensitivity

With regard to macro variables, a scenario of lower macroeconomic growth in all countries was considered also assuming that there would be a depreciation of the euro against the US dollar, and a depreciation of the currencies of emerging countries as a result of a moderate degree of volatility in the financial markets.

The impact of the scenario on the growth of loans was calculated through the application of a marginal elasticity factor to the lower growth in the GDP. This elasticity was estimated at around 0.5 for Italy, 0.3 for Germany, 0.85 for Austria and approximately 1 for the majority of CEE countries, with the exception of Turkey and Russia, for which a higher elasticity factor was used. The impact of the depreciation of the Turkish lira and the Russian rouble on the growth of loans through the impact on the foreign currency loan portfolio was factored through the use of recent reports.

The scenario provided for an annual average difference for the following main parameters and countries in the years 2017-2019:

- BTP-Bund spread higher on average by 38 basis points;

- GDP (pps): lower on average by 0.6% for Italy, 0.4% for Germany, 0.5% for Austria and 0.7% for the CEE area, except for Russia (-1.4%) and Turkey (-0.2%).

- FX (%) depreciation of the euro against the US dollar on average by 1.

The impacts on the economic objectives, estimated using a top-down approach and developed at division level, are reported below:

- reduction of the brokerage margin and commission from funding as a result of an overall reduction in the growth of loans that would lead the Group to having total loans in 2019 about €9 billion lower than the estimates in the Plan. These two phenomena would lead to a reduction in the brokerage margin that can be estimated at around €190 million in 2019;

- greater costs for the issues anticipated in the funding plan as a result of the widening of the BTP-Bund spread. Taking into account an increase in the issue spread for UniCredit that fully reflects the increase of the spread between the BTP and Bund, but assuming a pass-through (repricing the assets following the increased cost of funding) of 80%, the impact on the income statement would be equal to 20% of the cost of deposits. This phenomenon can be estimated to have a negative impact of approximately €35 million on the brokerage margin in 2019;

- the impact in terms of additional provisions is around €1 billion cumulative between 2017 and 2019, caused mainly by the slowdown in the growth of the GDP compared with the basic scenario of the Plan. Most of the impact is expected in the first two years for all countries. The main impact will be felt in Italy, given the size of the portfolio compared with the other countries, with an increase in the cost of risk in 2019 of approximately 20%. The second most important contribution will be from the CEE area on account of the fact that in the scenario considered, the slowdown of the GDP in these countries is generally more severe than in Western European countries;

- impact on the 2019 net profit of approximately €1.2 billion cumulative.

IFRS 9 sensitivity

The plan factors in the latest available estimates on the impact of the adoption of IFRS 9. These have been developed under the scope of the quantitative and qualitative impact assessments requested by the EBA in February 2016, and could change based on the information available at the Registration Document Date as far as the provisions for receivables are concerned, with an impact in terms of the Common equity tier 1 ratio (2019) equal to 34 basis points. As this involves a first-time adoption there will be no impact on the income statement, only on the capital.

The values formulated for the development of the above-mentioned sensitivity analyses reflect theories, which by their very nature are out of the control of the directors and management of UniCredit and, therefore, come under the scope of assumptions of a hypothetical nature.

13.2 External Auditors' Reports

The External Auditors issued a report reviewing the estimate of the results for the year 2016 ("Estimated income") and a report on the Projected Data relating to the 2017 to 2019 financial years provided in the paragraphs above in Chapter 13. Copies of these20.2 reports are provided as an Annex to the Registration Document.

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**INDEPENDENT AUDITOR'S REPORT
ON THE CONSOLIDATED PROFIT ESTIMATE
FOR THE YEAR 2016 OF UNICREDIT S.P.A. AND ITS SUBSIDIARIES**

**To the Board of Directors of
UniCredit S.p.A.**

We have examined the consolidated profit estimate of UniCredit S.p.A. and its subsidiaries (the "UniCredit Group") for the year 2016 (the "Profit Estimate") included in paragraph 13.1.6 of the registration document (the "Registration Document") prepared within the offering of ordinary shares of UniCredit S.p.A. (the "Bank" or "UniCredit"). The Profit Estimate has been prepared for inclusion in the Registration Document prepared pursuant to Regulation (CE) n. 809/2004 of April 29, 2004 as amended (the "European Regulation").

Directors' Responsibility

The Directors are responsible for the preparation of the Profit Estimate on the basis of the criteria indicated in the disclosure included in the paragraph 13.1.6 of the Registration Document and in accordance with the European Regulation and ESMA recommendation "ESMA update of the CESR's recommendations for the consistent implementation of European Commission's Regulation on Prospectuses n. 809/2004". The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Profit Estimate that is free from material misstatement, whether due to fraud or error.

The Profit Estimate has been prepared based on the criteria described in the paragraph 13.1.6 of the Registration Document and represents a profit estimate for the period ended as at December 31, 2016. The preparation of the consolidated financial statements of the UniCredit Group for the 2016 period is still in the process of being completed, therefore it may not be excluded that, upon completion of this process, the financial information included in the consolidated financial statements may be materially different from that included in the Profit Estimate, also for changes in accounting estimates, events after the reporting period currently unpredictable or for errors in the historical financial information used to prepare the Profit Estimate.

Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies International Standard on Quality Control 1 (ISQC Italia 1) and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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Auditor's Responsibility

Our responsibility is to express an opinion on the Profit Estimate based on the procedures we have performed. We conducted our reasonable assurance engagement in accordance with *International Standards on Assurance Engagements - Assurance Engagements other than Audits or Reviews of Historical Information* ("ISAE 3000 revised") issued by the International Auditing and Assurance Standards Board.

A reasonable assurance engagement involves performing procedures to obtain evidence about the amounts and disclosures in the Profit Estimate. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the Profit Estimate, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the Profit Estimate in order to design 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.

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

The procedures that we have performed do not constitute an audit of the Profit Estimate and of the historical financial information used to prepare it.

We do not accept responsibility for updating this report to reflect events or circumstances that might arise after this date.

Opinion

In our opinion, the Profit Estimate has been properly prepared based on the criteria described in the paragraph 13.1.6 of the Registration Document and the basis of accounting is consistent with the accounting policies used by UniCredit S.p.A. for preparing the consolidated financial statements as at December 31, 2015.

Restriction on Use

This report has been prepared solely for the purposes of the European Regulation with reference to the Registration Document. It cannot be used in, in whole or in part, for other purposes.

DELOITTE & TOUCHE S.p.A.

Signed by
Riccardo Motta
Partner

Milan, January 26, 2017

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

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REPORT ON EXAMINATION OF THE PROJECTIONS OF UNICREDIT GROUP

To the Board of Directors of
UniCredit S.p.A.

1. We have examined the projections of an accounting nature and the projections of an accounting derived nature for the 2017 and 2019 periods and the relating sensitivity analysis (hereafter, the "Projections") of the UniCredit Group (hereafter, the "Group") included in paragraph 13.1.7, 13.1.8 and 13.1.9 of the registration document (hereafter, the "Registration Document"), prepared by UniCredit S.p.A. (hereafter, the "Bank" or "UniCredit" or the "Issuer") as well as the underlying assumptions and information for the assessment of the Projections themselves. The Projections include data of an accounting nature prepared by the Bank on the basis of the applicable accounting standards and data of an accounting derived nature which are not defined by such standards and have been prepared on the basis of accounting data prepared according to applicable accounting standards, as well as to the assumptions described in chapter 13 of the Registration Document. The Directors of the Bank (hereafter, the "Directors" or the "Board of Directors") prepared the Projections on the basis of the 2016-2019 business plan approved by the Board of Directors on December 12, 2016 (hereafter, the "2016-2019 Business Plan" or the "Plan"). This report relates solely to the Projections. It does not extend to the Plan and to the other information contained in the Registration Document.

2. The Directors are responsible for preparing the Projections as well as for the Plan from which the Projections have been derived.

3. Our examination has been performed in accordance with the procedures required for such engagements by International Standard on Assurance Engagements (ISAE) 3400 "The Examination of Prospective Financial Information" issued by the IFAC - International Federation of Accountants.

4. The Projections and the Plan are based on a series of assumptions about future events and actions to be undertaken by the Issuer. The Directors prepared the Projections and the Plan on the basis of a series of assumptions including hypothetical assumptions about future events and Issuer's actions which will not necessarily occur, as described here below.

   The Directors illustrate in paragraph 13.1.3 of the Registration Document the following guidelines of the Plan:

   - significant capital strengthening, to align the capital ratios to the best G-SII (Global Systemic Important Institutions), whose average CET1 ratio (fully loaded) was 13.1% based on the published quarterly data as at 30 September 2016;

   - improvement of the quality of assets, both in terms of resolution of the issues associated with the Italian loans portfolio, through a proactive reduction of the risk of assets and increasing the coverage level of non-performing loans, and in terms of contextual strengthening of risk management policies for improving the supply of new loans;

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- transformation of the operating model, in order to reduce the service cost to customers, at the same time increasing the focus on customers and the quality of products and services, leveraging IT investments;
- maximization of the value of the commercial bank, capitalizing the potential of the retail customer base and exploiting the position of reference bank for corporate customers in Western Europe, further strengthening the leadership position in Central and Eastern Europe (CEE) and the generation of synergies between divisions and countries, taking advantage of the close connection between Corporate and Investment Banking (CIB) and commercial bank activities; and
- adoption of a lean governance model that is strongly directed at the coordination of activities, with the implementation of key performance indicators rolled out in the divisions and networks, streamlining support functions and transparent allocation of costs between divisions.

The main general and hypothetical assumptions as well as the main discretionary assumptions of a hypothetical nature not completely under the control of the Directors and described by them in paragraphs 13.1.4 and 13.1.5 of the Registration Document, are provided below.

Main General and Hypothetical Assumptions

General and hypothetical assumptions underlying the Plan and the Projections, described in detail in paragraph 13.1.4 of the Registration Document, relate to:

- Macroeconomic scenario with particular reference to growth, inflation and reference rates;
- Sector scenario with specific reference to deposits and loans;
- Certain hypothesis on legislative and regulatory development foreseen in the next years.

Main discretionary assumptions of a hypothetical nature that are not completely under the control of the Directors

The Projections are based, also, on assumptions relating to the effects of specific actions or concerning future events that can be influenced by the Directors, which also include assumptions of a hypothetical nature that are not completely under the control of the latter and which could therefore not come to fruition during the period of the Strategic Plan. In particular, the Plan includes the following main hypothetical assumptions, described in more detail in the paragraph 13.1.5 of the Registration Document:

- completion of a rights issue of up to a maximum of €13 billion;
- completion of extraordinary transactions, with particular reference to:
  - the sale of the equity investment in Bank Pekao, Polish bank of the Group and parent company of the Bank Pekao Group;
  - the sale of almost all entities controlled by Pioneer Global AM S.p.A., parent company of the Pioneer Investments Group, operating in asset management sector;
- no payment of dividends for 2016. The 2016-2019 Strategic Plan includes a pay-out of 20% in the period 2017-2019 within a dividend distribution policy with a pay-out ratio between 20% and 50%;

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- improvement of the quality of the new loans and the proactive reduction of the risk of assets through actions aimed to increase the coverage level of non-performing loans and to reduce their weight on the asset quality (Porto Project) also through the execution of a market transaction (Fino Project);
- significant reduction of the number of employees (FTE) and as a result of the personnel costs and other operating costs, following to the transformation of the operating model and of IT infrastructure of the Group, as well as the closing of around 944 retail branches in Western Europe;
- incurring of integration costs aimed at funding the exit from the Group of a portion of the employees cited above, through a combination of early retirement and incentivized departure plans;
- full compliance with the Liquidity Coverage Ratios (LCR) and Net Stable Funding Ratio (NSFR), as well as reaching a Total Loss Absorbing Capacity (TLAC) of 23%, through the implementation of a funding plan in 2017-2019 of Euro 78.7 billion;
- actions aimed to maximizing the value of the commercial bank, with particular reference to:
  - the strengthening of the leadership position in asset gathering, by increasing the managed component of customer financial assets, boosted by the macroeconomic context with negative rates, cross-selling to corporate customers, strengthening of advisory processes and product innovation;
  - the further development of consumer finance, through the introduction of pre-approved account overdrafts, the development of salary-backed loan products in Italy and cross-selling initiatives to corporate clients and small businesses;
  - the creation of dedicated small business centers and the introduction of remote interaction mechanisms for small customers, also developing the commercial synergies between the commercial bank and affluent and private segments as well as the synergies between the same two segments;
  - the increase of the share of business carried out with customers and in regions with fewer transactions, focusing customer relationship management activities;
  - the strengthening of the planning of activities with customers and the identification of opportunities, developing an approach to customers with the specialization of the offering and the innovation of the product range, leveraging the Group's global offering;
  - the increase of the customer base in CEE, also through potential selective portfolio acquisitions and the further strengthening of the synergies between countries and divisions;
  - the further development of the synergies resulting from the integration of the activities of the CIB division and those of the commercial bank;
  - the digitalization of processes and the development of remote channels with the aim to increase the number of online and on mobile devices active customers.

The Directors have also prepared sensitivity analyses in the paragraph 13.1.9 of the Registration Document based on different hypothetical assumptions with reference to several key variables underlying the preparation of the Plan.

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5. Based on the examination of the evidence supporting the assumptions and information used by the Directors in the assessment of the Projections for the 2017 and 2019 periods nothing has come to our attention, as of today, which causes us to believe that the aforementioned assumptions and information do not constitute a reasonable basis for preparation of the Projections, assuming that the hypothetical assumptions about future events and Directors and Management actions described in paragraph 4 above, are realized. Furthermore, in our opinion, the Projections have been properly prepared on the basis of the assumptions previously mentioned and using accounting standards consistent with those applied by the Group when preparing the consolidated financial statements for the period ended as at December 31, 2015, as supplemented for including the preliminary estimate of the effects deriving from the adoption of IFRS 9 starting from 2018.

6. It should be emphasized that, due to the uncertainty regarding any future event including whether these events will take place and their extent and timing, the variances between the actual figures and the figures anticipated in the Projections could be significant, even if the events anticipated as part of the assumptions summarized in paragraph 4 above are realized.

7. This report has been prepared solely for the purposes of Regulation 809/2004/CE with reference to the Registration Document prepared by UniCredit. It cannot be used in whole or in part for any other purpose.

8. We do not accept responsibility for updating this report to reflect events or circumstances that might arise after this date.

DELOITTE & TOUCHE S.p.A.

Signed by
Maurizio Ferrero
Partner

Milan, January 26, 2017

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

13.3 Base for calculation of profit forecast or estimate

The Projected Data related to the period of the 2016-2019 Strategic Plan were prepared on the basis of the accounting standards used to prepare the Consolidated Financial Statements for the year ended 31 December 2015 of the UniCredit Group, which were prepared in accordance with International Accounting Standards, and included to reflect the estimated effects resulting from the adoption of IFRS 9 from 2018. When calculating Projected Data, the results for the first nine months of 2016 were also taken into account.

13.4 Profit forecast contained in other prospectuses

At the Registration Document Date, there were no other currently valid prospectuses containing projections of the Issuer's profits.

14. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODY AND SENIOR MANAGEMENT

14.1 Information about the administrative, management, supervisory body and senior management

14.1.1 Board of Directors

The Issuer's Board of Directors may be composed of a minimum of 9 and a maximum of 24 members.

The Ordinary Shareholders' Meeting of 13 May 2015 appointed 17 Directors for the financial years 2015, 2016 and 2017, who will remain in office until the Shareholders' Meeting called for the approval of the financial statements for the year ending 31 December 2017.

The members of the Board of Directors in office at the Registration Document Date, taking into account the changes that took place in the composition of the body following the above-mentioned Shareholders' Meeting of 13 May 2015, are indicated in the table below. All the members of the Board of Directors possess the requirements of professionalism and integrity required by the regulations in force. As far as possessing the requirements of independence are concerned, please refer to the table below.

Name and Surname	Office	Place and date of birth
Giuseppe Vita(1)	Chairman	Favara (AG), 28 April 1935
Vincenzo Calandra Buonaura (1)	Acting Vice Chairman	Reggio Emilia, 21 August 1946
Luca Cordero di Montezemolo(2)	Vice Chairman	Bologna, 31 August 1947
Fabrizio Palenzona(1)	Vice Chairman	Novi Ligure (AL), 1 September 1953
Jean Pierre Mustier(3)	Chief Executive Officer	Chamaliéres (France), 18 January 1961
Mohamed Hamad Al Mehairi(2)(4)	Director	Al Ain (UAE), 6 December 1975
Sergio Balbinot(1) (5)	Director	Tarvisio (UD), 8 September 1958
Cesare Bisoni(2)	Director	Caslino d'Erba (CO), 1 October 1944
Henryka Bochniarz(2)	Director	Swiebodzin (Poland), 29 October 1947
Martha Dagmar Böckenfeld(2)(6)	Director	Lünen (Germany), 2 September 1965
Alessandro Caltagirone(2)	Director	Rome, 27 December 1969
Lucrezia Reichlin(2)	Director	Rome, 14 August 1954
Clara C. Streit(2)	Director	Syracuse (United States of America), 18 December 1968
Paola Vezzani(2)	Director	Pescara, 15 January 1962
Alexander Wolfgring(2)	Director	Vienna (Austria) 17 September 1962
Anthony Wyand(1)	Director	Crowborough (England), 24 November 1943
Elena Zambon(2)	Director	Vicenza, 15 October 1964

(1) Director in possession of the requirements of independence established by Article 148 of the TUF.

(2) Director in possession of the requirements of independence established by Article 148 of the TUF, by Article 3 of the Code of Corporate Governance and by Article 20 of the Articles of Association.

(3) Co-opted on 30 June 2016 following the resignation of Manfred Bischoff and confirmed by the Meeting on 12 January 2017. Mr Mustier took on the office of CEO from 12 July 2016, replacing Mr Federico Ghizzoni who gave up his role on the Board of Directors on the same date.

(4) Co-opted on 15 October 2015 following the resignation of Mr Mohamed Badawy Al-Husseiny and confirmed by the Shareholders' Meeting of 14 April 2016.

(5) Co-opted on 9 June 2016 following the resignation of Ms Helga Jung and confirmed by the Meeting on 12 January 2017.

(6) Co-opted on 22 September 2016, reporting the number of members of the Board of Directors as approved by the Shareholders' Meeting of 13 May 2015 and confirmed by the Meeting on 12 January 2017.

For the purpose of the role performed, all the members of the Board of Directors are domiciled at the Company's Head Office.

The Board of Directors is vested with all the administrative powers of the Issuer, with the exception of those reserved by law at the Shareholders' Meeting, to be exercised under the scope of the provisions, duties and jurisdiction set by the legislative and regulatory provisions in force, the Company Articles of Association, as well as in line with the applicable principles and criteria indicated in the Code of Corporate Governance. The Board of Directors has also, in conformity with the statutory provision, adopted the "Regulation for the Regulation of Corporate Bodies" which governs, *inter alia*, its own operating methods and the body's responsibilities. For further information about the practices of the Board of Directors and the related provisions of the Articles of Association, please see Chapter 16 and Chapter 21, Paragraph 21.2.2 of the Registration Document.

The only director to have been given executive powers by the Board of Directors is the CEO, Jean Pierre Mustier. The CEO and Managing Director, Jean Pierre Mustier, has been given powers of representation pursuant to Article 29 of the Company Articles of Association and the rights laid down in Article 27 of the Company Articles of Association as described below:

(a) to promote and support judicial and administrative actions, arbitration and conciliation/mediation proceedings at any level of jurisdiction, including, by way of example, the exercising, cancellation and waiving of the right to file a complaint, as well as bringing a civil action and the related revocation and representing the Company in any judiciary or administrative, arbitration and conciliation setting, before any authority and in any country and at any level and therefore also in appeal rulings and revocation sentencing and before the Council of State, with the right to conduct questioning as laid down by law, conciliate, come to a settlement and compromise in arbitration proceedings, including an amicable one, as well as abandoning claims and actions;

(b) to allow, also through special mandates, registrations, subrogations, reductions, subordinations and cancellations of liens and privileges, as well as making and cancelling transcriptions and notes of any kind, including independently of the payment of the receivables pursuant to said registrations, transcriptions and notes referred to;

(c) to carry out any transactions, including the collection and withdrawal of securities and notes, at any company or organisation, at the Bank of Italy, Cassa Depositi e Prestiti, the Public Debt Administration, and, in any event, at any Public Administration, with no exceptions, organisations, businesses and companies with state ownership or public bodies, and, in addition, to carry out any action inherent to said transactions;

(d) to issue special mandates for the completion of individual actions and transactions or certain categories of actions and transactions and power of attorney to appear in court, as well as to appoint expert witnesses and arbitrators, providing them with the necessary powers;

(e) to award employees and third-parties the right, including individually, to represent the Company as a shareholder or as the lead of third-party shareholders in ordinary and extraordinary shareholders' meetings of Italian and foreign companies, in conformity with existing laws.

It can also delegate to the management of named branches, also using the Head Office and the organisational and/or decision-making structures of the Head Office, such as territorial departments, located locally, powers and responsibilities, in addition to those indicated in Article 28 of the Company Articles of Association, for the management of these branches, choosing the operating methods.

A brief *curriculum vitae* for each of the directors is given below:

Giuseppe Vita. He graduated in medicine from the "La Sapienza" University of Rome, gaining experience at the Gutenberg University of Mainz, he joined the Schering pharmaceutical group in Berlin in 1964, a year later becoming the CEO and Managing Director of the Italian subsidiary, until, in 1989, he became Chairman of the Executive Committee of Schering A.G. in Berlin, and from 2001 to 2006 he was the Chairman of the Supervisory Board. From 1996, following posts at Allianz Lebensversicherung and Lazard Germany and Italy, he became fully immersed in the world of insurers and bankers also taking on the chairmanship of Ras (now Allianz), Deutsche Bank Italia, Banca Leonardo S.p.A. and was on the advisory board firstly of Commerzbank and then of Hypovereinsbank. Previously, he was on the Board of Directors of Continental, Hugo Boss, Marzotto, the engine manufacturer Deutz and other major German and Italian companies. Until May 2012 he was Chairman of Allianz S.p.A. and a member of the Board of Directors of Barilla S.p.A., Pirelli & C. S.p.A. and Humanitas S.p.A. He was also a member of the Board of Directors of RCS MediaGroup S.p.A. until May 2013. At the Registration Document Date Giuseppe Vita is Chairman of the Supervisory Board of Axel Springer S.E. and Chairman of the Board of Directors of UniCredit since May 2012.

Vincenzo Calandra Buonaura. He graduated in Law from the University of Modena. He is a private practice lawyer co-owner of a legal practice specialised in corporate, banking and bankruptcy law. From 1973 to 1986 he was Head Professor of Banking Law at the Faculty of Economics and Business at the University of Modena and of Business Law from 1984 to 1986. From 1987 until October 2008 he was Full Professor of Business Law at the Faculty of Law, University of Modena and Reggio Emilia. Since 1 November 2008 he was Full Professor of Business Law at the Faculty of Law, "Alma Mater" University of Bologna. At the Registration Document Date he is a member of the Board of Editors of the magazine "Giurisprudenza commerciale" and author of papers on company, banking and bankruptcy law. From 1983 he has worked continuously as a member of the Board of Directors at various credit institutions, including Cassa di Risparmio di Modena, Carimonte Banca and Rolo Banca. He has also held office as a Member of the Supervisory Board of UCB Austria and Vice Chairman of UniCredit Private Banking.

Luca Cordero di Montezemolo. He graduated in Law from the "La Sapienza" University of Rome and from industrial design engineering from the Polytechnic University of Milan. He gained a Post-graduate degree in International Commercial Law from Columbia University - New York. He joined Ferrari S.p.A. in 1973 as assistant to Enzo Ferrari and Head of the Racing Team. In 1977 he left Ferrari S.p.A. to become head of External Relations at FIAT; he later became CEO of ITEDI S.p.A., the holding company that controls the daily newspaper "La Stampa" as well as other FIAT Group editorial activities. In 1984 he took up the post of CEO of Cinzano International. In 1985 he was appointed Managing Director of the Organising Committee of the 1990 FIFA World Cup in Italy. He went back to Ferrari S.p.A. in 1991 as Chairman of the Board of Directors and CEO. He also founded "Charme", a financial fund through which he acquired "Poltrona Frau" in 2003. He was Chairman of Confindustria from 2004 to 2008, and Chairman of FIAT from 2004 to 2010. He has also been Chairman of Maserati S.p.A., the Fiera Internazionale di Bologna and the Libera Università Internazionale degli Studi Sociali (LUISS), as well as a board member of many important companies, including PPR (Pinault/Printemps Redoute), Tod's, Indesit Company and Campari. The University of Modena awarded him an honorary degree in Mechanical Engineering.

Fabrizio Palenzona. He graduated in Law from the University of Pavia. In 1981 he founded and managed, until 1995, the business consortium Unitra S.c.a.r.l., the first and only successful example of an organised road haulage companies-consortium, becoming one of the most important industrial transporters in the country. Since 1994 he has been Chairman of the Board of Directors and CEO of FAI Service S.c.a.r.l., the most important service provider for transportation companies in Europe. Between 1990 and 2006 he was the national Chairman of FAI-Federazione Autotrasportatori Italiani. From 2008 to 2010 he was Chairman of the SLALA Foundation, Southern Europe Logistic Gate. During these years he took part in and signed some of the major international agreements for road transport between Italy and several non-EU countries such as the former USSR, Russia, Belarus, Iran and Turkey. Since October 2003 he has been Chairman of AISCAT-Associazione Italiana Società Concessionarie Autostrade e Trafori. He is the Chairman of ASECAP, Association Européenne des Concessionaires d'Autoroutes et d'Ouvrages à Péage. He has been Vice Chairman of UniCredit since it was founded. He was a member of the board of directors and the executive committee of Mediobanca S.p.A., a member of the board of the Fondazione Cassa di Risparmio di Alessandria and the Fondazione Cassa di Risparmio di Torino, as well as Chairman of Aeroporti di Roma S.p.A. and the listed company Gemina. At the Registration Document Date, he is Chairman of Assaeroporti S.p.A., a Director of ABI, a member of the Executive Committee of the Rome Giunta degli Industriali and an external member of the Board of Directors of the University of East Piedmont.

Jean Pierre Mustier. He began his career at Société Générale, where he worked from 1987 to 2009 mainly in the Corporate & Investment Banking Division. He held various posts in various markets and worked in finance, not only in Europe, but also in Asia and in the United States. He was appointed Head of Corporate & Investment Banking of Société Générale in 2003 and was also a member of the Bank's Executive Committee. In September 2008, he became Head of Asset Management, Private Banking and Securities Services. After leaving Société Générale at the end of 2009, he worked as a consultant for many financial institutions and concluded many fundraising initiatives for various social enterprises and non-profit organisations, where, in many cases, he was a trustee. At the start of 2011, he joined UniCredit as Deputy Managing Director in charge of the Corporate & Investment Banking (CIB) Division. He was also a member of the Executive Management Committee. After leaving his managerial post at UniCredit at the end of December 2014, he joined the Bank's International Advisory Board. In January 2015, Jean Pierre Mustier became a partner, at the London office, of the Asset Management Group Tikehau Capital, with the specific goal of growing the group at international level. On 30 June 2016 he was co-opted as a member of the Board of Directors, later being appointed as CEO and Managing Director from 12 July.

Mohamed Hamad Al Mehairi. He gained a BA in Science & Business Administration, Finance, from Suffolk University, Boston (U.S.A.). He started in 1999 as a Market Analyst & Sales Coordinator at the Abu Dhabi National Oil Company in Abu Dhabi. From 2006 to 2015 he was a member of the Board of Directors, Investment Directorate of the International Petroleum Investment Company of Abu Dhabi and from 2015 he was CEO of Aabar Investments PJS of Abu Dhabi. He was also a member of the Board of Directors of Cosmo Oil, Etihad Airways, Nova Chemicals Corporation and a member of the Supervisory Board of Borealis A.G. At the Registration Document Date he is a member of the Board of Directors of major international companies such as Aabar Investments PJS, Arabtec Holding PJSC, Pak-Arab Refinery Ltd. (PARCO) and Al Hilal Bank. On 15 October 2016 he was co-opted as a member of the Board of Directors of UniCredit, an appointment confirmed by the Shareholders' Meeting of 14 April 2016.

Sergio Balbinot. He graduated in Business Administration from the University of Bologna. From 1983 he worked at the Generali Group; firstly from 1983 to 1986, at the Munich branch in Bavaria at Lloyds Insurance, Germany. After three years at the parent company in Trieste, from 1989 to 1992 he was head of the Zurich branch. Until 1995 he worked as Head of International Operations for Europ Assistance S.A. in Paris (a subsidiary of Assicurazioni Generali S.p.A.). Later on, he worked as part of the management of the Generali Group in positions of responsibility, until becoming CEO in 2002. Since 1 January 2015 he has been a member of the management of Allianz S.E., in charge of insurance operations in Western and Southern European countries (France, Benelux, Italy, Greece, Turkey) and Africa, excluding North Africa. Since 1 September 2015 he has also been responsible for insurance operations for Allianz S.E. in the Middle East, North Africa and India. Mr Balbinot is a member of the Supervisory Boards of various international branches, including Allianz France S.A., Allianz Sigorta A.S. and Allianz Yasam ve Emeklilik A.S.

Cesare Bisoni. He graduated in Economics and Business from the "Luigi Bocconi" University of Milan, and later gained an ITP Diploma (Program in Business Administration) from the Harvard Business School, Boston. He is registered on the Register of Auditors. From 1973 he was a lecturer/associate at the "Luigi Bocconi" Business University School of Management, Milan; and, from 1986 until retiring in 2014, he was Full professor of Banking at the "Marco Biagi" Economics Faculty of the University of Modena and Reggio Emilia. During his professional career, from 1984 to 1994 he was Chairman of the Board of Auditors of the AMIU of Modena. Between 1991 and 1998 he has been an auditor for numerous companies including Cassa di Risparmio di Modena, Carimonte Banca S.p.A., Banca Popolare di Rieti S.p.A., Banca d'Italia S.p.A., CreditRas Vita S.p.A., Credit Rolo Gestioni S.p.A. and Fondazione Cassa di Risparmio di Modena. Between 1998 and 2006 he was also a member of the Board of Directors of Fondazione Cassa di Risparmio di Modena, Chairman of Meta-Modena Energia Territorio Ambiente S.p.A. and a member of the Management Committee of the Profingest-Management School. From 2006 to 2015 he was Vice Chairman of UniCredit Private Banking S.p.A., Vice Chairman of UniCredit Corporate Banking S.p.A. and a Statutory Auditor of UniCredit. He has published numerous papers on credit and finance.

Henryka Bochniarz. She graduated in Foreign Trade from the Warsaw School of Economics, and later gained a Ph.D. in Economics from the Foreign Trade Research Institute, and holds the title of Certified Management Consultant. From 1985 to 1987 after being awarded a Fulbright scholarship she worked as a researcher at the University of Minnesota. In 1990 she founded NICOM one of the leading consulting companies in Poland where she held the post of Chairman for many years, and in 1991 she took up the post, in Poland, of Minister for Trade and Industry. In 1999 she founded and chaired the Konfederacja Lewiatan (the Polish confederation Lewiatan) and in 2005 she was a candidate for the President of Poland. She has also held the post of Chairman of Proexim Ltd, Chairman of the Polish Economy Deregulation Committee, she has been a member of the Consultancy Group for Entrepreneurial and Industrial Matters, Vice Chairman of the Arts Foundation "Stanislaw Ignacy Witkiewicz", a member of the Supervisory Board of Aviva S.A., Vice Chairman of the Trilateral Committee for Polish Social and Economic Questions and Chairman of Boeing International for Central and Eastern Europe. At the Registration Document Date she is also a member of the Supervisory Board of FCA Poland S.A. and Orange Polska S.A. as well as being committed to diversity as the co-founder of the Congress of Women and the Women's Congressional Association.

Martha Dagmar Böckenfeld. Ms Böckenfeld has obtained a first state examination at the University of Muenster, Germany and Lausanne, Switzerland, a Ph.D in Law, and a second state examination (Assessor). She began her career in 1997 as Regional Legal Counsel and Corporate Secretary of Winterthur Asia Pacific

Division in Hong Kong. She has worked for the Winterthur Group/AXA until 2007 where she covered several executive roles among which Head of Group Reinsurance Non-Life, Head of Closed Portfolio Management and member of the Executive Board of Winterthur Group, gaining a relevant experience in the insurance and banking field. In 2014 she became Chief Executive Officer (CEO) and a member of the executive board of Kleinwort Benson, which she was until June 2016 and, from 2007 to 2016, she has been, *inter alia*, Chief Financial Officer and Managing Director of BHF Kleinwort Benson Group.

Alessandro Caltagirone. He graduated in Economics and Business from the "La Sapienza" University of Rome. From 1994 to 1996 he held the post of Financial Controller at Vianini Thai Construction and Development. He was the sole director of Euclide 2000 S.r.l., Ced 2008 S.r.l., Alca 1969 and Immobiliare Ara Coeli S.r.l. and Chairman of the Board of Directors of Finanziaria Italia S.p.A., a Director of FGC S.p.A. and Vianini Industria S.p.A., as well as a member of the building committee of ANCE – Associazione Nazionale Costruttori Edili. At the Registration Document Date, he is a member of the Board of Directors of various major Italian and international companies including Aalborg Portland Holding S/A, Vianini Lavori S.p.A., Il Messaggero S.p.A., Cementir Espana A.S. and Il Gazzettino S.p.A. and a member of the technical credit and finance group of Confindustria. He was also an expert in Business Administration at the Faculty of Communication of the "La Sapienza" University of Rome and an expert in Technical Vocation at the Faculty of Economics and Business at the LUISS University, Rome.

Lucrezia Reichlin. Professor of Economics at the London Business School, non-executive director of the UniCredit Banking Group, AGEAS Insurance Group, Eurobank Ergasias SA and Messaggerie italiane. She is the co-founder and Chairman of Now-Casting Economics Ltd and a columnist of *Corriere della Sera*. She is a member of the Board of Trustees of the Centre for Economic Policy Research (CEPR) having contributed in the past to the development of the organisation in various roles: as director of research, the first Chairman of the CEPR Euro Area Business Cycle Dating Committee, and co-founder and director of the Euro Area Business Cycle Network. She gained a Ph.D (Doctor of Philosophy) in economics from New York University. She has held academic posts in the United States, France and Belgium. From 2005 until 2008 she was Managing Director of Research at the European Central Bank. She was also a consultant for various central banks, including on the Board of Governors of the Federal Reserve. She is a Fellow of the Econometric Society, the British Academy, the European Economic Association and the European Academy. She is a member of numerous scientific boards of research and economic policy institutions in various countries worldwide. In 2016 she received the Birgit Grodal Award from the European Economic Association for her contribution to economic research and the Isaac Kerstenetzky Scholarly Achievement Award. She is an expert in macroeconomics, monetary policy and econometrics. She has had articles published on these subjects in many extremely prestigious international journals.

Clara Christina Streit. Graduated (master degree) in business administration at the University of St. Gallen, Switzerland. Ms Streit has been an associate professor at the University Lisbon Nova and at the Catholic University of Portugal - Lisbon. She began her career as analyst at McKinsey & Company Inc. where she left in 2012 in her capacity as senior partner, after more than twenty year of experience as financial institutions advisor. She has been a member of board of directors of Bank Vontobel A.G. since 2011, where she is also a member of the nomination and remuneration committee. Since 2013, she has held the offices of member of the supervisory committee, president of the finance committee, and member of the presidential committee of Vonovia S.E. (Dusseldorf) and a member of the supervisory committee and the president of the nomination and remuneration committee of Delta Lloyd N.V. (Amsterdam). Furthermore, from 2015 she is a member of the board of directors and of the audit committee of Jerónimo Martins SGPS S.A. (Lisbon).

Paola Vezzani. She graduated in Economics and Business from the University of Modena and then gained a Ph.D. in Business Administration during which time she spent one year studying at the Graduate School of Business Administration of New York University as a visiting student. From 1990 to 1998 she was a researcher at the Faculty of Economics and Business at the University of Modena; from 1998 to 2002 she was Associate Professor of Economics of Banking at the Faculty of Economics at the University of Udine. From 2004 to 2007 she held the post of Dean of the Faculty of Communication and Economics of the University of Modena and Reggio Emilia. From 2010 to 31 October 2010 she was a member of the Assessment Committee of the University of Modena and Reggio Emilia. From 2012 to 2015 she was Director of the Department of Communication and Economics and a member of the Academic Senate of the University as representative of the Directors of the Departments of Macro area 3 of Economics, Law and Social Sciences. Lastly, from 2008 to 2013 she has been on the Board of Directors of the "Achille Peri" Istituto Superiore di Studi Musicale of Reggio Emilia and between 2008 and 2010 she was on the Board of Directors of ENIA S.p.A. At the Registration Document Date she is Full Professor of Economics of Banking at the Department of Communication and Economics of the University of Modena and Reggio Emilia.

Alexander Wolfgring. Graduated in business and economics at the University of Wien. From 1987 to 1994 Mr Wolfgring has covered different managing roles at the Zentralsparkasse of Vienna, among which, he was Vice-Manager of the strategic planning office. From 1994 to 2005 he worked at Bank Austria in Wien as risk management manager and also member of the risk committee and of the asset liability committee. From 2005 to 2006 he was a member of the board of directors of HVB Bank Slovakia A.S., Bratislava. From 2006 to 2009 he was the Chief Executive Officer (CEO) of AV-Z Holding S.p.A. From 2005 to 2013 he was a member of the board of directors of AV-Z Kapitalgesellschaft GmbH, Grünwald and SBV Social Business GmbH. At the Registration Document Date, he is a member of the board of directors of several companies among which Privatstiftung zur Verwaltung von Anteilsrechten and AVZ GmbH.

Anthony Wyand. Graduated (bachelor's degree) at the Royal Military College of Kingston (Canada) and (master degree) at the London King's College, Mr Wyand worked for the Canadian Army from 1962 to 1971. He spent its entire career in the Commercial Union: from 1971 to 1983 he worked at the Investment Management Department; in 1983 he has been appointed as First Senior Vice President (Finance) in Boston and in 1985 he became General Manager (Investment and Finance) in London. In 1998, following the merger with General Accident, he has been appointed as Vice Chief Executive Officer (CEO) of the group and, following the merger with Norwich Union in 2000, executive director of the new group (CGNU/Aviva). Until 2015 he has also been Vice President of Société Générale and a member of the board of directors of AVIVA France. At the Registration Document Date, he is a member of the board of directors of Société Foncière Lyonnaise S.A. and president of Cybèle Asset Management.

Elena Zambon. She graduated from the "Luigi Bocconi" University of Business, Milan, in Business Administration. Between 1989 and 1994 she worked for Citibank N.A. where she was in charge of foreign investors on the Italian market and, later on, for relations and risk assessment for institutional customers (specifically Insurance, Finance and World Corporation Groups). At the Registration Document Date she is Chairman of Zambon S.p.A., a multinational pharmaceutical company founded in Vicenza in 1906, Vice Chairman of ZaCh System – Zambon Advanced Fine Chemicals S.p.A. and a director of Zambon Company

S.p.A. the holding company of the group. She has also been Chairman of Secofind SIM S.p.A., the Multi – Family Office founded in 2000 to extend the experience in wealth management for the Zambon family since 1994 in the selection and control of asset managers to other entrepreneurial families. In August 2011 she was appointed a member of the Board of Directors of the Fondo Strategico Italiano. At the Registration Document Date she is a member of the board of numerous companies including Ferrari N.V. and the Italian Institute of Technology (IIT).

The table below indicates the companies, outside of the UniCredit Group, where members of the Board of Directors have been and/or are members of the governing bodies, management bodies or control bodies, shareholders or owners of an equity investment or a "qualified" equity investment in the case of listed companies (i.e. an equity investment of more than 3%), at any time during the five years prior to the Registration Document Date.

Name and Surname	Company at which the activity was carried out	Office	Status of the office
Giuseppe Vita	Axel Springer S.E.	Chairman of the Supervisory Board, Chairman of the *Praesidium*, Chairman of the Appointments Committee, Chairman of the HR Committee, Member of the Audit Committee.	Current
	ABI – Associazione Bancaria Italiana (Italian Banking Association)	Member of the Board of Directors	Current
	Aspen Institute Italy	Member of the General Board	Current
	Trilateral Commission – Italian Group	Member	Current
	ISPI - Institute for International Political Studies	Member of the Board of Directors and Member of the Executive Committee	Current
	Bologna Business School Foundation	Member of the "Collegio d'Indirizzo"	Current
	European Financial Roundtable	Member	Current
	Certilogo S.r.l.	Shareholder	Current
	Sash & Fritz GmbH	Shareholder	Current
	XID Technologies PTE Ltd.	Shareholder	Current
	Alrise Biosystems GmbH	Shareholder	Current
	GrafWanheim GmbH&Co Geschlossene InvKG	Shareholder	Current
	Banca Leonardo S.p.A.	Shareholder	Current
	Pirelli & C. S.p.A.	Member of the Board of Directors	Ceased
	AIRC – Associazione Italiana per la Ricerca sul Cancro	Member of the Board of Directors	Ceased
	Allianz S.p.A.	Chairman of the Board of Directors	Ceased
	Barilla S.p.A.	Member of the Board of Directors	Ceased
	RCS MediaGroup S.p.A.	Member of the Board of Directors	Ceased
	Medical Park AG	Member of the Supervisory Committee	Ceased
	Humanitas Istituto Clinico	Member of the Board of Directors	Ceased
	IEO – Istituto Europeo di Oncologia	Member of the Board of Directors	Ceased

Name and Surname	Company at which the activity was carried out	Office	Status of the office
	IEO Foundation – Istituto Europeo di Oncologia	Member of the Board of Directors	Ceased
	Cerba Foundation	Member of the Board of Directors	Ceased
	Feltrinelli Foundation	Member of the Board of Directors	Ceased
	Board for Relations between Italy and the United States	Member of the Board	Ceased
	Banca Leonardo S.p.A.	Chairman of the Board of Directors	Ceased
	Dussmann Stftung	Member of the Supervisory Committee	Ceased
Vincenzo Calandra Buonaura	Credito Emiliano S.p.A.	Member of the Board of Directors	Ceased
Luca Cordero di Montezemolo	Charme Chapital Partners SGR S.p.A.	Chairman of the Board of Directors and Shareholder	Current
	Alitalia Società Aerea Italiana S.r.l.	Chairman of the Board of Directors	Current
	Alitalia Compagnia Aerea Italiana S.p.A.	Chairman of the Board of Directors	Current
	Nuovo Trasporto Viaggiatori S.p.A.	Member of the Board of Directors	Current
	Coesia S.p.A.	Member of the Board of Directors	Current
	Telethon	Chairman	Current
	Fisvi S.r.l.	Shareholder	Current
	MCG Holding S.r.l.	Shareholder	Current
	Fisvi Holding S.r.l.	Shareholder	Ceased
	Azienda Agricola Fungarino S.r.l.	Shareholder	Ceased
	MDP Holding Uno S.r.l.	Chairman of the Board of Directors	Ceased
	MDP Holding Due S.r.l.	Chairman of the Board of Directors	Ceased
	MDP Holding Tre S.r.l.	Chairman of the Board of Directors	Ceased
	MDP Holding Quattro S.r.l.	Chairman of the Board of Directors	Ceased
	Poltrona Frau S.p.A.	Member of the Board of Directors	Ceased
	Tod’s S.p.A.	Member of the Board of Directors	Ceased
	Kering	Member of the Board of Directors	Ceased
	Ferrari S.p.A.	Chairman of the Board of Directors	Ceased
	Fiat S.p.A.	Chairman of the Board of Directors and Member of the Board of Directors	Ceased
	Editrice La Stampa	Member of the Board of Directors	Ceased
Fabrizio Palenzona	Italian Association of Highway and Tunnel Concessionaires (AISCAT)	Chairman	Current
	Fai Service S.c.a r.l.	Chairman of the Board of Directors	Current
	Aeroporti di Roma S.p.A.	Chairman of the Board of Directors	Ceased
	Gemina S.p.A.	Chairman of the Board of Directors	Ceased

Name and Surname	Company at which the activity was carried out	Office	Status of the office
	Impregilo S.p.A.	Chairman of the Board of Directors	Ceased
	Aviva S.p.A.;	Chairman of the Board of Directors	Ceased
	Mediobanca S.p.A.	Member of the Board of Directors	Ceased
Jean Pierre Mustier	TAM S.à r.l.	Shareholder	Current
	Groupement Forestier Abbaye Grand Mont	Shareholder	Current
	Groupement Forestier Böis/Bengy	Shareholder	Current
	TAM Eurl	Shareholder	Current
	Chelsea Real Estate	Shareholder	Current
	HLD Associés	Shareholder	Current
	Winevest	Shareholder	Current
	Eastern Properties	Shareholder	Current
	Bankable	Shareholder	Current
	Dashlane Inc.	Shareholder	Current
	Chili Piper Inc.	Shareholder	Current
	Tikehau Capital	Partners	Ceased
	Alitalia S.p.A.	Member of the Board of Directors	Ceased
Mohamed Hamad Al Mehairi	Aabar Investments PJS (Aabar)	CEO and Member of Board of Directors	Current
	Arabtec Holding PJSC (Arabtec)	Member of the Board of Directors	Current
	Al Hilal Bank	Member of the Board of Directors	Current
	Qatar Abu Dhabi Investment Company (QADIC)	Member of the Board of Directors	Current
	Pak-Arab Refinery Ltd. (PARCO)	Deputy Chairman of the Board of Directors	Current
	Palmassets S.A.	Member of the Board of Directors	Current
	Cosmo Oil Company Limited	Member of the Board of Directors	Ceased
	Borealis AG	Member of the Board of Directors	Ceased
	Nova Chemicals Corporation	Member of the Board of Directors	Ceased
	Etihad Airways	Member of the Board of Directors	Ceased
Sergio Balbinot	Allianz S.E.	Member of the Board of Management responsible for the insurance markets of western and southern Europe (France, Benelux, Italy, Greece, Turkey), Africa, the Middle East and India	Current
	Allianz France S.A.	Member of the Board of Directors	Current
	Allianz Sigorta A.S.	Member of the Board of Directors	Current
	Allianz Yasam ve Emekililik A.S.	Member of the Board of Directors	Current
	Bajaj Allianz Life Ins. Co. Ltd.	Member of the Board of Directors	Current
	Bajaj Allianz Gen.Ins. Co. Ltd.	Member of the Board of Directors	Current
	Borgo San Felice S.r.l.	Member of the Board of Directors	Current
	Allianz S.p.A.	Deputy Chairman of the Board of Directors	Ceased
	Agricola San Felice S.p.A.	Member of the Board of Directors	Ceased

Name and Surname	Company at which the activity was carried out	Office	Status of the office
	Deutsche Vermögensberatung Aktiengesellschaft DVAG	Member of the Supervisory Board	Ceased
	Europ Assistance Holding S.A.	Member of the Board of Directors	Ceased
	Future Generali India Insurance Company Limited	Member of the Board of Directors	Ceased
	Future Generali India Life Insurance Company Limited	Member of the Board of Directors	Ceased
	Generali (Schweiz) Holding AG	Deputy Chairman of the Board of Directors	Ceased
	Generali Asia N.V.	Member of the Board of Directors	Ceased
	Generali CEE Holding B.V.	Chairman of the Board of Directors	Ceased
	Generali China Insurance Co. Ltd.	Deputy Chairman of the Board of Directors	Ceased
	Generali China Life Insurance Co. Ltd	Deputy Chairman of the Board of Directors	Ceased
	Generali Deutschland AG	Member of the Supervisory Board	Ceased
	Generali España Holding De Entidades de Seguros S.A.	Deputy Chairman of the Board of Directors	Ceased
	Generali France S.A.	Deputy Chairman of the Board of Directors	Ceased
	Generali Holding Vienna AG	Deputy Chairman of the Supervisory Board	Ceased
	Generali Investments Holding S.p.A.	Member of the Supervisory Board	Ceased
	Generali Italia S.p.A.	Chairman of the Board of Directors	Ceased
	Participatie Maatschappij Graafschap Holland N.V.	Member of the Supervisory Board	Ceased
	Transocean Holding Corporation	Member of the Board of Directors	Ceased
	Commerzbank	Member of the Supervisory Board and the Advisory Board	Ceased
Cesare Bisoni	Modena Formazione	Alternate auditor	Ceased
	Democenter-Sipe Foundation	Member of the Board of Directors	Ceased
Henryka Bochniarz	Polish Confederation Lewiatan	Chairman	Current
	FCA Poland S.A.	Supervisory Board	Current
	Orange Poland	Supervisory Board	Current
	Boeing International Corporation	Chairman for Central and Eastern Europe	Ceased
	Aviva Towarzystwo Ubezpieczeń Ogólnych S.A.	Member of the Supervisory Board	Ceased
	Aviva Towarzystwo Ubezpieczeń na Życie S.A.	Member of the Supervisory Board	Ceased
Martha Dagmar Böckenfeld	BHF Kleinwort Benson Group S.A.	Finance Director and Member of Executive Committee	Ceased
	Kleinwort Benson Bank Limited	CEO, member of the Executive Committee and Member of Board of Directors	Ceased
	Kleinwort Benson Channel Islands Holdings Ltd	Member of the Board of Directors	Ceased
	Kleinwort Benson (Channel Islands) Ltd	Member of the Board of Directors	Ceased
	BHF – Bank AG	Member of the Board of Directors and Chairman of the Control and Risks Committee	Ceased
	Kleinwort Benson Investors	Member of the Board of Directors	Ceased
Alessandro Caltagirone	Aalborg Portland Holding S/A	Vice Chairman	Current

Name and Surname	Company at which the activity was carried out	Office	Status of the office
	Vianini Lavori S.p.A.	Member of the Board of Directors and Member of the Executive Committee	Current
	Vianini Ingegneria S.p.A.	Sole Director	Current
	Il Messaggero S.p.A.	Member of the Board of Directors	Current
	Cementir Holding S.p.A.	Member of the Board of Directors	Current
	Caltagirone S.p.A.	Member of the Board of Directors	Current
	Caltagirone Editore S.p.A.	Member of the Board of Directors	Current
	Il Gazzettino S.p.A.	Member of the Board of Directors	Current
	Cimentas A.S.	Member of the Board of Directors	Current
	Globocem A.S.	Member of the Board of Directors	Current
	Cementir Espana A.S.	Member of the Board of Directors	Current
	Aalborg Portland Espana SL	Member of the Board of Directors	Current
	Yapitek Yapi Teknolojisi Sanayi ve Ticaret A.S	Chairman of the Board of Directors	Current
	Fabrica Immobiliare SGR S.p.A.	Shareholder and Member of the Investment Committee of the Board of Directors	Current
	Fincal S.A.	Member of the Board of Directors	Current
	Finanziaria Italia 2005 S.p.A.	Sole Director	Current
	Ical S.p.A.	Chairman of the Board of Directors	Current
	Corso 2009 S.r.l.	Sole Director	Current
	Ical 3 S.r.l.	Member of the Board of Directors	Current
	Confindustria	Member of the Technical Credit and Finance Group	Current
	Alca 1969 S.r.l.	Shareholder	Current
	Finalca S.r.l.	Shareholder	Current
	Immobiliare Ara Coeli S.r.l.	Shareholder	Current
	Piemontese S.r.l.	Shareholder	Current
	Inmobiliaria y Construcciones Torresol S.A.	Shareholder	Current
	Vianini Industria S.p.A.	Chairman of the Board of Directors	Ceased
	Vianini Lavori S.p.A.	Chairman of the Board of Directors	Ceased
	Immobiliare Ara Coeli S.r.l.	Sole Director	Ceased
	Alca 1969 S.r.l.	Sole Director	Ceased
	UIR – Unione degli Industriali di Roma	Vice Chairman	Ceased
	FGC S.p.A.	Chairman of the Board of Directors	Ceased
	Fincal S.p.A.	Chairman of the Board of Directors	Ceased
	Romana Partecipazioni 2005 S.r.l.	Chairman of the Board of Directors	Ceased
	Finanziaria Italia S.p.A.	Chairman of the Board of Directors	Ceased
	Ced 2008 S.r.l.	Sole Director	Ceased
	Euclide 2000 S.r.l.	Sole Director	Ceased
	ANCE – Associazione Nazionale Costruttori Edili	Member of the Buildings and Land Committee	Ceased

Name and Surname	Company at which the activity was carried out	Office	Status of the office
Lucrezia Reichlin	Eurobank Ergasias S.A.	Member of the Board of Directors and Chairman of the Remuneration and Appointments Committee	Current
	Ageas Insurance Group	Member of the Board of Directors and Member of the Risk & Capital Committee	Current
	Now-Casing Economics Ltd	Chairman, Co-Founder and Shareholder	Current
	Messaggerie Italiane Group	Member of the Board of Directors	Current
	Bruegel	Chairman of the Scientific Board	Current
	Commission Economique de la Nation	Member of the Consultation Board of the French Ministry of Economy and Finance	Current
	Centre for Economic Policy Research (CEPR)	Member of the Board of Trustees	Current
Clara Christina Streit	Vonovia S.E.	Member of the Board of Directors	Current
	Delta Lloyd N.V.	Member of the Board of Directors	Current
	Bank Vontobel AG	Member of the Board of Directors	Current
	Jerónimo Martins	Member of the Board of Directors	Current
	McKinsey	Senior Partner	Ceased
Paola Vezzani	"Achille Peri" Istituto Superiore di Studi Musicale of Reggio Emilia	Member of the Board of Directors	Ceased
Alexander Wolfgring	Privatstiftung Zur Verwaltung Von Anteilsrechten	Member of the Board of Directors	Current
	AVZ GmbH	Member of the Board of Directors	Current
	AVZ Finanz-Holding GmbH	Member of the Board of Directors	Current
	AVZ Holding GmbH	Member of the Board of Directors	Current
	Österreichisches Verkehrsbüro Aktiengesellschaft	Member of the Supervisory Board	Current
	Verkehrsbüro Touristik GmbH	Chairman of the Supervisory Board	Current
	Mischek Privatstiftung	Member of the Board of Directors	Current
	AVB Holding GmbH	Member of the Board of Directors	Current
	API Besitz GmbH	Member of the Board of Directors	Current
	LVBG Luftverkehrsbeteiligungs GmbH	Member of the Board of Directors	Ceased
	SBV Social Business GmbH	Member of the Board of Directors	Ceased
Anthony Wyand	Sociètè Foncière Lyonnaise SA	Member of the Board of Directors	Current
	Cybèle Asset Management	Chairman of the Board of Directors	Current
	Aviva France	Member of the Board of Directors	Ceased
	Sociètè Gènèrale	Vice Chairman of the Board of Directors	Ceased
Elena Zambon	Gefim S.p.A.	Deputy Chairman of the Board of Directors	Current
	Enaz S.r.l.	Member of the Board of Directors	Current
	Iava S.r.l.	Member of the Board of Directors	Current
	Itaz S.r.l.	Member of the Board of Directors	Current
	Tano S.r.l.	Member of the Board of Directors	Current

Name and Surname	Company at which the activity was carried out	Office	Status of the office
	Cleops S.r.l.	Member of the Board of Directors	Current
	Angama S.r.l.	Member of the Board of Directors	Current
	Zambon Company S.p.A.	Member of the Board of Directors	Current
	Zambon S.p.A.	Chairman of the Board of Directors	Current
	Zach Systems S.p.A.	Deputy Chairman of the Board of Directors	Current
	Zeta Cube S.r.l.	Member of the Board of Directors	Current
	Zambon Immobiliare S.p.A.	Member of the Board of Directors	Current
	Fondazione Zoè (Zambon Open Education)	Chairman	Current
	AIdAF – Associazione Italiana delle Aziende Familiari	Chairman	Current
	FBN – Family Business Network	Member	Current
	Istituto Italiano di Tecnologia IIT	Member of the Board of Directors	Current
	Aspen Institute Italy	Vice Chairman	Current
	Ferrari N.V.	Member of the Board of Directors	Current
	Bramante & Co. S.r.l.	Shareholder	Current
	Chimi S.a.s.	Shareholder	Current
	Gefim S.p.A.	Shareholder	Current
	Enaz S.r.l.	Shareholder	Current
	Itaz S.r.l.	Shareholder	Current
	Iava S.r.l.	Shareholder	Current
	Secofind SIM S.p.A.	Shareholder	Current
	Zeta 4 S.r.l.	Shareholder	Current
	Mix Cube S.r.l.	Shareholder	Current
	Immobiliare Verdi di G. Zambon & C. S.a.s.	Shareholder	Current
	Zambon Italia S.r.l.	Member of the Board of Directors	Ceased
	Fondo Strategico Italiano	Member of the Board of Directors	Ceased
	Fondo Italiano di Investimento	Member of the Strategic Committee	Ceased
	Italcementi S.p.A.	Member of the Board of Directors	Ceased
	Fondazione Golinelli	Member of the Board of Directors	Ceased
	Fondazione Invernizzi	Member of the Board of Directors	Ceased
	Secofind SIM S.p.A.	Chairman of the Board of Directors	Ceased
	Zeta 4 S.r.l.	Member of the Board of Directors	Ceased

As far as the Issuer is aware, none of the members of the Board of Directors, in the five years prior to the Registration Document Date: (i) has been convicted of fraud; (ii) has been declared bankrupt or been subject to insolvency proceedings or has been associated, under the scope of performing his/her duties, with any bankruptcy, forced administration or liquidation proceedings; and (iii) has been subject to official criminal charges and/or sanctions by the public or supervisory authorities (including designated professional associations) or bans by a tribunal from holding the post of member of a governing body, management body or control body of the Issuer or from carrying out executive or management activities for any company, with the exception of what is indicated below: the Acting Vice Chairman Luca Cordero di Montezemolo is a party in proceedings pending before the Appeal Court of Naples, accused of environmental and planning violations.

In addition to the above, for the sake of completeness, note that as far as the Issuer is aware, in 2010 the AMF (*Autorité des Marchés Financiers*) imposed a monetary fine on the current CEO Jean Pierre Mustier (in his capacity as Head of the Corporate & Investment Banking division of Société Générale) of €100,000 in relation to the liquidation of his personal portfolio, which took place in August 2007 (a portfolio that included less than 4% of Société Générale S.A. shares) because the transaction took place on the basis of some information he received in July 2007 which was considered price-sensitive.

None of the members of the Board of Directors listed in the above table have family relationships with any of the other members of the Board of Directors, with members of the Board of Statutory Auditors and/or with Managers with Strategic Responsibilities (as defined in Chapter 14, Paragraph 14.1.3 of the Registration Document) of the Issuer.

14.1.2 Board of Statutory Auditors

The Board of Statutory Auditors in office at the Registration Document Date was appointed by the Ordinary Shareholders' Meeting of 14 April 2016 for the financial years 2016, 2017 and 2018 with the term ending at the date of the Shareholders' Meeting called for the approval of the financial statements for the year ending 31 December 2018.

The members of the Board of Statutory Auditors in office at the Registration Document Date are listed in the table below.

Name and Surname	Office	Place and date of birth
Pierpaolo Singer	Chairman	Rome, 25 December 1961
Angelo Rocco Bonissoni	Statutory Auditor	Bollate (MI), 13 April 1959
Enrico Laghi	Statutory Auditor	Rome, 23 February 1969
Benedetta Navarra	Statutory Auditor	Rome, 24 March 1967
Maria Enrica Spinardi	Statutory Auditor	Turin, 14 July 1960
Guido Paolucci	Alternate Auditor	Rimini, 6 January 1969
Paola Manes	Alternate Auditor	Rome, 9 July 1972
Antonella Bientinesi	Alternate Auditor	Rome, 27 May 1961
Maria Francesca Talamonti	Alternate Auditor	Rome, 5 January 1978

The Board of Statutory Auditors monitors compliance with regulatory and statutory laws as well as correct administration, the adequacy of the organisational and accounting arrangements of the Issuer, the risk management and control system as well as the operation of the overall internal control system, statutory auditing of the annual accounts and consolidated financial statements, the independence of the independent auditors and the financial disclosure process. For further information, see Chapter 21, Paragraph 21.2.2 of the Registration Document.

A brief *curriculum vitae* of each of the auditors is given below illustrating their skills and experience.

Pierpaolo Singer. He graduated in Economics and Business from the LUISS Guido Carli University of Rome. Certified Public Accountant in Rome and Certified Public Auditor. Full Professor at the University of Salerno since 1 November 2002 where, at the Registration Document Date, he has a Chair in Economics and Business Management and Corporate Governance. He has taught corporate finance and financial analysis at the same university. He taught the course on Business Economics and Management at the Faculty of Economics at the "La Sapienza" University of Rome in the academic years 2002-2003 to 2009-2010. He is a Member of the Italian Academy of Business Administration and the Società Italiana di Management. His professional activities mainly include working as an expert on company valuations and a business consultant in the sector of public works, transport and public utilities, in addition to being an expert witness in corporate and finance disputes. He is registered as an expert witness for the Court of Rome and the Regional Administrative Court of Rome for which he has carried out numerous tasks involving financial, accounting and administrative matters in both civil and criminal proceedings. He is a consultant for the INPS (Italian Social Security Agency) in various disputes involving the economic management of the organisation's properties by private subjects. Lastly, he has held positions and still does on boards of statutory auditors, governing bodies, supervisory boards, pursuant to Legislative Decree 231/2001 of industrial and financial groups and companies, including listed ones, such as Astaldi S.p.A., Aeroporti di Roma Holding S.p.A., Telecom Italia S.p.A., Condotte S.p.A., Enel S.p.A. and Agenzia del Demanio.

Angelo Rocco Bonissoni. He graduated in Business Administration from the Catholic University of the Sacred Heart, Milan. He is a Certified Public Accountant in Milan and Certified Public Auditor. He worked at a leading Milan firm of accountants for a period of two years gaining experience in the field of tax and corporate advice for medium-large companies. In 1985 he founded Studio Camozzi & Bonissoni and since 2007 he has been the Managing Partner of Studio CBA Studio Legale e Tributario (formerly Camozzi Bonissoni Varrenti & Associati). Under the scope of extraordinary transactions he assisted the majority of national and international private equity funds both in their start up phases and in investment/divestment phases and he has in some cases helped banks and in others companies in financial restructuring operations involving various procedures. At the Registration Document Date he is: a member of AIFI (Italian Private Equity Venture Capital and Private Debt Association) for tax and corporate matters, a member of technical and ethical committees of private equity funds, an auditor for listed companies, a director of non-listed companies and an expert in procedures pursuant to Articles 67 and 182-*bis* of the Bankruptcy Law.

Enrico Laghi. He graduated in Economics and Business from the "La Sapienza" University of Rome. He is a Certified Public Accountant and Certified Public Auditor. At the Registration Document Date he is Full Professor of Business Administration and Chairman of the Specialist Degree Course in Business Administration at the Faculty of Economics of the "La Sapienza" University of Rome as well as lecturing in accounting analysis on the Advanced Course at the Guardia di Finanza Tax Police School. He was a member of the ESMA Consultative Working Group for the Corporate Reporting Standing Committee, Chairman of the 231 Supervisory Body of Finmeccanica S.p.A., member of the Board of Trustees of the OIV – Organismo Italiano delle Valutazioni, auditor for CONI (Italian National Olympic Committee), member of the International Committee established by the OIC – Organismo Italiano della Contabilità (Italian Accounting Body) and member of the Audit Commission of the ESA – European Space Agency. He holds and has held many posts including on the boards of directors and boards of statutory auditors of companies, including companies listed on the Italian Stock Exchange, including Pirelli & C. S.p.A., Gruppo Editoriale L'Espresso, Nomura Sim S.p.A., TIM – Telecom Italia Mobile S.p.A., Alitalia – Linee Aeree Italiane S.p.A., RaiCinema S.p.A., and Fendi S.r.l.

Benedetta Navarra. She graduated in Economics and Business from the LUISS Guido Carli University of Rome and later studied Law at the "La Sapienza" University of Rome. She is a Certified Public Accountant and Lawyer in Rome and a Certified Public Auditor She taught banking and stock exchange law at the Law Faculty of the LUISS Guido Carli University of Rome and at the Registration Document Date she lectures on the Master's Course in Business Law at the same university. She is mainly involved with banking law, finance and market corporate issues, taking care of the contractual aspects, including internationally, of the subject. She has gained considerable experience in business crisis management, project financing, bank loans securitisation and the responsibility of intermediaries in the provision of investment services, as well as under the scope of the disciplinary proceedings launched by the Supervisory Authorities. She was part of the legal team assisting the Treasury Department in the privatisations of Banca Nazionale del Lavoro, Mediocredito Centrale, Banco di Sicilia S.p.A. and Credito Industriale Sardo. She was a Senior Partner of Graziadei Studio Legale from 2003 until June 2016, she has also held office as a member of the Board of Directors of Yapi Kredi Bankasi A.S., Chairman of the Board of Statutory Auditors of Poste Italiane S.p.A. and member of the Board of Statutory Auditors of Equitalia S.p.A., at the Registration Document Date she is a member of the Board of Statutory Auditors of LVenture Group S.p.A. and of Buddy Servizi Molecolari S.p.A., the Board of Directors of A.S. Roma S.p.A. and the Supervisory Board of UniCredit Bank Czech Republic and Slovakia A.S.

Maria Enrica Spinardi. She graduated in Economics and Business from the University of Turin. She has been a Certified Public Auditor since 1996. From 1983 to 1985 she was an Internal Auditor at Olivetti S.p.A. In 1985 she became an auditor at a leading firm of auditors and from 2001 to 2012 she was a partner at a leading firm of auditors. She has held and holds posts on the statutory board of auditors at major industrial companies such as Ansaldo STS S.p.A. She was the liquidator for Webasto Product Italy S.p.A. She has been in charge of numerous due diligences under the scope of the middle market and various accounting reorganisations at leading domestic companies. At the Registration Document Date she works as a consultant and auditor, is a member of the Committee for the Masters in Auditing, Accounting & Control of the Turin Business Administration School (SAA).

Guido Paolucci. He graduated in Economics and Business from the "La Sapienza" University of Rome. He is a Certified Public Accountant and Certified Public Auditor. Since 1996 he has been an expert witness for the Court of Rome. At the Registration Document Date he is a Full Professor of Economics lecturing on the following courses: consolidated financial statements at the Roma Tre University; financial analysis and corporate plans and company valuation at the Marche Polytechnic University. He has worked specifically in the fields of business consulting and business finance for leading Italian and foreign groups and companies, company valuation, auditing and accounting due diligence. He has also given expert opinions on business complexes and fairness opinions also under the scope of banking groups and finance companies. In the period 2012-2013, as an independent expert, he prepared a fairness opinion on the exchange ratio and the worth of the right of withdrawal for a merger between banks. Lastly, he has held posts as a member of the Board of Directors and the Board of Statutory Auditors of holding companies and finance companies, asset management companies, banks and companies listed on the stock exchange including: Fondi Immobiliari Italiani S.p.A., Confiri SIM S.p.A. SS Lazio S.p.A.

Paola Manes. She graduated in Law from the University of Bologna. She is on the Register of Lawyers. She gained a Master of Laws from King's College, London. She is an Assistant Professor and "Contract" Professor of Private Law at the Faculty of Economics at the University of Bologna. She is the author of numerous works, including monographs on the subject of capital allocation and segregation, also on company law, trust law and generational transfer of family companies, agreements on the transfer of equity interests between family members. She lectures on post-graduate specialist courses in family law and on masters courses on trust law at various Italian universities and she was a visiting lecturer at King's College, London. She has attended many conventions and undergone professional training on the subject of company law, trust law, generational transfer of family companies. She is on the editing committee of the magazine Contratto e Impresa. She is a member of the Italian Society of civil law studies, "Il trust in Italia" Association and "STEP" (Society of trust and estate practitioners).

Antonella Bientinesi. She graduated in Economics and Business from the "La Sapienza" University of Rome. She is a Certified Public Accountant in Rome and Certified Public Auditor. During her professional career she has worked with Italian and foreign customers of the highest order, gaining vast experience – on the subject of direct and indirect taxes – under the scope of advising, domestic and international tax planning, due diligence prior to acquisitions or listing, tax disputes. She has gained considerable experience in extraordinary business transactions (mergers, demergers, transfers, company disposals, liquidations). From 1992 to 1999 she worked with the Associated Law Offices of KPMG S.p.A. Since 1999 she has been a partner of the Studio Legale Tributario associated with Ernst & Young. Since 2001 she has been the partner in charge of Central Southern area of the Public Sector. Lastly, she has held the post of auditor on the Statutory Board of Auditors of various companies including ENAV S.p.A.

Maria Francesca Talamonti. She graduated in Business Administration from the LUISS Guido Carli University of Rome. She is a Certified Public Accountant in Rome and Certified Public Auditor. In 2014 she studied for a doctorate at the University of Rome. Since 2006 she has been working in private practice and as a consultant on corporate, accounting, company and financial matters. Since 2003 she has held the office of auditor and member of the Board of Statutory Auditors of many companies.

The table below indicates the companies outside of the UniCredit Group where members of the Board of Statutory Auditors have been and/or are members of the governing bodies, management bodies or control bodies, shareholders or owners of an equity investment or a "qualified" equity investment in the case of listed companies (i.e. an equity investment of more than 3%), at any time during the five years prior to the Registration Document Date.

Name and Surname	Company at which the activity was carried out	Office	Status of the office
Pierpaolo Singer			
	Enel Distribuzione S.p.A.	Statutory Auditor	Current
	Thales Alenia Space S.p.A.	Member of the Supervisory Body	Current
	Enel Green Power Africa S.r.l.	Statutory Auditor	Current
	Ligestra Due S.r.l.	Chairman of Board of Statutory Auditors	Current
	M.A.S. S.p.A.	Chairman of Board of Statutory Auditors	Current
	Condag S.p.A.	Statutory Auditor	Current

Name and Surname	Company at which the activity was carried out	Office	Status of the office
	Sinergica S.p.A.	Chairman of Board of Statutory Auditors	Current
	Mariani e Partners S.r.l.	Partner	Ceased
	State Property Office	Statutory Auditor	Ceased
	Enel Energia S.p.A.	Statutory Auditor	Ceased
	Selex S.p.A.	Member of the Supervisory Body	Ceased
	Finamca S.p.A.	Statutory Auditor	Ceased
	Banco Poste Fondi SGR S.p.A.	Chairman of Board of Statutory Auditors	Ceased
	L'Universitaria S.n.c.	Official Liquidator	Ceased
Angelo Rocco Bonissoni	CBA – Studio Legale Tributario	Managing partner	Current
	Tblo Ltd	Director and Shareholder	Current
	Finedil S.r.l.	Shareholder	Current
	Tillit S.r.l.	Shareholder	Current
	Ban-up S.p.A.	Member of the Board of Directors	Current
	C&B S.r.l. in liquidation	Official Liquidator	Ceased
	Alba S.p.A.	Member of the Board of Directors	Ceased
	Alfagomma Real Estate S.p.A.	Alternate Auditor	Ceased
	Cfp Flexible Packaging S.p.A.	Member of the Board of Directors	Ceased
	Egon Zehnder International S.p.A.	Alternate Auditor	Ceased
	Ethica Corporate Finance S.p.A.	Statutory Auditor	Ceased
	ISTV S.p.A.	Alternate Auditor	Ceased
	Limoni S.p.A.	Chairman of Board of Statutory Auditors	Ceased
	Num S.p.A.	Alternate Auditor	Ceased
	S.E.A. Società Europea Autocaravan S.p.A.	Chairman of Board of Statutory Auditors	Ceased
	Toyota Motor Italia S.p.A.	Alternate Auditor	Ceased
	Toyota Motor Leasing Italia S.p.A.	Alternate Auditor	Ceased
	Co.Import S.p.A. in liquidazione	Chairman of the Board of Directors	Ceased
	C.A.P.A. Costruzioni Accessori per Auto S.r.l. in liquidation	Statutory Auditor	Ceased
	Dunlop Hiflex Holding S.r.l.	Alternate Auditor	Ceased
	ISTV Service S.r.l.	Chairman of Board of Statutory Auditors	Ceased
	Panels – S.p.A. – Industria Pannelli Compositi	Chairman of Board of Statutory Auditors	Ceased
Enrico Laghi	Acea S.p.A.	Chairman of Board of Statutory Auditors	Current
	Partecipazioni Industriali S.p.A.	Official Receiver	Current
	Beni Stabili S.p.A.	Chairman of the Board of Directors	Current
	Burgo Group S.p.A.	Member of the Board of Directors	Current
	CAI S.p.A.	Member of the Board of Directors	Current
	MidCo S.r.l.	Chairman of the Board of Directors	Current
	B4 Investimenti SGR S.p.A.	Member of the Board of Directors	Current
	BA Holding I SICAF S.p.A.	Member of the Board of Directors	Current

Name and Surname	Company at which the activity was carried out	Office	Status of the office
	Studio Laghi S.r.l.	Chairman of the Board of Directors and Shareholder	Current
	Ilva S.p.A. in extraordinary administration	Official Receiver	Current
	INNSE Cilindri S.r.l. in extraordinary administration	Official Receiver	Current
	Ilvaform S.p.A. in extraordinary administration	Official Receiver	Current
	Ilva Servizi Marittimi S.p.A. in extraordinary administration	Official Receiver	Current
	Sanac S.p.A. in extraordinary administration	Official Receiver	Current
	Taranto Energia S.p.A. in extraordinary administration	Official Receiver	Current
	Tillet S.a.S. in extraordinary administration	Official Receiver	Current
	Socova S.a.S. in extraordinary administration	Official Receiver	Current
	CQS Holding S.r.l. in liquidation	Liquidator	Current
	LKTS S.p.A. in liquidation	Liquidator	Current
	C-Zone S.p.A. in liquidation	Liquidator	Current
	Ktesios Holding S.r.l. in liquidation	Liquidator	Current
	Rainet S.p.A.	Statutory Auditor	Ceased
	Seat Pagine Gialle S.p.A. with an arrangement with creditors	Insolvency Receiver	Ceased
	Seat Pagine Gialle Italia S.p.A. with an arrangement with creditors	Insolvency Receiver	Ceased
	01 Distribution S.r.l.	Statutory Auditor	Ceased
	Pirelli & C. S.p.A.	Chairman of the Board of Statutory Auditors and Statutory Auditor	Ceased
	Prelios S.p.A.	Chairman of Board of Statutory Auditors	Ceased
	Saipem S.p.A.	Member of the Board of Directors	Ceased
	Servizi Aerei S.p.A.	Statutory Auditor	Ceased
	Key Service S.r.l.	Member of the Board of Directors	Ceased
	Gruppo Editoria l'Espresso S.p.A.	Statutory Auditor	Ceased
	Infocontact S.r.l. in extraordinary administration	Official Receiver	Ceased
	Hara Consult S.r.l.	Sole Director	Ceased
	Emmelle.Co. S.r.l. in liquidation	Official Liquidator	Ceased
	Acea Produzione S.p.A.	Chairman of Board of Statutory Auditors	Ceased
	Huffington Post Italia S.r.l.	Chairman of Board of Statutory Auditors	Ceased
Benedetta Navarra	A.S. Roma S.p.A.	Member of the Board of Directors	Current
	Buddy Servizi Molecolari S.p.A.	Statutory Auditor	Current
	LV Venture Group S.p.A.	Statutory Auditor	Current
	Italiana Costruzioni S.p.A.	Shareholder	Current
	Navarra Iniziative Immobiliari S.r.l.	Shareholder	Current
	Fratelli Navarra S.r.l.	Shareholder	Current
	Na.Gest. – Global Service S.p.A.	Shareholder	Current
	Nacost Navarra Costruzioni S.r.l.	Shareholder	Current

Name and Surname	Company at which the activity was carried out	Office	Status of the office
	Poste Italiane S.p.A.	Chairman of Board of Statutory Auditors	Ceased
	Equitalia S.p.A.	Statutory Auditor	Ceased
	SHQT S.r.l.	Statutory Auditor	Ceased
Maria Enrica Spinardi	Ansaldo STS S.p.A.	Statutory Auditor	Current
	Atla S.r.l.	Statutory Auditor	Current
	Asics Italia S.r.l.	Statutory Auditor	Current
	Comset S.p.A.	Statutory Auditor	Current
	Municipality of Loreglia	Auditor	Current
	Fibre e Tessuti Speciali S.p.A.	Statutory Auditor	Current
	G.G. Family Group S.r.l.	Statutory Auditor	Current
	Municipality of Sinio	Auditor	Current
	Hexagon Metrology S.p.A.	Statutory Auditor	Current
	Cuki Cofresco S.p.A.	Statutory Auditor	Current
	Cuki S.p.A.	Alternate Auditor	Current
	Reconta Ernst & Young S.p.A.	*Partner*	Ceased
	Webasto Product Italy S.r.l. in liquidation	Liquidator	Ceased
	Codè Crai Ovest Soc. Coop.	Alternate Auditor	Ceased
	Equiter S.p.A.	Alternate Auditor	Ceased
	Sace S.p.A.	Alternate Auditor	Ceased
	Comital Gestione Industrie S.p.A.	Alternate Auditor	Ceased
	Cuki Cofresco S.p.A.	Alternate Auditor	Ceased
Guido Paolucci	ACC – Advanced Caring Center S.r.l.	Statutory Auditor	Current
	Infrastrutture Wireless Italiane S.p.A.	Alternate Auditor	Current
	Telecom Italia Ventures S.r.l.	Statutory Auditor	Current
	Immobiliare Veronica 84 S.r.l. in liquidation	Sole Auditor	Current
	Società Italiana di Monitoraggio – SIM S.p.A.	Statutory Auditor	Current
	Fondazione Casa Sollievo della Sofferenza	Member of the Board of Directors	Current
	Saving & Consulting S.p.A.	Member of the Management Control Committee.	Current
	Istituto Centrale per il Sostentamento del Clero	Member of the Board of Auditors - Alternate Auditor	Current
	Consorzio Sapienza Innovazione	Statutory Auditor	Current
	Telecontact Center S.p.A.	Chairman of Board of Statutory Auditors	Current
	Telecom Italia San Marino S.p.A.	Chairman of Board of Statutory Auditors	Current
	Fondazione Santi Francesco d'Assisi e Caterina da Siena	Chairman of the Board of Auditors	Current
	Salone S.p.A.	Statutory Auditor	Current
	Officinae Verdi S.p.A.	Chairman of Board of Statutory Auditors	Current
	Petrolig S.r.l.	Statutory Auditor	Current
	Officine NPL S.p.A.	Statutory Auditor	Current
	Petra S.p.A.	Chairman of Board of Statutory Auditors	Current

Name and Surname	Company at which the activity was carried out	Office	Status of the office
	Publispei S.r.l.	Sole Auditor	Current
	Italtel S.p.A.	Alternate Auditor	Current
	Italtel Group S.p.A.	Alternate Auditor	Current
	Ecofuel S.p.A.	Alternate Auditor	Current
	Catholic University of the Sacred Heart	Member of the Board of Auditors - Alternate Auditor	Current
	Bipiemme Assicurazioni S.p.A.	Statutory Auditor	Current
	Rete Blu S.p.A.	Alternate Auditor	Current
	Fondazione Giovanni Paolo II	Chairman of the Board of Auditors	Current
	NordCom S.p.A.	Statutory Auditor	Ceased
	Cofiri S.p.A.	Statutory Auditor	Ceased
	SeaPad S.p.A.	Statutory Auditor	Ceased
	Consorzio Tema.Mobility	Auditor	Ceased
	Oliveti Multiservices S.p.A.	Statutory Auditor	Ceased
	Cofimar Premia S.p.A.	Chairman of the Board of Directors	Ceased
	Advalso S.p.A.	Statutory Auditor	Ceased
	Società per l'Informazione Religiosa (SIR) S.p.A.	Statutory Auditor	Ceased
	Mefop S.p.A.	Statutory Auditor	Ceased
	Private Real Estate S.r.l.	Sole Auditor	Ceased
	Termica Milazzo S.r.l.	Alternate Auditor	Ceased
	Consorzio Roma Ricerche Società Consortile S.r.l.	Sole Auditor	Ceased
	Hegemon S.p.A.	Chairman of Board of Statutory Auditors	Ceased
	Seteap S.p.A.	Statutory Auditor	Ceased
	Eni Fuel CentroSud S.p.A.	Alternate Auditor	Ceased
	TIM Broadcasting S.r.l.	Statutory Auditor	Ceased
	Saiat S.p.A.	Alternate Auditor	Ceased
	Energy Resources S.p.A.	Statutory Auditor	Ceased
	Eni Rete Oil & Non Oli S.p.A.	Chairman of Board of Statutory Auditors	Ceased
	Emsa Servizi S.p.A. in liquidation	Alternate Auditor	Ceased
	Immobiliare Casa Sollievo della Sofferenza S.p.A.	Statutory Auditor	Ceased
	Impresat S.p.A.	Statutory Auditor	Ceased
Paola Manes	Unipol Gruppo Finanziario	Member of the Board of Directors	Current
Antonella Bientinesi	Enel Energia S.p.A.	Statutory Auditor	Current
	Enel Trade S.p.A.	Statutory Auditor	Current
	Società Subalpina di Imprese Ferroviarie S.p.A.	Statutory Auditor	Current
	Fondazione Il Faro	Chairman of the Board of Auditors	Current
	AMREF Health Africa Onlus (non-profit organisation)	Chairman of the Board of Auditors	Current
	Sara assicurazioni S.p.A.	Alternate Auditor	Current

Name and Surname	Company at which the activity was carried out	Office	Status of the office
	Sara Vita S.p.A.	Alternate Auditor	Current
	Fondo Ambiente Italiano – FAI	Alternate Auditor	Current
	Umbria Distribuzione S.p.A.	Alternate Auditor	Current
	Enel Sole S.r.l.	Alternate Auditor	Current
	Nuove Energie S.r.l.	Statutory Auditor	Ceased
	Ala Assicurazioni S.p.A.	Statutory Auditor and member of the Supervisory Body	Ceased
	FINCO – Federazione Industrie Prodotti	Chairman of the Board of Auditors	Ceased
	Enav S.p.A.	Statutory Auditor	Ceased
Maria Francesca Talamonti	Basic net S.p.A.	Member of the Board of Directors	Current
	Elettra Investimenti S.p.A.	Statutory Auditor	Current
	ACAM Clienti S.p.A.	Statutory Auditor	Current
	Costiero Gas Livorno S.p.A.	Statutory Auditor	Current
	Driver Servizi Retail S.p.A.	Statutory Auditor	Current
	Raffineria di Milazzo S.c.p.A.,	Statutory Auditor	Current
	RomAirport S.p.A.	Statutory Auditor	Current
	Servizi Aerei S.p.A.	Statutory Auditor	Current
	Saipem S.p.A.	Alternate Auditor	Current
	EniServizi S.p.A.	Alternate Auditor	Current
	Sigemi S.r.l.	Alternate Auditor	Current
	Driver Italia S.p.A.	Alternate Auditor	Current
	Sirti S.p.A.	Alternate Auditor	Current
	PS Reti S.p.A.	Alternate Auditor	Current
	AGI Agenzia Giornalisti Italia S.p.A.	Alternate Auditor	Current
	Eni Fuel S.p.A.	Alternate Auditor	Current
	MBDA Italia S.p.A.	Alternate Auditor	Current
	Anas International Enterprise S.p.A.	Alternate Auditor	Current
	Alitalia Loyalty S.r.l.	Alternate Auditor	Current
	Pirelli Servizi Finanziari S.p.A.	Statutory Auditor	Ceased
	ASA Trade S.p.A.	Statutory Auditor	Ceased
	Selex Sistemi Integrati S.p.A.	Statutory Auditor	Ceased
	Astaldi Aedifica S.r.l.	Statutory Auditor	Ceased
	Braccialini S.p.A.	Member of the Board of Directors	Ceased
	Solar Utility S.p.A.	Alternate Auditor	Ceased
	Pirelli Design S.r.l.	Alternate Auditor	Ceased
	NordCom S.p.A.	Alternate Auditor	Ceased
	Gotha Advisory S.p.A.	Alternate Auditor	Ceased
	Pzero S.r.l.	Alternate Auditor	Ceased

Checks have been carried out for all the members of the Board of Statutory Auditors to verify that they satisfy the integrity, professionalism and independence requirements laid down by law.

All the current members of the UniCredit Board of Statutory Auditors are Certified Public Auditors. For the purpose of the role performed, all members of UniCredit Board of Statutory Auditors are domiciled at the Head Office of the Issuer.

As far as the Issuer is aware, none of the members of the Board of Statutory Auditors, in the five years prior to the Registration Document Date: (i) has been convicted of fraud; (ii) has been declared bankrupt or been subject to insolvency proceedings or has been associated, under the scope of performing his/her duties, with any bankruptcy, forced administration or liquidation proceedings; and (iii) has been subject to official criminal charges and/or sanctions by the public or supervisory authorities (including designated professional associations) or bans by a tribunal from holding the post of member of a governing body, management body or control body of the Issuer or from carrying out executive or management activities for any company, with the exception of which is indicated below: the Statutory Auditor Angelo Rocco Bonissoni was a director until May 2012 of a company with regard to which, in June 2012, the liquidator submitted a bankruptcy petition, received by the Court in July 2012. At the Registration Document Date no action has been launched against previous directors of this company.

None of the members of the Board of Statutory Auditors listed in the above table has family relationships with any of the Board of Directors, with other members of the Board of Statutory Auditors and/or with Managers with Strategic Responsibilities (as defined in Chapter 14, Paragraph 14.1.3 of the Registration Document) of the Issuer.

14.1.3 Head Office and Senior Managers

The senior managers of the Issuer are listed below, giving details of the office held within the Issuer at the Registration Document Date (the "**Senior Managers with Strategic Responsibilities**").

Name and Surname	Office held	Length of service at the Group (years)	Place and date of birth
Jean Pierre Mustier	CEO and Managing Director	0.6	Chamaliéres (France), 18 January 1961
Gianni Franco Papa	Managing Director	37	Milan, 6 April 1956
Gianpaolo Alessandro	Group Legal Manager	3	Salerno, 27 April 1970
Carlo Appetiti	Group Compliance Officer	3	Rome, 12 May 1966
Paolo Cornetta	Group Human Capital Manager	18	Milan, 10 January 1961
Ranieri de Marchis	Co-Chief Operating Officer	13	Livorno, 8 January 1961
Massimiliano Fossati	Chief Risk Officer	16	Gorgonzola (MI), 30 January 1968
Francesco Giordano	Co-Chief Operating Officer and Chief Financial Officer	16	Rome, 13 October 1966
Marina Natale	Head of Strategy, Business Development & M&A	28	Saronno (VA), 13 May 1962
Serenella De Candia	Head of Internal Audit	5	Nuoro, 6 February 1967

A brief *curriculum vitae* of each of the Managers with Strategic Responsibilities listed above is given below – with the exception of the CEO and Managing Director Jean Pierre Mustier. For his *curriculum vitae* refer to

Chapter 14, Paragraph 14.1.1 of the Registration Document – which gives details of his professional skills and experience in corporate management.

Gianni Franco Papa. He graduated in Law from the Catholic University of the Sacred Heart, Milan. His career began in 1979 in the UniCredit Group, Credito Italiano at the time. After working in various posts, in 1986 he became a manager in the International Division. From 1988 until 1992 he was Assistant General Manager at Credito Italiano in Hong Kong. Following a period in Italy in the Group finance division, in 1998 he was appointed Deputy General Manager of the Singapore branch, later gaining promotion to become Director of Asia (excluding China). From 2003 until 2005 he was General Manager of the New York branch and Director of the Americas for UniCredit. His international career continued in the Central and Eastern European Division which he joined in 2010. During this period, in addition to senior management positions in Group banks in Slovakia and Ukraine, he held various posts in the main guidance and control bodies of the Division, including: Chairman of the Supervisory Board of UniCredit Bank Slovenija, Vice Chairman of the Turkish Koç Finansal Hizmetler A.S. and Yapi ve Kredi Bankasi A.S., Vice Chairman of the Supervisory Board of PJSC Ukrsotsbank. Between January 2015 and August 2016 he was Head of the Corporate & Investment Banking Division. In 2013, on the recommendation of the Prime Minister's Office, he was awarded the Order of Merit of the Republic of Italy. At the Registration Document Date he is a member of the Executive Management Committee of UniCredit.

Gianpaolo Alessandro. He graduated in Law from the University of Milan and then gained a Masters of Law (LL.M) from the University of Westminster in London. He was called to the Bar and can practise in Italy, England and Wales. He began his career as a lawyer in 1996 in Milan and worked at Italian and international law firms in Milan and London until 2005. In September 2005 he joined MTS S.p.A. (Italian Government Bonds Market) as Head of Legal and Compliance and Secretary to the Board and following the merger of MTS into the Borsa Italiana – London Stock Exchange Group he was also responsible for the legal structure servicing the Business Lines of Borsa Italiana. Between 2005 and 2009 under the scope of the Group he was a member of the Board of Management of MTS S.p.A., a member of the Supervisory Board of MTS Germany and Executive Director of EuroMTS Ltd. In 2009 he was hired by General Electric as General Counsel and Secretary to the Board of Directors of GE Capital in Italy with responsibility for Legal and Compliance and as a member of the Executive Committee of the GE Capital Interbanca Banking Group. In September 2013 he joined UniCredit as Head of Corporate Affairs & Board Secretary Office. On 1 December 2014 he was appointed Co-Head of Group Legal retaining responsibility as Secretary to the Board of Directors. On 1 January 2016 he was appointed General Counsel of the UniCredit Group and as such he was on the Executive Management Committee with the title Senior Executive Vice President.

Carlo Appetiti. He graduated in Economics and Business from the "La Sapienza" University of Rome, he is a Certified Accountant and Auditor, and he began his professional career at KPMG in 1990, later moving to the Market Risk Department of Citibank. Later on, he worked at the Intesa Group, firstly a member of the Chief Investment Officer Staff then as Head of the Market Risk Monitoring Office, then in Asset Management in charge of the Controls and Performance Analysis Department later becoming Head of the Risk Management Department and of Compliance. Between 2005 and 2012 he worked for Deutsche Bank as Head of Compliance for Italy coordinating and supervising the same activities in Belgium, Poland, Portugal and Spain. He joined UniCredit in January 2013 as jointly responsible for the Group Global Compliance Department, and was later also appointed Head of the Italian Compliance Department in July of the same year. Since 1 December 2014 he has been Group Compliance Officer and a member of the Executive Management Committee of UniCredit.

Paolo Cornetta. He is a law graduate and has a Master's in Business Administration. He began his career in 1987 with Credito Italiano. After holding various posts in the commercial banking sector, in 1992 he moved to Human Resources. In July 1994 he left Credito Italiano to join the ING Group as Head of Recruiting and Compensation. In July 1995 he became Head of Personnel Development at Banca Agricola Mantovana, where he remained until November 1998. Between December 1998 and March 2004 he was Head of Human Resources for the ING Italia Group. In March 2004 when part of ING was acquired and merged into UniCredit he was appointed Head of HR New Europe. In January 2006 he became Head of Executive Development and, in January 2007, he was also given responsibility for Compensation & Benefits, thereby becoming Head of Executive Development & Compensation. Since September 2009 he has been in charge of HR F&SME SBA, and since 1 November 2010 he has been Head of HR Italy. Since 15 December 2010 he has been Head of Group Human Resources with the title Senior Executive Vice President. In September 2016 he also took on responsibility for the Organisation area.

Ranieri de Marchis. He graduated in Economics from the LUISS University of Rome and has a Master's in Business Administration from INSEAD Business School, Fontainbleau. In 1987 he joined Italcable as a financial analyst and in 1988 he moved to Procter & Gamble. From 1990 to 2003 he worked for the General Electric Group: from 1990 to 1995 he was on the Corporate Audit Staff and was promoted to Chief Auditor for Europe; from 1995 to 1997 he was Head of Finance and Commercial Development; from 1996 to 1997 he was Head of Financial Planning for GE Power Systems. Between 1997 and 2001 he was Managing Director for the financial area at Nuovo Pignone. In 2001 he was promoted to Vice Chairman and Head of Finance for General Electric, Oil & Gas Division. In May 2003 he joined UniCredit as Chief Financial Officer, becoming Group Senior Executive Vice President in 2007. In May 2009 he was appointed Head of Internal Audit. Since September 2016 he has been co-Chief Operating Officer, with special responsibility for operations, IT, security and evaluation of internal controls.

Massimiliano Fossati. He graduated in Business Administration from the "Luigi Bocconi" Business University of Milan, specialising in Economics of Financial Intermediaries, later gaining an ASFOR accredited Masters in Bank Management. His professional career began in 1993 in Milan at a stock brokerage firm operating at Borsa Italiana. In 1995 he then moved to Centrobanca S.p.A., where he stayed until 2000 holding various positions of responsibility in the Credit area. In December 2000 he joined Locat S.p.A., a UniCredit Group leasing company as Senior Credit Analyst. In Locat S.p.A. he also gained experience in the Organisation area. In 2002 he moved to Unicredito Italiano S.p.A., as member of the newly-established Foreign Banks Credit team under the scope of Credit Management. Between 2004 and 2008 he held various posts in the Czech Republic as the Legal Entity of the UniCredit Group in that country, including Chief Risk Officer (CRO), Head of the Global Banking Service Division (GBS) and member of the Board of Directors. In 2008 he moved to Turkey to become Chief Risk Officer at Yapi Kredi Bank and Koc Financial Services, staying there until 2010. In the two-year period 2010-2012 he was a member of the Management Board of UniCredit UCB Austria with responsibility for Risk Management in Austria and countries of the Central and Eastern Europe Division. At the end of 2012 he returned to Italy to UniCredit as Chief Risk Officer Italy. On 1 October 2015 he was appointed Head of Risk Management of the UniCredit Group and as such he was on the Executive Management Committee with the title Senior Executive Vice President.

Francesco Giordano. He graduated in Economics from the University of Genoa and then gained a Masters in Economics from the University of Warwick, England. He began his career in 1992 as an Economist in MMS/Standard & Poor's in London. He remained in London, but moved first to the Istituto Bancario San

Paolo and later to Credit Suisse First Boston as Senior Economist. He joined the UniCredit Group in 2000 as Head of Research, later holding various posts in the Group, including Head of Planning, Research and Strategy and CFO and Head of Marketing and Strategy for the Corporate & Investment Banking Division. From 2011 to 2015 he was CFO of UCB Austria, with responsibility for CEE as well. In 2015 he was appointed CFO Finance and member of the Management Board of UniCredit Bank AG/Hypovereinsbank in Germany. Since September 2016 he has been Co-Chief Operating Officer, with specific responsibility for costs, acquisitions, real estate and finance.

Marina Natale. She graduated in Business Administration from the Catholic University of the Sacred Heart, Milan. She joined the UniCredit Group (then Credito Italiano) in January 1988, working in the Research and Planning Office. After managing various projects under the scope of the Planning and Control Office and in the Participations Area, she directly monitored more than 50 Group acquisitions as Head of Group M&A & Business Development. Specifically, she managed the combination with the HVB Group and the merger with the Capitalia Group, overseeing all the integration/reorganisation processes. From July 2008 until April 2009 she was in charge of the Private Banking Division of UniCredit. From May 2009 to 1 October 2015 she was Chief Financial Officer (CFO) and the Manager responsible for preparing corporate accounting documents with the title Senior Executive Vice President. On 1 October 2015 she was appointed Deputy Managing Director with responsibility for Strategy & Finance, keeping the role of Manager responsible for preparing corporate accounting documents On 1 September 2016, following a revision of the organisational model which led to the removal of the position of Deputy Managing Director, she left the post of Manager responsible for preparing corporate accounting documents, taking responsibility for the Strategy, Business Development & M&A unit. She also held the post of Director at FinecoBank and PGAM and at the Registration Document Date she is a member of the Executive Management Committee of UniCredit, a member of the Supervisory Board and the Audit Committee of UCB Austria, a member of the Investors Committee of the Atlante Fund and the Atlante II Fund and a member of the Board of Directors of Mediobanca – Banca di Credito Finanziario S.p.A.

Serenella De Candia. She graduated in Business Administration from the University of the Sacred Heart, Milan, and then became an Accountant and an Auditor. She began her career at Arthur Andersen in 1994 as an external auditor and consultant for finance and insurance companies, holding various posts from junior auditor to manager. She joined UniCredit in 2000 as Deputy Head of Group Audit for banking subsidiaries; she worked in various managerial positions in Internal Audit. She worked for the Mediolanum Group as Head of Internal Audit from 2008 to 2010. In 2011 she was appointed Managing Director and in 2012 she became CEO of UniCreditAudit, a company specialised in audit services also taking responsibility for Country Italy Network Audit. In October 2014 she was appointed Head of Group Audit. Since September 2016 she has been Head of Internal Audit.

The table below lists the companies, outside of the UniCredit Group, in which the Senior Managers with Strategic Responsibilities of the Issuer – with the exception of the CEO/Managing Director Jean Pierre Mustier for whom it is necessary to refer to Paragraph 14.1.1 of Chapter 14 – have been and/or are members of the governing bodies, management bodies or control bodies, shareholders or owners of an equity investment or a "qualified" equity investment in the case of listed companies (i.e. an equity investment of more than 3%), at any time during the five years prior to the Registration Document Date.

Name and Surname	Company at which the activity was carried out	Office	Status of the office
Carlo Appetiti	Deutsche Bank S.p.A. Employee Pension Fund	Member of the Board of Directors	Ceased
Paolo Cornetta	ABI – Associazione Bancaria Italiana (Italian Banking Association)	Member of the Trade Union and Employment Committee	Current
	CEMS	Member of the Strategic Board	Current
Ranieri de Marchis	ABI – Associazione Bancaria Italiana (Italian Banking Association)	Member of the Board of Directors and Member of the Executive Committee	Current
	Fondo Interbancario di Tutela dei Depositi (Italian Bank Deposit Guarantee Fund)	Member of the Board of Directors and Member of the Executive Committee	Current
	Fondo Interbancario di Tutela dei Depositi - Voluntary Scheme	Member of the Board of Management	Current
	Atlante Fund	Member of the Investors Committee	Current
	Alitalia S.p.A.	Member of the Board of Directors	Ceased
	Brand Management S.r.l.	Member of the Board of Directors and Member of the Executive Committee	Ceased
	Fondiaria – SAI S.p.A.	Member of the Board of Directors and Member of the Executive Committee	Ceased
	Neep Roma Holding S.p.A.	Member of the Board of Directors	Ceased
	A.S. Roma Real Estate S.r.l.	Member of the Board of Directors	Ceased
	Nuova Sorgenia Holding S.p.A.	Member of the Board of Directors	Ceased
	9Ren S.r.l.	Member of the Advisory Board and Member of the Supervisory Body	Ceased
Massimiliano Fossati	Mediobanca – Banca di Credito Finanziario S.p.A.	Member of the Board of Directors	Ceased
Marina Natale	ABI – Associazione Bancaria Italiana (Italian Banking Association)	Acting Vice Chairman of the Board of Directors and Member of the Board of Directors	Current
	Mediobanca S.p.A.	Member of the Board of Directors	Current
	Atlante Fund	Member of the Investors Committee	Current
	Atlante Fund II	Member of the Investors Committee	Current
	Assonime	Member of the Board of Directors	Current
	FITD - Fondo Interbancario di Tutela dei Depositi (Italian Bank Deposit Guarantee Fund)	Member of the Board of Directors	Current
Serenella De Candia	AIIA – Association of Internal Auditors	Member of the Board of Auditors	Current

As far as the Issuer is aware, none of the Managers with Strategic Responsibilities, in the five years prior to the Registration Document Date: (i) has been convicted of fraud; (ii) has been declared bankrupt or been subject to insolvency proceedings or has been associated, under the scope of performing his/her duties, with any bankruptcy, forced administration or liquidation proceedings; and (iii) has been subject to official criminal charges and/or sanctions by the public or supervisory authorities (including designated professional associations) or bans by a tribunal from holding the post of member of a governing body, management body or control body of the Issuer or from carrying out executive or management activities for any company.

None of the Senior Managers with Strategic Responsibility has family relationships with members of the Board of Directors, with members of the Board of Statutory Auditors and/or with any of the other Senior Managers with Strategic Responsibility of the Issuer.

14.2 Administrative, management and supervisory bodies and senior managers conflicts of interest

14.2.1 Potential conflicts of interest of the governing bodies, management bodies or control bodies and senior managers

At the Registration Document Date, as far as the Issuer is aware, with regard to the members of the governing bodies, management bodies and control bodies and Senior Managers with Strategic Responsibilities of the Issuer, there are no conflicts of interest with the obligations resulting from the office or position within the Issuer, except possibly for those involving operations monitored by the competent bodies of UniCredit in accordance with the required procedures, in strict compliance with the regulatory and legal provisions in force. Members of the governing bodies, management bodies and control bodies and Senior Managers with Strategic Responsibilities of UniCredit are bound to comply with the provisions referred to below which are aimed at governing cases in which the interests of the above-mentioned subjects could arise:

- Article 53 of the TUB requires, without prejudice to the obligations in paragraph 1, Article 2391 of the Civil Code, described below, the obligation of abstention for directors with a conflict of interest, on their own account or on behalf of third parties;

- Article 136 of the TUB, which requires the adoption of a special authorisation procedure (unanimous approval of the governing body not counting the vote of the representative involved and with all the members of the control body voting in favour) if a bank enters into obligations of any kind or enters into purchase and sales transactions, directly or indirectly, with the respective banking representatives;

- Article 2391 of the Civil Code, pursuant to which directors must give notice to the other directors and to the Board of Statutory Auditors of any interest, on their own account or on behalf of third parties, which they have in a given company transaction, without prejudice to abstention from the transaction if the member of the Board of Directors involved is the CEO of the company;

- Article 2391-*bis* of the Civil Code, the Related-Parties Regulation, as well as the prudential supervision provisions for banks published by the Bank of Italy on risk activities and conflicts of interest for banks and banking groups with regard to Associated Persons issued in conformity with Article 53 of the TUB (New Prudential Supervision Provisions).

In conformity with these latter provisions, the Issuer has adopted specific policies and procedures to ensure, among other things, the transparency and essential and procedural correctness of transactions established with related parties, directly or through subsidiaries. In conformity with the above provisions, significant transactions with Related Parties or Associated Persons are reserved exclusively to the authority of the Board of Directors of UniCredit, with the exception of transactions which come under the responsibility of the UniCredit Shareholders' Meeting. For further details, please also see Chapter 19, Paragraph 19.1 of the Registration Document.

Without prejudice to the obligations pursuant to Article 2391 of the Civil Code, the Issuer and its bodies have adopted measures and procedures to guarantee compliance of the provisions on the obligations of company representatives, as well as transactions with Related Parties and Associated Persons.

In this reference regulatory context, on 10 March 2016 the Board of Directors with the unanimous favourable opinions of the Related-Parties and Equity Investments Committee and the Board of Statutory Auditors, adopted the Global Policy for the management of transactions in conflict of interest (the "**Global Policy**") which is aimed at defining principles and rules for monitoring the risk from situations of possible conflicts of interest caused by the proximity of certain subjects to the decision-making hubs of the Issuer.

The Global Policy – prepared as a single document with the objective of dealing with aspects of governance and areas of application as well as procedural and organisational profiles as a single entity (taking into consideration the significant similarities between the rules on Related Parties pursuant to the Related Parties Regulation and Associated Persons pursuant to the rules of the Bank of Italy) – contains the provisions to be observed in the management of transactions with subjects in potential conflict of interest pursuant to the above-mentioned rules.

The areas of application laid down by the above-mentioned provisions that the Global Policy will deal with are listed below:

- governance structures and associated roles with reference to the Board of Directors, Related-Parties and Equity Investments Committee and the Board of Statutory Auditors;
- organisational structures for monitoring and managing transactions with Related Parties and with Associated Persons;
- Related Parties pursuant to CONSOB and Associated Persons pursuant to the Bank of Italy;
- criteria for identifying and reporting transactions with Related Parties and Associated Persons, including significant transactions;
- cases that are exempt under the Related-Party Regulation and the rules of the Bank of Italy and those laid down by UniCredit using the right established by the above-mentioned provisions;
- methods through which transactions with Related Parties and Associated Persons are appraised and approved;
- safeguards and rules for the adoption of the Global Policy under the scope of the Group.

Taking into consideration the specific features that distinguish the above-mentioned provisions, they also contain references on the subject of:

- information and transparency obligations required by CONSOB with regard to Related-Party transactions;
- risk activities with regard to Associated Persons pursuant to the Bank of Italy: i) limits to the risk activities; ii) regulatory reporting; iii) internal control policies.

Without prejudice to the regulatory provisions on the subject of the interests of directors and related-party transactions, the provision of Article 136 of the TUB on the obligations of banking representatives applies to the Issuer, including through the Global Policy.

For this purpose, company representatives are bound to notify subjects – physical or legal persons – pertaining to whom the establishment of any relations could include the indirect obligation that refers essentially to banking representatives. A transaction established with a related party who is a banking representative or a related subject comes under the scope of the application of the above-mentioned Article 136 of the TUB and the related procedure. In this case, the Related Parties and Equity Investments Committee should be guaranteed a prior, prompt and full information flow in accordance with the specific methods for large and small transactions.

14.2.2 Agreements or understandings with major shareholders, customers, suppliers or others, pursuant to which any person of the administrative, management and supervisory bodies or senior managers are selected

As far as the Issuer is aware, at the Registration Document Date, there are no agreements or understandings with the major shareholders, customers, suppliers or others, as a result of which the members of the governing bodies, management bodies or control bodies or Senior Managers with Strategic Responsibilities of the Issuer are selected.

14.2.3 Any restrictions agreed by the members of the Board of Directors and/or the Board of Statutory Auditors and/or by senior managers disposal of their holdings in the Issuer's securities

Save as specified below, the members of the Board of Directors, the members of the Board of Statutory Auditors and Senior Managers with Strategic Responsibilities have not agreed restrictions as far as the sale of securities of the Issuer that they hold in the portfolio within a certain period of time are concerned.

For the sake of completeness it is noted that, as far as the CEO and some Managers with Strategic Responsibilities are concerned there are "Guidelines on Share Ownership" in force at the Registration Document Date that require a commitment to establish and keep an investment in Issuer shares in a portfolio that varies according to the hierarchical level of the person and ranges between 200% and 100% of their fixed remuneration.

In addition, the incentive system dedicated to the CEO and to Senior Managers with Strategic Responsibilities involves the deferred payment of a share of their annual incentive, including through the allocation of Issuer shares that is binding for at least one year.

Without prejudice to the requirement of the above-mentioned subject regarding the rules on internal dealing and personal dealing and the procedures adopted by the Board of Directors which govern disclosure obligations and the limits on certain types of transactions involving UniCredit shares as well as associated financial instruments, implemented by UniCredit "significant parties" and by closely related persons. In this regard the procedure involves two fundamental obligations on subjects classified as "significant parties":

- to disclose transactions in UniCredit listed shares and debt instruments (as well as in associated derivatives and financial instruments) carried out by them and/or by closely related persons; and
- to abstain from the above-mentioned transactions during specific time periods (black-out periods).

Specifically, the procedure for internal dealing also contains operating requirements for compliance with disclosure obligations, resulting from the listing of UniCredit shares:

- on the Frankfurt Stock Exchange, with regard to BaFin pursuant to Article 15a of the *Wertpapierhandelsgesetz–WpHG* ("Securities Trading Act") and the associated application instructions issued by BaFin; and

- on the Warsaw Stock Exchange, with regard to the PFSA, pursuant to Article 160 of the Consolidated Law of 29 July 2005 the Trading in Financial Instruments Act and the associated application instructions issued by the Polish Ministry of Finance.

15. REMUNERATION AND BENEFITS

15.1 Remuneration and benefits for members of the Board of Directors, members of the Board of Statutory Auditors and Senior Managers with Strategic Responsibilities

Board of Directors

The table below contains the compensation paid in any way and in any form in the financial year ended 31 December 2015 by the Issuer and the companies directly or indirectly controlled by it to members of the Board of Directors in office at the Registration Document Date who were already in office during the year ended 31 December 2015.

Amounts in Euros

Name and Surname	Office	Period over which position was held		Total fixed compensation	Bonuses and other incentives	Non-monetary benefits	Other compensation	Total
Giuseppe Vita	Chairman of the Board	01/01/2015	31/12/2015	1,453,178		12,906	10,792	1,476,876
	Chairman of the Permanent Strategic Committee	01/01/2015	12/05/2015	2,000				2,000
	Chairman of the Corporate Governance, HR and Nomination Committee	01/01/2015	12/05/2015	2,000				2,000
	Member of the Corporate Governance, HR and Nomination Committee	12/05/2015	31/12/2015	27,534				27,534
	Chairman of the Remuneration Committee	01/01/2015	12/05/2015	1,600				1,600
	Member of the Remuneration Committee	12/05/2015	31/12/2015	26,734				26,734
	Member of the Internal Control & Risks Committee.	01/01/2015	31/12/2015	43,353				43,353
	Member of the Internal Control Sub-Committee	01/01/2015	12/05/2015					
	Member of the Risks Sub-Committee	01/01/2015	12/05/2015	400				400
	Off Site Meeting Participation			1,200				1,200
	(I) Subtotal of remuneration in company that prepares the financial statements			**1,558,000**		**12,906**	**10,792**	**1,581,698**
	(II) Remuneration from subsidiaries and associated companies							
	(III) Total			**1,558,000**		**12,906**	**10,792**	**1,581,698**
Vincenzo Calandra Buonaura	Vice Chairman of the Board	01/01/2015	12/05/2015	88,586		7,114		95,700
	Acting Vice Chairman of the Board	12/05/2015	31/12/2015	159,597				159,597
	Member of the Permanent Strategic Committee	01/01/2015	12/05/2015	15,019				15,019
	Member of the Corporate Governance, HR and Nomination Committee	01/01/2015	12/05/2015	42,953				42,953
	Member of the Internal Control & Risks Committee.	12/05/2015	31/12/2015	28,334				28,334
	Off Site Meeting Participation			1,200				1,200

Amounts in Euros

Name and Surname	Office	Period over which position was held		Total fixed compensation	Bonuses and other incentives	Non-monetary benefits	Other compensation	Total
	(I) Subtotal of remuneration in company that prepares the financial statements			**335,690**		**7,114**		**342,804**
	(II) Remuneration from subsidiaries and associated companies							
	(III) Total			**335,690**		**7,114**		**342,804**
Luca Cordero di Montezemolo	Vice Chairman of the Board	01/01/2015	31/12/2015	246,984				246,984
	Member of the Permanent Strategic Committee	01/01/2015	12/05/2015	14,219				14,219
	Member of the Corporate Governance, HR and Nomination Committee	01/01/2015	12/05/2015	14,219				14,219
	Chairman of the Corporate Governance, HR and Nomination Committee	01/01/2015	31/12/2015	33,918				33,918
	Off Site Meeting Participation			800				800
	(I) Subtotal of remuneration in company that prepares the financial statements			**310,140**				**310,140**
	(II) Remuneration from subsidiaries and associated companies			**300,000**				**300,000**
	(III) Total			**610,140**				**610,140**
Fabrizio Palenzona	Vice Chairman of the Board	01/01/2015	31/12/2015	248,184				248,184
	Member of the Permanent Strategic Committee	01/01/2015	12/05/2015	15,019				15,019
	Member of the Corporate Governance, HR and Nomination Committee	01/01/2015	31/12/2015	42,553				42,553
	Member of the Internal Control & Risks Committee.	12/05/2015	31/12/2015	27,934				27,934
	Off Site Meeting Participation			1,200				1,200
	(I) Subtotal of remuneration in company that prepares the financial statements			**334,890**				**334,890**
	(II) Remuneration from subsidiaries and associated companies							
	(III) Total			**334,890**				**334,890**
Mohamed Hamad Al Mehairi	Member of the Board	15/10/2015	31/12/2015	19,633				19,633
	Off Site Meeting Participation							
	(I) Subtotal of remuneration in company that prepares the financial statements			**19,633**				**19,633**
	(II) Remuneration from subsidiaries and associated companies							
	(III) Total			**19,633**				**19,633**
Cesare Bisoni	Member of the Board	13/05/2015	31/12/2015	**60,652**				**60,652**

Amounts in Euros

Name and Surname	Office	Period over which position was held		Total fixed compensation	Bonuses and other incentives	Non-monetary benefits	Other compensation	Total
	Member of the Internal Control & Risks Committee.	13/05/2015	31/12/2015	**28,334**				**28,334**
	Chairman of the Related Parties and Equity Investments Committee	13/05/2015	31/12/2015	34,718				34,718
	Invitation to the Corporate Governance, HR and Nomination Committee of 31 October 2015			400				400
	Off Site Meeting Participation			1,200				1,200
	(I) Subtotal of remuneration in company that prepares the financial statements			**125,304**				**125,304**
	(II) Remuneration from subsidiaries and associated companies							
	(III) Total			**125,304**				**125,304**
Henryka Bochniarz	Member of the Board	01/01/2015	31/12/2015	92,784				92,784
	Member of the Remuneration Committee	01/01/2015	31/12/2015	41,753				41,753
	Invitation to the Corporate Governance, HR and Nomination Committee of 31 October 2015			400				400
	Off Site Meeting Participation			400				400
	(I) Subtotal of remuneration in company that prepares the financial statements			**135,337**				**135,337**
	(II) Remuneration from subsidiaries and associated companies							
	(III) Total			**135,337**				**135,337**
Alessandro Caltagirone	Member of the Board	01/01/2015	31/12/2015	91,584				91,584
	Member of the Corporate Governance, HR and Nomination Committee	01/01/2015	31/12/2015	41,353				41,353
	Member of the Remuneration Committee	01/01/2015	12/05/2015	13,819				13,819
	Chairman of the Remuneration Committee	12/05/2015	31/12/2015	33,118				33,118
	Off Site Meeting Participation							
	(I) Subtotal of remuneration in company that prepares the financial statements			**179,874**				**179,874**
	(II) Remuneration from subsidiaries and associated companies							
	(III) Total			**179,874**				**179,874**
Lucrezia Reichlin	Member of the Board	01/01/2015	31/12/2015	91,984				91,984
	Member of the Permanent Strategic Committee	01/01/2015	12/05/2015	14,619				14,619
	Member of the Internal Control & Risks Committee.	01/01/2015	31/12/2015	42,553				42,553
	Member of the Risks Sub-Committee	01/01/2015	12/05/2015	400				400

Amounts in Euros

Name and Surname	Office	Period over which position was held		Total fixed compensation	Bonuses and other incentives	Non-monetary benefits	Other compensation	Total
	Also entitled to participate in the Internal Controls Sub-Committee	01/01/2015	12/05/2015					
	Member of the Related Parties and Equity Investments Committee	12/05/2015	31/12/2015	28,334				28,334
	Chairman of the Supervisory Body (pro-tempore)	01/01/2015	10/06/2015	17,479				17,479
	Invitation to the Corporate Governance, HR and Nomination Committee of 31 October 2015			400				400
	Off Site Meeting Participation			800				800
	(I) Subtotal of remuneration in company that prepares the financial statements			**196,570**				**196,570**
	(II) Remuneration from subsidiaries and associated companies							
	(III) Total			**196,570**				**196,570**
Clara Streit	Member of the Board	12/05/2015	31/12/2015	60,652				60,652
	Member of the Corporate Governance, HR and Nomination Committee	12/05/2015	31/12/2015	27,534				27,534
	Member of the Internal Control & Risks Committee.	12/05/2015	31/12/2015	27,934				27,934
	Off Site Meeting Participation			1,200				1,200
	(I) Subtotal of remuneration in company that prepares the financial statements			**117,321**				**117,321**
	(II) Remuneration from subsidiaries and associated companies							
	(III) Total			**117,321**				**117,321**
Paola Vezzani	Member of the Board	12/05/2015	31/12/2015	60,652				60,652
	Member of the Internal Control & Risks Committee.	12/05/2015	31/12/2015	28,334				28,334
	Member of the Related Parties and Equity Investments Committee	12/05/2015	31/12/2015	28,334				28,334
	Invitation to the Corporate Governance, HR and Nomination Committee of 31 October 2015			400				400
	Off Site Meeting Participation			1,200				1,200
	(I) Subtotal of remuneration in company that prepares the financial statements			**118,921**				**118,921**
	(II) Remuneration from subsidiaries and associated companies							
	(III) Total			**118,921**				**118,921**
Alexander Wolfgring	Member of the Board	01/01/2015	31/12/2015	93,184		7,114		100,297
	Member of the Remuneration Committee	01/01/2015	31/12/2015	41,753				41,753
	Member of the Internal Control & Risks Committee.	01/01/2015	12/05/2015	15,019				15,019

Amounts in Euros

Name and Surname	Office	Period over which position was held		Total fixed compensation	Bonuses and other incentives	Non-monetary benefits	Other compensation	Total
	Chairman of the Internal Control & Risks Committee.	12/05/2015	31/12/2015	98,553				98,553
	Member of the Risks Sub-Committee	01/01/2015	12/05/2015	400				400
	Also entitled to participate in the Internal Controls Sub-Committee	01/01/2015	12/05/2015					
	Off Site Meeting Participation			1,600				1,600
	(I) Subtotal of remuneration in company that prepares the financial statements			**250,510**		**7,114**		**257,623**
	(II) Remuneration from subsidiaries and associated companies							
	(III) Total			**250,510**		**7,114**		**257,623**
Anthony Wyand	Member of the Board	01/01/2015	31/12/2015	91,984				91,984
	Member of the Corporate Governance, HR and Nomination Committee	01/01/2015	12/05/2015	15,019				15,019
	Member of the Remuneration Committee	12/05/2015	31/12/2015	27,134				27,134
	Chairman of the Internal Control & Risks Committee.	01/01/2015	12/05/2015	65,649				65,649
	Member of the Internal Control & Risks Committee.	12/05/2015	31/12/2015	28,334				28,334
	Chairman of the Internal Control Sub-Committee	01/01/2015	12/05/2015					
	Chairman of the Risks Sub-Committee	01/01/2015	12/05/2015	400				400
	Invitation to the Corporate Governance, HR and Nomination Committee of 31 October 2015			400				400
	Off Site Meeting Participation			1,200				1,200
	(I) Subtotal of remuneration in company that prepares the financial statements			**230,121**				**230,121**
	(II) Remuneration from subsidiaries and associated companies							
	(III) Total			**230,121**				**230,121**
Elena Zambon	Member of the Board	12/05/2015	31/12/2015	60,252				60,252
	Member of the Corporate Governance, HR and Nomination Committee	12/05/2015	31/12/2015	27,934				27,934
	Off Site Meeting Participation			1,200				1,200
	(I) Subtotal of remuneration in company that prepares the financial statements			**89,386**				**89,386**
	(II) Remuneration from subsidiaries and associated companies							
	(III) Total			**89,386**				**89,386**

Board of Statutory Auditors

The table below contains the compensation paid in any way and in any form in the financial year ended 31 December 2015 by the Issuer and the companies directly or indirectly controlled by it to members of the Board of Statutory Auditors in office at the Registration Document Date who were already in office during the year ended 31 December 2015.

Amounts in Euros

Name and Surname	Office	Period over which position was held		Total fixed compensation	Bonuses and other incentives	Non-monetary benefits	Other compensation	Total
Pierpaolo Singer	Statutory Auditor	09/12/2015	31/12/2015	7,501		452		7,953
	(I) Subtotal of remuneration in company that prepares the financial statements			**7,501**		**452**		**7,953**
	(II) Remuneration from subsidiaries and associated companies							
	(III) Total			**7,501**		**452**		**7,953**
Angelo Rocco Bonissoni	Statutory auditor	13/05/2015	31/12/2015	73,435		4,582		78,017
	(I) Subtotal of remuneration in company that prepares the financial statements			**73,435**		**4,582**		**78,017**
	(II) Remuneration from subsidiaries and associated companies							
	(III) Total			**73,435**		**4,582**		**78,017**
Enrico Laghi	Statutory auditor	01/01/2015	31/12/2015	111,200		7,113		118,313
	(I) Subtotal of remuneration in company that prepares the financial statements			**111,200**		**7,113**		**118,313**
	(II) Remuneration from subsidiaries and associated companies			**25,000**				**25,000**
	(III) Total			**136,200**		**7,113**		**143,313**
Maria Enrica Spinardi	Statutory auditor	01/01/2015	31/12/2015	116,800		7,113		123,913
	(I) Subtotal of remuneration in company that prepares the financial statements			**116,800**		**7,113**		**123,913**
	(II) Remuneration from subsidiaries and associated companies							
	(III) Total			**116,800**		**7,113**		**123,913**

Senior Managers with Strategic Responsibilities

Senior Managers with Strategic Responsibilities in office at the Registration Document Date who were already in office during the financial year ended 31 December 2015 received compensation of €6,814 million (including bonuses, incentives and benefits) from the Issuer during the above-mentioned financial year. Senior Managers with Strategic Responsibilities have not received any compensation during the financial year ended 31 December 2015 from UniCredit companies other than the Issuer.

For further information with regard to the UniCredit Group remuneration polices, please refer to the "2016 Group Pay Policy" document, which includes the Annual Remuneration Report prepared pursuant to Article 123-*ter* of the TUF, together with the respective annexes: (i) Annex 1 to the "2016 Group Pay Policy" – "Information tables pursuant to Article 84-*quater* of the 'Annual Report – Section II' of the Italian Securities and Exchange Commission (CONSOB) regulation 11971", 2015; and (ii) Annex 2 to the "2016 Group Pay Policy" – "2016 pay plans based on financial instruments in favour of UniCredit Group employees, UniCredit shareholders' meeting – April 2016", available on the Issuer's website (www.unicreditgroup.eu).

The Issuer makes use of the inclusion scheme through reference to the "2016 Group Pay Policy" (including related annexes), pursuant to Article 7 of the Issuers' Regulation and Article 28 of Regulation (EC) No 809/2004.

* * *

For the sake of completeness, note that on 12 December 2016, the Issuer approved the 2016-2019 Strategic Plan (see Chapter 13 of the Registration Document), which requires, *inter alia*, the adoption of a new remuneration strategy for the Group. The main interventions in this regard will relate to: (i) the repositioning of the remuneration policy target level; (ii) the review of the remuneration systems for top and senior management; (iii) the extension of the guidelines on share ownership; and (iv) the review of the policy of severance payments.

Specifically, measures will be implemented both at policy and general systems level, and in terms of specific commitments undertaken by the CEO, including:

- as a remuneration policy target, the repositioning of remuneration taking the market median as a benchmark. A fixed reduction in remuneration of 40% was adopted for the CEO;

- the launch of a new long-term share incentive plan (LTI), aimed at aligning management incentives with the creation of long-term value by the Group. The LTI Plan includes performance targets connected to the Strategic Plan measured over a three-year time scale, followed by a payment structure with three years' deferment – during which there may be *malus* conditions – and further restriction periods for the shares assigned according to legislation provisions. The Plan is intended for members of the Executive Management Committee, and will gradually be extended to at least the top 120 employees in the Group. In this context, the CEO will not receive any bonus for 2016 and the LTI Plan will be his only form of variable remuneration until 2019;

- the extension of the guidelines on share ownership to the top 120 positions in the Group, with an investment by the CEO in UniCredit shares equal to approximately €2 million as soon as personal dealing conditions allow it;

- the reduction of the maximum limit on severance payments to 24 months' remuneration, including notice. The CEO has announced that he has renounced any payment in the case of termination of employment for any reason.

15.2 Amount set aside or accrued by the Issuer or by other Group companies to provide pensions, retirement or similar benefits

With regard to the year ended 31 December 2015, the total amount of provisions allocated or accumulated by Group companies for the payment of pensions or severance pay or similar benefits in favour of Senior Managers with Strategic Responsibilities who were in office during the above-mentioned financial year, was equal to €0.537 million.

16 BOARD PRACTICE

16.1 Date of expiration of the term of office of directors in relation to the Issuer's last completed financial year

Pursuant to Article 20 of the Issuer's corporate Articles of Association, the maximum term of office for directors is three financial years, except for a shorter term established at the time of the appointment; a director's term of office expires at the shareholders' meeting called for the approval of the financial statements for the last year of their office.

The table below gives the dates of the latest appointment and expiry of the mandate of directors in office at the Registration Document Date as well as the date of the respective appointment and possible co-option.

BOARD OF DIRECTORS					
Name	**Office**	**Date of appointment**	**End of term of office**	**Date of first appointment**	**Co-optation date**
Giuseppe Vita	Chairman	13 May 2015	Approval of financial statements on 31 December 2017	11 May 2012	
Vincenzo Calandra Buonaura	Acting Vice Chairman	13 May 2015	Approval of financial statements on 31 December 2017	6 May 2002	
Luca Cordero di Montezemolo	Vice Chairman	13 May 2015	Approval of financial statements on 31 December 2017	11 May 2012	
Fabrizio Palenzona	Vice Chairman	13 May 2015	Approval of financial statements on 31 December 2017	11 January 1999	
Jean Pierre Mustier	Chief Executive Officer	12 July 2016	Approval of financial statements on 31 December 2017	30 June 2016	30 June 2016
Mohamed Hamad Al Mehairi	Board Member	15 October 2015	Approval of financial statements on 31 December 2017	15 October 2015	15 October 2015
Sergio Balbinot	Board Member	9 June 2016	financial statements on 31 December 2017	9 June 2016	9 June 2016
Cesare Bisoni	Board Member	13 May 2015	Approval of financial statements on 31 December 2017	13 May 2015	
Henryka Bochniarz	Board Member	13 May 2015	Approval of financial statements on 31 December 2017	11 May 2012	
Martha Dagmar Böckenfeld	Board Member	22 September 2016	financial statements on 31 December 2017	22 September 2016	22 September 2016
Alessandro Caltagirone	Board Member	13 May 2015	Approval of financial statements on 31 December 2017	11 May 2012	
Lucrezia Reichlin	Board Member	13 May 2015	Approval of financial statements on 31 December 2017	29 April 2009	
Clara C. Streit	Board Member	13 May 2015	Approval of financial statements on 31 December 2017	13 May 2015	
Paola Vezzani	Board Member	13 May 2015	Approval of financial statements on 31 December 2017	13 May 2015	
Alexander Wolfgring	Board Member	13 May 2015	Approval of financial statements on 31 December 2017	11 May 2013	
Anthony Wyand	Board Member	13 May 2015	Approval of financial statements on 31 December 2017	11 January 1999	
Elena Zambon	Board Member	13 May 2015	Approval of financial statements on 31 December 2017	13 May 2015	

16.2 Information on labour contracts that were entered into by members of Boards of Directors, management or control bodies with the Issuer or with subsidiaries, and that call for severance pay

With the exception of what is specified below, there are no labour contracts agreed by members of the Board of Directors and the Board of Statutory Auditors with the Issuer or with its subsidiaries that call for severance pay.

Only the CEO, Jean Pierre Mustier, is bound to the Issuer by an employment contract as a senior manager with regard to his role as Managing Director. Any severance pay under the scope of this arrangement would be regulated by normal legal and collective agreement conditions for credit executives.

16.3 Composition and functions of Board of Directors' committees

In order to promote an efficient information and consultation system that enables the Board of Directors to best evaluate various subjects that come under its jurisdiction, the Board, in line with the provisions of the Code of Corporate Governance, has set up the following four committees with investigatory, advisory and proposal-making duties, diversified by sphere of responsibility: (i) Internal Control & Risk Committee; (ii) Corporate Governance, Nomination and Sustainability Committee; (iii) Remuneration Committee; and (iv) Related Parties and Equity Investments Committee, with their composition and responsibilities listed below. These committees may operate in the manner deemed appropriate including with the establishment of sub-committees.

16.3.1 Internal Control and Risk Committee

The Internal Control & Risk Committee is composed of a maximum of 9 directors, all non-executive and the majority of them independent pursuant to the Code of Corporate Governance and the Corporate Articles of Association of the Issuer. The work of the committee is coordinated by the Chairman, chosen from the independent members. The Chairman of the Board of Directors is an ex officio member of this committee. The members of the committee should possess skills, expertise and experience that enable them to fully understand and monitor the risk strategies and guidelines of the Issuer; at least one member should have adequate experience in accounting and finance or risk management, to be evaluated by the Board of Directors at the time of the appointment as a member of the committee.

At the Registration Document Date, the Internal Control & Risk Committee is composed - in addition to the ex officio member, Giuseppe Vita, in his capacity as Chairman of the Board of Directors - of the following directors: Alexander Wolfgring (Chairman), Vincenzo Calandra Buonaura, Fabrizio Palenzona, Cesare Bisoni, Lucrezia Reichlin, Clara C. Streit, Paola Vezzani and Anthony Wyand.

The committee establishes the operating rules and internal organisation in such a way as to guarantee that its functions are carried out efficiently and first of all defines an annual plan of the matters to be included on the agenda of the committee meetings. The Chairman of the Internal Control & Risk Committee evaluates the importance or the urgency of a matter and decides whether to include it on the agenda of the first meeting of the committee.

Committee meetings are usually called by the Chairman once a month. The Chairman also calls a committee meeting if at least 2 members or 2 auditors ask for it.

The following take part in the work of the committee:

- the Chairman of the Board of Statutory Auditors and the other auditors;
- as permanent invitees, the CEO, the Managing Director, the Head of the Internal Audit Department, the Compliance Office, the Group Chief Risk Officer, the Manager responsible for preparing the company accounting documents and the Secretary to the Board (if selected outside of the members of the actual Board).

If they are not already members of the committee, the Vice Chairmen of the Board of Directors can participate, as guests, in the meetings. Representatives of the external auditors can also be invited.

The committee is responsible for establishing appropriate function links with the Board of Statutory Auditors for carrying out activities deemed to be shared by the two bodies and for exchanging information of mutual interest, in compliance with the specific responsibilities.

The committee should be able to access important company information and make use of external experts as well as, where necessary, talking directly with the Internal Audit, Group Risk Management and Group Compliance functions. In addition, the committee identifies any other information flows that should be directed to it on areas of responsibility and establishes functional connections with similar committees within the Group.

The committee supports the Board of Directors on risk matters and the internal control system.

The committee, among other things:

a) identifies and proposes to the Board of Directors, making use of the contribution of the Corporate Governance, Nomination and Sustainability Committee, the Heads of Group Compliance, Internal Audit and Group Risk Management to appoint. It also expresses its opinion on the definition of the remuneration of the Head of the Internal Audit Department consistent with company policies;

b) it examines activity programmes in advance (including the audit plan) and the annual reports of Group Compliance, Internal Audit and Group Risk Management aimed at the Board of Directors as well as the regular reports prepared by these functions also outside of statutory or regulatory obligations;

c) it expresses evaluations and formulates opinions for the Board of Directors with regard to the standardised principles of the internal control system and company organisation and the requirements that should be complied with by Group Compliance, Internal Audit and Group Risk Management, bringing any weak points and the corrective measures to implement to the attention of the Board of Directors; it evaluates the proposal of the CEO for that purpose;

d) it contributes, by means of evaluations and opinions, to defining the company's outsourcing policy for corporate control functions;

e) it checks that Group Compliance, Internal Audit and Group Risk Management conform correctly to the instructions and guidelines of the Board of Directors and supports the latter with the preparation of the coordination documents required by the Supervisory Provisions;

f) it examines and evaluates the correct use of accounting principles and their standardisation for the purpose of preparing the main accounting documents (such as, for example: financial statements and consolidated financial statements, half-year financial statements and interim reports) coordinating with the Chief Financial Officer and Manager in charge of preparing corporate accounting documents and with the Board of Statutory Auditors;

g) it examines the work carried out by the Group external auditors and the results in the reports and any recommendation letters;

h) it assesses any observations made in reports of the Internal Audit and Group Compliance areas or by the Boards of Statutory Auditors of Group companies or third-party investigations and/or reviews;

i) it can request any specific audits, notifying the Chairman of the Board of Statutory Auditors at the same time;

j) it analyses the Group's guidelines concerning matters under the responsibility of the Group Compliance area and monitors their receipt and implementation;

k) it asks the Internal Audit area to formulate any proposals for the qualitative/quantitative improvement of the actual department.

The committee supports the Board of Directors with special reference to the risk management and control tasks:

- in the definition and approval of strategic guidelines and governance policies for risks with special reference to the risk appetite and the risk tolerance. For this purpose, it also examines the guidelines for the preparation of the annual budget;

- in verifying the correct implementation of strategies, risk governance policies and the Risk Appetite Framework ("**RAF**");

- in defining the evaluation policies and processes of corporate activities, including checking that the price and conditions of transactions with customers are consistent with the business model and risk strategies.

Without prejudice to the responsibilities of the Remuneration Committee, the Committee makes sure that the incentives underlying the remuneration and incentive system are consistent with the Risk Appetite Framework, specifically taking into account risks, capital and liquidity.

The committee reports to the Board of Directors on its activities after every meeting. The committee also reports to the Board of Directors on the adequacy of the Group internal control system.

The Chairman of the committee maintains close ties with the Chairmen of the Risk and Audit Committees of the major Group companies.

16.3.2 Corporate Governance, Nomination and Sustainability Committee

The Corporate Governance, Nomination and Sustainability Committee is composed of 7 members, all non-executive and the majority independent pursuant to the Code of Corporate Governance and the Corporate Articles of Association of the Issuer. The work of the committee is coordinated by the Chairman, chosen from the independent members. The Chairman of the Board of Directors is an ex officio member of this committee. The other members must be selected on the basis of the best qualifications and availability to carry out the assignment.

At the Registration Document Date, the Corporate Governance, Nomination and Sustainability Committee is composed - in addition to the ex officio member, Giuseppe Vita, in his capacity as Chairman of the Board of Directors - of the following directors: Luca Cordero di Montezemolo (Chairman), Vincenzo Calandra Buonaura, Fabrizio Palenzona, Alessandro Caltagirone, Clara C. Streit and Elena Zambon.

The committee meetings are normally held monthly.

The Corporate Governance, Nomination and Sustainability Committee provides the Board of Directors with opinions regarding, among other things:

a) the determination of UniCredit's corporate governance system, corporate structure and the Group's governance models/guidelines;

b) the definition of the self-evaluation process, the qualitative-quantitative composition of the Board of Directors considered optimum and the maximum number of posts in other companies considered compatible with effectively carrying out duties in UniCredit;

c) the verification of the possession of the regulatory and statutory requirements of UniCredit directors (including the requirements on the subject of interlocking directorates), as well as the verification of the compliance between the qualitative-quantitative composition of the Board considered optimum and the effective composition as a result of the nomination process;

d) the appointment of the CEO, General Manager, Deputy General Managers, other key management personnel, as well as the Senior Executive Vice Presidents;

e) the determination of policies concerning the appointment and succession plan for the CEO, General Manager, Deputy General Managers and other key managers, Senior Executive Vice Presidents, the Group Management Team (Executive Vice Presidents) and Leadership Team (Senior Vice Presidents);

f) the determination of the policy for appointments of company employees (members of Boards of Directors, Boards of Statutory Auditors and Supervisory Boards) of Group companies;

g) the designation of company employees (members of Boards of Directors, Boards of Statutory Auditors and Supervisory Boards) in the main companies.

h) the identification of candidates for the position of director of UniCredit in the event of co-optation, and, in the case of presentation of lists by the Board of Directors, the identification of independent candidates to be submitted to the Shareholders' Meeting of UniCredit taking into account any recommendations received from shareholders;

i) the appointment of members of other board committees.

In addition, the committee:

- sets the target in terms of the quota for the least represented gender and prepares a plan to increase this quota to the target set;

- formulates proposals to the Chairman of the Board of Directors about the identification of the personnel appointed to conduct the Board self-evaluation process;

- it provides support, coordinating with the Internal Control & Risk Committee, with the proposal to the Board of Directors for the Heads of the Internal Audit, Group Compliance and Group Risk Management to appoint;

- it carries out investigations for the purpose of preparing the Board of Directors for the succession plan for executive directors.

Lastly, the Committee carries out supervisory functions on questions of sustainability connected with the exercising of UniCredit activities and the dynamics of interaction between the latter and all stakeholders. In this area, specifically, the Committee:

- examines the annual financial statements to be submitted to the Board of Directors for approval;

- drafts proposals on environmental and social strategy for the Group, annual goals and targets to reach, monitoring their implementation over a period of time;

- oversees the development of sustainability also in the light of the international guidelines and principles on the matter, monitoring the Group's position.

16.3.3 Remuneration Committee

The Remuneration Committee is composed of a maximum of 5 non-executive members, the majority of them independent pursuant to the Code of Corporate Governance and the Corporate Articles of Association of the Issuer. The work of the committee is coordinated by the Chairman, chosen from the independent members. The Chairman of the Board of Directors is an ex officio member of this committee. At least one member of the committee has adequate knowledge and experience in financial matters or remuneration policies, as assessed by the Board of Directors at the time of the appointment.

At the Registration Document Date, the Remuneration Committee is composed - in addition to the ex officio member, Giuseppe Vita, in his capacity as Chairman of the Board of Directors - of the following directors: Alessandro Caltagirone (Chairman), Henryka Bochniarz, Alexander Wolfgring and Anthony Wyand.

So that the incentives underlying the remuneration and incentive system are consistent with the management by the Issuer of its risk, capital and liquidity profiles, the committee can make use of experts, including external ones, in these matters.

In order to ensure that the incentive systems are sufficiently correct to take into account all the risks undertaken by the Issuer, according to the methods consistent with those that the Issuer adopts for the management of risks for regulatory and internal purposes, the Group Chief Risk Officer is invited to take part in the committee meetings.

The committee meetings may be attended by the Chairman of the Board of Statutory Auditors or another auditor designated by them; in any event, the other auditors may also attend.

The committee meetings are normally held quarterly.

The Remuneration Committee, among other things:

- formulates proposals to the Board of Directors regarding the remuneration of the members of the Board of Directors, the General Manager, the Deputy General Managers, the heads of the corporate control and personnel functions whose remuneration and incentive systems are decided by the actual Board;

- with regard to the compensation of the CEO, it has advisory tasks on the setting of performance targets related to the variable component of this remuneration; and

- it has advisory tasks in calculating the criteria for the remuneration of important personnel, as identified pursuant to the Bank of Italy provisions in force.

The committee also provides the Board of Directors with opinions regarding:

- the remuneration policy for Senior Executive Vice Presidents, the Group Management Team (Executive Vice Presidents), Leadership Team (Senior Vice Presidents);

- approval of the Group's incentive plans based on financial instruments; and

- the remuneration policy for company employees (members of Boards of Directors, Boards of Statutory Auditors and Supervisory Boards) of Group companies.

Members of the Remuneration Committee for whom the latter is required to express an opinion on remuneration payable based on their specific assignments may not participate in meetings concerning the determination of the proposal regarding such remuneration.

In addition, the committee:

- directly monitors the correct application of the rules relating to the remuneration of heads of corporate control functions, in close cooperation with the Board of Statutory Auditors;

- it collaborates with the other committees, specifically the Internal Control & Risk Committee with regard to the tasks allocated to it concerning confirming that the incentives underlying the remuneration and incentive system are consistent with the RAF and it ensures the involvement of the competent corporate functions in the process of developing and checking the remuneration and incentive policies and practices;

- it provides suitable feedback to the Board of Directors, the Board of Statutory Auditors and the Shareholders' Meeting on the activities it carries out; and

- it comments on the reaching of the performance targets to which the incentive plans are linked and the verification of other conditions set for the provision of compensation, also using information obtained from other competent corporate functions.

16.3.4 Related Parties and Equity Investments Committee

The Related Parties and Equity Investments Committee is composed of 3 members, appointed by the Board of Directors from its members, possessing the requirements of independence as set out in the Code of Corporate Governance, from which a Chairman is designated.

At the Registration Document Date the Related Parties and Equity Investments Committee was made up of: Cesare Bisoni (Chairman), Lucrezia Reichlin and Paola Vezzani.

The committee meetings are called by the Chairman, whenever necessary.

The Related Parties and Equity Investments Committee has advisory and proposal-making duties. The committee oversees matters concerning Related-Party transactions pursuant to the Related-Parties Regulation and transactions with Associated Persons pursuant to the New Prudential Supervisory Provisions (Title V, Chapter 5) as well as the subject of investments in non-financial equities pursuant to the Supervisory Provisions (Part 3, Chapter 1) within the limits of the role assigned to independent directors by the above-mentioned provisions.

As far as transactions with Related Parties and Associated Persons are concerned, the committee:

- formulates preliminary opinions (or, binding opinions) on the procedures governing the identification and management of transactions with Related Parties and/or with Associated Persons implemented by UniCredit and/or by Group companies, as well as the related amendments;

- formulates preliminary and reasoned opinions, in cases expressly required, also on the interest of completing the transaction with Related Parties and/or with Associated Persons implemented by UniCredit and/or by Group companies, as well as on the expediency and essential correctness of the related conditions;

- in the case of Related-Party transactions of greater significance the committee is involved -if deemed necessary, through one or more delegated components - in the negotiating phase and preliminary investigation phase by obtaining a complete and timely information flow with the option to request information and make comments to the delegated bodies and individuals hired to conduct negotiations and the preliminary investigation;

– based on the information made available by the competent structure of the Issuer, it pronounces on themes of importance involving the Group Sole Perimeter for Group Related Parties and Associated Persons.

The committee should ensure the constant monitoring of the transactions required by the procedures for the identification and management of transactions with Related Parties and/or with Associated Persons also for the purpose of allowing any corrective measures to be proposed.

As far as investments in non-financial equities are concerned, the committee performs a valuation role, supporting and making proposals on the organisation and carrying out of internal controls on all the activities undertaken and the management of equity investments in non-financial companies, as well as the general verification of the consistency of the activities carried out in this sector with the strategic and governance guidelines.

16.4 Statement confirming the Issuer's compliance with current corporate governance regulations

The Issuer's corporate governance system was defined in conformity with the provisions in force on corporate governance and, specifically, those in the TUF and the TUB and the related implementation provisions, including those issued by the Bank of Italy, as well as the provisions of the Code of Corporate Governance.

Since its establishment the Issuer has adopted a so-called traditional management and control system. An essential feature of this system is the separation of the tasks of strategic supervision and management of the company, control of administration and statutory auditing.

Specifically, the Board of Directors is exclusively responsible for the strategic supervision and management of the company, the Board of Statutory Auditors is responsible for administration, while the statutory auditing is entrusted by the Shareholders' Meeting, on a substantiated proposal of the Board of Statutory Auditors, to external auditors, pursuant to the regulatory provisions on the subject. The Issuer believes that this governance model has been demonstrated to be suitable for ensuring efficient management and the effectiveness of the controls, and therefore the conditions that enable the Issuer to guarantee the sound and prudent management of a complex, global banking group such as the UniCredit Group.

In addition, in conformity with the existing regulations, the Issuer has, among other things:

– adopted the slate voting mechanism for the appointment of members of the Board of Directors and the Board of Statutory Auditors. This voting system, which involves using a list of candidates competing against one another, guarantees the appointment of minority shareholder representatives;

– has defined the qualitative-quantitative composition of the Board of Directors considered optimum with regard to achieving the objective of the correct fulfilment of the functions that the administrative body is responsible for and has expressed its position regarding the maximum number of offices that directors can hold;

– it has laid down specific provisions regarding the appointment of members of the Board of Directors and the Board of Statutory Auditors with regard to the criteria of gender balance and the requirements of integrity, professionalism and independence laid down by the regulations;

- in conformity with the provisions of the Supervisory Authority, and in line with those of the Code of Corporate Governance, it has set up specialist committees for appointments, risks and remuneration (i.e. the Corporate Governance, Nomination and Sustainability Committee, the Internal Control & Risk Committee and the Remuneration Committee);

- it has adopted a procedure on internal dealing and personal dealing, updated and amended in accordance with the requirements of, among others, Regulation (EU) No 596/2014;

- it has given the ordinary shareholders' meeting exclusive responsibility for approving the remuneration and incentive policies for members of the bodies with strategic supervision, management and control functions and the remaining personnel as well as remuneration plans based on financial instruments (for example, stock options and stock grants);

- it has defined procedures for internal management and external disclosure of documents and information regarding the Issuer, updated and amended, among other things, in accordance with Regulation (EU) No 596/2014;

- it has adopted regulations for Shareholders' Meetings; and

- it has adopted a procedure for transactions with Related Parties and Associated Persons and has established the Related Parties and Equity Investments Committee to oversee matters relating to transactions with Related Parties and Associated Persons, as well as for investments in non-financial equities.

The Issuer has also adopted an Organisation and management model pursuant to Legislative Decree 231/2001, concerning the administrative responsibility of the company for offences committed by senior managers or their subordinates. The model of Legislative Decree 231/2001 applies also to Italian companies controlled directly or indirectly by the Issuer, as well as the stable organizations operating in Italy by foreign companies controlled directly or indirectly by the Issuer. Legislative Decree 231/2001 involves, among other things, the establishment of an internal Regulatory Body with independent powers to act and perform controls. The Regulatory Body is collegial in nature and it is essentially charged with overseeing the operation and compliance of the organisation and management model specified by Legislative Decree 231/2001 and is also responsible for updating this model.

At the Registration Document Date, UniCredit's Regulatory Body is composed of 5 members, with three of these members being external, one of whom is the Chairman, and two senior managers with direction, support and control functions. At the Registration Document Date, one position is vacant following the resignation of one of the members on account of the incompatibility of the office with the new role recently assumed. The composition of the Supervisory Board at the Registration Document Date is as follows: Marianna Li Calzi (Chairman), Gianpaolo Alessandro, Carlo Appetiti, Salvatore Messina.

For the purpose of the analysis and definition of the Administrative Accounting Model for the application of Law 262/2005*,* the Issuer also relied on the framework defined by the Committee of Sponsoring Organization of the Treadway Commission (COSO) and the Control Objective for IT and Related Technologies (COBIT), which represent the benchmark standards for the evaluation of the internal control system and for financial reporting in particular, generally accepted at international level.

With reference to the verification of the independence requirement of members of the Board of Directors classified as "independent" (see Chapter 14, Paragraph 14.1.1 of the Registration Document), the Board of Directors assesses the independence of its non-executive members in line with application criterion 3.C.1 of the Code of Corporate Governance and the provisions of Article 148 of the TUF. This assessment is conducted every time that a new board takes up office, as well as annually and each time an independent director of the Issuer is appointed.The Corporate Governance, Nomination and Sustainability Committee (formerly the Corporate Governance, HR and Nomination Committee) and the Board of Directors verify the existence of independence requirements based on the statements made by the persons involved and the information available to the Issuer in compliance with the criteria set out in Article 3 of the Code of Corporate Governance, which match those of the By-Laws and Article 148 of the TUF. In this regard, with special reference to the requirements of independence indicated in the Code of Corporate Governance and the By-Laws, information relating to the possible existence of relations (credit, important posts held, employment and commercial/professional relations) (directly or indirectly) between directors and UniCredit and UniCredit Group companies. In this regard, in order to verify these relations and their possible impact on the requirement of independence of directors, the Issuer has decided not to proceed with merely identifying predefined economic targets, which if simply exceeded could automatically indicate that independence has been compromised. The Company actually considers that the significance of the relations in question requires an overall assessment of aspects which are equally subjective as well as objective and, therefore, for this reason, it must also take the following criteria into account: (i) the nature and characteristics of the relationship; (ii) the amount in absolute terms and the related transactions; and (iii) the relationship in subjective terms.

In order to support the Board of Directors in the evaluation of these requirements, the Issuer has an internal *ad hoc* procedure. Specifically, the internal structures of the Issuer and Group companies collect information about any existing relations of independent directors, their close family members and other related subjects pursuant to the regulations.

Once the findings of the structures involved in the process have been received, the results are submitted to the Corporate Governance, Nomination and Sustainability Committee and to the Board of Directors, which evaluates the independence of the non-executive members taking the above criteria into account.

Specifically, with regard to members of the Board of Directors in office at the Registration Document Date who declare themselves to be "independent" pursuant to the By-Laws and Corporate Code of Governance, the Board of Directors – when conducting the annual check at the meeting of 13 January 2016, as well as the checks on individual board members that took place on 10 May and 13 October 2016 in order to evaluate the significance of existing relations, the Board of Directors adopted the following qualitative criteria where the related information is available:

- as far as credit relations are concerned, the absolute value of the loan granted, its weighting in relation to the system and the relations of the borrower with the director (post held, controlling stake). Verification through this criterion is designed to highlight the importance of credit relations with the Issuer compared with relations with the entire banking system, in order to evaluate the weighting of the former compared with the latter and, therefore, whether this weighting can produce effects that would compromise independence;

- as far as professional/commercial relations are concerned, the amount of the consideration, its weighting with regard to the characteristics of the company or in relation to the economic and financial position of the physical person and the characteristics of the transaction/relation. Verification through this evaluation criterion is designed to highlight the existence of situations of economic "dependency" on the Issuer, a situation that could compromise independence.

The type of relations found and examined in the light of the above criteria are reported below with reference to each director in office at the Date of the Registration Document evaluated independently pursuant to the By-Laws and the Code of Corporate Governance and for which there are economic relations:

- member of the Board of Directors Luca Cordero di Montezemolo has the following relations with the Issuer and/or Group companies: (i) personal, direct credit relations, represented by guarantees issued in favour of third-parties, as well as (ii) indirect credit relations via: (a) commercial companies controlled by same or by a close family member; and (b) companies operating in the transportation sector in which he or a close family member is a prominent representative. In addition, via companies operating in the transportation sector in which he is a prominent representative, Board Member Montezemolo has indirect relations of a commercial nature with the Issuer and/or Group companies;

- member of the Board of Directors Mohamed Hamad Al Mehairi has credit relations with the Issuer and/or Group companies via an investment company in which he is a prominent representative;

- member of the Board of Directors Cesare Bisoni has direct credit relations, of a personal nature, with the Issuer and/or Group companies;

- member of the Board of Directors Henryka Bochniarz has indirect credit relations with the Issuer and/or Group companies via an NGO in which she is a prominent representative;

- member of the Board of Directors Alessandro Caltagirone has the following relations with the Issuer and/or Group companies: (i) indirect credit relations, via close family members; as well as (ii) indirect credit relations via companies operating in the construction, real estate, financial and publishing sectors (a) controlled by a close family member of the Director; and/or (b) in which he or a close family member is a prominent representative. In addition, member of the Board of Directors Caltagirone, indirectly has relations of a commercial nature with the Issuer and/or Group companies via companies operating in the real estate, financial and publishing sectors;

- the member of the Board of Directors Alexander Wolfgring has the following relations with the Issuer and/or Group companies: (i) direct credit relations of a personal nature; (ii) indirect credit relations via close family members; and (iii) indirect credit relations via companies in which he is a prominent representative.

- member of the Board of Directors Elena Zambon has indirect credit relations with the Issuer and/or Group companies via companies operating in the chemical and pharmaceutical sector in which she is a prominent representative; In addition, a foundation in which Director Zambon is a prominent representative has received a donation from the Issuer.

With reference to the above Directors, the Board of Directors - at the annual inspection conducted during the meeting on 13 January 2016, as well as inspections involving the individual directors carried out on 10 May and 13 October 2016, confirmed, with regard to the type of relations found and examined, that there were no situations that could compromise the independence and autonomy of the judgement of these directors.

17 EMPLOYEES

17.1 Number of Employees

The table below contains the development of the total number of staff employed by the Group as at 30 September 2016 and as at 31 December 2015, 2014 and 2013, broken down by geographical area and professional category.

Period ended	**Total**	***Italy***	***Abroad***	**%Top Managers**	**% Executives & Middle Managers**	***% Other personnel***
30 September 2016	137,505	49,767	87,738	1.33%	23.86%	74.80%
31 December 2015	139,469	50,339	89,130	1.46%	24.06%	74.48%
31 December 2014	143,520	51,017	92,503	1.45%	23.43%	75.12%
31 December 2013	143,365	54,990	88,375	1.83%	23.65%	74.51%

As at 30 September 2016, the Group headcount was 137,505 employees. For the purpose of carrying out its activities, as at 30 September 2016, the Group used a total of 2,458 temporary project-based workers and interns; at the same date, the Group had 4,892 workers on temporary contracts.

The total number of employees is decreasing in relation to the implementation of efficiency measures under the scope of business plans.

17.2 Share holdings and stock options

Equity investments

The table below lists the members of the Board of Directors, the Board of Statutory Auditors and Managers with Strategic Responsibilities of the Issuer who, directly or indirectly, hold a stake in the share capital of the Company as at 30 November 2016.

NAME AND SURNAME	**NUMBER OF SHARES OWNED AS AT 30 NOVEMBER 2016**
Giuseppe Vita	534,833
Vincenzo Buonaura Calandra	19,725
Clara C. Streit	1,000
Anthony Wyand	6,123
Guido Paolucci	3,060
Paolo Cornetta	6,122
Ranieri de Marchis	129,866
Massimiliano Fossati	36,459
Francesco Giordano	60,666
Marina Natale	17,869
Serenella De Candia	4,538

<u>*Stock Options*</u>

The stock options of the Issuer conferred on Managers with Strategic Responsibilities of the Issuer indicated in Chapter 14, Paragraph 14.1.3 of the Registration Document as at 30 September 2016 are listed below.

NAME AND SURNAME	STOCK OPTIONS AT 30 September 2016	NUMBER OF SHARES RESULTING FROM EXERCISE OF STOCK OPTIONS
Gianni Franco Papa	245,052	43,915
Paolo Cornetta	239,790	42,973
Ranieri de Marchis	3,257,295	583,769
Fossati Massimiliano	51,661	9,258
Francesco Giordano	433,099	77,618
Marina Natale	1,132,410	202,948

17.3 Description of any arrangements for involving the employees in the capital of the Issuer

At the Registration Document Date, UniCredit Group employees benefit from short-term and long-term incentive plans.

Specifically, at the Registration Document Date the following have usually been adopted:

- "**Group Incentive Systems**" (long-term) aimed at rewarding employees with an incentive to be paid in cash and/or in free UniCredit ordinary shares over a period of several years;
- "**Group Employee Share Ownership Plans**" (short-term) aimed at offering Group employees the opportunity of investing in UniCredit shares at favourable conditions; and
- "**Long-Term Incentive Plans for Group Top Management**" aimed at aligning the interests of top management and shareholders.

A description of the share components of the existing plans at the Registration Document Date is given below:

2016 Group Incentive Systems

In conformity with the recent provisions of the Bank of Italy, which implement the EU regulations contained in the CRD IV, as far as the section relating to remuneration policies is concerned and in line with the guidelines issued by the EBA, the Issuer has defined remuneration systems based on financial instruments aimed at aligning the interests of management with those of shareholders rewarding the creation of long-term value, the appreciation of the stock and, at the same time, motivating the Group strategic resources and making them loyal. With this in mind, the 2016 Group Incentive System was adopted, which involves the awarding of an incentive to be paid in cash and/or in free UniCredit ordinary shares over a period of several years, subject to specific performance targets being reached.

The recipients

The employees of UniCredit and the companies directly or indirectly controlled by it who are entitled to benefit from the 2016 Compensation Systems number around 1,100. The employees of UniCredit and companies directly or indirectly controlled by UniCredit who are defined as "important personnel" (the "**Important Personnel**") and who can benefit from the 2016 Group Incentive System are defined based on the criteria issued by the EBA in 2014 as follows:

- the CEO/General Manager, the General Manager (from 1 September 2016), the Deputy General Managers (until 31 August 2016), the Senior Executive Vice Presidents, the Executive Vice Presidents, the Senior Vice Presidents, the members of the Boards of Management of the Group companies identified;
- employees with total remuneration of more than €500,000 in the last year;
- employees within the 0.3% of the company population with the highest remuneration at Group level;
- employees whose remuneration comes under the bands of remuneration for senior management and important personnel;
- other roles selected (also during the stage of new hires).

Plan targets

The 2016 Group Incentive System is aimed at incentivising, retaining and motivating the beneficiary employees, in conformity with the provisions issued by national and international authorities with the goal of delivering - in the interest of all stakeholders - remuneration systems in line with the long-term company strategies and objectives, connected with company results, suitably adjusted to take into account all risks, consistent with the necessary levels of capital and liquidity to deal with the activities undertaken and, in any event, such as to prevent distorted incentives that could lead to excessive risk taking for the bank and the system as a whole.

The 2016 Group Incentive System conforms to the Group remuneration policy and the most recent regulatory provisions issued by national and international authorities and includes:

a) the allocation of a variable incentive defined on the basis of the established bonus pool, the evaluation of individual performance and the benchmark for specific roles/markets as well as in line with the ratio between the fixed and variable component established by the Shareholders' Meeting;

b) the definition of a balanced "immediate" payments structure (i.e. made at the time of the performance evaluation) and "deferred" payments in the form of cash and shares;

c) the distribution of payments in shares in line with the applicable regulations in force that require share blackout periods. Indeed, the payment structure defined involves the deferred granting of shares (two years for "immediate" payment and one year for "deferred" payment);

d) risk-weighted measures in order to guarantee long-term sustainability with regard to the financial position of the company and to ensure conformity with the expectations of the Authority;

e) a *malus* clause ("**Zero Factor**") that applies if specific levels (of profitability, capital and liquidity) are not reached either at Group level or at country/division level. Specifically, the bonus pool is set at zero relating to the 2016 performance, while the differences relating to the incentive systems of previous years can be reduced by between 50% and 100% based on actual results and the evaluation made by the CRO and CFO.

Individual bonuses are awarded on the basis of the established bonus pool, individual performance evaluation and the internal benchmark for specific roles/markets.

Individual performance evaluation is based on achieving specific targets, connected to the 5 fundamental elements of the UniCredit skills model: "Client obsession"; "Execution and Discipline"; "Cooperation and Synergies"; "Risk Management"; "People and Business Development".

The payment of the total incentive defined in this way takes place over the course of a multi-year period (2017-2022), as illustrated below and on condition that the beneficiaries are in service at the time of each payment:

- the first share of the total incentive will be paid in cash in 2017 ("1st tranche"), after verifying individual adherence to compliance, conduct and behaviour rules, also taking into consideration the severity of any internal/external inspection findings (i.e. Audit, Bank of Italy, CONSOB and/or similar local authorities);

- the remaining amount of the total incentive will be paid in several tranches in 2018-2022 in cash and/or free UniCredit ordinary shares; every single tranche will be subject to the application of the Zero Factor relating to the relevant year and verification of compliance by each beneficiary with the compliance rules and principles of conduct and behaviour, also taking into consideration the severity of any internal/external inspection findings (i.e. Audit, Bank of Italy, CONSOB and/or similar local authorities).

In the 2016 Incentive System the link between profitability, risk and remuneration is guaranteed by directly connecting the bonus pools with corporate results (at Group and country/division level), the cost of capital and the significant risk profiles for the Group as defined in the reference framework for determining the risk appetite.

The final evaluation of the sustainable performance parameters and the alignment between risk and remuneration will be examined by the Remuneration Committee and come under the responsibility and governance of the Board of Directors.

Characteristics of the instruments assigned

The 2016 Group Incentive System anticipates that in 2017 the Board of Directors - having verified the targets defined for 2016 - will define the percentages of the payments in cash and shares according to the category of recipients, as illustrated in the table below:

	2017	**2018**	**2019**	**2020**	**2021**	**2022**
EVP and higher levels and other important personnel with bonuses ≥500k	20% cash	10% cash	20% shares	10% shares	10% shares	20% cash + 10% shares
SVP and other important personnel with bonuses <500k	30% cash	10% cash	30% shares	10% cash + 10% shares	10% shares	

The 2016 Incentive Systems will be serviced by newly issued shares coming from the free capital increases pursuant to Article 2349 of the Civil Code, which will be approved by the Board of Directors exercising the powers pursuant to Article 2443 of the Civil Code approved for a period of 5 years, from the date of the shareholders' meeting resolution conferring authority and therefore in compliance with the shareholders' meeting resolution until 2021 for the granting of the last tranche of shares planned for 2022; the proposal for including the powers already conferred on the Board of Directors in order to complete the execution to service the 2016 Incentive System should be submitted to a future shareholders' meeting.

The maximum number of shares that can be granted in execution of the 2016 Incentive Systems is 24,800,000. The ordinary shares granted will be freely transferable.

The 2016 Group Incentive System will end by May 2022.

The distribution of payments in shares takes into account the rules in force relating to a blackout period.

Let's Share for 2017 - UniCredit Group Employee Share Ownership Plan for 2016

On 10 March 2016, the Company's Board of Directors approved the proposal relating to the "Let's Share for 2017 UniCredit Group Employee Share Ownership Plan for 2016" (hereinafter the "**2016 Plan**").

The 2016 Plan was later approved by the Company's Ordinary Shareholders' Meeting on 14 April 2016.

Through the 2016 Plan, UniCredit proposes to strengthen the sense of belonging to the Group and the motivation to achieve the employee company targets.

The 2016 Plan's potential recipients are employees of UniCredit Group companies. Specifically, the 2016 Plan is reserved to the following categories of employees of UniCredit and the main banks and companies belonging to the Group:

- General Managers and Deputy General Managers (and similar categories in the various territories where the Group operates) that work at UniCredit and the Group's main banks and companies;
- Managers (and similar categories in the various territories where the Group operates) that work at UniCredit and the Group's main banks and companies;

- Middle Managers (and similar categories in the various territories where the Group operates) that work at UniCredit and the Group's main banks and companies; and

- Clerical staff (and similar categories in the various territories where the Group operates) that work at UniCredit and the Group's main banks and companies;

The 2016 Plan involves the following stages:

a) Enrolment Period: UniCredit can, at its discretion, have two enrolment periods: (i) 1st enrolment period: by the end of the first half of 2017; and (ii) 2nd enrolment period: by the end of the second half of 2017. During these periods, employees belonging to the 2016 Plan (the "**2016 Plan Participants**" and each of them the "**2016 Plan Participant**") will indicate the total amount they wish to invest, up to a maximum annual contribution of €6,000. The minimum annual contribution, on the other hand, will be established taking into account the specific features of the individual participating countries;

b) "Subscription Period": in this period, which the 2016 Plan Participants will be notified of in due course, they will be able to buy the shares through monthly debits from their current account ("monthly" method) or by a payment in one or two amounts ("one-off" method). In the case of leaving the 2016 Plan during the Restriction Period (see below), the 2016 Plan Participant will lose the free shares granted as set out in point c) below;

c) "Free Share": at the beginning of the Subscription Period, the 2016 Plan Participant will receive an immediate discount of 25% on the purchase price in the form of free shares; these free shares will be subject to a ban on their sale for the 1st year and the 2016 Plan Participant will lose ownership if he/she ceases to be an employee of a UniCredit Group company, except if the service ends for reasons permitted under the 2016 Plan regulations. For tax reasons, in certain countries it is not possible to allocate Free Shares at the beginning of the Subscription Period. Thus, there is a provision for an "alternate structure" which grants Participants residing in these countries the right to receive Free Shares at the end of the Restriction Period;

d) "Restriction Period": during the 1-year Restriction Period, 2016 Plan Participants can sell the shares acquired at any time, but they will lose the Free Shares relating to the percentage of shares sold.

After the end of the Restriction Period, employees can sell their shares without losing the discount; specifically, Italian participants can benefit from the tax advantage under Italian law if they keep their shares for a further 2 years.

The 2016 Plan calls for the use of shares to be found in the market to avoid dilution of the Company's share capital.

For this purpose, employees can decide to join the 2016 Plan giving a mandate to an intermediary inside or outside of the Group to buy the shares and deposit them in an account in their name. In the case of substantial changes in the reference framework or if the subscription rate is higher than forecast during the definition of the 2016 Plan, it could become necessary to change the implementation methods possibly requiring the necessary authorisation.

2015 Group Incentive Systems

This involves an incentive system similar to the 2016 Incentive System described above.

The payment of the incentive is deferred over a time horizon of 6 years (2016-2021).

The 2015 Group Long-Term Incentive Plan for Top Management

The recipients

There are four recipients of the Plan (the "**Beneficiaries**") who in January 2015 held the posts of CEO/General Manager, General Manager and Deputy General Manager of UniCredit.

The targets to be reached through the plan

The Group Long-Term Incentive Plan for Top Management (the "**2015 Top Management Plan**") is aimed at aligning the interests of Top Management and shareholders, rewarding the creation of long-term value, the appreciation of the stock and Group performance, as well as supporting a sound and prudent management of risk, directing the measurement of performance towards a multi-year time frame. The 2015 Top Management Plan is also designed to be a retention instrument in order to keep key persons for achieving the Group's medium-/long-term strategy.

Characteristics of the instruments assigned

The Beneficiaries will actually be the recipients of free "virtual" rights, personal and non-transferable *inter vivos* ("**Phantom shares**"), the maximum number of which will be calculated by dividing the total value of incentives to allocate (equal to approximately €15,000,000) by the average closing price of UniCredit ordinary shares listed on the MTA in the 30 calendar days prior to the Shareholders' Meeting called to approve the 2015 Top Management Plan.

The performance indicators for the 2015 Long-Term Incentive Plan for Top Management subject to evaluation for the purpose of calculating the number of phantom shares to grant are given below:

- **RoAC % of the core business**: a target is defined calculated in the years 2015-2016 and 2015-2018 as the average percentage of the "Return on allocated capital" compared with the average value of the indicator in the UniCredit Group strategic plan in force at the time compliance with this parameter is checked;

- **Reduction of gross loans of non-core business**: in 2016 and 2018 the reduction of gross loans of non-core business compared with the values in the UniCredit Group strategic plan in force at the time compliance with this parameter is checked will be measured;

- **CET1**: compliance of the average CET1 values at 2016 and 2018 will be checked with regard to the provisions of the UniCredit Group strategic plan in force at the time compliance of this parameter is checked;

– **External Customer Satisfaction (TRI*M Index):** the customer satisfaction index of our customers (stable or increasing) is measured in 2016 and 2018 compared with 2014;

– **Succession Planning Index**: there are plans for the corporate function entrusted with this activity to measure the level of cover in terms of the succession of the main Group management positions with a percentage greater than or equal to 90% during the performance evaluation period in 2016 and in 2018;

– An all-encompassing qualitative evaluation: there are plans for the Board of Directors to evaluate the retention risk of participants and the level reached for the main strategic plan macro objectives, specifically:

  ✓ conversion of the commercial bank in Western European countries ("WE countries")

  ✓ investments in growing businesses

  ✓ maximisation of global platform benefits.

The value associated with the maximum quantity of phantom shares for each of the 4 years of the entire performance period (2015-2018), shall correspond to a value of not more than one third of the total annual amount of variable remuneration that can be obtained by each Beneficiary. This amount will come under the calculation of the variable part of the remuneration to be taken as a reference for the calculation of the maximum limit between the variable component and the fixed component of the remuneration under the regulations.

The 2015 Top Management Plan will end by 2023.

Let's Share for 2016 - UniCredit Group Employee Share Ownership Plan for 2015

This involves a share incentive system similar to the 2016 Plan described above.

The potential recipients of the 2015 Share Participation Plan for UniCredit Group Employees ("Let's Share for 2016", hereinafter the "**2015 Plan**") are employees of UniCredit Group companies in the 12 countries which took part in the 2015 Plan (Austria, Bulgaria, France, Germany, Italy, Luxembourg, Poland, United Kingdom, Czech Republic, Slovakia, Serbia, Hungary).

There are no plans for the participation of employees of companies operating in the other countries in which the Group operates because, for legal, fiscal, operational/organisation reasons, it is not possible to implement the 2015 Plan under the terms approved and defined by the Issuer.

The employees of Group companies, belonging to the 2015 Plan (the "**2015 Plan Participants**" and each of them the "**2015 Plan Participant**") announced in the period between 27 May 2016 and 15 July 2016, the amount to be allocated to the purchase of UniCredit ordinary shares ("**Investment Share**"). The 2015 Plan Participants also gave the Group reference bank the purchase order - with a monthly frequency or a single settlement to be made in July 2016 (the one-off method) - for the UniCredit ordinary shares. This purchase was made in the period between July 2016 and December 2016 (the "**2015 Plan Subscription Period**") on the market via FinecoBank – a Group company with its registered office in Italy and designated as the sole intermediary under the scope of the 2015 Plan and all the shares purchased were deposited in an account under the name of each 2015 Plan Participant at Société Générale Securities Services (the "**Depositary Bank**") for the purpose of the 2015 Plan.

At the beginning of the 2015 Plan Subscription Period (July 2016) the 2015 Plan Participants received an immediate 25% discount on the purchase price in the form of free shares ("**Free Shares**"). The free shares cannot be transferred or sold for a period of 1 year (from July 2016 to July 2017). When this restriction period of 1 year has elapsed, the shares will be freely transferable. If a 2015 Plan Participant ceases to be an employee of a UniCredit Group company or sells the investment shares during the 1-year restriction period they will lose ownership of the free shares, except if the service ends for reasons permitted under the 2015 Plan regulations.

2015 Plan Participants resident in countries in which, for tax reasons, it is not possible to grant the free shares at the beginning of the subscription period, will have the right to receive the free shares at the end of the restriction period.

2014 Group Incentive System

This involves an incentive system similar to the 2016 Incentive System described above.

The payment of the incentive is deferred over a time horizon of 6 years (2015-2020).

2013 Group Incentive System

This involves an incentive system similar to the 2016 Incentive System described above.

The payment of the incentive is deferred over a time horizon of 5 years (2014-2018).

2012 Group Incentive System

This involves an incentive system similar to the 2016 Incentive System described above.

The payment of the incentive is deferred over a time horizon of 5 years (2013-2017).

* * *

For the sake of completeness note that at the Registration Document Date the beneficiaries of share-based incentive plans for Group personnel can still exercise the subscription rights (i.e. stock options) listed below, together with the number of ordinary shares which – in the case of exercising – should be issued and at the respective due dates:

Incentive Plan	Remaining stock options	Underlying shares	Expiry date
2004-2017 LTIP	8,545,100	1,531,278	31 December 2017
2005-2018 LTIP (1st issue)	22,101,350	3,960,732	31 December 2018
2006-2019 LTIP	17,218,400	3,085,674	31 December 2019
2007-2017 LTIP	14,837,435	2,658,862	15 July 2017
2008-2018 LTIP	57,205,598	10,252,234	9 July 2018
Total	**119,907,883**	**21,488,780**	

18 MAJOR SHAREHOLDERS

18.1 Major shareholders of the Company

According to the communications received pursuant to the regulations in force and other information available to the Issuer, shareholders who at the Registration Document Date directly or indirectly own ordinary shares representing more than 3% of the UniCredit share capital and do not come under the cases of exemption set out in Article 119-*bis* of the Issuers' Regulation, are listed below:

Shareholders	Ordinary Shares	Shareholding of ordinary share capital(1)
Capital Research and Management Company	41,545,109	6.725%(2)
- of which on behalf of EuroPacific Growth Fund	*31,706,715*	*5.132%*
Aabar Luxembourg S.à r.l.	31,150,331	5.042%

(1) Number of post-grouping actions as at 23 January 2017.

(2) By way of asset management.

(3) Subsidiary company of Mubadala Investment Company.

Pursuant to Article 5 of the UniCredit Corporate Articles of Association, no one having voting rights can exercise them, for an amount of Company shares of more than 5% of the share capital with voting rights. For the purpose of calculating this level, the overall shareholding of the parent company, physical or legal person or company, all subsidiaries - direct or indirect - associated with them should be taken into account, as well as shares held via trustees and/or intermediaries and/or those for whom voting rights are assigned in any way to a subject other than the owner; conversely, it is not necessary to take into account shareholdings in the portfolio of investment funds managed by subsidiaries or associates.

18.2 Different voting rights pertaining to the major shareholders

At the Registration Document Date, the Company has issued ordinary shares and savings shares. The savings shares do not give the right to vote at the Company's Ordinary and Extraordinary Shareholders' Meetings.

18.3 Company controlling subject

At the Registration Document Date, no party exercises control over the Issuer pursuant to Article 93 of the TUF.

18.4 Arrangements that could result in a change in the control structure of the Issuer

As far as the Issuer is aware, at the Registration Document Date, there are no agreements in existence that could, at a later date, cause a change in the control structure of UniCredit.

For further details, see Chapter 21, Paragraph 21.2.6 of the Registration Document.

19 RELATED-PARTY TRANSACTIONS

19.1 Introduction

It is the established practice of the Issuer, in the performance of its activity, to respect at all times the criteria of transparency, substantial and procedural correctness in transactions, directly or via subsidiaries, with Related-Parties – as identified by CONSOB and international accounting principle IAS 24 – in line with laws and regulations prevailing from time to time.

UniCredit has, for some time, adopted a process of monitoring and notifying the Board of Directors (and the Board of Statutory Auditors) of important, atypical and/or unusual transactions, as well as transactions concluded with Related Parties. This process, aimed at systematising the information flow destined for the Board of Statutory Auditors also pursuant to Article 150 of the TUF, containing information on the characteristics, parties involved and operating, financial and capital effects of the transactions in question, has ensured appropriate information is provided regularly, in the report on operations that accompanies the financial statements.

UniCredit, as a listed issuer, is also bound to comply with the obligations set out by the existing laws and regulations on the subject of company information and concerning Related-Party transactions, including those concluded via subsidiaries. For this purpose, on 10 March 2016, the Company's Board of Directors adopted, with the unanimous favourable opinions of the Related-Parties and Equity Investments Committee and the Board of Statutory Auditors, the "Global Policy for the management of conflict of interest operations" (the "**Global Policy**"), in conformity with the provisions of the Related Parties Regulation and the New Prudential Supervisory Provisions on risk activities and conflicts of interest for banks and banking groups with regard to associated parties issued in compliance with Article 53 of the TUB (see Chapter 14, paragraph 14.2.1 of the Registration Document). This document is available to the public on the Company's website www.unicreditgroup.eu.

Specifically, the purpose of the Global Policy is to define principles and rules for overseeing the risk resulting from situations of possible conflict of interest created by the proximity of certain subjects to the decision-making centres of the Issuer and it contains the provisions to be complied with in the management of: (i) transactions with Related Parties pursuant to the Related Parties Regulation; (ii) transactions with Associated Persons pursuant to the New Prudential Supervisory Provisions; (iii) obligations of banking representatives pursuant to Article 136 of the TUB. For the purpose of the Global Policy, the collection of Related Parties, Associated Persons and other members seen by UniCredit as significant relation to the above-mentioned provisions, is defined as the "Sole Perimeter".

In addition, to ensure the oversight of matters relating to Related-Party transactions pursuant to the Related Parties Regulation and transactions with Associated Persons pursuant to the New Prudential Supervisory Provisions (Title V, Chapter 5), as well as the subject of investments in non-financial equities pursuant to the Supervisory Provisions (Part 3, Chapter 1), within the limits of the role assigned to independent directors by the above-mentioned provisions, a Related Parties and Equity Investments Committee has been established (for the composition and tasks of this committee, see Chapter 16, Paragraph 16.3.4 of the Registration Document).

With reference to each individual transaction, the members of the committee should be different to those of the counterparty, the Related Parties and/or the subjects connected to them. If a member of the committee is a counterparty in the transaction (or related to the counterparty), he must promptly give notice thereof to the Chairman of the Board of Directors and Chairman of the committee and refrain from participating in further work of the Sub-Committee in relation to the transaction to which the relationship is connected. In this case, the Chairman of the Board of Directors, having listened to the Chairman of the committee (when he/she is not in conflict), will immediately contact and replace the member who is in conflict, appointing another member of the Board of Directors possessing the requirements of independence pursuant to the Code of Corporate Governance, so that the committee will once again be composed of three independent directors who are neither related nor connected.

In the case of transactions that must be concluded urgently and where the intervention of the Related Parties and Equity Investments Committee is needed during the negotiating and preliminary stages and/or the issuing of the opinion, the Chairman of the committee - acknowledging the urgency and recognising the non-availability of the majority or all of the members to meet or, in any event, to carry out the task required in sufficient time for the conclusion of the transaction - should promptly notify the Chairman of the Board of Directors of this non-availability.

In any event, the notification should take place by and no later than the day after the Chairman of the committee has been informed of the non-availability of the majority or all of the members.

The Chairman of the Board of Directors, having listened to the CEO about the evaluation of the pressing need for the transaction, should immediately reconstitute the committee with three independent directors following the same route planned for temporary replacement in the case of a conflict of interest.

Without prejudice to the legal provisions regarding the interests of directors and Related-Party transactions, the Issuer also needs to apply the provision of Article 136 of the TUB on obligations of banking representatives, pursuant to which they can undertake obligations, directly or indirectly, with regard to the bank they manage, govern or control, only following the unanimous approval of the management body, with the vote of the representative involved not counting, and with the vote in favour of the members of the control body.

For this purpose, the above-mentioned company representatives are bound to notify subjects - physical or legal persons - pertaining to whom the establishment of any relations could include the indirect obligation that refers essentially to banking representatives. Pursuant to the Global Policy, a transaction established with a related party who is a banking representative or a related subject comes under the scope of the application of the above-mentioned Article 136 of the TUB and the related procedure. In this case, the Related Parties and Equity Investments Committee should be guaranteed a prior, prompt and full information flow in accordance with the specific methods for large and small transactions.

19.2 Related-Party relations and transactions

The Issuer has entertained and continues to entertain relations of a commercial and financial nature with Related Parties.

The tables below contain the assets, liabilities, guarantees and commitments broken down by type with Related Parties pursuant to IAS 24 as at 30 September 2016 and as at 31 December 2015, 2014 and 2013.

30 September 2016

RELATED-PARTY TRANSACTIONS	**As at 30 September 2016**						
(in thousands of Euro)	**NON-CONSOLIDATED SUBSIDIARIES**	**NON-CONSOLIDATED JOINT VENTURES**	**ASSOCIATES**	**SENIOR MANAGERS WITH STRATEGIC RESPONSIBILITIES**	**OTHER RELATED PARTIES**	**TOTAL**	**% ON CONSOLIDATED**
Financial assets held for trading	-	13,212	651,637	-	7,091	671,940	0.7%
Financial assets at fair value through profit or loss	-	-	-	-	23,219	23,219	0.1%
Available-for-sale financial assets	6,512	-	141,592	-	5,579	153,683	0.1%
Held-to-maturity financial assets	-	-	-	-	-	-	-
Loans and receivables with banks	-	2,718,071	1,567,191	-	-	4,285,262	5.5%
Loans and receivables with customers	136,343	1,170,520	1,092,077	2,383	124,344	2,525,667	0.5%
Other assets	1,291	2,185	419,893	-	23	423,392	4.7%
Total assets	144,146	3,903,988	3,872,390	2,383	160,256	8,083,163	1.0%
Deposits from banks	26	66,820	7,540,660	-	-	7,607,506	6.6%
Deposits from customers	15,849	23,045	528,055	10,447	154,878	732,274	0.2%
Debt securities in issue	-	13,859	133,367	20	-	147,246	0.1%
Other liabilities	127	443	55,105	-	2	55,677	0.3%
Total Liabilities	16,002	104,167	8,257,187	10,467	154,880	8,542,703	1.1%
Guarantees given and commitments	38,073	3,957,984	1,734,071	5	46,357	5,776,490	3.2%

31 December 2015

RELATED-PARTY TRANSACTIONS *(in thousands of Euro)*	**As at 31 December 2015**						
	NON-CONSOLIDATED SUBSIDIARIES	**NON-CONSOLIDATED JOINT VENTURES**	**ASSOCIATES**	**SENIOR MANAGERS WITH STRATEGIC RESPONSIBILITIES**	**OTHER RELATED PARTIES**	**TOTAL**	**% ON CONSOLIDATED**
Financial assets held for trading	-	3,768	678,180	26	1,906	**683,880**	*0.8%*
Financial assets at fair value through profit or loss	-	-	-	-	38,096	**38,096**	*0.1%*
Available-for-sale financial assets	7,899	-	140,094	-	302	**148,295**	*0.1%*
Held-to-maturity financial assets	-	-	-	-	-	**-**	*0.0%*
Loans and receivables with banks	-	2,162,502	1,831,595	-	-	**3,994,097**	*5.0%*
Loans and receivables with customers	70,750	1,077,419	955,403	3,169	83,676	**2,190,417**	*0.5%*
Other assets	3,178	1,812	13,112	-	213	**18,315**	*0.2%*
Total assets	**81,827**	**3,245,501**	**3,618,384**	**3,195**	**124,193**	**7,073,100**	***0.9%***
Deposits from banks	28	86,036	10,591,490	-	-	**10,677,554**	*9.6%*
Deposits from customers	26,080	11,521	665,981	7,343	122,979	**833,904**	*0.2%*
Debt securities in issue	-	32,452	192,826	-	20,417	**245,695**	*0.1%*
Other liabilities	677	602	46,235	-	711	**48,225**	*0.3%*
Total Liabilities	**26,785**	**130,611**	**11,496,532**	**7,343**	**144,107**	**11,805,378**	***1.5%***
Guarantees given and commitments	126,037	3,628,414	200,894	128	28,961	**3,984,434**	*2.2%*

31 December 2014

RELATED-PARTY TRANSACTIONS *(in thousands of Euro)*	**As at 31 December 2014**						
	NON-CONSOLIDATED SUBSIDIARIES	**NON-CONSOLIDATED JOINT VENTURES**	**ASSOCIATES**	**SENIOR MANAGERS WITH STRATEGIC RESPONSIBILITIES**	**OTHER RELATED PARTIES**	**TOTAL**	**% ON CONSOLIDATED**
Financial assets held for trading	-	22,278	400,185	1	5,036	**427,500**	*0.4%*
Financial assets at fair value through profit or loss	-	-	-	-	-	**-**	*0.0%*
Available-for-sale financial assets	8,880	245,453	145,946	-	-	**400,279**	*0.4%*
Held-to-maturity financial assets	-	-	-	-	-	**-**	*0.0%*
Loans and receivables with banks	-	1,884,349	1,058,903	-	-	**2,943,252**	*4.3%*
Loans and receivables with customers	95,635	884,729	506,140	4,570	94,020	**1,585,094**	*0.3%*
Other assets	2,268	3,197	57,521	-	43	**63,029**	*0.6%*
Total assets	**106,783**	**3,040,006**	**2,168,695**	**4,571**	**99,099**	**5,419,154**	***0.7%***
Deposits from banks	25	21,240	8,840,651	-	-	**8,861,916**	*8.4%*
Deposits from customers	21,661	5,256	384,409	10,204	115,016	**536,546**	*0.1%*
Debt securities in issue	-	15,428	252,308	-	23,174	**290,910**	*0.1%*
Other liabilities	581	742	16,073	-	13,822	**31,218**	*0.2%*
Total Liabilities	**22,267**	**42,666**	**9,493,441**	**10,204**	**152,012**	**9,720,590**	***1.3%***
Guarantees given and commitments	63,437	853,215	193,582	882	129,454	**1,240,570**	*0.7%*

31 December 2013

RELATED-PARTY TRANSACTIONS	**As at 31 December 2013**						
(in thousands of Euro)	**NON-CONSOLIDATED SUBSIDIARIES**	**NON-CONSOLIDATED JOINT VENTURES**	**ASSOCIATES**	**SENIOR MANAGERS WITH STRATEGIC RESPONSIBILITIES**	**OTHER RELATED PARTIES**	**TOTAL**	**% ON CONSOLIDATED**
Financial assets held for trading	-	-	256,355	40	259	**256,654**	*0.3%*
Financial assets at fair value through profit or loss	-	-	-	-	-	**-**	*0.0%*
Available-for-sale financial assets	-	-	66,624	-	10,375	**76,999**	*0.1%*
Held-to-maturity financial assets	-	-	-	-	-	**-**	*0.0%*
Loans and receivables with banks	-	1,545	692,890	-	439,224	**1,133,659**	*1.9%*
Loans and receivables with customers	33,437	6,322	1,599,887	3,409	40,743	**1,683,798**	*0.3%*
Other assets	2,443	54	30,506	1	345	**33,349**	*0.3%*
Total assets	**35,880**	**7,921**	**2,646,262**	**3,450**	**490,946**	**3,184,459**	***0.4%***
Deposits from banks	-	1,965	9,072,420	-	2,105	**9,076,490**	*8.2%*
Deposits from customers	18,048	1,864	619,118	7,513	140,184	**786,727**	*0.2%*
Debt securities in issue	-	-	155,378	-	102	**155,480**	*0.1%*
Other liabilities	308	7	9,411	3	5,104	**14,833**	*0.1%*
Total Liabilities	**18,356**	**3,836**	**9,856,327**	**7,516**	**147,495**	**10,033,530**	***1.3%***
Guarantees given and commitments	287	500	529,354	800	5,550	**536,491**	*0.3%*

Over the course of the years ended, respectively, on 31 December 2015, 31 December 2014 and 31 December 2013, intra-group transactions and/or transactions with related parties, Italian and foreign, were normally carried out under conditions similar to those for transactions with independent third parties.

The incidence of Related-Party transactions on the Groups' assets and liabilities (given above) is also indicative of the incidence on interest income and expense, taking into account that these transactions are usually conducted in the same conditions as those applied to similar transactions with third parties.

It should be pointed out that, in the application of the special provision set out in Article 136 of the TUB, the obligations established in relation to important subjects pursuant to the above regulation were the subject of unanimous approval by the Board of Directors with all the members of the Board of Statutory Auditors voting in favour, in compliance with the methods and criteria set out in the above-mentioned Article 136 of the TUB.

Specifically, as far as transactions of greater significance are concerned, note that:

- at 30 September 2016, three[104] transactions of greater significance were carried out, not subject to the disclosure obligations pursuant to Article 5 of the Related Parties Regulation involving in particular the granting of a loan, for a total maximum sum of around USD 5 billion (approximately €4.46 billion), by UniCredit in favour of the China National Chemical Corporation Group, a party with a financial connection to Coinv S.p.A., a related party of UniCredit as it is an associate company. The transaction

[104] For the sake of completeness it is noted that two further transactions of greater significance are related to the revision of credit lines and ceiling increase.

comes under the scope of a loan for a total amount of USD 20 billion, aimed at enabling the China National Chemical Corporation Group to acquire the Swiss company Syngenta AG;

- during the financial year ended 31 December 2015, a transaction of greater significance, not subject to the disclosure obligations pursuant to Article 5 of the Related Parties Regulation was concluded, involving the participation of UniCredit in the takeover bid for the ordinary floating capital of Pirelli S.p.A. as (i) issuing bank of the guarantee of compliance with the offers (cash confirmation letter); and (ii) bookrunner for a loan agreement for a total of approximately €4,400,000,000. Under the scope of this transaction, Coinv S.p.A. (a shareholder of Camfin S.p.A.), Camfin S.p.A. and Pirelli S.p.A., as well as Marco Polo Industrial Holding S.p.A. (which acted as the offeror under the scope of the IPO) were Related Parties of UniCredit;

- during the financial year ended 31 December 2014, a transaction of greater significance, not subject to the disclosure obligations pursuant to Article 5 of the Related Parties Regulation was concluded with FinecoBank which at the date of the transaction was wholly-owned by UniCredit. This transaction involved the assets put into place under the scope of the activities involved in the process for gaining admission to listing of the FinecoBank shares on the MTA. After listing, FinecoBank became a Related Party of the Issuer;

- no transactions of greater significance were concluded during 2013.

After 30 September 2016 and at the Registration Document Date, six transactions were submitted to the Related Parties and Equity Investments Committee for an opinion, with two of greater significance as summarised below:

- annual renewal, by UniCredit, of a committed ceiling of approximately €8,505 million with regard to the entities controlled, directly or indirectly, by Koç Finansal Hizmetler AS, a related party as it is a company jointly controlled by UniCredit; and

- renegotiation of the terms and conditions of the existing IT outsourcing agreement between UniCredit Business Integrated Solutions S.c.p.A. ("**UBIS**") and Value Transformation Service S.p.A. ("**VTS**"), a related party because VTS is a company subject to considerable influence by the Issuer indirectly through the subsidiary UBIS, which, overall, in its ten-year term, stands at approximately €4.6 billion.

The remaining transactions are all of lesser significance and relate to debt financing or refinancing or restructuring. These transactions were concluded in line with market conditions.

For more information on Related-Party transactions, see

- the 2016 Condensed Interim Consolidated Financial Statements (Notes to the Consolidated Financial Statements, Part H – "Related-Party transactions", pages 245-250), shown in the annex to the Registration Document Date; as well as

- the Consolidated Financial Statements as at 31 December 2015 (Notes to the Consolidated Financial Statements, Part H – "Related-Party transactions", pages 484-490), Reports and Consolidated Financial Statements as at 31 December 2014 (Notes to the Consolidated Financial Statements, Part H – "Related-

Party transactions, pages 479-486) and Consolidated Financial Statements as at 31 December 2013 (Notes to the Consolidated Financial Statements, Part H – "Related-Party transactions", pages 427-434). The Issuer makes use of the inclusion scheme through reference to the above-mentioned documents, pursuant to Article 7 of the Issuers Regulation and Article 28 of Regulation (EC) No 809/2004.

Note that the page numbers given above refer to the Italian version and the English version of the 2016 Condensed Interim Consolidated Financial Statements, the Consolidated Financial Statements as at 31 December 2015, the Consolidated Financial Statements as at 31 December 2014 and the Consolidated Financial Statements as at 31 December 2013.

19.3 Intra-group service provision

In line with the organisational model in use, several Group companies make use of the services provided by the Company or by other specialist Group companies for conducting and expanding their activities. Intra-group provision was carried out based on assessments of a mutual economic advantage, and the determination of applicable terms and conditions took place in compliance with substantial correctness, keeping in mind the common goal of creating value for the entire Group.

Some of the main services include:

- provision of ICT services (Information & Communication Technology);
- management of services of a real estate and security technical nature;
- management of administrative and accounting services;
- outsourcing for the provision of auxiliary, administrative, strategic and business services;
- provision of activities aimed at recovering performing loans; and
- internal auditing service.

The provision of services in general is regulated by dedicated contracts which decide, among other things, the type of service, the level of service supplied and related monitoring, the fees and methods for determining such fees.

Specifically:

- provision of ICT services: operation and development of Group information systems, by way of example hardware infrastructure (servers and storage), data transmission network and software applications and related support services, help desk, fleet management, evolutionary maintenance;
- management of services of a technical, real estate and security nature: rental of properties owned and leased to third parties, regulation of service charges (utilities, building management costs), space management, routine and extraordinary maintenance of real estate and related systems, planning and

supervision of refurbishment and renovation operations agreed with Group companies (e.g. opening/closing branches), installation and maintenance of security systems;

- management of administrative and accounting services: non-commercial operating activities (e.g. regulation of transfers and cheques) divided by areas of application: loans and cash, payment systems, foreign and finance, administrative and accounting processes, treasury and agencies, bonds;
- provision of activities aimed at recovering performing loans: activities aimed at recovering past-due loans not yet classified as unlikely to pay and non-performing; and
- Internal auditing: activity of verifying the suitability and operation of the entire internal control system and checking compliance with guidelines issued by UniCredit by Group companies that make use of this service.

19.4 Intra-group transactions

During the three years ended respectively on 31 December 2015, 31 December 2014 and 31 December 2013, the Issuer conducted intra-group transactions. Intra-group transactions were carried out based on assessments of a mutual economic advantage, and the determination of applicable terms and conditions took place in compliance with substantial correctness, keeping in mind the common goal of creating value for the entire Group.

The table below contains details of the main intra-group transactions of a corporate nature over the last three financial years ended 31 December 2015, 2014 and 2013, as well as the additional main transactions put in place in the year ended 31 December 2016 until the Registration Document Date.

Main intra-group transactions			
Date	**Parties**	**Subject**	**Fee**
January 2013	UniCredit/UniCredit Factoring S.p.A.	Capital increase of UniCredit Factoring S.p.A. subscribed by UniCredit.	€300 million
February 2013	UCB AG/UniCredit Leasing Finance GmbH/DAB Bank AG/Bankhaus Neelmeyer AG	Capital contribution of UCB AG in favour of UniCredit Leasing Finance GmbH, DAB Bank AG and Bankhaus Neelmeyer AG.	€186 million (in total)
July 2013	UniCredit/Bank Pekao/PJSC UniCredit Bank	Sale of the stakeholding in PJSC UniCredit Bank of Bank Pekao to UniCredit.	€127 million
December 2013	UCB AG/UniCredit Leasing GmbH	Capital contribution by UCB AG in favour of UniCredit Leasing GmbH.	€290 million
March 2014	UniCredit/UCB Austria/UniCredit Leasing S.p.A.	Sale of the stakeholding in UniCredit Leasing S.p.A. of UCB Austria to UniCredit.	€199.9 million
April 2014	UniCredit/UniCredit Leasing S.p.A.	Capital contribution by UniCredit in favour of UniCredit Leasing S.p.A.	€490 million
December 2014	UCB AG/UniCredit Capital Markets LLC	Capital contribution by UCB AG in favour of UniCredit Capital Markets LLC.	€60 million
Period 2013/2015	UniCredit Leasing S.p.A./ /Various CEE area leasing companies	Capital contributions by UniCredit Leasing S.p.A. in favour of various CEE area leasing companies	Approximately €120 million (in total)
January 2015	UCB Austria/Bank Pekao/UniCredit CAIB Poland S.A.	Sale of the stakeholding in UniCredit CAIB Poland S.A. (now Pekao Investment Banking S.A.) of UCB Austria to Bank Pekao.	€63.7 million
March 2015	UniCredit/UCB Austria/PJSC Ukrsotsbank	Waiver by UniCredit and UCB Austria of the receivables due from PJSC Ukrsotsbank	Approximately €225 million
June 2015	UCB Austria/PJSC Ukrsotsbank	Capital increases of PJSC Ukrsotsbank subscribed by UCB Austria.	Approximately €225 million
July 2015	UniCredit/UCB Austria/ Zagrebacka Bank d.d./UniCredit bank d.d.	Sale of the stakeholding in UniCredit bank d.d. of UniCredit and of UCB Austria to Zagrebacka Bank d.d.	€89.5 million
Period 2013/2015	UniCredit Leasing S.p.A./UCB Austria/Various CEE area leasing companies/Various CEE area banks	Sale of stakeholdings in various CEE area leasing companies of UniCredit Leasing to UniCredit Bank Austria AG and to various CEE area banks	Approximately €420 million (in total)
April 2016	UniCredit/UCB Austria/PJSC Ukrsotsbank	Capital increase/capital contribution of PJSC Ukrsotsbank by UniCredit and by UCB Austria.	Approximately €310 million
August 2016	UniCredit/UCB Austria	Capital contribution by UniCredit in favour of UCB Austria within the scope of the project of centralisation of the activities in the CEE area at the Issuer (*) (see Chapter 5, Paragraph 5.1.5 of the Registration Document)	€1 billion.
November 2016	UniCredit/Cordusio Sim S.p.A.	Transfer of the "UHNWI" business unit of UniCredit in favour of Cordusio SIM S.p.A.	Capital increase of Cordusio SIM S.p.A. for approximately €45 million in addition to increase in reserves of approximately €181 million.
December 2016	UniCredit/UniCredit Leasing S.p.A.	Share Capital Increase of UniCredit Leasing S.p.A. subscribed by UniCredit	€1,120 million, including €300 million already paid and the rest to be paid in one or more tranches

(*) For the sake of completeness, note that in addition to the capital contribution of €1 billion to UCB Austria, in connection with the centralisation project of the CEE business, the Issuer has also undertaken to support the strengthening of UCB Austria's regulatory capital structure as well as the future business activities of the latter.

20. FINANCIAL INFORMATION CONCERING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES

20.1 Historical financial information

Below are the consolidated balance sheets as at 31 December 2015, 31 December 2014 and 31 December 2013 and the consolidated income statement, total consolidated comprehensive income and consolidated cash flow statement for the years ended 31 December 2015, 31 December 2014 and 31 December 2013.

The data for the year ended 31 December 2015 were extracted from the Consolidated Financial Statements as at 31 December 2015, prepared in accordance with International Accounting Principles. This data has been audited by the External Auditors, who issued their report on 3 March 2016.

The data for the year ended 31 December 2014 were extracted from the Consolidated Financial Statements as at 31 December 2014, prepared in accordance with International Accounting Principles. This data has been audited by the External Auditors, who issued their report on 30 March 2015.

Where specified, the comparative data referring to the year ended 31 December 2014 was extracted from the Consolidated Financial Statements as at 31 December 2015, in which it was restated to include the retrospective changes made during the preparation of the Consolidated Financial Statements as at 31 December 2015 (see below). The methods for redetermining this comparative data and the related information were re-examined by the External Auditors solely for the purpose of expressing a judgement on the Consolidated Financial Statements as at 31 December 2015.

The comparative data referring to the year ended 31 December 2013, extracted (unless indicated otherwise) from the Consolidated Financial Statements as at 31 December 2014, were restated to include the retrospective changes made during the preparation of the Consolidated Financial Statements as at 31 December 2014 (see below). The methods for redetermining this comparative data and the related information were re-examined by the External Auditors solely for the purpose of expressing a judgement on the Consolidated Financial Statements as at 31 December 2014.

For the sake of completeness, the data for the year ended 31 December 2013 were extracted from the Consolidated Financial Statements as at 31 December 2013, prepared in accordance with International Accounting Principles. This data has been audited by the External Auditors, who issued their report on 07 April 2014.

Also note that the change in the data as at 31 December 2014 compared with 31 December 2013 was calculated on the basis of the data extracted from the 2014 Consolidated Financial Statements and, therefore, using the data as at 31 December 2013, restated.

The financial information presented below should be read in conjunction with the information set out in Chapters 9, 10 and 20 of the Registration Document.

The following were applied for the first time in 2014:

(i) the accounting principle for consolidated financial statements IFRS 10 “Consolidated Financial Statements”, which partly replaces IAS 27 “Consolidated and Separate Financial Statements” and completely replaces SIC 12 “Consolidation - Special purpose entities”, and introduces a single control model applicable to all companies. The retrospective application of these principles, as at 31 December 2013, had a negative impact on the Group’s net equity of €125.4 million;

(ii) IFRS 11 “Joint-control agreements”, replaces IAS 31 “Interests in Joint ventures” and SIC 13 “Jointly-controlled entities - Non-monetary contributions by venturers” and eliminates the possibility of adopting the proportional consolidation method, requiring joint-control entities to be consolidated through the equity method.

As a result, the balances of the Consolidated Financial Statements as at 31 December 2013 have been restated compared with those published originally to include these retrospective applications.

For more information on these adjustments, see the Consolidated Financial Statements as at 31 December 2014 (Notes to the Consolidated Financial Statements, Part A – “IFRS 10, IFRS 11, IAS 27 and IAS 28” page 148). Note that the page number given above refers to the Italian version and the English version of the Consolidated Financial Statements as at 31 December 2014.

Note that the amounts in this Chapter of the Registration Document are expressed in millions of Euros. Therefore they may differ from those in the Consolidated Financial Statements, in the Consolidated Interim Report as at 30 September 2016 and from those reported by the Supervisory Authority during the periodic reporting on account of rounding off.

The Issuer makes use of the inclusion scheme through reference to the 2015 Reports and Consolidated Financial Statements, the 2014 Reports and Consolidated Financial Statements and the 2013 Reports and Consolidated Financial Statements, pursuant to Article 7 of the Issuers’ Regulation and Article 28 of Regulation (EC) No 809/2004. These documents have been published and filed at CONSOB and are available to the public on the Issuer’s website (www.unicreditgroup.eu) as well as at the Issuer’s Registered Office and Head Office.

To facilitate the identification of information in the accounting documents, the pages of the main sections of the 2015 Reports and Consolidated Financial Statements and the 2014 Reports and Consolidated Financial Statements and the 2013 Reports and Consolidated Financial Statements are given below.

<u>2015 Financial Year</u>

- Report on consolidated operations: pages 23-55;
- Consolidated Balance Sheet: pages 80-81;
- Consolidated Income Statement: page 82;
- Statement of Consolidated Comprehensive Income: page 83;
- Prospectus of changes in consolidated shareholders’ equity: pages 84-87;

- Consolidated Cash Flow Statement: pages 88-89;
- Notes to the Consolidated Financial Statements: pages 91-505;
- External Auditors' Report: pages 561-563.

<u>2014 Financial Year</u>

- Report on operations: pages 27-63;
- Consolidated Balance Sheet: pages 88-89;
- Consolidated Income Statement: page 90;
- Statement of Consolidated Comprehensive Income: page 91;
- Prospectus of changes in consolidated shareholders' equity: pages 92-93;
- Consolidated Cash Flow Statement: pages 94-95;
- Notes to the Consolidated Financial Statements: pages 97-499;
- External Auditors' Report: pages 521-523.

<u>2013 Financial Year</u>

- Report on operations: pages 25-58;
- Consolidated Balance Sheet: pages 84-85;
- Consolidated Income Statement: page 86;
- Statement of Consolidated Comprehensive Income: page 87;
- Prospectus of changes in consolidated shareholders' equity: pages 88-89;
- Statement Cash Flow Statement: pages 90-91;
- Notes to the Consolidated Financial Statements: pages 93-447;
- External Auditors' Report: pages 469-471.

Note that the page numbers indicated above refer to the Italian version and the English version of the 2015 Reports and Consolidated Financial Statements, the 2014 Reports and Consolidated Financial Statements and the 2013 Reports and Consolidated Financial Statements.

The tables of the consolidated balance sheets as at 31 December 2015, 2014 and 2013 and the consolidated income statement, total consolidated comprehensive income and consolidated cash flow statement for the years ended 31 December 2015, 31 December 2014 and 31 December 2013.

Consolidated Balance Sheet

The table below gives the consolidated balance sheet for the Group as at 31 December 2015, 31 December 2014 and 31 December 2013.

Assets	**As at 31 December**				**Change**	
(in millions of Euros)	**2015**	**2014**	**2013 (restated)**	**2013**	**2015 compared with 2014**	**2014 compared with 2013 (restated)**
10. Cash and cash equivalents	10,303	8,051	10,520	10,808	*28.0%*	*-23.5%*
20. Financial assets held for trading	90,997	101,226	80,701	80,910	*-10.1%*	*25.4%*
30. Financial assets at fair value through profit or loss	34,368	31,803	30,493	30,492	*8.1%*	*4.3%*
40. Available-for-sale financial assets	109,807	97,636	84,512	85,874	*12.5%*	*15.5%*
50. Financial assets held to maturity	2,093	2,584	4,353	5,305	*-19.0%*	*-40.6%*
60. Loans and receivables with banks	80,073	68,730	63,310	61,119	*16.5%*	*8.6%*
70. Loans and receivables with customers	473,999	470,569	483,684	503,142	*0.7%*	*-2.7%*
80. Hedging derivatives	5,368	9,114	9,575	9,649	*-41.1%*	*-4.8%*
90. Changes in fair value of portfolio hedged items (+/-)	2,641	2,873	2,815	2,815	*-8.1%*	*2.1%*
100. Equity Investments	6,577	6,479	6,482	4,050	*1.5%*	*0.0%*
110. Insurance reserves attributable to reinsurers	-	-	-	-	-	-
120. Property, plant and equipment	10,031	10,277	10,818	10,950	*-2.4%*	*-5.0%*
130. Intangible assets	5,758	5,562	5,326	5,384	*3.5%*	*4.4%*
of which:						
- goodwill	3,618	3,562	3,533	3,533	*1.6%*	*0.8%*
140. Tax assets	15,726	15,772	18,215	19,951	*-0.3%*	*-13.4%*
a) current	1,355	1,472	1,329	1,330	*-7.9%*	*10.8%*
b) deferred tax assets	14,371	14,300	16,886	18,621	*0.5%*	*-15.3%*
of which Law 214/2011	11,685	11,182	13,145	13,145	*4.5%*	*-14.9%*
150. Non-current assets and groups of assets held for sale	2,820	3,600	3,928	3,928	*-21.7%*	*-8.4%*
160. Other assets	9,872	9,941	11,187	11,461	*-0.7%*	*-11.1%*
Total assets	**860,433**	**844,217**	**825,919**	**845,838**	***1.9%***	***2.2%***

Liabilities and equity	**As at 31 December**				**Change**	
(in millions of Euros)	**2015**	**2014**	**2013 (restated)**	**2013**	**2015 compared with 2014**	**2014 compared with 2013 (restated)**
10. Deposits from banks	111,373	106,037	107,830	110,222	*5.0%*	*-1.7%*
20. Payables to customers	449,790	410,412	393,113	410,930	*9.6%*	*4.4%*
30. Debt securities in issue	134,478	150,276	164,266	160,094	*-10.5%*	*-8.5%*
40. Financial liabilities held for trading	68,918	77,135	63,799	63,169	*-10.7%*	*20.9%*
50. Financial liabilities at fair value through profit or loss	455	567	711	702	*-19.8%*	*-20.3%*
60. Hedging derivatives	6,149	8,622	8,629	8,682	*-28.7%*	*-0.1%*
70. Changes in fair value of portfolio hedged items (+/-)	5,105	6,528	4,116	4,116	*-21.8%*	*58.6%*
80. Tax liabilities	1,528	1,751	2,282	3,972	*-12.7%*	*-23.3%*
a) current	941	1,130	1,255	1,257	*-16.7%*	*-10.0%*
b) deferred	587	621	1,027	2,715	*-5.5%*	*-39.5%*
90. Liabilities included in disposal groups classified as held for sale	1,880	1,650	2,129	2,129	*13.9%*	*-22.5%*
100. Other liabilities	16,282	16,601	18,481	20,938	*-1.9%*	*-10.2%*
110. Provision for employee severance pay	1,135	1,180	1,081	1,081	*-3.8%*	*9.2%*
120. Provisions for risks and charges	9,854	10,623	9,427	9,629	*-7.2%*	*12.7%*
a) post-retirement benefit obligations	5,198	7,293	5,711	5,728	*-28.7%*	*27.7%*
b) other provisions	4,656	3,330	3,716	3,901	*39.8%*	*-10.4%*
130. Insurance provisions	-	-	-	-	-	-
140. Revaluation reserve	(3,977)	(4,135)	(2,449)	(2,475)	*-3.8%*	*68.8%*
150. Redeemable shares	-	-	-	-	-	-
160. Equity instruments	1,888	1,888	-	-	*0.0%*	*100.0%*
170. Reserves	14,255	13,748	19,605	19,750	*3.7%*	*-29.9%*
180. Issue premiums	15,977	15,977	23,879	23,879	*0.0%*	*-33.1%*
190. Share capital	20,258	19,906	19,655	19,655	*1.8%*	*1.3%*
200. Treasury shares (-)	(8)	(3)	(4)	(4)	*166.7%*	*-25.0%*
210. Minority interests (+/-)	3,399	3,446	3,334	3,334	*-1.4%*	*3.4%*
220. Net profit (loss) for the period (+/-)	1,694	2,008	(13,965)	(13,965)	*-15.6%*	*-114.4%*
Total liabilities and Shareholders' Equity	**860,433**	**844,217**	**825,919**	**845,838**	***1.9%***	***2.2%***

The comparative values as at 31 December 2013 were restated, compared with those disclosed with reference to that date:

– as a result of the entry into force of the new accounting principles IFRS 10 and IFRS 11, and revisions of IAS 27 and IAS 28 from 1 January 2014 retroactively to 1 January 2013;

– as a result of the offsetting of deferred tax assets, item 140 "advance tax assets for balance sheets assets", with the related deferred tax liabilities, item 80 b) "deferred tax liabilities for balance sheet liabilities";

– as a result of the change in the sector to which a counterparty belongs from the items "loans and receivables with banks and customers".

Consolidated Income Statement

The table below contains the consolidated income statement of the Group for the years ended 31 December 2015, 31 December 2014 and 31 December 2013.

Items	**As at 31 December**					**% Change**	
(in millions of Euros)	**2015**	**2014 (restated)**	**2014**	**2013 (restated)**	**2013**	**2015 compared with 2014 (restated)**	**2014 compared with 2013 (restated)**
10. Interest income and similar revenues	19,518	21,742	21,742	22,647	24,210	*-10.2%*	*-4.0%*
20. Interest expense and similar charges	(7,860)	(9,680)	(9,680)	(10,729)	(11,605)	*-18.8%*	*-9.8%*
30. Interest margin	**11,658**	**12,062**	**12,062**	**11,918**	**12,605**	***-3.3%***	***1.2%***
40. Fee and commission income	9,417	9,154	9,070	8,809	9,262	*2.9%*	*3.0%*
50. Fee and commission expense	(1,599)	(1,648)	(1,585)	(1,583)	(1,668)	*-3.0%*	*0.1%*
60. Net commissions	**7,818**	**7,506**	**7,485**	**7,226**	**7,594**	***4.2%***	***3.6%***
70. Dividend income and similar revenue	410	402	401	261	262	*2.0%*	*53.6%*
80. Gains (losses) on financial assets and liabilities held for trading	1,079	614	636	1,228	1,305	*75.7%*	*-48.2%*
90. Fair value adjustments in hedge accounting	(14)	(9)	(9)	(17)	(15)	*55.6%*	*-47.1%*
100. Gains (losses) on disposal or repurchase of:	381	687	687	2,369	2,440	***-44.5%***	***-71.0%***
a) loans	29	17	17	(3)	(6)	*70.6%*	*n.s.*
b) available for sale assets	399	623	623	1,927	2,000	*-36.0%*	*-67.7%*
c) held-to-maturity assets	-	4	4	3	4	*-100.0%*	*25.0%*
d) financial liabilities	(47)	43	43	442	442	*n.s.*	*-90.3%*
110. Gains (losses) on financial assets and liabilities designated at fair value through profit and loss	(5)	58	58	211	211	*-108.6%*	*-72.5%*
120. Brokerage margin	**21,327**	**21,320**	**21,320**	**23,196**	**24,402**	***0.0%***	***-8.1%***
130. Impairment losses on:	(4,142)	(4,520)	(4,520)	(13,643)	(13,758)	*-8.4%*	*-66.9%*
a) loans	(4,081)	(4,178)	(4,178)	(13,621)	(13,795)	*-2.3%*	*-69.3%*
b) available for sale assets	(59)	(249)	(249)	(147)	(147)	*-76.3%*	*69.4%*
c) held-to-maturity assets	(6)	-	-	-	-	*-100.0%*	-
d) other financial assets	4	(93)	(93)	125	184	*-104.3%*	*-174.4%*
140. Net profit from financial activities	**17,185**	**16,800**	**16,800**	**9,553**	**10,644**	*2.3%*	*75.9%*
150. Net premiums	-	-	-	-	83	-	-
160. Other income (net) from insurance activities	-	-	-	(2)	(68)	-	*-100.0%*
170. Net profit from financial and insurance activities	**17,185**	**16,800**	**16,800**	**9,550**	**10,659**	***2.3%***	***75.9%***
180. Administrative expenses	(14,754)	(13,812)	(13,773)	(14,387)	(14,846)	*6.8%*	*-4.3%*
a) staff expenses	(8,670)	(8,204)	(8,204)	(9,006)	(9,273)	*5.7%*	*-8.9%*
b) other administrative expenses	(6,084)	(5,608)	(5,569)	(5,381)	(5,573)	*8.5%*	*3.5%*
190. Net provisions for risks and charges	(753)	(384)	(384)	(818)	(880)	*96.1%*	*-53.1%*
200. Impairment/Write-backs on property, plant and equipment	(678)	(763)	(763)	(842)	(870)	*-11.1%*	*-9.4%*
210. Impairment/Write-backs on intangible assets	(475)	(431)	(431)	(2,694)	(2,707)	*10.2%*	*-84.0%*
220. Other net operating income	1,139	1,264	1,225	1,130	1,112	*-9.9%*	*8.4%*
230. Operating costs	**(15,521)**	**(14,126)**	**(14,126)**	**(17,611)**	**(18,191)**	***9.9%***	***-19.8%***
240. Profit (loss) of associates	620	682	682	519	103	*-9.1%*	*31.4%*
250. Gains and losses on property, equipment and investment property and intangible assets measured at fair value	(2)	4	4	(2)	(1)	*-150.0%*	*n.s.*
260. Impairment of goodwill	-	-	-	(7,767)	(7,989)	-	*-100.0%*
270. Gains (losses) on disposal of investments	114	319	319	(7)	219	*-64.3%*	*n.s.*
280. Total profit (loss) before tax from continuing operations	**2,396**	**3,679**	**3,679**	**(15,318)**	**(15,200)**	***-34.9%***	***-124.0%***
290. Tax expense related to profit from continuing operations	(55)	(1,167)	(1,167)	2,495	2,377	*-95.3%*	*-146.8%*
300. Total profit (loss) after tax from continuing operations	**2,341**	**2,512**	**2,512**	**(12,823)**	**(12,823)**	***-6.8%***	***-119.6%***
310. Profit (loss) after tax from discontinued operations	(295)	(124)	(124)	(760)	(760)	*137.9%*	*-83.7%*
320. Net profit (loss) for the year	**2,046**	**2,388**	**2,388**	**(13,583)**	**(13,583)**	***-14.3%***	***-117.6%***
330. Profit (loss) for minority interests	(352)	(380)	(380)	(382)	(382)	*-7.4%*	*-0.5%*
340. Profit (loss) relating to the Issuer	**1,694**	**2,008**	**2,008**	**(13,965)**	**(13,965)**	***-15.6%***	***-114.4%***
Earnings per share (Euros)	0.27	0.34	0.34	(2.47)	(2.47)	*-20.6%*	*-113.8%*
Diluted earnings per share (Euros)	0.27	0.34	0.34	(2.46)	(2.46)	*-20.6%*	*-113.8%*

The income statement for 2014 differs from the figures disclosed with reference to that date as the result of:

- the reclassification of the income from financial debt instrument placement activities without guarantees (Debt Capital Markets "best effort") from the item "gains (losses) of assets and liabilities held for trading" to the item "fee and commission income";
- the reclassification of the margins arising from currency trading with customers of a subsidiary from the item "net commission income" to the item "gains (losses) on financial assets and liabilities held for trading";
- the presentation on a gross basis of fees for distribution of funds by a subsidiary previously presented on a net basis;
- the reclassification of costs relating to the local resolution fund for a subsidiary from the item "other management income/expense" to the item "other administrative expenses".

The comparative values as at 31 December 2013 were restated, compared with those disclosed with reference to that date:

- as a result of the entry into force of the new accounting principles IFRS 10 and IFRS 11, and revisions of IAS 27 and IAS 28 from 1 January 2014 retroactively to 1 January 2013;
- as a result of the reclassification of the contribution to the FITD (Italian Bank Deposit Guarantee Fund) relating to the interventions already approved, from item 120 b) "provision for risks and charges" to item 100 "other balance sheet liabilities";
- as a result of the offsetting of deferred tax assets, item 140 "advance tax assets for balance sheets assets", with the related deferred tax liabilities, item 80 b) "deferred tax liabilities for balance sheet liabilities";
- as a result of the change in the sector to which a counterparty belongs from the items "deposits from banks and payables to customers".

Statement of Consolidated Comprehensive Income

The table below contains the consolidated comprehensive income of the Group for the years ended 31 December 2015, 31 December 2014 and 31 December 2013.

Items	**As at 31 December**				**% Change**	
(in millions of Euros)	**2015**	**2014**	**2013 (restated)**	**2013**	**2015 compared with 2014**	**2014 compared with 2013 (restated)**
10. Net profit (loss) for the year	**2,046**	**2,388**	**(13,583)**	**(13,583)**	*-14.3%*	*-117.6%*
Other comprehensive income net of tax not reclassified to profit or loss						
20. Property, plant and equipment	-	-	-	-	-	-
30. Intangible assets	-	-	-	-	-	-
40. Defined benefit plans	624	(1,471)	(211)	(209)	*-142.4%*	*n.s.*
50. Non-current assets classified as held for sale	-	-	-	-	-	-
60. Revaluation reserves of investments valued at net equity	2	(2)	-	-	*n.s.*	*100.0%*
Other comprehensive income net of tax reclassified to profit or loss						
70. Hedges of foreign investments	-	-	-	-	-	-
80. Exchange differences	(253)	(1,660)	(161)	(732)	*-84.8%*	*n.s.*
90. Cash-flow hedges	(176)	106	(313)	(232)	*n.s.*	*-133.9%*
100. Available-for-sale financial assets	286	1,071	704	421	*-73.3%*	*52.1%*
110. Non-current assets classified as held for sale	4	1	(5)	(5)	*n.s.*	*-120.0%*
120. Revaluation reserves of investments valued at net equity	(358)	272	(688)	77	*n.s.*	*-139.5%*
130. Total other income components after tax	**129**	**(1,683)**	**(674)**	**(680)**	***-107.7%***	***149.7%***
140. Comprehensive income after tax (Item 10+130)	**2,175**	**705**	**(14,257)**	**(14,263)**	*n.s.*	*-104.9%*
150. Consolidated comprehensive income attributable to minority interests	(322)	(366)	(355)	(355)	*-12.0%*	*3.1%*
160. Consolidated comprehensive income attributable to the Issuer	**1,853**	**339**	**(14,612)**	**(14,618)**	*n.s.*	***-102.3%***

Consolidated cash flow statement

The table below contains the consolidated cash flow statement of the Group for the years ended 31 December 2015, 31 December 2014 and 31 December 2013.

Consolidated cash flow statement (indirect method)	**As at 31 December**				**% Change**	
(in millions of Euros)	**2015**	**2014**	**2013 (restated)**	**2013**	**2015 compared with 2014**	**2014 compar with 20 (restat**
A. OPERATING ACTIVITIES						
1. Operations	**8,577**	**9,205**	**11,068**	**11,836**	***-6.8%***	***-16.8%***
- profit and loss for the year (+/-)	1,695	2,008	(13,965)	(13,965)	*-15.6%*	*-114.4%*
- capital gains (losses) on financial assets/liabilities held for trading and on assets/liabilities designated at fair value through profit and loss (+/-)	(1,410)	(2,111)	(808)	(826)	*-33.2%*	*161.3%*
- capital gains/losses on hedging operations (+/-)	14	9	17	15	*55.6%*	*-47.1%*
- net impairment losses/writebacks (+/-)	6,491	6,767	23,438	23,878	*-4.1%*	*-71.1%*
- net impairment losses/writebacks on property, equipment and investment property and intangible assets (+/-)	1,155	1,190	3,539	3,578	*-2.9%*	*-66.4%*
- net provisions for risks and charges and other income/expenses (+/-)	744	(333)	381	824	*n.s.*	*-187.4%*
- uncollected net premiums (+/-)	-	-	-	-	-	-
- other uncollected insurance income and expenses (+/-)	-	-	3	2	-	*-100.0%*
- unpaid tax (+)	(827)	953	(3,162)	(3,072)	*-186.8%*	*-130.1%*
- net value adjustments/recoveries for groups of assets held for sale net of the tax effect (-/+)	315	279	940	940	*12.9%*	*-70.3%*
- other adjustments (+/-)	400	443	685	462	*-9.7%*	*-35.3%*
2. Liquidity generated/absorbed by financial assets	**(24,102)**	**(40,412)**	**43,515**	**36,529**	***-40.4%***	***-192.9%***
- financial assets held for trading	11,587	(19,216)	26,679	26,662	*-160.3%*	*-172.0%*
- financial assets designated at fair value	(2,558)	(1,209)	(5,350)	(5,350)	*111.6%*	*-77.4%*
- available-for-sale financial assets	(11,975)	(16,302)	(13,548)	(13,397)	*-26.5%*	*20.3%*
- loans and receivables with banks	(7,864)	(10,227)	11,407	12,312	*-23.1%*	*-189.7%*
- loans and receivables from customers	(12,788)	(524)	21,102	18,672	*n.s.*	*-102.5%*
- other assets	(504)	7,066	3,225	(2,370)	*-107.1%*	*119.1%*
3. Liquidity generated/absorbed by financial liabilities	**18,804**	**25,932**	**(50,449)**	**(44,270)**	***-27.5%***	***-151.4%***
- deposits from banks	5,395	384	(7,136)	(7,200)	*n.s.*	*-105.4%*
- deposits from customers	40,012	29,051	7,064	8,385	*37.7%*	*n.s.*
- securities in issue	(20,362)	(10,714)	(10,795)	(10,328)	*90.1%*	*-0.8%*
- financial liabilities held for trading	(7,514)	14,011	(35,915)	(35,888)	*-153.6%*	*-139.0%*
- financial liabilities designated at fair value	(112)	(170)	(151)	(150)	*-34.1%*	*12.6%*
- other liabilities	1,385	(6,630)	(3,516)	911	*-120.9%*	*88.6%*
Net liquidity generated/absorbed by operating activities	**3,279**	**(5,275)**	**4,134**	**4,095**	***-162.2%***	***n.s.***
B. INVESTMENT ACTIVITIES						
1. Liquidity generated by	**13,035**	**15,054**	**13,211**	**13,408**	**-13.4%**	**14.0%**
- sales of equity investments	54	833	261	167	-93.5%	n.s.
- collected dividends on equity investments	173	193	240	189	-10.4%	-19.6%
- sales of financial assets held to maturity	12,002	13,044	11,899	11,933	-8.0%	9.6%
- sales of property, equipment and investment property	298	381	239	255	-21.8%	59.4%
- sales of intangible assets	7	1	2	5	n.s.	-50.0%
- sales of subsidiaries and divisions	501	602	570	859	-16.8%	5.6%
2. Liquidity absorbed by	**(13,193)**	**(13,136)**	**(13,061)**	**(13,162)**	**0.4%**	**0.6%**
- purchases of equity investments	(72)	(139)	(439)	(416)	-48.2%	-68.3%
- purchases of financial assets held to maturity	(11,547)	(11,379)	(11,052)	(11,127)	1.5%	3.0%
- purchases of property, equipment and investment property	(922)	(867)	(929)	(957)	6.3%	-6.7%
- purchases of intangible assets	(652)	(682)	(641)	(662)	-4.4%	6.4%
- purchases of subsidiaries and divisions	-	(69)	-	-	100.0%	-100.0%
Net liquidity generated/absorbed by investment activities	**(158)**	**1,918**	**150**	**246**	**-108.2%**	**n.s.**
C. FUNDING ACTIVITIES						
- issue/purchase of treasury shares	-	-	-	-	-	-
- issue/purchase of equity instruments	-	1,889	-	-	-100.0%	100.0%
- distribution of dividends and other scopes	(842)	(612)	(934)	(934)	37.6%	-34.5%
Net liquidity generated/absorbed by funding activities	**(842)**	**1,277**	**(934)**	**(934)**	**-165.9%**	**n.s.**
NET LIQUIDITY GENERATED/ABSORBED DURING THE YEAR	**2,279**	**(2,080)**	**3,350**	**3,407**	**n.s.**	**-162.1%**

The figures for 31 December 2013 were taken from the comparative data included in the Consolidated Financial Statement of the Group as at 31 December 2014 and differ from the figures disclosed in the Consolidated Financial Statements of the Group as at 31 December 2013 as a result of the entry into force of the new accounting principles IFRS 10 and IFRS 11, and revisions of IAS 27 and IAS 28 from 1 January 2014 retroactively to 1 January 2013.

RECONCILIATION	**As at 31 December**				**% Change**	
(in millions of Euros)	**2015**	**2014**	**2013 (restated)**	**2013**	**2015 compared with 2014**	**2014 compared with 2013 (restated)**
Cash and cash equivalents at the beginning of the year	8,051	10,520	7,274	7,570	-23.5%	44.6%
Total liquidity generated/absorbed during the year	2,279	(2,080)	3,351	3,407	n.s.	-162.1%
Cash and cash equivalents: effect of change in exchange rates	(27)	(389)	(105)	(169)	-93.1%	n.s.
Cash and cash equivalents at the end of the year	**10,303**	**8,051**	**10,520**	**10,808**	**28.0%**	**-23.5%**

The item "Cash and cash equivalents" differs at the beginning of 2013 from the figure disclosed in December 2013 as a result of the entry into force of the new accounting principles IFRS 10 and IFRS 11, and revisions of IAS 27 and IAS 28 from 1 January 2014 retroactively to 1 January 2013.

Statement of changes in equity

The tables below contain the statements of the changes in shareholders' equity of the Group for the years ended 31 December 2015, 31 December 2014 and 31 December 2013.

Statement of changes in consolidated shareholders' equity - 2015

				Allocation of result from previous period		Changes for the period												
							Transactions in shareholders' equity											
(in millions of Euros)	**Balances as at 31.12.2014**	**Opening balance changes**	**Balances as at 01.01.2015**	**Reserves**	**Dividends and other allocations**	**Reserve changes**	**New share issues**	**Treasury share purchases**	**Interim dividends**	**Extraordinary distribution of dividends**	**Change in equity instruments**	**Treasury share derivatives**	**Stock options**	**Changes in shareholdings**	**Comprehensive income as at 31.12.2015**	**Total shareholders' equity as at 31.12.2015**	**Group shareholders' equity as at 31.12.2015**	**Minority shareholders' equity as at 31.12.2015**
Share capital																		
a) ordinary shares	20,433	-	20,433	-	-	(63)	352	-	-	-	-	-	-	-	-	20,722	20,249	473
b) other shares	8	-	8	-	-	-	-	-	-	-	-	-	-	-	-	8	8	-
Issue premiums	17,224	-	17,224	-	-	10	-	-	-	-	-	-	-	-	-	17,234	15,977	1,257
Reserves:																		
a) of profits	8,523	-	8,523	1,980	-	(18)	(352)	-	-	(169)	-	-	-	-	-	9,964	8,746	1,218
b) other	6,504	-	6,504	-	-	(961)	-	-	-	-	-	-	93	-	-	5,636	5,509	127
Revaluation reserve	(4,130)	-	(4,130)	-	-	(1)	-	-	-	-	-	-	-	-	129	(4,002)	(3,977)	(25)
Interim dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity instruments	1,889	-	1,889	-	-	-	-	-	-	-	-	-	-	-	-	1,889	1,889	-
Treasury shares	(3)	-	(3)	-	-	(8)	-	-	-	-	-	-	-	-	-	(11)	(8)	(3)
Net profit (loss) for the year	2,388	-	2,388	(1,980)	(408)	-	-	-	-	-	-	-	-	-	2,046	2,046	1,694	352
Total shareholders' equity	**52,836**	**-**	**52,836**	**-**	**(408)**	**(1,041)**	**-**	**-**	**-**	**(169)**	**-**	**-**	**93**	**-**	**2,175**	**53,486**	**50,087**	**3,399**
Group shareholders' equity	49,390	-	49,390	-	(8)	(1,072)	-	-	-	(169)	-	-	93	-	1,853	50,087	-	-
Minority shareholders' equity	3,446	-	3,446	-	(400)	31	-	-	-	-	-	-	-	-	322	3,399	-	-

Statement of changes in consolidated shareholders' equity - 2014

				Allocation of result from previous period		Changes for the period												
							Transactions in shareholders' equity											
(in millions of Euros)	**Balances as at 31.12.2013**	**Opening balance changes**	**Balances as at 01.01.2014**	**Reserves**	**Dividends and other allocations**	**Reserve changes**	**New share issues**	**Treasury share purchases**	**Interim dividends**	**Extraordinary distribution of dividends**	**Change in equity instruments**	**Treasury share derivatives**	**Stock options**	**Changes in shareholdings**	**Comprehensive income as at 31.12.2014**	**Total shareholders' equity as at 31.12.2014**	**Group shareholders' equity as at 31.12.2014**	**Minority shareholders' equity as at 31.12.2014**
Share capital																		
a) ordinary shares	20,051	-	20,051	-	-	63	251	-	-	-	-	-	-	69	-	20,433	19,898	536
b) other shares	8	-	8	-	-	-	-	-	-	-	-	-	-	-	-	8	8	-
Issue premiums	25,153	-	25,153	(7,78	-	(148)	-	-	-	-	-	-	-	1	-	17,224	15,977	1,247
Reserves:																		
a) of profits	14,470	-	14,470	(6,14	-	(66)	(251)	-	-	(176)	-	-	-	688	-	8,523	7,371	1,152
b) other	6,386	-	6,386	-	-	54	-	-	-	-	-	-	63	1	-	6,504	6,377	127
Revaluation reserve	(2,425)	-	(2,425)	-	-	(22)	-	-	-	-	-	-	-	-	(1,683)	(4,130)	(4,135)	4
Interim dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity instruments	-	-	-	-	-	-	-	-	-	-	1,888	-	-	-	-	1,889	1,889	-
Treasury shares	(4)	-	(4)	-	-	1	-	-	-	-	-	-	-	-	-	(3)	(3)	-
Net profit (loss) for the year	(13,583)	-	(13,583)	13,925	(342)	-	-	-	-	-	-	-	-	-	2,388	2,388	2,008	380
Total shareholders' equity	**50,056**	**-**	**50,056**	**-**	**(342)**	**(118)**	**-**	**-**	**-**	**(176)**	**1,888**	**-**	**63**	**759**	**705**	**52,836**	**49,390**	**3,446**
Group shareholders' equity	46,722	-	46,722	-	(4)	(68)	-	-	-	(176)	1,888	-	63	626	339	49,390	-	-
Minority shareholders' equity	3,334	-	3,334	-	(338)	(50)	-	-	-	-	-	-	-	133	366	3,446	-	-

Statement of changes in consolidated shareholders' equity - 2013 restated

				Allocation of result from previous period		Changes for the period												
							Transactions in shareholders' equity											
(in millions of Euros)	Balances as at 31.12.2012	Opening balance changes	Balances as at 01.01.2013	Reserves	Dividends and other allocations	Reserve changes	New share issues	Treasury share purchases	Interim dividends	Extraordinary distribution of dividends	Change in equity instruments	Treasury share derivatives	Stock options	Changes in shareholdings	Comprehensive income as at 31.12.2013	Total shareholders' equity as at 31.12.2013	Group shareholders' equity as at 31.12.2013	Minority shareholders' equity as at 31.12.2013
Share capital																		
a) ordinary shares	20,053	-	20,053	-	-	(15)	7	-	-	-	-	-	-	5	-	20,051	19,647	404
b) other shares	8	-	8	-	-	-	-	-	-	-	-	-	-	-	-	8	8	-
Issue premiums	34,649	-	34,649	(220)	-	(9,486)	-	-	-	-	-	-	-	210	-	25,153	23,879	1,274
Reserves:																		
a) of profits	11,002	-	10,857	1,131	-	2,323	(7)	-	-	(513)	-	-	-	678	-	14,470	13,339	1,131
b) other	85	-	85	-	-	6,278	-	-	-	-	-	-	23	-	-	6,386	6,267	119
Revaluation reserve	(1,767)	-	(1,748)	-	-	(3)	-	-	-	-	-	-	-	-	(674)	(2,425)	(2,449)	24
Interim dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	(5)	-	(5)	-	-	1	-	-	-	-	-	-	-	-	-	(4)	(4)	-
Net profit (loss) for the year	1,223	-	1,223	(911)	(311)	-	-	-	-	-	-	-	-	-	(13,583)	(13,583)	(13,965)	382
Total shareholders' equity	**65,248**	**-**	**65,122**	**-**	**(311)**	**(902)**	**-**	**-**	**-**	**(513)**	**-**	**-**	**23**	**893**	**(14,257)**	**50,056**	**46,722**	**3,334**
Group shareholders' equity	61,579	-	61,453	-	(3)	(14)	-	-	-	-	-	-	23	387	(14,612)	46,722	-	-
Minority shareholders' equity	3,669	-	3,669	-	(308)	(888)	-	-	-	-	-	-	-	506	355	3,334	-	-

Statement of changes in consolidated shareholders' equity - 2013

				Allocation of result from previous period		Changes for the period												
							Transactions in shareholders' equity											
(in millions of Euros)	**Balances as at 31.12.2012**	**Opening balance changes**	**Balances as at 01.01.2013**	**Reserves**	**Dividends and other allocations**	**Reserve changes**	**New share issues**	**Treasury share purchases**	**Interim dividends**	**Extraordinary distribution of dividends**	**Change in equity instruments**	**Treasury share derivatives**	**Stock options**	**Changes in shareholdings**	**Comprehensive income as at 31.12.2013**	**Total shareholders' equity as at 31.12.2013**	**Group shareholders' equity as at 31.12.2013**	**Minority shareholders' equity as at 31.12.2013**
Share capital																		
a) ordinary shares	20,053	-	20,053	-	-	(15)	7	-	-	-	-	-	-	5	-	20,050	19,647	404
b) other shares	8	-	8	-	-	-	-	-	-	-	-	-	-	-	-	8	8	-
Issue premiums	34,649	-	34,649	(220)	-	(9,486)	-	-	-	-	-	-	-	210	-	25,153	23,879	1,274
Reserves:																		
a) of profits	11,002	(145)	11,002	1,131	-	2,323	(7)	-	-	(513)	-	-	-	678	-	14,615	13,483	1,131
b) other	85	-	85	-	-	6,278	-	-	-	-	-	-	23	-	-	6,386	6,267	119
Revaluation reserve	(1,767)	-	(1,767)	-	-	(3)	-	-	-	-	-	-	-	-	(680)	(2,450)	(2,475)	24
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interim dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	(5)	-	(5)	-	-	1	-	-	-	-	-	-	-	-	-	(4)	(4)	-
Net profit (loss) for the year	1,223	-	1,223	(911)	(311)	-	-	-	-	-	-	-	-	-	(13,583)	(13,583)	(13,965)	382
Total shareholders' equity	**65,248**	**-**	**65,248**	**-**	**(311)**	**(902)**	**-**	**-**	**-**	**(513)**	**-**	**-**	**23**	**893**	**(14,263)**	**50,175**	**46,840**	**3,334**
Group shareholders' equity	61,579	-	61,579	-	(3)	(14)	-	-	-	(513)	-	-	23	387	(14,618)	46,841	-	-
Minority shareholders' equity	3,669	-	3,669	-	(308)	(888)	-	-	-	-	-	-	-	506	355	3,334	-	-

20.2 Pro-forma financial information

Introduction

The financial statements relating to the pro-forma consolidated balance sheet, income statement and cash flow statement of the UniCredit Group for the nine-month period ending 30 September 2016 and for the financial year ending 31 December 2015 (the "**Pro-forma Consolidated Financial Statements**"), accompanied by the notes, are given below.

With reference to the Pro-Forma Consolidated Statements, the following operating aspects and methodologies used for preparing these statements are highlighted, useful for understanding the transactions described in this Chapter:

- With reference to the transactions subject to pro-forma adjustments, note that Chapter 22 of this Registration Document contains more information about the contractual agreements and the status of negotiations at the Date of the Registration Document. Also note that this Chapter contains the amounts for the pro-forma representation of the actual transactions. Provision has been made to include any reconciliations between the amounts in this Chapter and those in Chapter 22 in the paragraphs that follow, specifically in the sections containing the description of the individual pro-forma adjustments made. By way of example, in order to make the pro-forma adjustments in this Chapter, the sale of PGAM also includes the consideration for the Pioneer assets in Poland because they come under the scope of consolidation of PGAM. As, on the other hand, described in Chapter 22, the consideration for these Polish Pioneer assets will be paid by the purchasers of Bank Pekao.

- The information in the Pro-Forma Consolidated Statements reflects all aspects of the transactions in question in accordance with the methods, terms and conditions adhering to the agreements and contracts stipulated. Where the pro-forma information reflects aspects of transactions not completed or not defined at the Date of the Registration Document, the paragraphs containing the descriptions of each individual transaction and the related pro-forma adjustments will contain specific information and explanations of the conditions assumed in order to prepare the Pro-Forma Consolidated Statements.

- The companies currently controlled and therefore fully consolidated and for which the transactions described below result in deconsolidation following loss of control (Bank Pekao, PGAM, Immo Holding and PJSC Ukrsotsbank) contain the deconsolidation on a line-by-line basis in the adjustment columns of the amount of the respective assets and liabilities, consistent with the consolidation techniques and regardless of the percentage owned (by way of example, the disposal of the entire stakeholding in Bank Pekao of around 40.1% as described in the paragraphs below). Any minority interests are expressed within minority shareholders' equity, which, in turn, is subject to deconsolidation. The pro-forma results from the sales reflected in the representation of these transactions, are commensurate with the ownership percentage and are highlighted in the descriptions of the pro-forma adjustments made.

- Intercompany asset and liability relations pertaining to deconsolidated companies are classified under "assets/liabilities held for sale". Relations with companies which are headed by companies which remain under the scope of consolidation were classified under the individual pertinent items because, following the deconsolidation of the groups sold, they are no longer representative of the transactions that take place within the Group.

- The amounts used as consideration of the transactions subject to adjustment in pro-forma prospectuses derive from their underlying contracts and are consistent with them (*see* Chapter 22of the Registration Document). Any consultancy costs associated with such transactions or transaction costs not directly attributable to the settlement of the operations themselves were not included in the amounts considered. Such amounts are not considered as price adjustment clauses and were corrected for the respective transaction costs adjusted or to be adjusted. In particular, transaction costs which are, according to the nature of the transactions such as the operations of the capital market related to accelerated bookbuilding transactions, directly adjust the consideration received or receivable, have been discounted from the above-mentioned fees, while commissions and costs related to M&A transactions of ordinary nature for which there are operating costs that are paid to any intermediaries subsequently to transactions were not considered, because they are not directly determinable and referable to specific operations. The specific treatment of these costs for each operation has been given specific information in the description of each operation

Note that the pro-forma CET 1 ratios in this Chapter were not examined by the External Auditors.
Note that the Pro-forma Consolidated Statements are the Pro-forma Income Statement, Balance Sheet and Pro-forma Cash Flow Statement and are accompanied by the respective notes. The Pro-forma Income Statement and Balance Sheet are prepared from the reclassified statements presented in the (annual and interim) while the Consolidated Report on Operations and the Cash Flow Statements are prepared based on the statement pursuant to Circular 262 of Banca d'Italia and presented in an aggregate version with subtotals.

The Pro-forma Consolidated Financial Statements have been prepared solely to retroactively reflect the significant effects of the transactions described below, successfully concluded at the closing dates of the 2015 Reports and Consolidated Financial Statements and the Consolidated Interim Report as at 30 September 2016, in compliance with CONSOB Communication DEM/1052803 of 5 July 2001 and with Annex 2 of Regulation (EC) No 809/2004, as if they had been enacted, respectively, as at 31 December 2015 and 30 September 2016 and, as far as the pro-forma consolidated income statement and the pro-forma cash flow statement are concerned, as if they had been enacted, respectively, as at 1 January 2015 and 1 January 2016.

The "Extraordinary transactions already completed at the Registration Document Date", the "Significant transactions in the process of completion at the Registration Document Date" as well as the "Measures aimed at improving the quality of the balance sheet assets" and the "Management actions aimed at strengthening capital", presented in the Pro-forma Consolidated Statements, are part of a unique project for strengthening the capital structure and improving the quality of the capital assets of the UniCredit Group, among other things, on the basis of the 2016-2019 Strategic Plan. They are represented in the Pro-forma Consolidated Statements based on what took place at the Date of the Registration Document (although in some cases the agreements and contracts relating to the transactions and actions mentioned above are subject to conditions precedent that have not yet occurred at the Date of the Registration Document). The underlying assumptions represent a conventional element: if the transactions described had actually taken place at the dates considered, the effects presented in the Pro-forma Consolidated Financial Statements may not necessarily have been obtained.

We note the following information about the reasonableness of the assumptions underlying the preparation of the Pro-Forma Consolidated Financial Statements:

- with reference to any suspensory and/or efficacy conditions in the types of contract underlying the operations subject to pro forma reporting in this Chapter, it is believed that (i) based on the advanced state of negotiations and (ii) given the nature of the conditions being to a large extent under the control of the Issuer based on the information available as at the Registration Document Date, it is deemed reasonable to believe that these suspensory conditions will occur;
- As at the Registration Document Date there are no elements such as to suggest that the authorisations of the competent authorities (including the authorisations to be obtained from the national regulatory authorities with reference to specific areas of competence), in relation solely to the M&A Transactions in course of Execution, necessary for completing the operations subject to pro forma reporting will not be granted;
- The amounts relating to the sales considered in the preparation of the pro forma statements are in some cases subject to clauses which could cause changes in them, such as price adjustment mechanisms for example; therefore, in the absence of further information on this issue as at the Registration Document Dates, reference is made to the contractual provisions, without considering such adjustments in the pro forma values.

For completeness, we inform you lastly that certain elements of the pro forma figures contained in the Pro Forma Consolidated Statements do not correspond with the content of the Illustrative Management Report to the Extraordinary General Meeting of 12 January 2016, also in consideration of the development of the information framework and additional analyses conducted by the Issuer subsequent to 12 January 2017, and in consideration of the one-off results in the pro forma income statements pursuant to Annex 2 of Regulation (EC) no. 809/2004.

Therefore, in consideration of the different aims, the Pro-forma Consolidated Financial Statements which, as anticipated, reflect -among other things - the effects of the transactions set out in the Strategic Plan as if they had already been completed at the dates to which the aforesaid prospectuses refer, could differ even significantly from the representation that these transactions could have in UniCredit's consolidated financial statements at 31 December 2016 and in those referring to later periods.

We inform you that: (i) the effects of certain transactions subject to pro forma representation (such as the M&A Transactions in course of Execution and the Capital Increase) will not be reflected in the consolidated financial statements of the Issuer for the period to 31 December 2016, given that such transactions were not completed before 31 December 2016 (as at the Registration Document Date the M&A Transactions in course of Execution remain moreover subject to the occurrence of the respective suspensory conditions and the Capital Increase has not yet been implemented); (ii) as at the Registration Document Date, the definition of the contracts relating to the Fino Project, in implementation of the Framework Agreement, is still in progress. Therefore, note that the representation of the operations referred to in (i) and (ii) in the UniCredit consolidated financial statements as at 31 December 2016 (and in those of subsequent periods) could differ significantly from their pro forma versions contained in the Registration Document.

That having been stated, in the opinion of the Issuer it is expected that the pro-forma representation of the effects of the transactions described below include all the aspects associated with these transactions, in accordance with the methods, terms and conditions in line with the status of negotiations and contractual agreements as set out in further detail in Chapter 22, and with the information available at the Registration Document Date. In consideration of the complexity of the transactions, specifically as a result of the involvement of companies belonging to various countries with different reference jurisdictions and regulatory systems, the need to obtain (multiple) regulatory authorisations in foreign jurisdictions, and the presence of price adjustment mechanisms, there is the risk that the actual impacts could differ, even significantly, from those represented in the Pro-forma Consolidated Financial Statements included in this Registration Document. As at the Date of the Registration Document, any differences and impacts arising from the above considerations are not known or determinable. Therefore, for the purposes of the preparation of the pro-forma statement reference was made to what was known and could be determined at the Date of the Registration Document on the basis of the existing contractual agreements.

The Pro-Forma Consolidated Financial Statements below have been prepared starting from the 2015 Reports and Consolidated Financial Statements and from the Consolidated Interim Report at 30 September 2016, produced in compliance with the IAS/IFRS accounting standards adopted by the European Union and in accordance with the "restated" statements adopted by the UniCredit Group and applying the adjustments relating to the transactions described above.

The 2015 Reports and Consolidated Financial Statements have been audited by the External Auditors, who issued their report on 3 March 2016.

The Consolidated Interim Report at 30 September 2016 has been subjected to a review by the External Auditors, who issued their report on 15 November 2016.

The accounting principles and evaluation criteria adopted for the preparation of the adjustments and the Pro-forma Consolidated Financial Statements, albeit with the implicit limitations in the assumptions made, are standardised compared with those applied for the preparation of the above-mentioned 2015 Reports and Consolidated Financial Statements and the Consolidated Interim Report at 30 September 2016, which should be referred to (see 2015 Reports and Consolidated Financial Statements, Notes, Part A and the Consolidated Interim Report at 30 September 2016, Notes, Part A).

The purpose of the presentation of the Pro-Forma Consolidated Financial Statements, the basic assumptions on which they are prepared, the allocation of capital and economic indicators to the UniCredit Group and the pro-forma adjustments are described in the paragraphs below.

The Pro-Forma Consolidated Financial Statements are not, by their very nature, capable of offering a representation of the prospective operating results, capital and financial position of the UniCredit Group, considering they are designed to retroactively reflect the effects of subsequent and not significant transactions at the dates of the pro-forma periods, in spite of compliance with generally accepted accounting rules and the use of reasonable assumptions.

Therefore, for the correct interpretation of the information provided in the Pro-Forma Consolidated Financial Statements, the following aspects must be considered:

- as it involves representations established on hypotheses, if the aforementioned transactions were actually carried out on the dates used as a reference for the preparation of the pro-forma data, the same results that are represented in the Pro-Forma Consolidated Financial Statements would not necessarily have been obtained;

- the pro-forma data do not reflect the prospective data because they are prepared in such a way as to only represent the effects that can be isolated and objectively measured for the execution of the transactions, without taking into account the potential effects due to changes in the policies of the Issuer and operating decisions resulting from the execution of the actual transactions;
- the pro-forma representation does not intend in any way to show that any of the effects relating to these transactions is reflected in the accounts at the pro-forma dates.

Note that the amounts in this Chapter are expressed in millions of Euros. Therefore, they may differ from the figures in the Reports and Consolidated Financial Statements at 31 December 2015 or in the Condensed Interim Consolidated Financial Statements at 30 September 2016 and from what was reported to the Supervisory Authority in the periodic reports and from what is set out in other sections of the Registration Document on account of rounding off.

Extraordinary transactions already completed at the Registration Document Date

With regard to the transactions already completed at the Registration Document Date (the "**Completed M&A Asset Sale Transactions**"), these refer in detail to the transactions listed below:

- the transfer of 30% of FinecoBank through two separate operations of *accelerated bookbuilding* concluded respectively on 12 July 2016 (with the sale of a share equal to 10% of the share capital of FinecoBank for approximately €328 million, which entails a pro-forma correction net of transaction costs equal to €326 million) and on 12 October 2016 (with a transfer of 20% of the share capital of FinecoBank for approximately €552 million, which entails a pro-forma correction net of transaction costs equal to €545 million). In this respect, it should be noted that FinecoBank continues to be fully consolidated in the financial statements of UniCredit, which still owns 35% of it, but with more minority interests compared to the past. In particular, the effects of pro-forma corrections refer to (i) an increase in the assets of third parties as a result of the change in the share of interest and (ii) an increase in the Group's equity as a result of disposal recorded at net equity in accordance with international accounting standards. For more details on the amounts of these corrections as of the dates of the pro-forma prospectuses reference is made to the following paragraphs. Note that the effects of the sale of 10% of the stakeholding in FinecoBank were already included in the historical data as at 30 September 2016, while they have been subject to the pro-forma adjustments relating to the data as at 31 December 2015. For more details, see Chapter 22, Paragraph 22.4 of the Registration Document);
- the transfer of the entire equity investment in PJSC Ukrsotsbank, the Ukrainian bank of the UniCredit Group, to the Luxembourg holding company ABH Holdings S.A. in exchange for a 9.9% equity investment in ABH Holdings S.A., a transfer that was completed on 31 October 2016 (see Chapter 22, Paragraph 22.6 of the Registration Document). For the purpose of pro-forma corrections, the consideration from the sale was considered equal to the value of the 9.9% stake in ABH Holding, determined on the basis of evaluation models as of the reference dates of pro-forma prospectuses. The value of this stake is different in pro-forma prospectuses prepared with reference to 31 December 2015 and 30 September 2016 and with respect to the situation at the *closing* of the transaction (*see* Chapter 22, €382 million) as a result of the outcome of the valuation on the different dates and the fluctuation of the

exchange rates recorded and used for the conversion of the amount in dollars. The transaction also envisages the transfer of the loans claimed by the Issuer and by the other companies of the UniCredit Group against PJSC Ukrsotsbank to ABH Holdings S.A.; this aspect was considered in the preparation of pro-forma prospectuses, in which the decrease of loans to banks is rectified for the amount claimed as of the reference dates of prospectuses from the Ukrainian participation. For more details about the amounts considered for the evaluation of the share in ABH Holding and the receivables assigned as of the reference dates of pro-forma prospectuses please refer to the following paragraphs.

Following the transaction described above, which involves the loss of control and deconsolidation of PJSC Ukrsotsbank and the companies directly controlled by it, the list of companies subject to full consolidation in the pro-forma adjustments is given below:

PRIVATE JOINT STOCK COMPANY FERROTRADE INTERNATIONAL IN LIQUIDATION
PUBLIC JOINT STOCK COMPANY UKRSOTSBANK
LLC UKROTSBUD
LTD SI&C AMC UKRSOTS REAL ESTATE (IN LIQUIDATION)
SVIF UKRSOTSBUD

- the sale of 10% of the equity investment held in Bank Pekao in July 2016 through an accelerated bookbuilding procedure, as described in the paragraphs below (see also Chapter 22, Paragraph 22.3 of the Registration Document). Note that limited to the sales transaction of the 10% stake in Bank Pekao, which comes under the total sales transaction of the Pekao Group, the historical situation as at 30 September 2016 includes the effects of this transaction in particular (i) an increase in minority shareholders' equity following the change in the ownership stake and (ii) an increase in the Group's shareholders' equity through the inclusion of the result of the sale recognised in net shareholders' equity, in accordance with international accounting standards. This transaction did not cause the loss of control and therefore did not cause the deconsolidation on a line-by-line basis of the Pekao Group in the historical data as at 30 September 2016. It should be noted that the effects of the sale of the 10% of the stake in Bank Pekao are already included in the historical data as at 30 September 2016, while they were subject to pro-forma corrections relatively to the data as at 31 December 2015. For further details, see Chapter 22, Paragraph 22.3 of the Registration Document).

Significant transactions in the process of being completed at the Registration Document Date

In addition to the extraordinary transactions described above, the Pro-Forma Consolidated Financial Statements have been prepared assuming the successful completion of the following other transactions as at the Registration Document Date (the "**M&A Asset Sale Transactions in the process of being Executed**" and, jointly with the M&A Transactions Completed, the "**M&A Asset Sale Transactions**"):

- the disposal of the entire equity investment of approximately 40.1% in Bank Pekao, the Polish bank of the UniCredit Group and the parent company of the Bank Pekao Group to Powszechny Zakład Ubezpieczeń S.A. ("PZU") and Polski Fundusz Rozwoju S.A. ("PFR"), of which approximately 32.8% to be sold based on a sale and purchase agreement signed on 8 December 2016 that is expected to be completed midway through 2017, while the remaining 7.3% is to be disposed through a market transaction, and in particular the issuing of equity-linked certificates mandatorily settled and guaranteed by a pledge on the Bank Pekao shares, as announced on the same date. These disposals are reflected in pro-forma corrections for a total amount of €2,786 million, consisting of €2,345 million related to the sale of 32.8%, €439 million related to the sale of 7.3% and €2 million relating to the sale of Dom Inwestycyjny Xelion S.p. z o.o. ("**Xelion**"), referred to the stake held directly by UniCredit. It should be noted that in addition to the above-mentioned disposal perimeter, the transaction will also include: the sale of 35% of Pekao Pioneer P.T.E. S.A. (by Pioneer Global AM S.p.A.); the sale of 51% of Pioneer Pekao Investment Management S.A. (by Pioneer Global AM S.p.A.) and the sale of 50% of Xelion (by UniCredit). As already described among the Extraordinary Transactions already completed on the Date of the Registration Document, these disposals should be added to the 10% sold during the month of July 2016 for €749 million (€745 million net of transaction costs) through a process of *accelerated bookbuilding*, following which UniCredit had retained control with a stake of 40.1%. Note that the effects of the sale of 10% of the equity investment in Bank Pekao were already included in the historical data as at 30 September 2016, in which Bank Pekao was consolidated, while they have been subject to the pro-forma adjustments relating to the data as at 31 December 2015. For more details, see Chapter 22, Paragraph 22.3 of the Registration Document;

Following the transaction described above, which involves the loss of control and deconsolidation of the Pekao Group, the list of companies subject to full consolidation in the pro-forma adjustments is given below:

BANK PEKAO S.A.
PEKAO FAKTORING SP. Z O.O.
PEKAO FUNDUSZKAPITA OWY SP. Z O.O. IN LIQUIDATION
PEKAO LEASING SP ZO.O.
PEKAO FINANCIAL SERVICES SP. Z O.O.
CENTRALNY DOM MAKLERSKI PEKAO S.A.
CENTRUM KART S.A.
PEKAO BANK HIPOTECZNY S.A.
PEKAO LEASING HOLDING S.A.IN LIQUIDATION
PEKAO PROPERTY S.A.
PEKAO INVESTMENT BANKING S.A.
CENTRUM BANKOWOSCI BEZPOSREDNIEJ SP. Z O.O.
FORUM POLSKIEGO BIZNESU MEDIA SP.Z O.O.
DOM INWESTYCYJNY XELION SP. Z O.O. PEKAO PIONEER PTE S.A.

- the sale of almost all of the subsidiaries of PGAM, the parent company of the Pioneer Investments Group, operating in the asset management sector to Amundi S.A. ("Amundi"), based on a sale and purchase agreement signed on 11 December 2016, which is expected to be completed in the first half of 2017. The assets of the Pioneer Investments Group in Poland are excluded from the agreement with Amundi, including the 51% stake in Pioneer Pekao Investment Management S.A. and the 35% stake in the Pekao Pioneer P.T.E. S.A., which will be part of the perimeter of the transaction on Bank Pekao, as mentioned previously. As a result of the sale of *asset management*, the change of ownership does not involve, the modification of the regime of commissions paid to the Issuer and the other companies of the Group in the context of trade distribution agreements with regard to the types of products distributed in 2015 and 2016. For these products, the commission level remains unchanged and, consequently, it was not necessary to make pro-forma adjustments to the entry corresponding to this specific component. Conversely, the residual fee component that does not refer to the above-mentioned commercial distribution agreements has been deconsolidated. For further information on this transaction, see Chapter 22, Paragraph 22.2 of the Registration Document;

Following the transaction described above, which involves the loss of control and deconsolidation of the PGAM Group, the list of companies subject to full consolidation in the pro-forma adjustments is given below:

PIONEER INVESTMENT MANAGEMENT SOC. DI GESTIONE DEL RISPARMIO PER AZ
PIONEER INVESTMENT MANAGEMENT LIMITED
PIONEER INVESTMENT MANAGEMENT USA INC.
PIONEER INVESTMENT COMPANY AS
PIONEER FUNDS DISTRIBUTOR INC
PIONEER INVESTMENT MANAGEMENT INC
PIONEER GLOBAL INVESTMENTS LIMITED
PIONEER ASSET MANAGEMENT S.A.
PIONEER GLOBAL INVESTMENTS (AUSTRALIA) PTY LIMITED
PIONEER ASSET MANAGEMENT AS
PIONEER INSTITUTIONAL ASSET MANAGEMENT INC
PIONEER GLOBAL INVESTMENTS (TAIWAN) LTD
VANDERBILT CAPITAL ADVISORS LLC
PIONEER INVESTMENTS KAPITALANLAGEGESELLSCHAFT MBH
PIONEER ASSET MANAGEMENT S.A.I. S.A.
PIONEER INVESTMENT FUND MANAGEMENT LIMITED
BARODA PIONEER ASSET MANAGEMENT COMPANY LTD
BARODA PIONEER TRUSTEEE COMPANY PVT LTD
PIONEER INVESTMENTS (SCHWEIZ) GMBH
PIONEER INVESTMENTS AUSTRIA GMBH
PIONEER PEKAO INVESTMENT FUND COMPANY S.A. (POLISH NAME: PIONEER PEKAO TFI S.A.)
PIONEER PEKAO INVESTMENT MANAGEMENT S.A.

- the sale of the entire equity investment in Immobilien Holding GmbH ("**Immo Holding**") through disposal of individual assets, an Austrian property company acquired in September 2014 and that is the parent company of the Immobilien Group, being deemed non-core in relation to the financial services sector.

The assets of the Immobilien Group and the associated liabilities are classified as discontinued operations on the basis of international accounting standards (IFRS 5) and are subject to a structured process which involves the sale at later stages.

The assets and liabilities of the Immobilien Group continue to be classified as "discontinued operations" according to the Issuer's confirmed desire to recover this investment through the sale of the underlying equity investments or assets. It is expected that the sale of the majority of the assets belonging to the Immobilien Group will be finalised in 2017. Note, however, that given the nature of the sale of individual assets, it is not possible to rule out that this anticipated deadline could change.

The transaction was the subject of pro-forma adjustment on the basis of contracts already signed and the agreements already reached with counterparties relating to individual *asset*s. It should be noted that given the nature of the sales by single *asset*, not all of the sale contracts of the assets of the Immobilien Group were completed. It is believed however that even as a result of the status of the negotiations at the Date of the Registration Document and the fact that there are conditions of reasonableness, the representation provided that foresees the pro-forma adjustment of the entire Group Immobilien is the most suitable to represent this operation as a whole.

Following the transaction described above, which involves the loss of control and deconsolidation of Immo Holding, the list of companies subject to full consolidation in the pro-forma adjustments is given below:

WWE WOHN- UND WIRTSCHAFTSPARK ENTWICKLUNGSGESELLSCHAFT M.B.H.
BAREAL IMMOBILIENTREUHAND GMBH
IMMOBILIEN HOLDING GMBH
BA-CA WIEN MITTE HOLDING GMBH
DONAUTURM AUSSICHTSTURM-UND RESTAURANT-BETRIEBSGESELLSCHAFT M.B.H.
ARWAG HOLDING-AKTIENGESELLSCHAFT
B 03 IMMOBILIEN GMBH & CO KG
B A I BETEILIGUNGSVERWALTUNGS-GMBH
BAI WOHNUNGSEIGENTUMSGESELLSCHAFT M.B.H.
DONAUMARINA PROJEKTENTWICKLUNG GMBH
DONAUTURM LIEGENSCHAFTSVERWALTUNGS-GESELLSCHAFT M.B.H.
DOBLERHOF IMMOBILIEN GMBH & CO KG
DR. W. W. DONATH IMMOBILIENVERWALTUNG GMBH
EKAZENT GEBAEUDEVERMIETUNG GMBH
EKAZENT IMMOBILIEN MANAGEMENT GMBH
EKAZENT REALITAETENGESELLSCHAFT M.B.H.
EUROGATE BETEILIGUNGSVERWALTUNG GMBH
WOHNBAUERRICHTUNGS-UND-VERWERTUNGS-GMBH
EUROGATE PROJEKTENTWICKLUNG GMBH
EUROGATE PROJEKTENTWICKLUNG GMBH & CO AREA BETA KG
GLAMAS BETEILIGUNGSVERWALTUNGS GMBH & CO "BETA" KG
WOHNPARK BRANDENBURG-GORDEN GMBH
HBF PROJEKTENTWICKLUNG DREI GMBH & CO KG
HBF PROJEKTENTWICKLUNG EINS GMBH & CO KG
HBF PROJEKTENTWICKLUNG ZWEI GMBH & CO KG
ZM REVITALISIERUNGS-UND VERMIETUNGS-GMBH
HSG ZANDER GMBH
ZS EINKAUFSZENTRE ERRICHTUNGS-UND VERMIETUNGS-AKTIENGESELLSCHATF
IMU IMMOBILIENENTWICKLUNG MUTHGASSE GMBH & CO KG
INV TOTALUNTERNEHMER GMBH
KLEA TERRAIN- UND BAU-GESELLSCHAFT M.B.H.
KUR- UND SPORTHOTEL GESELLSCHAFT M.B.H.
LINDENGASSE BUROHAUSGESELLSCHAFT M.B.H.
LISCIV MUTHGASSE GMBH & CO KG
MARIAHILFERGUERTEL GRUNDSTUECKSVERMIETUNGS- GESELLSCHAFT M.B.H.
MUTHGASSE ALPHA HOLDING GMBH
PRO WO HNBAU AG
RVT BAUTRAEGER GESELLSCHAFT M.B.H.
VBV DELTA ANLAGEN VERMIETUNG GESELLSCHAFT M.B.H.
VECTIGAL IMMOBILIEN GMBH & CO KG
GARAGE AM HOF GESELLSCHAFT M.B.H.
VECTIGAL IMMOBILIEN GMBH

B A I BAUTRAEGER AUSTRIA IMMOBILIEN GMBH
U2 ASPERN BAUPLATZ 1 BETEILIGUNGS-GMBH
U2 ASPERN BAUPLATZ 1 GMBH & CO KG WIEN MITTE IMMOBILIEN GMBH KLEA WOHNBAU GESELLSCHAFT GMBH LBC UNTERNEHMENSBETEILIGUNGSGES.M.B.H.

<u>*Actions aimed at improving the quality of balance sheet assets*</u>

The strengthening of the capital structure of the UniCredit Group will also take place together with the implementation of the actions aimed at improving the quality of the balance sheet assets, which include:

- the execution of the "Fino Project", which is designed to accelerate the reduction of the non-core loan portfolio classified as impaired (for a total gross amount of approximately €17.7 billion) through a market transaction. In this regard, at the Registration Document Date, the Issuer has signed two separate framework agreements, respectively, with FIG LLC, a company affiliated with Fortress Investment Group LLC (as amended) and LVS III SPE I LP, a subsidiary of PIMCO BRAVO Fund III, L.P. (each a "**Framework Agreement**"). The parties have undertaken to negotiate to that the "Fino Project" is implemented in two phases, pursuant to each Framework Agreement:

  (i) firstly, the securitisation of each portfolio and the subscription by third-party investors of 50.1% of each class of ABS securities (the "**Notes**") issued by each special purpose vehicle ("**SPV**" or "**Vehicle**") by 31 July 2017 ("phase 1"). The remaining 49.9% of the Notes will be subscribed by UniCredit.

  (ii) Later, through, *inter alia*: (a) a progressive transfer, also to third-party investors, by UniCredit, of Notes subscribed by it, in compliance with the requirements of the maintenance of a net economic interest in securitisation transactions identified by each Framework Agreement; and (b) the optimization of the financial structure of the Notes issued in the context of the "phase 1", including the possible obtaining of guarantee on securitisations of defaults ("**GACS**") by MEF.

  According to IAS 39, portfolios sold will be subject to accounting derecognition from the financial statements of the Issuer (i) once essentially all risks and associated benefits are transferred to independent third parties or (ii) once an adequate part of the risks and benefits is transferred provided that the control of the credit components of said portfolios is not maintained. At the Registration Document Date, the Issuer is conducting the necessary qualitative-quantitative analyses to prospectively support the verification of the existence of the above-mentioned conditions;

  The Pro Forma Consolidated Statements represent the adjustment on loans determined by the increase of the coverage ratio on the non-performing loans in the portfolio associated with the Fino transaction in order to adjust it to a level coherent with the prices defined in the Framework Agreements of the purchase proposals selected by UniCredit in the first of the aforesaid sale phases. The provisions of phase 1 and phase 2 of the Fino project on cancellation (derecognition) of the loans, subscription of the Notes and payment of the fees by the investors, including the aspects relating to the price difference are not therefore reflected in the pro forma adjustments.

- the execution of the “Porto Project” by increasing the coverage ratio on impaired loans and unlikely-to-pay loans in the Italian loans portfolio, following the changes in the estimates, in turn resulting from the changed management approach to non-performing loans approved by the Issuer’s Board of Directors and aimed at accelerating the reduction, adopted in December 2016 by the Issuer and other Group companies, with the intention of:

- proceeding more quickly and efficiently with the streamlining of positions through management that favours the prompt collection and/or the demobilisation of the same;

- expressing the possibility of recovering the said non-performing loans taking into account the most recent estimates with regard to the presumed realisable value of the same also in consideration of the related guarantees.

The initiatives mentioned above will involve the posting of adjustments on the loans for a total amount of approximately €8.1 billion, of which approximately €7.2 billion relates to the portfolio of impaired loans and unlikely-to-pay loans, considered non-core, in order to reduce their size and realise the “Fino Project”, and approximately €0.9 billion relates to the core portfolio.

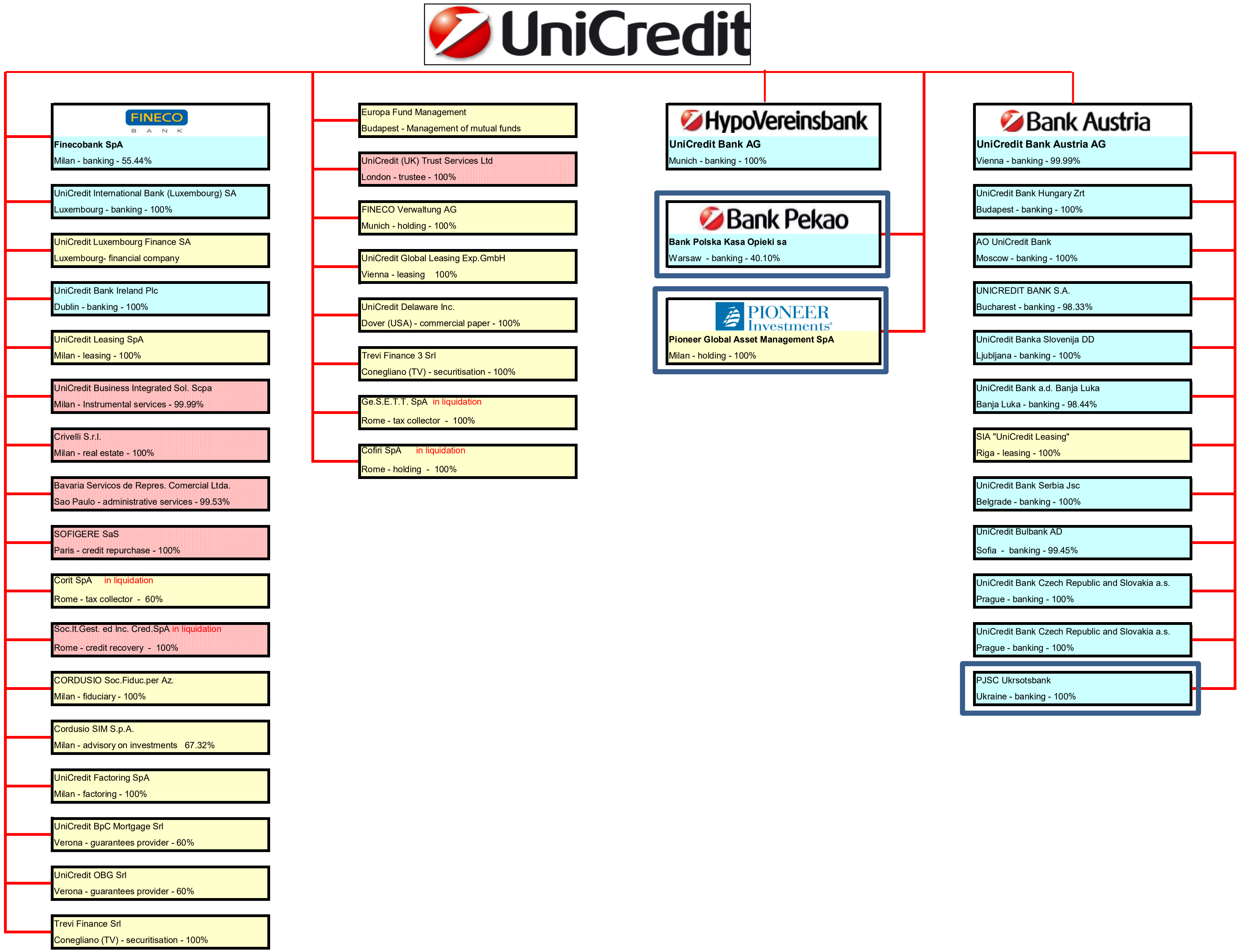
Actions aimed at strengthening the capital

The main actions aimed at strengthening the capital, as stated in the Strategic Plan, involve a rights issue of up to a maximum of €13 billion, approved by the Extraordinary Shareholders’ Meeting on 12 January 2017 and entirely guaranteed by a consortium made up of leading international banks that have signed a pre-underwriting agreement pursuant to which the banks are obliged – subject to conditions in line with market practices for similar transactions – to sign an underwriting agreement for the subscription of any new shares not subscribed at the end of the auction for rights not taken up.

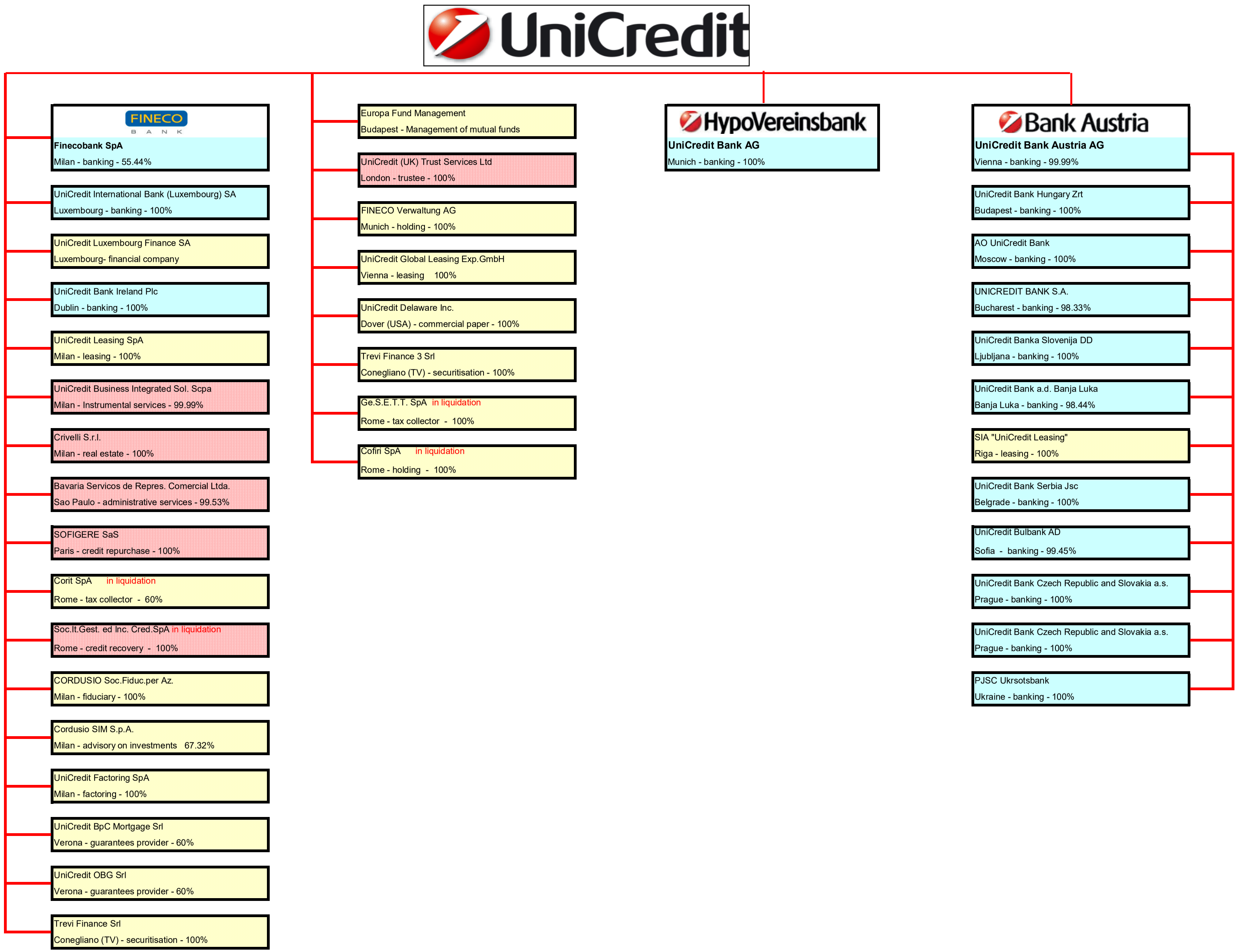
In accordance with the provisions of Regulation 809/2004/CE, Annex 2, point 6, note that the adjustments resulting from the deconsolidation on a line-by-line basis following the loss of control of the groups subject to M&A Asset Sale Transactions have a permanent effect on the operating results and capital and financial position of the Issuer as well as the main actions aimed at strengthening the capital limited to the capital and financial position. Conversely, the results from sales associated with M&A Asset Sale Transactions, namely the actions aimed at improving the quality of capital assets, do not have a permanent effect on the operating results of the Issuer.

Note that the pro forma adjustments relating to the permanent effects associated with the M&A Asset Sale Transactions have an effect of -€1.860 million as at 30 September 2016 on the intermediation margin and -€948 million on the net Group profit (compared with a new banking income for the first 9 months of 2016 of 17,070 million and a result of management for the first months of 2016 of 7,263 million) due to the adjustment of the payments in the consolidated income statements of the companies/groups subject to the M&A Asset Sale Transactions, primarily relating to the sale of the Pioneer Investments group, and the holding in Bank Pekao.

Below is the simplified organisational chart of the UniCredit Banking Group as at 30 September 2016. The companies which are the object of pro-forma data are circled in blue. It should be noted that Immo Holding is not included in the following organisational chart as it is not a part of the banking group perimeter.


UniCredit
FINECO BANK
Finecobank SpA
Milan - banking - 55.44%
UniCredit International Bank (Luxembourg) SA
Luxembourg - banking - 100%
UniCredit Luxembourg Finance SA
Luxembourg- financial company
UniCredit Bank Ireland Plc
Dublin - banking - 100%
UniCredit Leasing SpA
Milan - leasing - 100%
UniCredit Business Integrated Sol. Scpa
Milan - Instrumental services - 99.99%
Crivelli S.r.l.
Milan - real estate - 100%
Bavaria Servicos de Repres. Comercial Ltda.
Sao Paulo - administrative services - 99.53%
SOFIGERE SaS
Paris - credit repurchase - 100%
Corit SpA in liquidation
Rome - tax collector - 60%
Soc.It.Gest. ed Inc. Cred.SpA in liquidation
Rome - credit recovery - 100%
CORDUSIO Soc.Fiduc.per Az.
Milan - fiduciary - 100%
Cordusio SIM S.p.A.
Milan - advisory on investments 67.32%
UniCredit Factoring SpA
Milan - factoring - 100%
UniCredit BpC Mortgage Srl
Verona - guarantees provider - 60%
UniCredit OBG Srl
Verona - guarantees provider - 60%
Trevi Finance Srl
Conegliano (TV) - securitisation - 100%
Europa Fund Management
Budapest - Management of mutual funds
UniCredit (UK) Trust Services Ltd
London - trustee - 100%
FINECO Verwaltung AG
Munich - holding - 100%
UniCredit Global Leasing Exp.GmbH
Vienna - leasing 100%
UniCredit Delaware Inc.
Dover (USA) - commercial paper - 100%
Trevi Finance 3 Srl
Conegliano (TV) - securitisation - 100%
Ge.S.E.T.T. SpA in liquidation
Rome - tax collector - 100%
Cofiri SpA in liquidation
Rome - holding - 100%
HypoVereinsbank
UniCredit Bank AG
Munich - banking - 100%
Bank Pekao
Bank Polska Kasa Opieki sa
Warsaw - banking - 40.10%
PIONEER Investments
Pioneer Global Asset Management SpA
Milan - holding - 100%
Bank Austria
UniCredit Bank Austria AG
Vienna - banking - 99.99%
UniCredit Bank Hungary Zrt
Budapest - banking - 100%
AO UniCredit Bank
Moscow - banking - 100%
UNICREDIT BANK S.A.
Bucharest - banking - 98.33%
UniCredit Banka Slovenija DD
Ljubljana - banking - 100%
UniCredit Bank a.d. Banja Luka
Banja Luka - banking - 98.44%
SIA "UniCredit Leasing"
Riga - leasing - 100%
UniCredit Bank Serbia Jsc
Belgrade - banking - 100%
UniCredit Bulbank AD
Sofia - banking - 99.45%
UniCredit Bank Czech Republic and Slovakia a.s.
Prague - banking - 100%
UniCredit Bank Czech Republic and Slovakia a.s.
Prague - banking - 100%
PJSC Ukrsotsbank
Ukraine - banking - 100%

Below is the simplified organisational chart of the UniCredit Banking Group for the Pro-forma Consolidated Financial Statements



20.2.1 Pro-forma Consolidated Financial Statements as at 30 September 2016

Purpose of the presentation of the pro-forma consolidated data

The Pro-Forma Consolidated Financial Statements have been prepared solely to retroactively reflect the significant effects of the M&A Asset Sale Transactions and the actions aimed at improving the quality of the balance sheet assets and those aimed at strengthening the capital described above as if they had taken place in the period in which the above-mentioned pro-forma data refer to. The information in the Pro-forma Consolidated Financial Statements represents a simulation of the possible effects that could have resulted if the M&A Asset Sale Transactions and the actions aimed at improving the quality of the balance sheet assets and those aimed at strengthening the capital described above had taken place at the above-mentioned date and they are provided for the purpose of illustration only, without this representing that any of the effects relating to these transactions have been correctly reflected at the pro-forma date.

These assumptions therefore represent a conventional element, and it should be pointed out that, if the execution of the M&A Asset Sale Transactions and the actions aimed at improving the quality of the balance sheet assets and those aimed at strengthening the capital described above had actually taken place at the hypothetical date, the actual results in the Pro-Forma Consolidated Financial Statements may not necessarily have been achieved.

Theory for the preparation of the pro-forma consolidated data

The accounting principles adopted for the preparation of the Pro-forma Consolidated Statements are the same as those used for the preparation of the Consolidated Interim Report as at 30 September 2016, namely the International Accounting Standards (IAS/IFRS) adopted by the European Union.

Pro-forma restated balance sheet at 30 September 2016

The Pro-forma restated consolidated balance sheet of the UniCredit Group at 30 September 2016, taking into account the provisions in the introduction, includes:

- in the "*30 September 2016 historical*" column, the Consolidated Interim Report at 30 September 2016 on the basis of the reclassified statements included in the Consolidated Reports on Operations;
- in the "*Adjustments*" column, the adjustment entries for the above-mentioned transactions;
- in the "*30 September 2016 pro-forma*" column, the pro-forma consolidated values at 30 September 2016, resulting from the sum of the previous columns.

Assets *(in millions of Euros)*	**30 September 2016 historical**	**Adjustments** 1. Bank Pekao	2. Pioneer	3. FinecoBank	4. PJSC Ukrsotsbank	5. Immo Holding	6. FINO	7. PORTO	8. SCI	9. Other	**30 September 2016 pro-forma**
Cash and cash equivalents	16,153	2,215	4,000	545	-	450	-	-	12,500	-	35,863
Financial assets held for trading	94,110	(677)	-	-	-	-	-	-	-	139	93,572
Loans and receivables with banks	76,750	(919)	(359)	-	(125)	-	-	-	-	255	75,602
Receivables from customers	480,926	(28,077	-	-	-	-	(3,600)	(4,500)	-	238	444,987
Financial investments	155,336	(6,331)	(147)	-	362	-	-	-	-	-	149,220
Hedging instruments	8,094	(78)	-	-	-	-	-	-	-	-	8,016
Property, plant and equipment	9,555	(329)	(6)	-	-	-	-		-	-	9,220
Goodwill	3,591	(1,014)	(832)	-	-	-	-	-	-	-	1,745
Other intangible assets	2,087	(182)	(20)	-	-	-	-	-	-	-	1,885
Tax assets	15,469	(249)	147	-	-	-	-	-	-	-	15,367
Non-current assets classified as held for sale	3,369	145	(618)	-	(1,688)	(1,002)	-	-	-	1,130	1,336
Other assets	9,087	(234)	(294)	-	-	-	-	-	-	(497)	8,062
Total assets	**874,527**	**(35,730**	**1,871**	**545**	**(1,451)**	**(552)**	**(3,600)**	**(4,500)**	**12,500**	**1,265**	**844,875**

Liabilities and Shareholders' Equity *(in millions of Euros)*	**30 September 2016 historical**	**Adjustments** 1. Bank Pekao	2. Pioneer	3. FinecoBank	4. PJSC Ukrsotsbank	5. Immo Holding	6. FINO	7. PORTO	8. SCI	9. Other	**30 September 2016 pro-forma**
Deposits from banks	114,983	(1,144)	-	-	-	-	-	-	-	238	114,077
Direct deposits	590,099	(29,640)	-	-	-	-	-	-	-	674	561,133
Financial liabilities held for trading	68,387	(586)	-	-	-	-	-	-	-	8	67,809
Financial liabilities at fair value through profit or loss	1,509	-	-	-	-	-	-	-	-	-	1,509
Hedging instruments	11,797	(253)	-	-	-	-	-	-	-	-	11,544
Provision for risks and charges	9,849	(73)	(42)	-	-	-	-	-	-	1	9,735
Tax liabilities	1,495	(31)	(86)	-	-	-	-	-	-	4	1,382
Liabilities included in disposal groups classified as held for sale	2,651	-	-	-	(1,451)	(614)	-	-	-	621	1,207
Other liabilities	18,614	(501)	(410)	-	-	-	-	-	-	(281)	17,422
Minority interests	3,906	(3,143)	(3)	112	-	-	-	-	-	-	872
Group portion of shareholders' equity	51,237	(359)	2,412	433	-	62	(3,600)	(4,500)	12,500	-	58,185
Total liabilities and shareholders' equity	**874,527**	**(35,730)**	**1,871**	**545**	**(1,451)**	**(552)**	**(3,600)**	**(4,500)**	**12,500**	**1,265**	**844,875**

Pro-forma consolidated restated income statement at 30 September 2016

The pro-forma consolidated restated income statement at 30 September 2016 includes:

- in the "*30 September 2016 historical*" column, the Consolidated Interim Report at 30 September 2016 on the basis of the reclassified statements included in the Consolidated Reports on Operations;

- in the "*Adjustments*" column, the adjustment entries for the above-mentioned transactions;

- in the "*30 September 2016 pro-forma*" column, the pro-forma consolidated values at 30 September 2016, resulting from the sum of the previous columns.

Income Statement *(Millions of Euros)*	**30 September 2016 historical**	**ADJUSTMENTS**									**30 September 2016 pro-forma**
		1. Bank Pekao	**2. Pioneer**	**3. FinecoBank**	**4. PJSC Ukrsotsbank**	**5. Immo Holding**	**6. FINO**	**7. PORTO**	**8. SCI**	**9. Other**	
Net interest	8,644	(751)	(1)	-	3	4	-	-	-	-	7,899
Dividends and other income from equity investments	700	(4)	-	-	-	-	-	-	-	-	696
Net commissions	5,736	(338)	(636)	-	-	3	-	-	-	-	4,765
Gains (losses) on financial assets and liabilities held for trading	1,820	(146)	-	-	-	-	-	-	-	-	1,674
Balance of other income/expense	170	(4)	7	-	8	(6)	-	-	-	1	176
BROKERAGE MARGIN	**17,070**	**(1,243)**	**(630)**	**-**	**11**	**1**	**-**	**-**	**-**	**1**	**15,210**
Personnel costs	(6,013)	326	229	-	-	-	-	-	-	-	(5,458)
Other administrative expenses	(3,628)	171	121	-	(2)	-	-	-	-	-	(3,338)
Recovery of expenses	562	-	-	-	-	-	-	-	-	-	562
Adjustments in value of tangible and intangible assets	(728)	59	8	-	-	-	-	-	-	-	(661)
Operating costs	(9,807)	556	358	-	(2)	-	-	-	-	-	(8,895)
OPERATING PROFIT (LOSS)	**7,263**	**(687)**	**(272)**	**-**	**9**	**1**	**-**	**-**	**-**	**1**	**6,315**
Net adjustments to credits and provisions for guarantees and commitments	(2,677)	56	-	-	-	-	(3,600)	(4,500)	-	-	(10,721)
NET OPERATING PROFIT (LOSS)	**4,586**	**(631)**	**(272)**	**-**	**9**	**1**	**(3,600)**	**(4,500)**	**-**	**1**	**(4,406)**
Other charges and provisions	(1,231)	121	6	-	-	-	-	-	-	-	(1,104)
Integration costs	(398)	-	37	-	-	-	-	-	-	-	(361)
Net profits from investments	(24)	(1)	-	-	-	(2)	-	-	-	-	(27)
PROFIT (LOSS) BEFORE TAX	**2,933**	**(511)**	**(229)**	**-**	**9**	**(1)**	**(3,600)**	**(4,500)**	**-**	**1**	**(5,898)**
Income tax for the period	(821)	107	84	-	-	-	-	-	-	-	(630)
NET PROFIT (LOSS)	**2,112**	**(404)**	**(145)**	**-**	**9**	**(1)**	**(3,600)**	**(4,500)**	**-**	**1**	**(6,528)**
Profit (loss) after tax from discontinued operations	13	(638)	2410	-	(745)	44	-	-	-	-	1084
RESULT FOR THE PERIOD	**2,125**	**(1042)**	**2267**	**-**	**(736)**	**43**	**(3,600)**	**(4,500)**	**-**	**1**	**(5,444)**
Minority interests	(344)	207	4	(44)	-	-	-	-	-	-	(177)
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP BEFORE PPA	**1,781**	**(835)**	**(2269)**	**(44)**	**(736)**	**43**	**(3,600)**	**(4,500)**	**-**	**1**	**(5,621)**
Purchase Price Allocation effect	(13)	10	-	-	-	-	-	-	-	-	(3)
Impairment of goodwill	-	-	-	-	-	-	-	-	-	-	-
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP	**1,768**	**(546)**	**2269**	**(44)**	**(736)**	**43**	**(3,600)**	**(4,500)**	**-**	**1**	**(5,624)**

Pro-forma consolidated cash flow statement at 30 September 2016

The pro-forma consolidated cash flow statement of the UniCredit Group at 30 September 2016, taking into account the provisions in the introduction, includes:

- in the column "*30 September 2016 history*", the Consolidated Interim Report as at 30 September 2016 on the basis of the scheme referred to in Circular 262 of Banca d'Italia and presented in aggregate version by subtotals;
- in the "*Adjustments*" column, the adjustment entries for the above-mentioned transactions;
- in the "*30 September 2016 pro-forma*" column, the pro-forma consolidated values at 30 September 2016, resulting from the sum of the previous columns.

Cash flow statement *(millions of Euros)*	**30 September 2016 historical**	**Adjustments** 1. Bank Pekao	**2. Pioneer**	**3. FinecoBank**	**4. PJSC Ukrsotsbank**	**5. Immo Holding**	**6. FINO**	**7. PORTO**	**8. SCI**	**9. Other**	**30 September 2016 pro-forma**
A. Operating activities			-	-	-	-	-				
Net liquidity generated/absorbed by operating activities	7,258	120					2,012				7,378
B. Investment activities											
Net liquidity generated/absorbed by investment activities	(788)	2,095	4,000			450					5,757
C. Funding activities											
Net liquidity generated/absorbed by funding activities	(702)		-	545					12,500		12,343
Net liquidity generated/absorbed during the year	**5,768**	**2,215**	**4,000**	**545**	**-**	**450**	**2,012**	**-**	**12,500**	**-**	**25,478**

Reconciliation *(millions of Euros)*	**30 September 2016 historical**	**Adjustments** 1. Bank Pekao	**2. Pioneer**	**3. FinecoBank**	**4. PJSC Ukrsotsbank**	**5. Immo Holding**	**6. FINO**	**7. PORTO**	**8. SCI**	**9. Other**	**30 September 2016 pro-forma**
Cash and cash equivalents at the beginning of the year	**10,303**										**10,303**
Total liquidity generated/absorbed during the year	5,768	2,215	4,000	545	-	450	-	-	12,500	-	25,478
Cash and cash equivalents: effect of change in exchange rates	82										82
Cash and cash equivalents at the end of the year	**16,153**	**2,215**	**4,000**	**545**	**-**	**450**	**2,012**	**-**	**12,500**	**-**	**35,863**

20.2.1.1 Notes to the Pro-Forma Consolidated Financial Statements at 30 September 2016

Basic assumptions for the preparation of the Pro-Forma Consolidated Financial Statements

The reference date adopted for the preparation of the Pro-Forma Consolidated Financial Statements for the simulation of the effects of the sales, the transactions carried out with reference to loans and the share capital increase does not correspond to the one that will actually be used for the preparation of the UniCredit Group's consolidated financial statements for the year in which the transactions described previously will take place.

The information in the Pro-Forma Consolidated Financial Statements reflect all aspects of the transactions, in spite of the fact that some of these have not yet been completed at the Registration Document Date, based on the information available at the Date of this Document.

Significant information and basic assumptions for the preparation of the Pro-Forma Consolidated Financial Statements

The significant information and assumptions used for the preparation of the Pro-Forma Consolidated Financial Statements are given below. With special reference to the adjustments applied for the preparation of the above-mentioned Financial Statements, note the following:

1. Bank Pekao:

- the line-by-line contribution of the Pekao Group to the Consolidated Interim Report at 30 September 2016 was adjusted for the UniCredit Group, following the derecognition of the entire equity investment of approximately 40.1% in Bank Pekao, the Polish bank of the UniCredit Group and the parent company of the Pekao Group, of which approximately 32.8% to be sold to Powszechny Zakład Ubezpieczeń S.A. ("PZU") and Polski Fundusz Rozwoju S.A. ("PFR") based on a purchase agreement signed on 8 December 2016, with the remaining 7.3% to be disposed through a market transaction as announced on the same date, through the issuing of 1,916 secured equity-linked certificates. With reference to the transactions it is specified that:

- o The agreed price for the sale of the shareholding of about 32.8% in Bank Pekao to PZU and PFR is equal to 123 Polish zloty per share or a total of 10.6 billion of Polish zloty, €2,345 million at the rate of exchange referred to the date of closure of the operation and considered for the purpose of pro-forma adjustments (€2,377 million at the rate of exchange recorded on 8 December 2016) and equal to 1.42 times the equity of Bank Pekao on 30 September 2016. It should also be noted that, within the scope of the present operation, the sale of Dom Inwestycyjny Xelion SP. Z O.O. for approximately €2 million was added.

- o The reference price of a share in Bank Pekao for the purposes of issuing the Certificates was set at approximately €27, equal to the average weighted price for volumes of Bank Pekao shares on the Warsaw Stock Exchange on 9 December 2016. As a result, the issue price of the Certificates was set at approximately €232,047.4 each (85.85% of the Reference Amount) or approximately €439 million in total net of transaction costs and considered for the purposes of pro-forma adjustments (approximately €445 million without adjusting the amount for said transaction costs). Note that for the purpose of pro-forma adjustments, taking into consideration the contractually-required regulation, as described in greater detail in Chapter 22, this component was considered under the consideration received in the item cash and cash equivalents. The result of the sale originating from the two transactions in the pro-forma statements is equal, respectively, to -€294 million and -€65 million.

The above disposals are in addition to the 10% sold in July 2016 through an accelerated bookbuilding procedure, after which UniCredit kept control of an equity investment of 40.1%; note that the pro-forma adjustments reported with reference to the result from the disposals and third-party assets only relate to the disposal of the 40.1% share because the sale of the 10% stake took place in July 2016 and was already reported in the accounting data at 30 September 2016 with a positive change from the sale of the pro-rata of the contribution of the Pekao Group to net consolidated equity equal to +€203 million. Note that the sale of the 10% stake has not caused the deconsolidation of the Pekao Group. While the accelerated bookbuilding operation has already taken place, the completion of the sales transaction of 32.8% of Bank Pekao to PZU and PFR is expected to take place midway through 2017 and is subject to the verification of certain conditions precedent. For the purpose of preparing the pro-forma data the fulfilment of the conditions was assumed, which is standard in similar M&A Asset Sale Transactions. To date, no significant problems with regard to the completion of the transaction have been discerned;

- the contribution to the Consolidated Interim Report at 30 September 2016 was adjusted for the Pekao Group to take into account the intra-group transactions between Pekao Group companies and other UniCredit Group companies;

- the taxation is not applied with regard to a negative taxable base for either IRAP or IRES and there are no requirements for recording the deferred tax assets;

- the transaction involves an increase in the pro-forma CET1 ratio as at 30 September 2016 of 58 basis points.

2. Pioneer:

- the line-by-line contribution to the Consolidated Interim Report at 30 September 2016 for the UniCredit Group was adjusted due to the sale of almost the entire assets and liabilities of PGAM, the parent company of the Pioneer Investments Group, operating in the asset management sector;

- The sale is assumed on the basis of a purchase contract signed on 11 December 2016, which provides a transfer price paid by Amundi equal to €3,545 million and the prior distribution by PGAM of an extraordinary dividend of €315 million to UniCredit (*see* Chapter 22).

  It should be noted for the purposes of pro-forma corrections, that the consideration of the total sale of Pioneer includes the assets of Polish companies iPioneer Pekao Investment Management SA and Pioneer Pekao P.T.E. SA (both belonging to the PGAM Group), which will be disposed of within the scope of the transaction relating to Bank Pekao as described later in Chapter 22. The consideration for the above Polish assets of Pioneer, amounting to €140 million (approximately €130 million attributable to the sale of Polish assets of Pioneer and about €10 million related to the extraordinary dividend attributable to such assets), will be adjusted within the scope of the transaction relating to Bank Pekao. The proceeds from the sale considered for the purpose of pro-forma adjustments, including the amounts paid for the Polish assets of Pioneer, totalled €4,000 million (of which €3,675 million by way of consideration and €325 million by way of extraordinary dividend), giving rise to a sale result equal to €2,412 million (with reference to the operation in question there are no transaction costs directly attributable to adjustment of the amounts listed above).

  The completion of the transaction is expected to take place in the first half of 2017 and it is subject to certain conditions precedent being satisfied. For the purpose of preparing the pro-forma data the fulfilment of the conditions was assumed, which is standard in similar M&A Asset Sale Transactions. To date, no significant problems with regard to the completion of the transaction have been discerned;

- the contribution to the Consolidated Interim Report at 30 September 2016 was adjusted for the Pioneer Group to take into account the intra-group transactions between Pioneer Group companies and other UniCredit Group companies;

- the taxation is not applied with regard to a negative taxable base for either IRAP or IRES and there are no requirements for recording the deferred tax assets;

- the transaction involves an increase in the pro-forma CET1 ratio as at 30 September 2016 of 91 basis points.

3. FinecoBank:

- the contribution to the Consolidated Interim Report as at 30 September 2016 is corrected, considering the effect on minority interests arising from the sale of 20% of FinecoBank through an operation of *accelerated bookbuilding* concluded in October 2016 for a consideration of €552 million - €545 million net of transaction costs, the amount used for the purpose of pro-forma corrections - which has generated a result from the sale equal to €+433 million recognized in equity in line with the provisions of international accounting standards in the case of assignment without loss of control.

- At the same time as the recognition of the sale result at equity, the third-party assets are increased as a result of the change in minority interests that go from approximately 45% before the transfer operations to 65% as a consequence of the transfer of the 20% share.
- the taxation is not applied with regard to a negative taxable base for either IRAP or IRES and there are no requirements for recording the deferred tax assets;
- the transaction involves an increase in the pro-forma CET1 ratio as at 30 September 2016 of 12 basis points.

4. PJSC Ukrsotsbank:

- The contribution to the Consolidated Interim Report as at 30 September 2016, resulting from the transfer of the entire shareholding in Ukrsotsbank PJSC, Ukrainian bank of the UniCredit Group, whose assets and the associated liabilities are classified as "disposed operating unit" (*discontinued operations*) is corrected on the basis of international accounting standards (IFRS 5). They are the subject of a structured process that entails the sale in successive phases, in ABH Holdings SA, completed in October 2016. Therefore, the assets classified as held for sale and liabilities related to assets classified as held for sale were corrected by considering the equivalent in US dollars of the part of new shares representing 9.9% of ABHH's capital after the transaction, determined on the basis of evaluation models and equal to €362 million as of 30 September 2016, converted at the exchange rate recorded on that date;
- As a result of the transfer of loans provided by contractual agreements claimed by the Issuer and by the other companies of the UniCredit Group from PJSC Ukrsotsbank to ABH HOLDINGS S.A., the loans to banks was corrected for the amount claimed as of the reference dates of the prospectuses toward the Ukrainian participation amounting to €125 million;
- the contribution to the Consolidated Interim Report at 30 September 2016 was adjusted to take into account the intra-group transactions between companies belonging to the Ukrainian bank and other UniCredit Group companies;
- the taxation is not applied with regard to a negative taxable base for either IRAP or IRES and there are no requirements for recording the deferred tax assets;
- the transaction involves an increase in the pro-forma CET1 ratio as at 30 September 2016 of 6 basis points.

5. Immo Holding:

- the impact on the Consolidated Interim Report at 30 September 2016 resulting from the deconsolidation of Immo Holding GmbH, an Austrian company classified in the financial statements in accordance with IFRS 5 (Non-current assets held for sale and discontinued operations) in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union was adjusted;

- The corrections are made assuming the sale of Immo Holding GmbH, consistently with the hypothesis that suggested the presentation in the balance sheet in accordance with the IFRS5 principle, and assuming an assignment that generates a result equal to €62 million as envisaged within the Strategic Plan and on the basis of contractual arrangements and the status of negotiations at the Date of the Registration Document, the contribution to the Consolidated Interim Report as at 30 September 2016 is corrected to take account of operations within the group between companies belonging to the Immo Holding Group and other companies of the UniCredit Group;

- the transaction involves an increase in the pro-forma CET1 ratio as at 30 September 2016 of 2 basis points.

6. Fino Project:

- the execution of the "Fino Project", which is designed to accelerate the reduction of the non-core loan portfolio classified as impaired (for a total gross amount of approximately €17.7 billion as determined on 30 June 2016) through a market transaction. At the Registration Document Date, with regard to the first stage of the "Fino Project", the Issuer has signed two separate framework agreements, respectively with FIG LLC, an affiliate company of the Fortress Investment Group LLC (later, FIG LLC, in conformity with the provisions of the Framework Agreement, replacing Fortress Italian NPL Opportunities Series Fund LLC, Series 6 in contractual relations resulting from the Framework Agreement) and with LVS III SPE I LP, a subsidiary of the PIMCO BRAVO Fund III, L.P. (each a "**Framework Agreement**"). The "Fino Project" is expected to be implemented in two phases, pursuant to each Framework Agreement:

  (i) "phase 1" of the "Fino Project", under the scope of which the parties of each Framework Agreement are obliged to negotiate and finalise the contractual documentation necessary to implement one or more of the securitization transactions through the creation or one or more special purpose vehicles ("**SPV**" or "**Vehicle**") which will buy the non-performing loans being sold in each Framework Agreement. Specifically, pursuant to each Framework Agreement, the investors will subscribe 50.1% of each class of ABS securities (the "**Notes**") issued by the SPV while the remaining 49.9% of the Notes will be subscribed by UniCredit of ABS securities (the "**Notes**") issued by the related SPV while the remaining 49.9% of the Notes will be subscribed by UniCredit.

  (ii) "phase 2" of the "Fino Project", in relation to which the parties have preliminarily identified the guidelines and strategies aimed at regulating, among other things: (a) a progressive sale, including to third-party investors, by UniCredit of the Notes subscribed, in compliance with the requirements of maintaining a clear economic interest in the securitization transactions identified by each Framework Agreement[105]; and (b) the optimisation of the financial structure of the Notes issued under the scope of "phase 1", including any guarantee obtained on the securitizations of impaired loans ("**GACS**") by the Ministry of Economy and Finance.

  In the context of the "Fino Project", the coverage ratio of this portfolio was increased to a level consistent with the price indicated for the portfolios in the respective Framework Agreements concluded with investors selected by UniCredit in the first of the aforementioned transfer phases.

[105] It is expected that this sale under the scope of "phase 2" could also include tag along and drag along obligations.

Therefore, for the purposes of preparing the pro forma statements, an average price of the transfer of the portfolios sold as part of the Fino Project, of approximately 13% of the gross book value (€17.7 billion, calculated as at 30 June 2016), in line with the Framework Agreements signed with PIMCO and Fortress.

The Pro-Forma Consolidated Financial Statements represent only the correction on loans determined by the increase in the *coverage ratio* on the bad debts of the loan portfolio linked to the Fino transaction in order to adapt it to a level consistent with the prices defined in the *Framework Agreement*.

To that effect, a correction of loans was made for an amount equal to approximately €3.6 billion, which, as said, increases the *coverage ratio* for non-performing loans in the portfolio that are the subject of the transaction.

Note that, regarding the derecognition of the portfolios sold, as at the Registration Document Date, the Issuer is performing the necessary qualitative-quantitative analyses, in particular relating to the Deferred Price Subscription Mechanism and the structure of the securitization operations covered by the Framework Agreements, aimed at supporting verification of the conditions required by International accounting standard IAS 39.

The analysis will be completed on conclusion of the contract documentation and could meet the missing conditions prescribed by the relevant accounting standard for the derecognition of the portfolio. In this situation it could be necessary to review the forecast information provided in Chapter 13, Paragraph 13.1.7 of the registration document.

On this issue we report that, regardless of the outcome of the aforesaid analyses regarding the existence of the requirements for derecognition of the portfolio sold, the objective of and the process for improvement of the capital quality (to be performed via the actions aimed, in particular, at reducing the portfolio of non-core loans and increasing the coverage ratio of non-performing loans and probable defaults of the Italian loans portfolio) remains as a whole valid for the Strategic Plan 2016-2019.

- The tax is not applied against a negative tax base, both for the IRAP and for IRES purposes, and as at 30 September 2016, the criteria for the inclusion of the related deferred taxes are not met.
- The transaction involves a decrease of the CET 1 pro-forma ratio as at 30 September 2016 equal to 99 basis points[106].

7. Porto Project:

- this includes the execution of the "Porto Project" by increasing the coverage ratio on impaired loans and unlikely-to-pay loans in the Issuer's loans portfolio not included in the Fino transaction and of UniCredit Leasing, following the changes in the estimates, in turn resulting from the changed management approach

[106] The impact has been calculated taking into account the adjustments on loans to be carried out in the fourth quarter of 2016.

to non-performing loans approved by the Issuer's Board of Directors and aimed at accelerating the reduction adopted in December 2016 by the Issuer and other Group companies, with the intention of:

- proceeding more quickly and efficiently with the streamlining of positions through management that favours the prompt collection and/or the demobilisation of the same;

- expressing the possibility of recovering the non-performing loans taking into account the most recent estimates with regard to the presumed realisable value of assets also in consideration of the related guarantees;

- the transaction results in an overall adjustment to loans equal to approximately €4.5 billion posted in the income statement and broken down as follows:

  - €3.9 billion relating to the different managerial approach to the impaired loans mentioned above, mainly used to adapt corporate non-performing loans with exposures of more than €1 million, restructuring UTP and leasing portfolios;

  - €0.6 billion from one-off activities due, in part, to the updating of the parameters used to calculate internal models (historical series) also partly to respond to the ECB requests for adapting model parameters to the leasing portfolio.

- in the light of the above-mentioned credit adjustments (equal, in total, to €4.5 billion), the transaction involves increasing the coverage ratio on the total portfolio of non-performing loans by approximately 600 basis points compared with the historical figures as at 30 September 2016, thereby bringing the value from a historical figure of 52.2% to a pro-forma one of 58.2%;

- the taxation is not applied with regard to a negative taxable base for either IRAP or IRES and as at 30 September 2016 there were no requirements for recording the deferred tax assets.

- the transaction involves a decrease in the pro-forma CET1 ratio as at 30 September 2016 of 125 basis points.

8. Share Capital Increase:

- this involves the strengthening of the capital, included in the 2016-2019 Strategic Plan, specifically a rights issue of up to a maximum of €13 billion, corresponding to a CET1 ratio increase for UniCredit of 345 basis points (calculated excluding transaction costs and based on the financial situation at 30 September 2016), approved by the Extraordinary Shareholders' Meeting on 12 January 2017 and entirely guaranteed by a consortium made up of leading international banks that have signed a pre-underwriting agreement pursuant to which the banks are obliged – subject to conditions in line with market practices for similar transactions – to sign an underwriting agreement for the subscription of any new shares not subscribed at the end of the auction for rights not taken up;

- the assumption underlying the pro-forma adjustment is that the corresponding asset item in the balance sheet is in the cash item for approximately €12.5 billion, which represents net deposits following the rights issue of €13 billion and expenses and commissions related to this transaction.

9. Other residual effects:

With regard to the adjustments made in this column, note the following aspects:

- Intercompany assets and liabilities pertaining to companies leaving the scope of consolidation following the previously mentioned transactions were classified under "assets and liabilities held for sale" in the relevant adjustment columns (from column 1 to 5 "assets and liabilities held for sale"). In this column relations with companies exiting the scope of consolidation that are headed by companies that remain under the scope of consolidation were classified under the individual pertinent items because, following the deconsolidation of the companies/groups sold, they are no longer representative of the transactions that take place within the Group.

Description of the pro-forma adjustments at 30 September 2016

Description of the pro-forma adjustments related to the Balance Sheet assets

- The item "cash and cash equivalents" includes entries increased by a total of €19,710 million, attributable to the adjustments described below:
  - +€2,215 million relating to:
    - €-571 million deriving from the deconsolidation of the Pekao Group following the sale;
    - €+2.786 million relating to the consideration recognised for the sale of the Pekao Group;
  - +€4,000 million resulting from the sale of PGAM, by way of consideration;
  - +€545 million resulting from the sale of FinecoBank by way of consideration (sale of 20% completed in October 2016);
  - +€450 million resulting from the sale of Immo Holding by way of consideration;
  - +€12,500 million from the share capital increase.
- The item "financial assets held for trading" includes entries down by a total of -€538 million, due to the following adjustments:
  - -€677 million relating to the deconsolidation following the sale of the Pekao Group;
  - €+139 million related to the emergence of the items previously classified as *intercompany*, of companies that remain within the consolidation scope that, insofar as referring to companies that leave the consolidation scope, cease to be *intercompany* and need to be allocated to the appropriate item in the consolidated financial statements.
- The item "loans and receivables with banks" includes entries down by a total of €1,148 million, due to the following adjustments:
  - -€919 million relating to the deconsolidation of the Pekao Group following its sale;

- -€359 million relating to the sale of PGAM with the consequent deconsolidation of the related assets and liabilities;
- €-125 million related to the sale of the loans claimed by the UniCredit Group against PJSC Ukrsotsbank as provided for by the contractual agreements;
- €+255 million related to the emergence of the items previously classified as *intercompany*, of companies that remain within the consolidation scope that, insofar as referring to companies that leave the consolidation scope, cease to be *intercompany* and need to be allocated to the appropriate item in the consolidated financial statements.

- The item "loans and receivables with customers" includes entries down by a total of €35,939 million, due to the following adjustments:
  - -€28,077 million relating to the deconsolidation of the Pekao Group following its sale;
  - -€3,600 million relating to pro-forma adjustments with regard to the Fino transaction;
  - -€4,500 million relating to value adjustments with reference to the Porto transaction;
  - €+238 million related to the emergence of the items previously classified as *intercompany*, of companies that remain within the consolidation scope that, insofar as referring to companies that leave the consolidation scope, cease to be *intercompany* and need to be allocated to the appropriate item in the consolidated financial statements.
- The item "financial investments" includes entries down by a total of €-6,116 million, due to the following adjustments:
  - -€6,331 million relating to the deconsolidation of the Pekao Group following its sale;
  - -€147 million relating to the sale of PGAM with the consequent deconsolidation of the related assets and liabilities;
  - +€362 million relating to the value of the new issue shares that represent 9.9% of the post-transaction share capital of ABHH recorded on the reference date and at the respective exchange rate;
- The item "hedging instruments" contains an adjustment relating to the full deconsolidation of the Pekao Group following its sale for -€78 million.
- The item "property, plant and equipment" includes negative pro-forma adjustments of a total of €335 million, which break down as follows:
  - -€329 million relating to the deconsolidation of the Pekao Group following its sale;
  - -€6 million relating to the sale of PGAM with the consequent deconsolidation of the related assets and liabilities.

- The item "goodwill" includes negative pro-forma adjustments of a total of -€1,846 million, which break down as follows:
  - -€1,014 relating to the cancellation of the goodwill for the Pekao Group as a result of the deconsolidation;
  - -€832 million relating to the cancellation of the goodwill for Pioneer following the sale.
- The item "other intangible assets" includes negative pro-forma adjustments of a total of €202 million, which break down as follows:
  - -€182 million relating to the deconsolidation of the Pekao Group following its sale;
  - -€20 million relating to the sale of PGAM with the consequent deconsolidation of the related assets and liabilities.
- The item "tax assets" includes negative pro-forma adjustments of a total of -€102 million, which break down as follows:
  - -€249 million relating to the deconsolidation of the Pekao Group following its sale;
  - +€147 million relating to the sale of PGAM with the consequent deconsolidation of the related assets and liabilities.
- The item "non-current assets classified as held for sale" includes negative pro-forma adjustments for a total of -€2,033 million, which refer to the following changes:
  - +€145 million relating to the deconsolidation of the Pekao Group following its sale and to the classification under this item of intercompany relations pertaining to the Pekao Group, which emerged following this deconsolidation;
  - -€618 million relating to the sale of PGAM with the consequent deconsolidation of the related assets and liabilities and the reclassification under this item of intercompany relations pertaining to the PGAM Group, which emerged following this deconsolidation;
  - -€1,688 million relating to the cancellation of non-current assets classified as held for sale associated with the sale of PJSC Ukrsotsbank;
  - -€1,002 million relating to the cancellation of non-current assets classified as held for sale associated with the sale of Immo Holding;
  - €+1,130 million relating to the elimination of the intercompany relations, which have emerged in the same item in the specific adjustment columns.

- The "other assets" item includes negative entries for a total of €1,025 million related to:
  - €-234 million of corrections relating to the deconsolidation of the Pekao Group as a result of its transfer;
  - €-294 million related to the sale of PGAM with consequent deconsolidation of the related assets and liabilities;
  - €-497 million related to the emergence of the items previously classified as *intercompany*, of companies that remain within the consolidation scope that, insofar as referring to companies that leave the consolidation scope, cease to be *intercompany* and need to be allocated to the appropriate item in the consolidated financial statements.

Description of pro-forma corrections related to the balance sheet liabilities

- The "debts to banks" item presents pro-forma corrections for a total of €-906 million, broken down as shown below:
  - €-1,144 million of corrections relating to the deconsolidation of the Pekao Group as a result of its transfer;
  - €+238 million related to the emergence of the items previously classified as *intercompany*, of companies that remain within the consolidation scope that, insofar as referring to companies that leave the consolidation scope, cease to be *intercompany* and need to be allocated to the appropriate item in the consolidated financial statements.
- The "direct collection" item includes pro-forma corrections of the entries "debts toward customers" and "outstanding securities" for a total of €-28,966 million attributable to the following corrections:
  - €-29,640 million relating to the deconsolidation of the Pekao Group as a result of its transfer;
  - €+674 million related to the emergence of the items previously classified as *intercompany*, of companies that remain within the consolidation scope that, insofar as referring to companies that leave the consolidation scope, cease to be *intercompany* and need to be allocated to the appropriate item in the consolidated financial statements.
- The item "Financial liabilities held for trading" includes pro-forma corrections for €-578 million attributable to the following corrections:
  - €-586 million relating to the deconsolidation of the Pekao Group as a result of its transfer;
  - €+8 million related to the emergence of the items previously classified as *intercompany*, of companies that remain within the consolidation scope that, insofar as referring to companies that leave the consolidation scope, cease to be *intercompany* and need to be allocated to the appropriate item in the consolidated financial statements.

- The "coverage" item presents pro-forma corrections for €-253 million relating to the deconsolidation of the Pekao Group as a result of its sale.

- The "Provisions for risks and charges" item shows negative pro-forma corrections for €-114 million broken down as shown below:

  - €-73 million relating to the deconsolidation of the Pekao Group as a result of its transfer;

  - €-42 million related to the sale of PGAM with consequent deconsolidation of the related assets and liabilities;

  - €+1 million relative to the emergence of the items previously classified as *intercompany*, for companies that remain within the consolidation scope that, insofar as referring to companies that leave the consolidation scope, cease to be *intercompany* and need to be allocated to the appropriate item in the consolidated financial statements.

- The "tax liabilities" items includes pro-forma corrections for a total of €-113 million relating to:

  - €-31 million relating to the deconsolidation of the Pekao Group as a result of its transfer;

  - €-86 million related to the sale of PGAM with consequent deconsolidation of the related assets and liabilities;

  - €+4 million related to the emergence of the items previously classified as *intercompany*, of companies that remain within the consolidation scope that, insofar as referring to companies that leave the consolidation scope, cease to be *intercompany* and need to be allocated to the appropriate item in the consolidated financial statements.

- The "Liabilities associated with groups of assets held for sale" item includes pro-forma corrections totalling €-1,444 million referring to the following variations:

  - €-1,451 million related to the cancellation of the non-current liabilities classified as held for sale linked to the sale of PJSC Ukrsotsbank;

  - €-614 million related to the cancellation of the non-current liabilities classified as held for sale linked to the sale of Immo Holding;

  - €+621 million relating to the elimination of the intercompany relations, which have emerged in the same item in the specific adjustment columns.

- The item "other liabilities" presents negative pro-forma corrections for a total of €-1,192 million composed as follows:

  - €-501 million relating to the deconsolidation of the Pekao Group as a result of its transfer;

  - €-410 million related to the sale of PGAM with consequent deconsolidation of the related assets and liabilities;

  - o €-281 million related to the emergence of the items previously classified as *intercompany*, of companies that remain within the consolidation scope that, insofar as referring to companies that leave the consolidation scope, cease to be *intercompany* and need to be allocated to the appropriate item in the consolidated financial statements.

- The item "minority interests" includes pro-forma adjustments for a total of -€3,034 million, which refer to the following changes:
  - o -€3,143 million of adjustments relating to the deconsolidation of the Pekao Group following its sale;
  - o -€3 million relating to the deconsolidation of the PGAM Group following its sale;
  - o +€112 million relating to the sale of a stake in FinecoBank with the consequent increase in minority interests.

- The item "Group shareholders' equity" includes pro-forma adjustments for a total of +€6,948 million, which refer to the following changes:
  - o -€359 million of adjustments relating to the sale of the Pekao Group;
  - o +€2,412 million relating to the sale of PGAM, with the consequent deconsolidation of the Group;
  - o +€433 million resulting from the sale of a stake in FinecoBank;
  - o +€62 million of adjustments resulting from the sale of Immo Holding;
  - o -€3,600 million relating to the effect of the Fino transaction;
  - o -€4,500 million relating to the effect of the Porto transaction;
  - o +€12,500 million relating to the share capital increase transactions.

Description of the pro-forma adjustments relating to the Income Statement

- The item "net interest" includes total pro-forma adjustments of approximately -€745 million, which refer to:
  - o -€751 million relating to the deconsolidation of the Pekao Group following its sale;
  - o -€1 million relating to the sale of PGAM with the consequent deconsolidation of the economic contribution to the consolidated entity;
  - o +€3 million relating to the deconsolidation of PJSC Ukrsotsbank;
  - o +€4 million relating to the deconsolidation of Immo Holding.

- The item "dividends and other income from equity investments" includes the pro-forma adjustments relating to Pekao following its deconsolidation for -€4 million.

- The item “net commissions” includes entries down by a total of -€971 million, due to the following adjustments:
  - -€338 million relating to the sale of the Pekao Group, with the consequent deconsolidation of the contribution to the consolidated entity;
  - -€636 million relating to the sale of PGAM, with the consequent deconsolidation of the economic contribution to the consolidated entity;
  - +€3 million relating to the deconsolidation of Immo Holding.
- The item “gains (losses) on financial assets and liabilities held for trading” includes negative pro-forma adjustments of a total of -€146 million, attributable to the sale of the Pekao Group with the consequent deconsolidation.
- The item “balance of other income/expense” contains negative pro-forma adjustments of a total of €6 million, attributable to the following entries:
  - -€4 million relating to the sale of the Pekao Group, with the consequent deconsolidation of the contribution to the consolidated entity;
  - +€7 million relating to the sale of PGAM, with the consequent deconsolidation of the economic contribution to the consolidated entity;
  - +€8 million relating to the deconsolidation of PJSC Ukrsotsbank.
  - -€6 million relating to the deconsolidation of Immo Holding;
  - +€1 million relating to other deconsolidation entries under the scope of the M&A Asset Sale Transactions mentioned.
- The item “personnel costs” includes pro-forma adjustments of a total of +€555 million, which break down as follows:
  - +€326 million relating to the sale of the Pekao Group, with the consequent deconsolidation of the contribution to the consolidated entity;
  - +€229 million relating to the sale of PGAM, with the consequent deconsolidation of the economic contribution to the consolidated entity.
- The item “other administrative expenses” includes pro-forma adjustments of a total of +€290 million, which break down as follows:
  - +€171 million relating to the sale of the Pekao Group with the consequent deconsolidation of the contribution to the consolidated entity;

- +€121 million relating to the sale of PGAM, with the consequent deconsolidation of the economic contribution to the consolidated entity;
- -€2 million relating to the deconsolidation of PJSC Ukrsotsbank.

- The item "adjustments in value of tangible and intangible assets" includes pro-forma adjustments of a total of €67 million, which break down as follows:
  - +€59 million relating to the sale of the Pekao Group, with the consequent deconsolidation of the contribution to the consolidated entity;
  - +€8 million relating to the sale of PGAM, with the consequent deconsolidation of the economic contribution to the consolidated entity.
- The item "net adjustments to credits and provisions for guarantees and commitments" includes pro-forma negative adjustments of a total of -€8,044 million relating to the following changes:
  - +€56 million relating to the sale of the Pekao Group, with the consequent deconsolidation of the contribution to the consolidated entity;
  - -€3,600 million relating to pro-forma adjustments with reference to the Fino transaction;
  - -€4,500 million relating to pro-forma adjustments with reference to the Porto transaction.
- The item "other charges and provisions" includes pro-forma adjustments of a total of +€127 million, which refer to:
  - +€121 million relating to the sale of the Pekao Group, with the consequent deconsolidation of the contribution to the consolidated entity;
  - +€6 million relating to the sale of PGAM, with the consequent deconsolidation of the economic contribution to the consolidated entity.
- The item "integration costs" includes pro-forma adjustments of a total of +€37 million relating to the sale of Pioneer with the consequent deconsolidation.
- The item "net income from investments" includes negative pro-forma adjustments of a total of -€3 million, which break down as follows:
  - -€1 million relating to the sale of the Pekao Group, with the relative deconsolidation of the contribution to the consolidated entity;
  - -€2 million relating to the deconsolidation of Immo Holding.

- The item “income tax for the period” includes pro-forma adjustments of a total of +€191 million, which break down as follows:
  - o +€107 million relating to the sale of the Pekao Group, with the consequent deconsolidation of the contribution to the consolidated entity;
  - o +€84 million relating to the sale of PGAM, with the consequent deconsolidation of the economic contribution to the consolidated entity.
- The item “profit (loss) after tax from discontinued operations” includes the pro-forma negative adjustments of +1,071 million, which break down as follows:
  - o €-638 million related to:
    - ▪ O €- 359 million related to the result from the sale of Bank Pekao;
    - ▪ €-279 million related to the reversal of the negative reserve of exchange rate fluctuation resulting from the sale of Bank Pekao.
  - o €+2,410 million related to:
    - ▪ O €+2,412 million related to the profit from the sale of PGAM;
    - ▪ €-2 million related to the reversal of the negative reserve of exchange rate fluctuation resulting from the sale of PGAM.
  - o €-745 million related to:
    - ▪ O €+5 million relating to the contribution to the consolidated period result of PJSC Ukrsotsbank;
    - ▪ €-750 million related to the reversal of the negative reserve by exchange rate fluctuation as a result of the divestment of PJSC Ukrsotsbank.
  - o €+44 million related to:
    - ▪ €-18 million relating to the contribution to the consolidated period result of Immo Holding;
- €+62 million related to the result of the sale of Immo Holding; The item “profit pertaining to minority interests” includes pro-forma adjustments of +€167 million, which refer to the following entries:
  - o +€207 million relating to the sale of the Pekao Group, with the consequent deconsolidation of the contribution to the consolidated entity;
  - o +€4 million relating to the sale of PGAM, with the consequent deconsolidation of the economic contribution to the consolidated entity;
  - o -€44 million relating to the sale of a stake in FinecoBank, with the consequent increase in minority interests.

- The item “Purchase Price Allocation economic effects” includes pro-forma adjustments totalling +€10 million relating to the sale of the Pekao Group, with the relative deconsolidation of the contribution of the latter to the consolidated entity.

Description of the pro-forma adjustments relating to the Cash Flow Statement

- The item “net liquidity generated/absorbed by operating activities” includes total pro-forma adjustments of approximately +€120 million, which mainly refer to the adjustment of the contribution to the cash flows for the period of the Pekao Group.

- The item “net liquidity generated/absorbed by investment activities” includes total pro-forma adjustments of approximately +€6,545 million, which refer to:

    - +€2,095 million relating to the consideration recorded with regard to the sale of the Pekao Group;

    - +€4,000 million relating to the consideration recorded with regard to the sale of PGAM;

    - +€450 million relating to the consideration recorded with regard to the sale of Immo Holding.

- The item “net liquidity generated/absorbed by funding activities” includes total pro-forma adjustments of approximately +€13,045 million, which refer to:

    - +€545 million relating to the consideration recorded with regard to the sale of a stake in FinecoBank;

    - to the share capital increase for +€12,500 million as described in the previous paragraphs.

Further significant pro-forma data derived from the accounts not defined by the reference accounting standards calculated by the Issuer at 30 September 2016

In addition to the Pro-Forma Consolidated Financial Statements and data described above, the Issuer calculated further data during the preparation of the 2016-2019 Strategic Plan to express the degree of coverage of non-performing exposures and the capital adequacy of the Group in the event that the transactions mentioned had already taken place at 30 September 2016.

Pro-forma NPE ratio and coverage ratio

At 30 September 2016, the pro-forma coverage ratio relating to the non-performing exposures would have been equal to 63.0%, taking into consideration the effects of all the transactions mentioned.

The Gross NPE and Net NPE ratios in the pro-forma scenario as at 30 September 2016, taking into consideration the above-mentioned transactions, are 15.1% and 6.2% respectively.

Exposure to pro-forma impaired loans

The table below illustrates the Group's exposure to impaired loans and non-impaired loans (gross figures) compared with the historical data as at 30 September 2016.

	30 September 2016		**30 September 2016**	
(in millions of Euros)	**historical**	*%*	**pro-forma**	*%*
Performing portfolio	446,643	85.3%	419,354	84.9%
Non-performing loans portfolio	76,784	14.7%	74,829	15.1%
Total	**523,427**	***100.0%***	**494.183**	***100.0%***

The table below illustrates the Group's exposure to impaired loans and non-impaired loans (net figures) compared with the historical data as at 30 September 2016.

	30 September 2016		**30 September 2016**	
(in millions of Euros)	**historical**	*%*	***pro-forma***	*%*
Performing portfolio	444,510	92.4%	417,324	93.8%
Non-performing loans portfolio	36,417	7.6%	27,663	6.2%
Total	**480,926**	***100%***	**444,987**	***100%***

The following table provides the coverage ratio, compared with the historic figure as at 30 September 2016.

	30 September 2016	**30 September 2016** ***pro forma***
(in millions of Euros)	***Coverage index %***	***Coverage index %***
Non-performing loans portfolio	52.6%	63%

Further significant pro-forma data of a regulatory nature calculated by the Issuer at 30 September 2016

Pro-forma CET1

At 30 September 2016, the pro-forma CET1 is equal to 13.71%, taking into consideration the effects of all the transactions mentioned.

20.2.2 Pro-forma Consolidated Financial Statements at 31 December 2015

Purpose of the presentation of the pro-forma consolidated data

The Pro-Forma Consolidated Financial Statements have been prepared solely to retroactively reflect the significant effects of the M&A Asset Sale Transactions and the actions aimed at improving the quality of the balance sheet assets and those aimed at strengthening the capital described above, as if they had taken place in the period in which the above-mentioned pro-forma data refer to. The information in the Pro-Forma Consolidated Financial Statements represents a simulation of the possible effects that could have resulted if the M&A Asset Sale Transactions and the actions aimed at improving the quality of the balance sheet assets and those aimed at strengthening the capital described above had taken place at the above-mentioned date, and they are provided for illustrative purposes only.

These assumptions therefore represent a conventional element, and it should be pointed out that, if the execution of the M&A Asset Sale Transactions and the actions aimed at improving the quality of the balance sheet assets and those aimed at strengthening the capital described above had actually taken place at the hypothetical date, the actual results in the Pro-Forma Consolidated Financial Statements may not necessarily have been achieved.

Theory for the preparation of the pro-forma consolidated data

The accounting principles adopted for the preparation of the Pro-Forma Consolidated Financial Statements are the same as those used for the preparation of the Consolidated Financial Statements at 31 December 2015, namely the International Accounting Standards (IAS/IFRS) adopted by the European Union.

Pro-forma restated consolidated balance sheet at 31 December 2015

The Pro-forma restated consolidated balance sheet of the UniCredit Group at 31 December 2015, taking into account the provisions in the introduction, includes:

- in the "*31 December 2015 historical*" column, the values in the Reports and Consolidated Financial Statements at 31 December 2015 on the basis of the reclassified statements presented in the Consolidated Reports on Operations;
- in the "*Adjustments*" column, the adjustment entries for the above-mentioned transactions;
- in the "*31 December 2015 pro-forma*" column, the pro-forma consolidated values at 31 December 2015, resulting from the sum of the previous columns.

Assets	**31 December**	**Adjustments**									**31 December**
(in millions of Euros)	**2015 historical**	**1. Bank Pekao**	**2. Pioneer**	**3. FinecoBank**	**4. PJSC Ukrsotsbank**	**5. Immo Holding**	**6. FINO**	**7. PORTO**	**8. SCI**	**9. Other**	**2015 pro-forma**
Cash and cash equivalents	10,303	2,841	4,000	871	-	596	-	-	12,500	-	31,111
Financial assets held for trading	90,997	(1,002)	-	-	-	-	-	-	-	155	90,150
Loans and receivables with banks	80,073	(2,403)	(233)	-	(447)	-	-	-	-	601	77,591
Receivables from customers	473,999	(28,617	-	-	-	-	(3,600)	(4,500)	-	237	437,519
Financial investments	152,845	(4,968)	(244)	-	437	-	-	-	-	-	148,070
Hedging instruments	8,010	(98)	-	-	-	-	-	-	-	-	7,912
Property, plant and equipment	10,031	(350)	(8)	-	-	-	-	-	-	-	9,673
Goodwill	3,618	(1,030)	(844)	-	-	-	-	-	-	-	1,744
Other intangible assets	2,140	(209)	(24)	-	-	-	-	-	-	-	1,907
Tax assets	15,726	(252)	141	-	-	-	-	-	-	1,767	17,382
Non-current assets classified as held for sale	2,820	182	(603)	-	(2,029)	(1,179)	-	-	-	1,236	427
Other assets	9,871	(606)	(318)	-	-	-	-	-	-	(633)	8,314
Total assets	**860,433**	**(36,512**	**1,867**	**871**	**(2,039)**	**(583)**	**(3,600)**	**(4,500)**	**12,500**	**3,363**	**831,800**

Liabilities and Shareholders' Equity	**31**	**Adjustments**									**31**
(in millions of Euros)	**December 2015 historical**	**1. Bank Pekao**	**2. Pioneer**	**3. FinecoBank**	**4. PJSC Ukrsotsbank**	**5. Immo Holding**	**6. FINO**	**7. PORTO**	**8. SCI**	**9. Other**	**December 2015 pro-forma**
Deposits from banks	111,373	(1,039)	(1)	-	-	-	-	-	-	469	110,802
Direct deposits	584,268	(30,785)	-	-	-	-	-	-	-	876	554,359
Financial liabilities held for trading	68,919	(889)	-	-	-	-	-	-	-	14	68,044
Financial liabilities at fair value through profit or loss	455	-	-	-	-	-	-	-	-	-	455

Hedging instruments	11,254	(250)	-	-	-	-	-	-	-	-	11,004
Provision for risks and charges	9,855	(72)	(63)	-	-	-	-	-	-	1	9,721
Tax liabilities	1,529	(33)	(11)	11	-	-	(1,188)	(1,485)	-	1,779	602
Liabilities included in disposal groups classified as held for sale	1,880	-	-	-	(2,039)	(645)	-	-	-	810	6
Other liabilities	17,414	(472)	(430)	-	-	-	-	-	-	(586)	15,926
Minority interests	3,399	(2,722)	(3)	162	-	-	-	-	-	-	836
Group portion of shareholders' equity	50,087	(250)	2,375	698	-	62	(2,412)	(3,015)	12,500	-	60,045
Total liabilities and shareholders' equity	**860,433**	**(36,512)**	**1,867**	**871**	**(2,039)**	**(583)**	**(3,600)**	**(4,500)**	**12,500**	**3,363**	**831,800**

Pro-forma restated consolidated income statement at 31 December 2015

The pro-forma restated consolidated income statement at 31 December 2015 includes:

- in the "*31 December 2015 historical*" column, the values in the Reports and Consolidated Financial Statements at 31 December 2015 on the basis of the reclassified statements presented in the Consolidated Reports on Operations;
- in the "*Adjustments*" column, the adjustment entries for the above-mentioned transactions;
- in the "*31 December 2015 pro-forma*" column, the pro-forma consolidated values at 31 December 2015, resulting from the sum of the previous columns.

Income Statement *(in millions of Euros)*	**31 December 2015 historical**	**ADJUSTMENTS**									**31 December 2015 pro-forma**
		1. Bank Pekao	**2. Pioneer**	**3. FinecoBank**	**4. PJSC Ukrsotsbank**	**5. Immo Holding**	**6. FINO**	**7. PORTO**	**8. SCI**	**9. Other**	
Net interest	11,916	(997)	(2)	-	19	8	-	-	-	-	10,944
Dividends and other income from equity investments	829	(4)	(3)	-	-	(2)	-	-	-	-	820
Net commissions	7,849	(486)	(863)	-	3	2	-	-	-	-	6,505
Gains (losses) on financial assets and liabilities held for trading	1,644	(159)	(1)	-	-	-	-	-	-	-	1,484
Balance of other income/expense	167	(33)	(7)	-	5	(2)	-	-	-	-	130
BROKERAGE MARGIN	**22,405**	**(1,679)**	**(876)**	**-**	**27**	**6**	**-**	**-**	**-**	**-**	**19,883**
Personnel costs	(8,339)	459	413	-	-	-	-	-	-	-	(7,467)
Other administrative expenses	(5,159)	234	178	-	(1)	-	-	-	-	(1)	(4,749)
Recovery of expenses	808	(1)	(1)	-	-	-	-	-	-	-	806
Adjustments in value of tangible and intangible assets	(929)	79	12	-	-	-	-	-	-	1	(837)
Operating costs	(13,619)	771	602	-	(1)	-	-	-	-	-	(12,247)
OPERATING PROFIT (LOSS)	**8,786**	**(908)**	**(274)**	**-**	**26**	**6**	**-**	**-**	**-**	**-**	**7,636**
Net adjustments to credits and provisions for guarantees and commitments	(4,114)	124	-	-	-	-	(3,600)	(4,500)	-	-	(12,090)
NET OPERATING PROFIT (LOSS)	**4,672**	**(784)**	**(274)**	**-**	**26**	**6**	**(3,600)**	**(4,500)**	**-**	**-**	**(4,454)**
Other charges and provisions	(1,585)	135	3	-	-	-	-	-	-	-	(1,447)
Integration costs	(410)	-	24	-	-	-	-	-	-	-	(386)
Net profits from investments	(6)	(18)	(3)	-	-	-	-	-	-	-	(27)
PROFIT (LOSS) BEFORE TAX	**2,671**	**(667)**	**(250)**	**-**	**26**	**6**	**(3,600)**	**(4,500)**	**-**	**-**	**(6,314)**
Income tax for the period	(137)	128	64	-	-	-	1,188	1,485	-	-	2,728
NET PROFIT (LOSS)	**2,534**	**(539)**	**(186)**	**-**	**26**	**6**	**(2,412)**	**(3,015)**	**-**	**-**	**(3,586)**
Profit (loss) after tax from discontinued operations	(295)	(499)	2394	-	(301)	(42)	-	-	-	(1)	1256
RESULT FOR THE PERIOD	**2,239**	**(1038)**	**2208**	**-**	**(275)**	**(36)**	**(2,412)**	**(3,015)**	**-**	**(1)**	**(2330)**
Minority interests	(352)	261	5	(58)	-	-	-	-	-	-	(144)
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP BEFORE PPA	**1,887**	**(777)**	**2213**	**(58)**	**(275)**	**(36)**	**(2,412)**	**(3,015)**	**-**	**(1)**	**(2474)**
Purchase Price Allocation effect	(193)	14	-	-	-	-	-	-	-	-	(179)
Impairment of goodwill	-	-	-	-	-	-	-	-	-	-	-
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP	**1,694**	**(763)**	**2213**	**(58)**	**(275)**	**(36)**	**(2,412)**	**(3,015)**	**-**	**(1)**	**(2653)**

Pro-forma consolidated cash flow statement at 31 December 2015

The pro-forma consolidated cash flow statement of the UniCredit Group at 31 December 2015, taking into account the provisions in the introduction, includes:

- in the "*31 December 2015 historical*" column, the values in the Reports and Consolidated Financial Statements at 31 December 2015 on the basis of the reclassified statements presented in the Consolidated Reports on Operations;
- in the "*Adjustments*" column, the adjustment entries for the above-mentioned transactions;
- in the "*31 December 2015 pro-forma*" column, the pro-forma consolidated values at 31 December 2015, resulting from the sum of the previous columns.

Cash Flow Statement *(in millions of Euros)*	**31 December 2015 historical**	**Adjustments**									**31 December 2015 pro-forma**
		1. Bank Pekao	**2. Pioneer**	**3. FinecoBank**	**4. PJSC Ukrsotsbank**	**5. Immo Holding**	**6. FINO**	**7. PORTO**	**8. SCI**	**9. Other**	
A. Operating activities											
Net liquidity generated/absorbed by operating activities	3,279	104					-				3,383
B. Investment activities											
Net liquidity generated/absorbed by investment activities	(158)	2,732	4,000		-	596					7,175
C. Funding activities											
Net liquidity generated/absorbed by funding activities	(842)			871					12,500		12,529
Net liquidity generated/absorbed during the year	**2,279**	**2,841**	**4,000**	**871**	**-**	**596**	**-**	**-**	**12,500**	**-**	**23,087**

Reconciliation *(in millions of Euros)*	**31 December 2015 historical**	**Adjustments**									**31 December 2015 pro-forma**
		1. Bank Pekao	**2. Pioneer**	**3. FinecoBank**	**4. PJSC Ukrsotsbank**	**5. Immo Holding**	**6. FINO**	**7. PORTO**	**8. SCI**	**9. Other**	
Cash and cash equivalents at the beginning of the year	**8,051**										**8,051**
Total liquidity generated/absorbed during the year	2,279	2,841	4,000	871	-	596	-	-	12,500	-	23,087
Cash and cash equivalents: effect of change in exchange rates	(27)										(27)
Cash and cash equivalents at the end of the year	**10,303**	**2,841**	**4,000**	**871**	**-**	**596**	**-**	**-**	**12,500**	**-**	**31,111**

20.2.2.1 Notes to the Pro-Forma Consolidated Financial Statements at 31 December 2015

Basic assumptions for the preparation of the Pro-Forma Consolidated Financial Statements

The reference date adopted for the preparation of the Pro-Forma Consolidated Financial Statements for the simulation of the effects of the sales, the transactions carried out with reference to loans and the share capital increase does not correspond to the one that will actually be used for the preparation of the UniCredit Group's consolidated financial statements for the year in which the transactions described previously will take place.

The information in the Pro-Forma Consolidated Financial Statements reflects all aspects of the transactions, in spite of the fact that some of these have not yet been completed at the Registration Document Date, based on the information available at the Date of this Document.

Significant information and basic assumptions for the preparation of the Pro-Forma Consolidated Financial Statements

The significant information and assumptions used for the preparation of the Pro-Forma Consolidated Financial Statements are given below. With special reference to the adjustments applied for the preparation of the above-mentioned Financial Statements, note the following:

1. Bank Pekao:

- the line-by-line contribution of the Pekao Group to the Consolidated Financial Statements at 31 December 2015 was adjusted for the UniCredit Group, following the derecognition of the entire equity investment of approximately 40.1% in Bank Pekao, the Polish bank of the UniCredit Group and the parent company of the Pekao Group, of which approximately 32.8% is to be sold to Powszechny Zakład Ubezpieczeń S.A. ("PZU") and Polski Fundusz Rozwoju S.A. ("PFR") based on a purchase agreement signed on 8 December 2016, while the remaining 7.3% is to be disposed through a market transaction announced on the same date, through the issuing of 1,916 secured equity-linked certificates.

- o The price agreed for the sale of the equity investment of approximately 32.8% in Bank Pekao to PZU and PFR is PLN 123 per share or PLN 10.6 billion in total €2,345 million at the exchange rate referred on the expected closing date of the transaction is considered for the purposes of pro-forma adjustments (€2,377 million at the exchange rate on 8 December 2016 and equal to 1.42 times the shareholders' equity of Bank Pekao at 30 September 2016. It is also specified that, within the scope of the transaction, the sale of Dom Inwestycyjny Xelion SP. Z O.O. for approximately €2 million was included.
- o The reference price of a share in Bank Pekao for the purposes of issuing the Certificates was set at approximately €27, equal to the average weighted price for volumes of Bank Pekao shares on the Warsaw Stock Exchange on 9 December 2016. As a result, the issue price of the Certificates was set at approximately €232,047.4 each (85.85% of the Reference Amount) or approximately €439 million in total net of transaction costs and considered for the purpose of pro-forma adjustments (approximately €445 million not adjusted to consider said transaction costs). Note that for the purpose of pro-forma adjustments, taking into consideration the contractually-required regulation, as described in greater detail in Chapter 22, this component was considered under the consideration received in the item cash and cash equivalents.

It is therefore expected that at the respective completion dates the result of the sale originating from the two transactions will be equal, respectively, to -€371 million and -€82 million. These disposals are added to the 10% sold during July 2016 through an accelerated bookbuilding procedure for €745 million net of transaction costs (€749 million not adjusted to consider said transaction costs), following which UniCredit still maintained control with an equity investment of 40.1% and which generated a result from the sale of +€203 million, with the Pekao Group still considered as consolidated;

- the contribution to the consolidated financial statements at 31 December 2015 was adjusted for the Pekao Group to take into account the intra-group transactions between Pekao Group companies and other UniCredit Group companies;
- the transaction involves an increase in the pro-forma CET1 ratio as at 31 December 2015 of 67 basis points.

2. Pioneer:

- the line-by-line contribution to the Consolidated Financial Statements at 31 December 2015 of the Pioneer Group was adjusted due to the sale of almost all of the assets and liabilities of PGAM, the parent company of the Pioneer Investments Group, operating in the asset management sector;
- the hypothetical sale is based on a sales and purchase agreement signed on 11 December 2016, which involves a sale price paid by Amundi of €3,545 million and the prior distribution by PGAM to UniCredit of an extraordinary dividend of €315 million (see Chapter 22).

- It should be noted that, for the purposes of pro-forma corrections, the consideration of the total sale of Pioneer includes the assets of Polish companies Pioneer Pekao Investment Management SA and Pioneer Pekao P.T.E. SA (both belonging to the PGAM Group), which will be disposed of within the scope of the transaction relating to Bank Pekao as described later in Chapter 22. The consideration for the above Polish assets of Pioneer, amounting to €140 million (approximately €130 million attributable to the sale of Polish assets of Pioneer and about €10 million related to the extraordinary dividend attributable to such assets), will be adjusted within the scope of the transaction relating to Bank Pekao. The proceeds from the sale considered for the purpose of pro-forma corrections, including the amounts paid for the Polish assets of Pioneer, totalled €4,000 million (of which €3,675 million as consideration and €325 million as extraordinary dividend), giving rise to a profit from sale equal to €2,412 million before tax and €2,375 million after the application of taxes (with reference to the operation in question, there are no transaction costs directly adjusting the amounts listed above). The completion of the transaction is expected in the first half of 2017 and is subject to the meeting of certain conditions precedent. For the purposes of the preparation of the pro-forma data it was assumed that these conditions, which are standard in comparable M&A Asset Sale Transactions, would be met. To date, there are no significant critical aspects in relation to the completion of the transaction;

- the contribution to the Consolidated Financial Statements at 31 December 2015 of the Pioneer Group was adjusted to take into account the intra-group transactions between Pioneer Group companies and other UniCredit Group companies;

- the taxation applied considers the IRAP and IRES rates calculated in accordance with the regulations in force for transactions of this kind;

- the transaction involves an increase in the pro-forma CET1 ratio as at 31 December 2015 of 91 basis points.

3. FinecoBank:

- the contribution to the Consolidated Financial Statements at 31 December 2015 was adjusted to take into consideration the effect of the minority interests resulting from the sale of 30% of FinecoBank via two separate accelerated bookbuilding transactions, which were concluded, respectively, in July 2016 (through the sale of a 10% equity investment of the share capital of FinecoBank for €328 million - €326 million net of the transaction costs as the amount used for pro-forma adjustment purposes, generating a result from the sale to the net equity +€276 million) and in October 2016 (through a sale equal to 20% of the share capital of FinecoBank for €552 million - €545 million net of the transaction costs as the amount used for pro-forma adjustment purposes, generating a result from the sale to the net equity equal to +€433 million). The overall result of the sale, recognised at equity in line with the provisions laid down by international accounting standards in the case of assignment without loss of control is therefore equal to a total of €709 million before tax and to €698 million after the application of tax;

- Together with the recognition of the sale result at equity, the third-party assets are increased as a result of the change in minority interests that go from about 35% before the transfer operations to 65% as a consequence of the transfer of the 30% share;

- the taxation applied considers the IRAP and IRES rates calculated in accordance with the regulations in force for transactions of this kind;

- the transaction involves an increase in the pro-forma CET1 ratio as at 31 December 2015 of 19 basis points.

4. PJSC Ukrsotsbank:

- the contribution to the Consolidated Financial Statements at 31 December 2015 was adjusted resulting from the transfer of the entire equity investment in PJSC Ukrsotsbank, the Ukrainian bank of the UniCredit Group, a company classified in the financial statements in accordance with IFRS 5 (Non-current assets held for sale and discontinued operations) in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union, to ABH Holdings S.A., completed in October 2016;

- Therefore, the assets classified as held for sale and liabilities related to assets classified as held for sale were corrected by recognising the equivalent in US dollars of the part of new shares representing 9.9% of ABHH's capital *post*- transaction as the consideration, determined on the basis of evaluation models and equal to €437 million converted at the exchange rate of 31 December 2015 recorded on that date;

- As a consequence of the transfer of loans provided by contractual agreements claimed by the Issuer and by the other companies of the UniCredit Group from PJSC Ukrsotsbank to ABH HOLDINGS S.A., the loans to banks item was corrected for the amount claimed as of the reference dates of the prospectuses toward the Ukrainian participation amounting to €447 million;

- the contribution to the Consolidated Financial Statements at 31 December 2015 was adjusted to take into account the intra-group transactions between companies belonging to the Ukrainian bank and other UniCredit Group companies;

- the transaction involves an increase in the pro-forma CET1 ratio as at 31 December 2015 of 6 basis points.

5. Immo Holding:

- the impact on the Consolidated Financial Statements at 31 December 2015 resulting from the deconsolidation of Immo Holding GmbH, an Austrian company classified in the financial statements in accordance with IFRS 5 (Non-current assets held for sale and discontinued operations) in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union, was adjusted;

- the adjustments are implemented assuming the sale of Immo Holding GmbH, consistent with the assumptions behind the presentation in the financial statements in accordance with IFRS 5, and assuming a sale that generates a result of €62 million as set out in the Strategic Plan and on the basis of the contractual agreements and the status of the existing negotiations as at the Date of the Registration Document;

- the contribution to the Consolidated Financial Statements at 31 December 2015 was adjusted to take into account the intra-group transactions between companies belonging to the Immo Holding Group and other UniCredit Group companies;
- the taxation applied considers the IRAP and IRES rates calculated in accordance with the regulations in force for transactions of this kind;
- the transaction involves an increase in the pro-forma CET1 ratio as at 31 December 2015 of 2 basis points.

6. Fino Project:

- this involves the execution of the "Fino Project", which is designed to accelerate the reduction of the non-core loan portfolio classified as impaired (for a total amount of approximately €17.7 billion as determined on 30 June 2016) through a market transaction. As at the Registration Document Date, with regard to the first stage of the "Fino Project", the Issuer has signed two separate framework agreements, respectively, with FIG LLC, an affiliate company of the Fortress Investment Group LLC (later, FIG LLC, in conformity with the provisions of the Framework Agreement, replacing Fortress Italian NPL Opportunities Series Fund LLC, Series 6 in contractual relations resulting from the Framework Agreement) and with LVS III SPE I LP, a subsidiary of the PIMCO BRAVO Fund III, L.P. (each a "**Framework Agreement**"). The "Fino Project" is expected to be implemented in two phases, pursuant to each Framework Agreement:

  (i) "phase 1" of the "Fino Project", under the scope of which the parties of each Framework Agreement are obliged to implement one or more of the securitization transactions through the creation or one or more special purpose vehicles ("**SPV**" or "**Vehicle**") which will buy the non-performing loans being sold in each Framework Agreement. Specifically, pursuant to each Framework Agreement, the investors will subscribe 50.1% of each class of ABS securities (the "**Notes**") issued by the SPV while the remaining 49.9% of the Notes will be subscribed by UniCredit.

  (ii) "phase 2" of the "Fino Project", in relation to which the parties have preliminarily identified the guidelines and strategies aimed at regulating, among other things: (a) a progressive sale, including to third-party investors, by UniCredit of the Notes subscribed, in compliance with the requirements of maintaining a clear economic interest in the securitization transactions identified by each Framework Agreement; and (b) the optimisation of the financial structure of the Notes issued under the scope of "phase 1", including any guarantee obtained on the securitizations of impaired loans ("**GACS**") by the Ministry of Economy and Finance.

  Under the scope of the "Fino Project" the coverage ratio of this portfolio was increased to a level consistent with the price indicated for the portfolios in the respective Framework Agreements entered into with the investors selected by UniCredit in the first of the above-mentioned sale stages. Therefore, for the purposes of preparing the pro forma statements, an average price of the transfer of the portfolios sold as part of the Fino Project, of approximately 13% of the gross book value (€17.7 billion, calculated as at 30 June 2016), in line with the Framework Agreements signed with PIMCO and Fortress.

The Pro-Forma Consolidated Financial Statements represent only the correction on loans determined by the increase in the *coverage ratio* on the bad debts of the loan portfolio linked to the Fino operation in order to adapt it to a level consistent with the prices defined in the *Framework Agreement*.

To that effect, a correction of loans was made for an amount equal to approximately €3.6 billion, which, as said, increases the *coverage ratio* for non-performing loans in the portfolio that are the subject of the transaction.

Note that, regarding the derecognition of the portfolios sold, as at the Registration Document Date, the Issuer is performing the necessary qualitative-quantitative analyses, in particular relating to the Deferred Price Subscription Mechanism and the structure of the securitization operations covered by the Framework Agreements, aimed at supporting verification of the conditions required by International accounting standard IAS 39.

The analysis will be completed on conclusion of the contract documentation and could meet the missing conditions prescribed by the relevant accounting standard for the derecognition of the portfolio. In this situation it could be necessary to review the forecast information provided in Chapter 13, Paragraph 13.1.7 of the registration document.

On this issue we report that, regardless of the outcome of the aforesaid analyses regarding the existence of the requirements for derecognition of the portfolio sold, the objective of and the process for improvement of the capital quality (to be performed via the actions aimed, in particular, at reducing the portfolio of non-core loans and increasing the coverage ratio of non-performing loans and probable defaults (to be performed via the actions aimed, in particular, at reducing the portfolio of non-core loans and increasing the coverage ratio of non-performing loans and probable defaults of the Italian loan portfolio) remains valid overall under the scope of the 2016-2019 Strategic Plan.

- The taxation applied considers the nominal tax rates of IRAP and IRES.
- The operation involves a decrease of the CET 1 pro-forma ratio at 31 December 2015 equal to 100 basis points.

7. Porto Project:

- this includes the execution of the "Porto Project" by increasing the coverage ratio on impaired loans and unlikely-to-pay loans in the Issuer's loans portfolio not included in the Fino transaction and of UniCredit Leasing, following the changes in the estimates, in turn resulting from the changed management approach to non-performing loans approved by the Issuer's Board of Directors and aimed at accelerating the reduction adopted in December 2016 by the bank and other Group companies, with the intention of:
  - proceeding more quickly and efficiently with the streamlining of positions through management that favours the prompt collection and/or the demobilisation of the same;
  - expressing the possibility of recovering the said non-performing loans taking into account the most recent estimates with regard to the presumed realisable value of the same also in consideration of the related guarantees.

- the transaction results in an overall adjustment to loans equal to approximately €4.5 billion posted in the income statement and broken down as follows:
  - €3.9 billion relating to the different managerial approach to the impaired loans mentioned above, mainly used to adapt corporate non-performing loans with exposures of more than €1 million, restructuring UTP and leasing portfolios;
  - €0.6 billion from one-off activities due, in part, to the updating of the parameters used to calculate internal models (historical series) also partly to respond to the ECB requests for adapting model parameters to the leasing portfolio;
- the taxation applied considers nominal IRAP and IRES rates;
- the transaction involves a decrease in the pro-forma CET1 ratio as at 31 December 2015 of 124 basis points.

8. Share Capital Increases (SCI):

- this involves the strengthening of the capital, included in the 2016-2019 Strategic Plan, specifically a rights issue of up to a maximum of €13 billion, corresponding to a CET1 ratio increase for UniCredit of 347 basis points (calculated excluding transaction costs and based on the pro-forma financial situation at 31 December 2015), approved by the Extraordinary Shareholders' Meeting on 12 January 2017 and entirely guaranteed by a consortium made up of leading international banks that have signed a pre-underwriting agreement pursuant to which the banks are obliged – subject to conditions in line with market practices for similar transactions – to sign an underwriting agreement for the subscription of any new shares not subscribed at the end of the auction for rights not taken up;
- the assumption underlying the pro-forma adjustment is that the corresponding asset item in the balance sheet is in the cash item for approximately €12.5 billion, which represents net deposits following the rights issue of €13 billion and expenses and commissions related to this transaction.

9. Other residual effects:

With regard to the adjustments made in this column, note the following aspects:

- the effects relating to the re-exposure of tax assets and liabilities are reported in this column in order to present a net position for current tax following the adjustments made in the previous columns;
- intercompany assets and liabilities pertaining to companies leaving the scope of consolidation following the previously mentioned transactions were classified under "assets and liabilities held for sale" in the relevant adjustment columns (from column 1 to 5 "assets and liabilities held for sale"). In this column relations with companies exiting the scope of consolidation that are headed by companies that remain under the scope of consolidation were classified under the individual pertinent items because, following the deconsolidation of the companies/groups sold, they are no longer representative of the transactions that take place within the Group.

Description of the pro-forma adjustments at 31 December 2015

Balance Sheet assets

- The item "cash and cash equivalents" includes entries increased by a total of €20,808 million, attributable to the adjustments described below
    - +€2,841 million of adjustments relating to:
        - €-690 million relating to the deconsolidation of the Pekao Group following the sale;
        - €+3,531 million as proceeds with reference to the disposal of the Pekao Group;
    - +€4,000 million resulting from the sale of PGAM, by way of consideration;
    - +€871 million resulting from the sale of FinecoBank by way of consideration;
    - +€596 million resulting from the sale of Immo Holding by way of consideration;
    - +€12,500 million related to the share capital increase.
- The item "financial assets held for trading" includes the adjustments relating to the deconsolidation of the Pekao Group following its sale for -€847 million attributable to the following adjustments:
    - -€1,002 million of adjustments relating to the deconsolidation of the Pekao Group following its sale;
    - €+155 million related to the emergence of the items previously classified as *intercompany*, of companies that remain within the consolidation scope that, insofar as referring to companies that leave the consolidation scope, cease to be *intercompany* and need to be allocated to the appropriate item in the consolidated financial statements.
- The item "loans and receivables with banks" includes entries down by a total of €2,482 million, due to the following adjustments:
    - -€2,403 million of adjustments relating to the deconsolidation of the Pekao Group following its sale;
    - -€233 million relating to the sale of PGAM, with the consequent deconsolidation of the related assets and liabilities;
    - €-447 million related to the sale of the loans claimed by the UniCredit Group against PJSC Ukrsotsbank as provided for by the contractual agreements;
    - €+601 million related to the emergence of the items previously classified as *intercompany*, of companies that remain within the consolidation scope that, insofar as referring to companies that leave the consolidation scope, cease to be *intercompany* and need to be allocated to the appropriate item in the consolidated financial statements.

- The item “loans and advances to customers” includes negative corrections totalling €36,480 million, attributable to the following corrections:
  - €-28,617 million of corrections relating to the deconsolidation of the Pekao Group as a result of its transfer;
  - €-3,600 million relating to pro-forma corrections referred to the Fino operation;
  - €-4,500 million relating to pro-forma corrections referred to the Porto operation.
  - €+237 million related to the emergence of the items previously classified as *intercompany*, of companies that remain within the consolidation scope that, insofar as referring to companies that leave the consolidation scope, cease to be *intercompany* and need to be allocated to the appropriate item in the consolidated financial statements.
- The “Financial investments” item presents negative pro-forma corrections for a total of €4,775 million attributable to the following items:
  - €-4,968 million of corrections relating to the deconsolidation of the Pekao Group as a result of its transfer;
  - €-244 million related to the sale of PGAM with consequent deconsolidation of the related assets and liabilities;
  - €+437 million relating to the value of the newly issued shares, which represent 9.9% of the capital of ABHH *post*- transaction recognized at the date of reference and at its exchange rate.
- The item “hedging instruments” includes the adjustments relating to the deconsolidation of the Pekao Group following its sale for -€98 million.
- The item “property, plant and equipment” includes negative pro-forma adjustments of a total of €358 million, which break down as follows:
  - -€350 million of adjustments relating to the deconsolidation of the Pekao Group following its sale;
  - -€8 million relating to the sale of PGAM, with the consequent deconsolidation of the related assets and liabilities;
- The item “goodwill” includes negative pro-forma adjustments of a total of -€1,874 million, which break down as follows:
  - -€1,030 million of adjustments relating to the deconsolidation of the Pekao Group following its sale with the consequent cancellation of the related goodwill;
  - -€844 million relating to the cancellation of the goodwill for the Pioneer Group following its sale.

- The item "other intangible assets" includes negative pro-forma adjustments of a total of €233 million, which break down as follows:
  - -€209 million of adjustments relating to the deconsolidation of the Pekao Group following its sale;
  - -€24 million relating to the sale of PGAM, with the consequent deconsolidation of the related assets and liabilities.
- The item "tax assets" includes pro-forma adjustments of a total of +€1,656 million, which break down as follows:
  - -€252 million of adjustments relating to the deconsolidation of the Pekao Group following its sale;
  - +€141 million relating to the sale of PGAM, with the consequent deconsolidation of the related assets and liabilities;
  - +€1,767 million resulting from the reclassification from the item tax liabilities to current tax assets.
- The item "non-current assets classified as held for sale" includes pro-forma adjustments for a total of -€2,393 million, which refer to the following changes:
  - +€182 million of adjustments relating to the deconsolidation of the Pekao Group following its sale and to the classification under this item of intercompany relations pertaining to the Pekao Group, which emerged following this deconsolidation;
  - -€603 million of adjustments relating to the deconsolidation of the Pekao Group following its sale and the classification of intercompany relations pertaining to the Pekao Group, which emerged following this deconsolidation to this item;
  - -€2,029 million relating to the cancellation of non-current assets classified as held for sale associated with the sale of PJSC Ukrsotsbank;
  - -€1,179 million relating to the cancellation of non-current assets classified as held for sale associated with the sale of Immo Holding;
  - €+1,236 million relating to the elimination of the intercompany relations, which have emerged in the same item in the specific rectification columns.
- The item "other assets" includes pro-forma corrections totalling €-1,557 million relating to:
  - €-606 million of corrections relating to the deconsolidation of the Pekao Group as a result of its transfer;
  - €-318 million related to the sale of PGAM with consequent deconsolidation of the related assets and liabilities;

- o €-633 million related to the emergence of the items previously classified as *intercompany*, of companies that remain within the consolidation scope that, insofar as referring to companies that leave the consolidation scope, cease to be *intercompany* and need to be allocated to the appropriate item in the consolidated financial statements.

Balance Sheet liabilities

- The item "deposits from banks" includes pro-forma adjustments of a total of -€571 million, which break down as follows:
  - o -€1,039 million of adjustments relating to the deconsolidation of the Pekao Group following its sale;
  - o -€1 million relating to the sale of PGAM, with the consequent deconsolidation of the related assets and liabilities;
  - o €+469 million related to the emergence of the items previously classified as *intercompany*, of companies that remain within the consolidation scope that, insofar as referring to companies that leave the consolidation scope, cease to be *intercompany* and need to be allocated to the appropriate item in the consolidated financial statements.
- The item "direct deposits" includes pro-forma adjustments of a total of -€29,909 million, which are composed of the following:
  - o -€30,785 million of adjustments relating to the deconsolidation of the Pekao Group following its sale;
  - o €+876 million related to the emergence of the items previously classified as *intercompany*, of companies that remain within the consolidation scope that, insofar as referring to companies that leave the consolidation scope, cease to be *intercompany* and need to be allocated to the appropriate item in the consolidated financial statements.
- The item "financial liabilities held for trading" includes pro-forma adjustments of -€875 million, which are composed of the following:
  - o -€889 million of adjustments relating to the deconsolidation of the Pekao Group following its sale;
  - o +€14 million of adjustments relating to other deconsolidation entries under the scope of the M&A Asset Sale Transactions described previously.
- The item "hedging instruments" includes pro-forma adjustments of -€250 million relating to the deconsolidation of the Pekao Group following its sale.
- The item "provision for risks and charges" includes pro-forma adjustments of a total of -€134 million, relating to:
  - o -€72 million of adjustments relating to the deconsolidation of the Pekao Group following its sale;

- -€63 million relating to the sale of PGAM, with the consequent deconsolidation of the related assets and liabilities;
- €+1 million relative to the emergence of the items previously classified as *intercompany*, for companies that remain within the consolidation scope that, insofar as referring to companies that leave the consolidation scope, cease to be *intercompany* and need to be allocated to the appropriate item in the consolidated financial statements.

- The item "tax liabilities" includes pro-forma adjustments of a total of -€927 million, relating to:
  - -€33 million of adjustments relating to the deconsolidation of the Pekao Group following its sale;
  - -€11 million relating to the sale of PGAM, with the consequent deconsolidation of the related assets and liabilities and taxes recorded on the sale;
  - +€11 million of adjustments relating to taxes recorded on the sale of FinecoBank;
  - -€1,188 million relating to taxes calculated with regard to the adjustments on receivables pursuant to the Fino transaction;
  - -€1,485 million relating to taxes calculated with regard to the adjustments on receivables pursuant to the Porto transaction;
  - +€1,779 million resulting from the reclassification from the item tax liabilities to current tax assets.
- The item "liabilities included in disposal groups classified as held for sale" includes a fall in entries for a total of -€1,874 million, relating to:
  - -€2,039 million relating to the cancellation of non-current liabilities classified as held for sale associated with the sale of PJSC Ukrsotsbank;
  - -€645 million relating to the cancellation of non-current liabilities classified as held for sale associated with the sale of Immo Holding;
  - €+810 million relating to the elimination of the intercompany relations, which have emerged in the same item in the specific adjustment columns.
- The item "other liabilities" includes negative pro-forma adjustments for a total of -€1,488 million, which break down as follows:
  - -€472 million of adjustments relating to the deconsolidation of the Pekao Group following its sale;
  - -€430 million relating to the sale of PGAM with the consequent deconsolidation of the related assets and liabilities;
  - €-586 million related to the emergence of the items previously classified as *intercompany*, of companies that remain within the consolidation scope that, insofar as referring to companies that

leave the consolidation scope, cease to be *intercompany* and need to be allocated to the appropriate item in the consolidated financial statements.

- The item "shareholders' equity: minorities" includes pro-forma adjustments for a total of -€2,563 million, which refer to the following changes:
    - -€2,722 million of adjustments relating to the deconsolidation of the Pekao Group following its sale;
    - -€3 million relating to the sale of PGAM;
    - +€162 million relating to the sale of a stake in FinecoBank, with the consequent increase in minority interests.
- The item "Group shareholders' equity" includes pro-forma adjustments for a total of +€9,958 million, which refer to the following changes:
    - -€250 million of adjustments resulting from the sale of the Pekao Group;
    - +€2,375 million resulting from the sale of PGAM, net of taxation;
    - +€698 million resulting from the sale of a stake in FinecoBank, net of taxation;
    - +€62 million resulting from the sale of Immo Holding, net of taxation;
    - -€2,412 million relating to pro-forma adjustments made with reference to the Fino transaction, net of taxation;
    - -€3,015 million relating to pro-forma adjustments made with reference to the Porto transaction, net of taxation;
    - +€12,500 million from the share capital increase transaction.

Description of the adjustments relating to the Income Statement

- The item "net interest" includes entries down by a total of -€972 million, attributable to the adjustments described below:
    - -€997 million relating to the sale of the Pekao Group, with the consequent deconsolidation of the contribution to the consolidated entity;
    - -€2 million relating to the sale of PGAM, with the consequent deconsolidation of the economic contribution to the consolidated entity;
    - +€19 million relating to the deconsolidation of PJSC Ukrsotsbank;
    - +€8 million relating to the deconsolidation of Immo Holding.

- The item "dividends and other income from equity investments" includes the adjustments relating to Pekao following its sale for -€9 million as detailed below:
  - -€4 million with reference to adjustments associated with the deconsolidation of the Pekao Group;
  - -€3 million with reference to adjustments associated with the deconsolidation of PGAM;
  - -€2 million with reference to adjustments associated with the deconsolidation of Immo Holding.
- The item "net commissions" includes entries down by a total of -€1,344 million, due to the following adjustments:
  - -€486 million relating to the sale of the Pekao Group with the relative deconsolidation of the contribution to the consolidated entity;
  - -€863 million relating to the sale of PGAM, with the consequent deconsolidation of the economic contribution to the consolidated entity;
  - +€3 million relating to the deconsolidation of PJSC Ukrsotsbank;
  - +€2 million relating to the deconsolidation of Immo Holding.
- The item "gains (losses) on financial assets and liabilities held for trading" includes negative adjustments of a total of -€160 million, attributable to Pekao and to the sale of PGAM (approximately -€1 million).
- The item "balance of other income/expense" contains negative pro-forma adjustments of a total of €37 million, attributable to the following entries:
  - -€33 million relating to the sale of the Pekao Group with the relative deconsolidation of the contribution to the consolidated entity;
  - -€7 million relating to the sale of PGAM, with the consequent deconsolidation of the economic contribution to the consolidated entity;
  - +€5 million relating to the deconsolidation of PJSC Ukrsotsbank;
  - -€2 million relating to the deconsolidation of Immo Holding.
- The item "personnel costs" includes pro-forma adjustments of a total of €872 million, which break down as follows:
  - +€459 million relating to the sale of the Pekao Group, with the relative deconsolidation of the contribution to the consolidated entity;
  - +€413 million relating to the sale of PGAM, with the consequent deconsolidation of the economic contribution to the consolidated entity.

- The item "other administrative expenses" includes pro-forma adjustments of a total of €410 million, which break down as follows:
  - +€234 million relating to the sale of the Pekao Group, with the relative deconsolidation of the contribution to the consolidated entity;
  - +€178 million relating to the sale of PGAM, with the consequent deconsolidation of the economic contribution to the consolidated entity;
  - -€1 million relating to the deconsolidation of PJSC Ukrsotsbank;
  - -€1 million relating to other adjustments associated with the deconsolidation following the M&A Transactions mentioned.
- The item "recovery of expenses" includes pro-forma adjustments of a total of -€2 million, which break down as follows:
  - -€1 million relating to the sale of the Pekao Group, with the relative deconsolidation of the contribution to the consolidated entity;
  - -€1 million relating to the sale of PGAM, with the relative deconsolidation of the contribution to the consolidated entity.
- The item "adjustments in value of tangible and intangible assets" includes pro-forma adjustments of a total of €92 million, which break down as follows:
  - +€79 million relating to the sale of the Pekao Group, with the relative deconsolidation of the contribution to the consolidated entity;
  - +€12 million relating to the sale of PGAM, with the consequent deconsolidation of the economic contribution to the consolidated entity;
  - +€1 million relating to other adjustments associated with the deconsolidation following the M&A Asset Sale Transactions mentioned.
- The item "net adjustments to credits and provisions for guarantees and commitments" includes pro-forma negative adjustments of a total of -€7,976 million, which refer to the following changes:
  - +€124 million relating to the sale of the Pekao Group, with the relative deconsolidation of the contribution to the consolidated entity;
  - -€3,600 million relating to pro-forma adjustments with reference to the Fino transaction;
  - -€4,500 million relating to pro-forma adjustments with reference to the Porto transaction.

- The item "other charges and provisions" includes pro-forma adjustments of a total of +€138 million, relating to:
  - o +€135 million relating to the sale of the Pekao Group, with the relative deconsolidation of the contribution to the consolidated entity;
  - o +€3 million relating to the sale of PGAM, with the consequent deconsolidation of the economic contribution to the consolidated entity.
- The item "integration costs" includes pro-forma adjustments of a total of +€24 million relating to the sale of PGAM, with the consequent deconsolidation of the economic contribution to the consolidated entity.
- The item "net income from investments" includes negative pro-forma adjustments of a total of -€21 million, which break down as follows:
  - o -€18 million relating to the sale of the Pekao Group, with the relative deconsolidation of the contribution to the consolidated entity;
  - o -€3 million relating to the deconsolidation of PGAM.
- The item "income tax for the period" includes pro-forma adjustments of a total of +€2,865 million, which break down as follows:
  - o +€128 million relating to the sale of the Pekao Group, with the relative deconsolidation of the contribution to the consolidated entity;
  - o +€64 million relating to the sale of PGAM, with the consequent deconsolidation of the economic contribution to the consolidated entity;
  - o +€1,188 million relating to pro-forma adjustments with reference to the Fino transaction;
  - o +€1,485 million relating to pro-forma adjustments with reference to the Porto transaction.
- The item "profit (loss) after tax from discontinued operations" includes the pro-forma positive adjustments of €2,252 million, which break down as follows:
  - o €-499 million related to:
    - ▪ €-250 million related to the result of the sale of Bank Pekao;
    - ▪ €-249 million related to the reversal of the negative reserve of exchange rate fluctuation resulting from the sale of Bank Pekao.
  - o €+2,394 million related to:
    - ▪ €+2,375 million related to the result of the sale of PGAM net of taxes;

  - €+19 million related to the reversal of the positive reserve of exchange rate fluctuation resulting from the sale of PGAM.

- €-301 million related to:

  - O €+103 million relating to the contribution to the consolidated period result of PJSC Ukrsotsbank;

  - €+297 million relating to adjustments made with reference to the losses registered in the year for PJSC Ukrsotsbank;

  - €-701 million related to the reversal of the negative reserve by exchange rate fluctuation as a result of the divestment of PJSC Ukrsotsbank,

- €-42 million relating to the sale of Immo Holding, of which €-104 million relates to the result for the period of Immo Holding and €+62 million to the result of the sale;

- -€1 million relating to other adjustments following the deconsolidation for the M&A Asset Sale Transactions.

- The item "profit pertaining to minority interests" includes pro-forma adjustments of +€208 million, which refer to the following entries:

  - +€261 million relating to the sale of the Pekao Group, with the relative deconsolidation of the contribution to the consolidated entity;

  - +€5 million relating to the sale of PGAM, with the consequent deconsolidation of the economic contribution to the consolidated entity;

  - -€58 million relating to the sale of a stake in FinecoBank, with the consequent increase in minority interests.

- The item "Purchase Price Allocation economic effects" includes pro-forma adjustments totalling +€14 million associated with the sale of the Pekao Group.

Description of the pro-forma adjustments relating to the Cash Flow Statement

- The item "net liquidity generated/absorbed by operating activities" includes total pro-forma adjustments of approximately +€104 million, which refer to the adjustment of the contribution to the cash flows for the period of the Pekao Group.

- The item "net liquidity generated/absorbed by investment activities" includes total pro-forma adjustments of approximately +€7,333 million, which refer to:

  - +€2,737 million relating to the consideration recorded with regard to the sale of the Pekao Group;

  - +€4,000 million relating to the consideration recorded with regard to the sale of PGAM;

- +€596 million relating to the consideration recorded with regard to the sale of Immo Holding.

- The item "net liquidity generated/absorbed by funding activities" includes total pro-forma adjustments of approximately +€13,371 million, which refer to:
  - +€871 million resulting from the sale of a stakeholding in FinecoBank.
  - +€12,500 million relating to the registration of the share capital increase as described in the previous paragraphs.

Further significant pro-forma data derived from the accounts not defined by the reference accounting standards calculated by the Issuer at 31 December 2015

In addition to the Pro-Forma Consolidated Financial Statements and pro-forma data described above, the Issuer calculated further data during the preparation of the Strategic Plan to express the degree of coverage of non-performing exposures and the capital adequacy of the Group in the event that the transactions mentioned had already taken place at 31 December 2015.

Pro-forma NPE ratio and coverage ratio

At 31 December 2015, the pro-forma coverage ratio relating to the non-performing exposures is equal to 61.2% taking into consideration the effects of all the transactions mentioned.

The Gross NPE and Net NPE ratios in the pro-forma scenario as at 31 December 2015, taking into consideration the above-mentioned transactions, are 16% and 6.9% respectively.

Further significant pro-forma data of a regulatory nature calculated by the Issuer at 31 December 2015

Pro-forma CET1

At 31 December 2015, the pro-forma CET1 is equal to 13.46%, taking into consideration the effects of all the transactions mentioned.

20.2.3 External Auditors' Report on the examination of the pro-forma consolidated data

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AUDITORS' REPORT
ON THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION OF THE UNICREDIT GROUP

To the Board of Directors of
UniCredit S.p.A.

1. We have examined the pro forma consolidated financial information which comprise the consolidated pro-forma balance sheet, income statement and cash flow statement, the related explanatory notes and further pro-forma data of an accounting derived nature (the "Pro Forma Consolidated Financial Information"), for UniCredit S.p.A. and its subsidiaries (the "UniCredit Group") as of and for the nine-month period ended September 30, 2016, as set out in paragraph 20.2 of the registration document (the "Registration Document"), prepared by UniCredit S.p.A. (hereafter, the "Bank").

   The Pro Forma Consolidated Financial Information is derived from the historical consolidated interim financial statements of the UniCredit Group as of and for the nine-month period ended September 30, 2016 (the "Consolidated Interim Financial Statements") and the related adjusting entries applied thereto and examined by us.

   The Consolidated Interim Financial Statements have been reviewed by us and our review report thereon issued on November 15, 2016.

   Our review of the Consolidated Interim Financial Statements consisted of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently have not enabled us to obtain assurance that we would have become aware of all significant matters that might be identified in an audit. Accordingly, we have not expressed an audit opinion on the Consolidated Interim Financial Statements.

   The Pro forma Consolidated Financial Information has been prepared on the basis of the assumptions described in the explanatory notes to illustrate retroactively the effects of the transactions described here below and described more in detail in the explanatory notes (together the "Transactions"):

   - extraordinary transactions already completed at the date of the Registration Document;
   - significant transactions in the process of being completed at the date of the Registration Document;
   - actions aimed at improving the quality of the assets that are currently in the process of being completed;
   - share capital increase, in the process of being completed, aimed at strengthening the capital position.

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2. The Pro Forma Consolidated Financial Information has been prepared pursuant to Regulation 809/2004/CE with reference to the Registration Document. The objective of preparation of the Pro Forma Consolidated Financial Information is to illustrate what the effects on the results of operations, financial position and cash flows of the UniCredit Group might have been, applying accounting principles consistent with those used in preparation of the historical financial information and in compliance with the applicable regulations, had the Transactions occurred at September 30, 2016 and, solely as regards the effects on the results of operations and on the cash flows, at the beginning of the period ended September 30, 2016. However, the Pro Forma Consolidated Financial Information is not necessarily indicative of the financial performance, financial position or cash flows that would have been attained had the Transactions actually occurred at the assumed date.

   The Pro Forma Consolidated Financial Information is the responsibility of UniCredit S.p.A.'s Directors. Our responsibility is to express a conclusion on the reasonableness of the assumptions adopted by the Directors and the correctness of the methodology used in preparation of the Pro Forma Consolidated Financial Information. In addition, it is our responsibility to express a conclusion on the correctness of the accounting principles used in the preparation of the Pro Forma Consolidated Financial Information.

3. Our examination has been conducted in accordance with the criteria recommended by Consob in Recommendation DEM/1061609 dated August 9, 2001 for the verification of pro forma financial information and, accordingly, included such procedures as we considered necessary in the circumstances.

4. Based on our work, nothing has come to our attention that causes us to believe that the assumptions adopted by UniCredit S.p.A. for the preparation of the Pro Forma Consolidated Financial Information as of and for the nine-month period ended September 30, 2016 – prepared in order to illustrate retroactively the effects of the Transactions – are not reasonable, that the methodology used in preparation of this Pro Forma Consolidated Financial Information has not been properly applied to meet the objective described above and, finally, that the accounting principles used in preparation of the Pro Forma Consolidated Financial Information are not correct.

DELOITTE & TOUCHE S.p.A.

Signed by
Maurizio Ferrero
Partner

Milan, Italy
January 26, 2017

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AUDITORS' REPORT
ON THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION OF THE UNICREDIT GROUP

To the Board of Directors of
UniCredit S.p.A.

1. We have examined the pro forma consolidated financial information which comprise the consolidated pro-forma balance sheet, income statement and cash flow statement, the related explanatory notes and further pro-forma data of an accounting derived nature (the "Pro Forma Consolidated Financial Information"), for UniCredit S.p.A. and its subsidiaries (the "UniCredit Group") as of and for the year ended December 31, 2015, as set out in paragraph 20.2 of the registration document (the "Registration Document"), prepared by UniCredit S.p.A. (hereafter, the "Bank").

   The Pro Forma Consolidated Financial Information is derived from the historical consolidated financial statements of the UniCredit Group as of and for the year ended December 31, 2015 (the "Consolidated Financial Statements") and the related adjusting entries applied thereto and examined by us.

   The Consolidated Financial Statements have been audited by us and our auditor's report thereon issued on March 3, 2016.

   The Pro forma Consolidated Financial Information has been prepared on the basis of the assumptions described in the explanatory notes to illustrate retroactively the effects of the transactions described here below and described more in detail in the explanatory notes (together the "Transactions"):

   - extraordinary transactions already completed at the date of the Registration Document;
   - significant transactions in the process of being completed at the date of the Registration Document;
   - actions aimed at improving the quality of the assets that are currently in the process of being completed;
   - share capital increase, in the process of being completed, aimed at strengthening the capital position.

2. The Pro Forma Consolidated Financial Information has been prepared pursuant to Regulation 809/2004/CE with reference to the Registration Document. The objective of preparation of the Pro Forma Consolidated Financial Information is to illustrate what the effects on the results of operations, financial position and cash flows of the UniCredit Group might have been, applying accounting principles consistent with those used in the preparation of the historical financial information and in compliance with the applicable regulations, had the Transactions occurred at December 31, 2015 and, solely as regards the effects on the results of operations and on the cash flows, at the beginning of the 2015 period. However, the Pro Forma Consolidated Financial Information is not necessarily indicative of the financial performance, financial position or cash flows that would have been attained had the Transactions actually occurred at the assumed date.

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The Pro Forma Consolidated Financial Information is the responsibility of UniCredit S.p.A.'s Directors. Our responsibility is to express an opinion on the reasonableness of the assumptions adopted by the Directors and the correctness of the methodology used in preparation of the Pro Forma Consolidated Financial Information. In addition, it is our responsibility to express an opinion on the correctness of the accounting principles used in the preparation of the Pro Forma Consolidated Financial Information.

3. Our examination has been conducted in accordance with the criteria recommended by Consob in Recommendation DEM/1061609 dated August 9, 2001 for the verification of pro forma financial information and, accordingly, included such procedures as we considered necessary in the circumstances.

4. In our opinion, the assumptions adopted by the Directors of UniCredit S.p.A. for the preparation of the Pro Forma Consolidated Financial Information as of and for the year ended December 31, 2015 – prepared in order to illustrate retroactively the effects of the Transactions - are reasonable and the methodology used in preparation of this Pro Forma Consolidated Financial Information has been properly applied to meet the objective described above. Moreover, in our opinion, the accounting principles used in preparation of the Pro Forma Consolidated Financial Information are correct.

DELOITTE & TOUCHE S.p.A.

Signed by
Maurizio Ferrero
Partner

Milan, Italy
January 26, 2017

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

20.3 Financial Statements

The Company prepares individual financial statements and consolidated financial statements.

The data in this Chapter of the Registration Document, like the data in the other Chapters of the Registration Document, are from the Consolidated Financial Statements because the Company's individual data do not provide any additional information to the consolidated data.

20.4 Auditing of historical annual financial information

20.4.1 Declaration stating that the financial information has been audited

The Consolidated Financial Statements were audited by External Auditors, after which the auditors issued their reports, which are attached, dated 3 March 2016, 30 March 2015 and 7 April 2014, respectively. The reports of the External Auditors should be read in conjunction with the consolidated financial statements audited and refer to the date on which these reports were issued.

These reports were issued without qualification or certification disclaimers and are shown below.

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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 Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of UniCredit Group, which comprise the balance sheet as at December 31, 2015, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and the related explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

The Company's Directors are responsible for the preparation of these consolidated financial 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° 38/2005.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) issued pursuant to art. 11, paragraph 3, 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements give a true and fair view of the financial position of the UniCredit Group as at December 31, 2015, 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° 38/2005.

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 consolidated 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, paragraph 4, of Italian Legislative Decree n° 58/98, which are the responsibility of the Directors of UniCredit S.p.A., with the consolidated financial statements of the UniCredit Group as at December 31, 2015. In our opinion the report on operations and the information included in the report on corporate governance referred to above are consistent with the consolidated financial statements of the UniCredit Group as at December 31, 2015.

DELOITTE & TOUCHE S.p.A.

Signed by
Riccardo Motta
Partner

Milan, Italy
March, 3, 2016

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

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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.

1. We have audited the consolidated financial statements of UniCredit S.p.A. and its subsidiaries (the "UniCredit Group"), which comprise the balance sheet as of December 31, 2014, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and the related explanatory notes. These consolidated financial statements prepared 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. 38/2005 are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

   The consolidated financial statements present the prior year corresponding figures for comparative purposes. As disclosed in the notes, the Company's Directors restated some of the corresponding figures included in the prior year consolidated financial statements with respect to the data previously reported and audited by us, on which we issued auditors' report dated April 7, 2014. We have examined the methods used to restate the prior year corresponding figures and the related disclosures for the purposes of expressing an opinion on the consolidated financial statements as of December 31, 2014.

3. In our opinion, the consolidated financial statements give a true and fair view of the financial position of the UniCredit Group as of December 31, 2014, and of the results of its operations and its 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. 38/2005.

4. The Directors of UniCredit S.p.A. are responsible for the preparation of a report on operations and a report on the corporate governance and proprietary structures, published in the "Governance" section of UniCredit S.p.A.'s website, in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and the information required by article 123-bis of Italian Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) disclosed in the report on the corporate governance and proprietary structures, with the financial statements to which they refer, as required by law. For this purpose, we have performed the procedures required by the Italian Standard on Auditing n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the report on operations and the information required by article 123-bis of Italian Legislative Decree n. 58/1998 paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) disclosed in the report on the corporate governance and proprietary structures are consistent with the consolidated financial statements of the UniCredit Group as of December 31, 2014.

DELOITTE & TOUCHE S.p.A.

Signed by
Riccardo Motta
Partner

Milan, Italy
March 30, 2015

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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.

1. We have audited the consolidated financial statements of UniCredit S.p.A. and its subsidiaries (the "UniCredit Group"), which comprise the balance sheet as of December 31, 2013, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and the related explanatory notes. These consolidated financial statements prepared 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. 38/2005 are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   The consolidated financial statements present the prior year corresponding figures for comparative purposes. As disclosed in the notes, the Company's Directors restated some of the corresponding figures included in the prior year consolidated financial statements audited by other auditors whose report was issued on April 11, 2013. We have examined the methods used to restate the prior year corresponding figures and the related disclosures for the purposes of expressing an opinion on the consolidated financial statements as of December 31, 2013.

3. In our opinion, the consolidated financial statements give a true and fair view of the financial position of the UniCredit Group as of December 31, 2013, and of the results of its operations and its 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. 38/2005.

4. The Directors of UniCredit S.p.A. are responsible for the preparation of a report on operations and a report on the corporate governance and proprietary structures, published in the "Governance" section of UniCredit S.p.A.'s website, in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and the information required by article 123-bis of Italian Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) disclosed in the report on the corporate governance and proprietary structures, with the financial statements to which they refer, as required by law. For this purpose, we have performed the procedures required by the Italian Standard on Auditing n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the report on operations and the information required by article 123-bis of Italian Legislative Decree n. 58/1998 paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) disclosed in the report on the corporate governance and proprietary structures are consistent with the consolidated financial statements of the UniCredit Group as of December 31, 2013.

DELOITTE & TOUCHE S.p.A.

Signed by
Riccardo Motta
Partner

Milan, Italy

April 7, 2014

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

20.4.2 Other information in the Registration Document which has been the subject of auditing by full auditors

The Group's 2016 Condensed Interim Consolidated Financial Statements, prepared in compliance with IAS 34 have been subject to review by External Auditors who issued their report on 15 November 2016. The External Auditor's report is on page 288 of the Consolidated Interim Report as at 30 September 2016 in the annex to the Registration Document. Note that the page number given above refers to the Italian version and the English version of the Consolidated Interim Report as at 30 September 2016.

For the sake of completeness, it should be noted that Chapter 4, Paragraph 4.1.3 of the Registration Document included Issuer's data extracted from the 2016 interim consolidated financial statements subjected to review by the Auditing Company and available on the Issuer's site (*www.unicreditgroup.eu*).

20.4.3 Date of latest financial information

The latest financial information contained in this Chapter has been taken from the Group's Condensed Interim Consolidated Financial Statements as at 30 September 2016. For more information, see Chapter 20, Paragraph 20.5 of the Registration Document.

20.5 Interim and other financial information

The Consolidated Interim Report as at 30 September 2016 is in the appendix to the Registration Document.

To facilitate the identification of the information contained in this document, a list of the pages relating to the main sections of the documents in question is given below:

<u>First nine months of 2016</u>

- Report on consolidated operations: pages 11-44;
- Consolidated Balance Sheet: pages 48-49;
- Consolidated Income Statement: page 50;
- Statement of Consolidated Comprehensive Income: page 51;
- Prospectus of changes in consolidated shareholders' equity: pages 52-55;
- Consolidated Cash Flow Statement: pages 56-58;
- Notes to the Consolidated Financial Statements: pages 59-256;

Note that the page numbers given above refer to the Italian version and the English version of the Consolidated Interim Report as at 30 September 2016.

The consolidated balance sheets for the Group as at 30 September 2016 and 31 December 2015 and the consolidated income statements, consolidated profitability, and consolidated cash flow statements for the periods ended 30 September 2016 and 30 September 2015 as well as the statement of changes in consolidated shareholders' equity for the nine-month period ended 30 September 2016 are illustrated below.

Consolidated Balance Sheet

The table below gives the consolidated balance sheet for the Group as at 30 September 2016 and as at 31 December 2015.

Assets	**As at**		**% Change**
(in millions of Euros)	**30 September 2016**	**31 December 2015**	**30 September 2016 compared with 31 December 2015**
10. Cash and cash equivalents	16,153	10,303	56.8%
20. Financial assets held for trading	94,110	90,997	3.4%
30. Financial assets at fair value through profit or loss	29,682	34,368	-13.6%
40. Available-for-sale financial assets	116,486	109,807	6.1%
50. Financial assets held to maturity	2,195	2,093	4.9%
60. Loans and receivables with banks	76,750	80,073	-4.1%
70. Loans and receivables with customers	480,926	473,999	1.5%
80. Hedging derivatives	5,362	5,368	-0.1%
90. Changes in fair value of portfolio hedged items (+/-)	2,732	2,641	3.4%
100. Equity Investments	6,974	6,577	6.0%
110. Insurance reserves attributable to reinsurers	-	-	-
120. Property, plant and equipment	9,555	10,031	-4.7%
130. Intangible assets	5,678	5,758	-1.4%
of which:			
- *goodwill*	3,591	3,618	-0.7%
140. Tax assets	15,469	15,726	-1.6%
a) current	1,313	1,354	-3.0%
b) deferred tax assets	14,156	14,371	-1.5%
of which Law 214/2011	11,340	11,685	-3.0%
150. Non-current assets and groups of assets held for sale	3,370	2,820	19.5%
160. Other assets	9,085	9,872	-8.0%
Total assets	**874,527**	**860,433**	1.6%

Liabilities	**As at**		**% Change**
(in millions of Euros)	**30 September 2016**	**31 December 2015**	**30 September 2016 compared with 31 December 2015**
10. Deposits from banks	114,983	111,373	3.2%
20. Payables to customers	470,296	449,790	4.6%
30. Debt securities in issue	119,803	134,478	-10.9%
40. Financial liabilities held for trading	68,387	68,918	-0.8%
50. Financial liabilities at fair value through profit or loss	1,509	455	n.s.
60. Hedging derivatives	5,702	6,149	-7.3%
70. Changes in fair value of portfolio hedged items (+/-)	6,096	5,105	19.4%
80. Tax liabilities	1,495	1,529	-2.2%
a) current	864	941	-8.2%
b) deferred	631	587	7.5%
90. Liabilities included in disposal groups classified as held for sale	2,651	1,880	41.0%
100. Other liabilities	17,431	16,282	7.1%
110. Provision for employee severance pay	1,184	1,135	4.3%
120. Provisions for risks and charges	9,849	9,854	-0.1%
a) post-retirement benefit obligations	6,318	5,198	21.5%
b) other provisions	3,531	4,656	-24.2%
130. Insurance provisions	-	-	-
140. Revaluation reserve	(4,944)	(3,977)	24.3%
150. Redeemable shares	-	-	-
160. Equity instruments	1,888	1,888	0.0%
170. Reserves	17,296	14,255	21.3%
180. Issue premiums	14,385	15,976	-10.0%
190. Share capital	20,847	20,258	2.9%
200. Treasury shares (-)	(5)	(8)	-37.5%
210. Minority interests (+/-)	3,906	3,399	14.9%
220. Net profit (loss) for the period (+/-)	1,768	1,694	4.4%
Total liabilities and Shareholders' Equity	**874,527**	**860,433**	1.6%

Consolidated Income Statement

The table below contains the consolidated income statement of the Group for the nine month periods ended 30 September 2016 and 2015.

Items	**As at 30 September**		**% Change**
	2016	**2015**	**2016 compared with 2015**
(in millions of Euros)			
10. Interest income and similar revenues	13,141	14,654	-10.3%
20. Interest expense and similar charges	(4,497)	(6,003)	-25.1%
30. Interest margin	**8,644**	**8,651**	-0.1%
40. Fee and commission income	6,985	7,070	-1.2%
50. Fee and commission expense	(1,177)	(1,199)	-1.8%
60. Net commissions	**5,808**	**5,871**	-1.1%
70. Dividend income and similar revenue	381	390	-2.3%
80. Gains (losses) on financial assets and liabilities held for trading	876	860	1.9%
90. Fair value adjustments in hedge accounting	(33)	(33)	0.0%
100. Gains (losses) on disposal or repurchase of:	733	274	167.5%
a) loans	29	25	16.0%
b) available for sale assets	702	311	125.7%
c) held-to-maturity assets	-	-	-
d) financial liabilities	2	(61)	-103.3%
110. Gains and losses on financial assets/liabilities at fair value through profit or loss	27	35	-22.9%
120. Brokerage margin	**16,436**	**16,048**	2.4%
130. Impairment losses on:	(2,715)	(2,901)	-6.4%
a) loans	(2,746)	(2,910)	-5.6%
b) available for sale assets	(64)	(37)	73.0%
c) held-to-maturity assets	-	-	-
d) other financial assets	94	46	104.3%
140. Net profit from financial activities	**13,721**	**13,147**	4.4%
150. Net premiums	-	-	-
160. Other income (net) from insurance activities	-	-	-
170. Net profit from financial and insurance activities	**13,721**	**13,147**	4.4%
180. Administrative expenses	(11,018)	(10,642)	3.5%
a) staff expenses	(6,387)	(6,298)	1.4%
b) other administrative expenses	(4,631)	(4,343)	6.6%
190. Net provisions for risks and charges	(325)	(287)	13.2%
200. Impairment/Write-backs on property, plant and equipment	(545)	(490)	11.2%
210. Impairment/Write-backs on intangible assets	(382)	(343)	11.4%
220. Other net operating income	852	797	6.9%
230. Operating costs	**(11,418)**	**(10,965)**	4.1%
240. Profit (loss) of associates	532	441	20.6%
250. Gains and losses on property, equipment and investment property and intangible assets measured at fair value	(1)	(2)	-50.0%
260. Impairment of goodwill	-	-	-
270. Gains (losses) on disposal of investments	81	50	62.0%
280. Total profit or loss before tax from continuing operations	**2,915**	**2,671**	9.1%
290. Tax expense related to profit from continuing operations	(816)	(698)	16.9%
300. Total profit (loss) after tax from continuing operations	**2,099**	**1,973**	6.4%
310. Profit (loss) after tax from discontinued operations	12	(152)	-107.9%
320. Net profit (loss) for the year	**2,111**	**1,821**	15.9%
330. Profit (loss) for minority interests	(343)	(280)	22.5%
340. Profit (loss) relating to the Issuer	**1,768**	**1,541**	14.7%
Earnings per share (Euros)	-	-	-
Diluted earnings per share (Euros)	-	-	-

Statement of Consolidated Comprehensive Income

The table below contains the consolidated comprehensive income of the Group for the periods ended 30 September 2016 and 2015.

Items	**As at 30 September**		**% Change**
	2016	**2015**	**2016 compared with 2015**
(in millions of Euros)			
10. Profit (loss) for the period	**2,112**	**1,821**	**16.0%**
Other income components after tax			
20. Property, plant and equipment	-	-	-
30. Intangible assets	-	-	-
40. Defined benefit plans	(859)	201	n.s.
50. Non-current assets classified as held for sale	(6)	-	
60. Revaluation reserves of investments valued at net equity	-	-	-
Other comprehensive income net of tax reclassified to profit or loss			
70. Hedges of foreign investments	-	-	-
80. Exchange differences	200	28	n.s.
90. Cash-flow hedges	(72)	(104)	-30.8%
100. Available-for-sale financial assets	(105)	(8)	n.s.
110. Non-current assets classified as held for sale	-	4	-100.0%
120. Revaluation reserves of investments valued at net equity	(193)	(531)	-63.7%
130. Total other income components net of tax	**(1,035)**	**(411)**	**151.8%**
140. Comprehensive income (item 10+130)	**1,077**	**1,410**	**-23.6%**
150. Consolidated comprehensive income attributable to minority interests	(267)	(244)	9.4%
160. Consolidated comprehensive income attributable to the Issuer	809	1,166	-30.6%

Consolidated Cash Flow Statement

The table below contains the consolidated cash flow statement of the Group for the periods ended 30 September 2016 and 2015.

Consolidated cash flow statement (indirect method)	**As at 30 September**		**% Change**
(in millions of Euros)	**2016**	**2015**	**2016 compared with 2015**
A. OPERATING ACTIVITIES			
1. Operations	**6,514**	**6,912**	**-5.8%**
- profit and loss for the period (+/-)	1,768	1,541	14.7%
- capital gains (losses) on financial assets/liabilities held for trading and on assets/liabilities designated at fair value through profit and loss (+/-)	(1,731)	(994)	74.1%
- capital gains/losses on hedging operations (+/-)	33	33	0.0%
- net impairment losses/writebacks (+/-)	4,309	4,553	-5.4%
- net impairment losses/writebacks on property, equipment and investment property and intangible assets (+/-)	929	835	11.3%
- net provisions for risks and charges and other income/expenses (+/-)	76	332	-77.1%
- uncollected net premiums (+/-)	-	-	-
- other uncollected insurance income and expenses (+/-)	-	-	-
- unpaid tax (+)	749	182	n.s.
- net value adjustments/recoveries for groups of assets held for sale net of the tax effect (-/+)	5	149	-96.6%
- other adjustments (+/-)	376	281	33.8%
2. Liquidity generated/absorbed by financial assets	**(8,423)**	**(33,241)**	**-74.7%**
- held-for-trading financial assets	(1,411)	10,601	-113.3%
- financial assets designated at fair value	4,783	(2,639)	n.s.
- available-for-sale financial assets	(7,160)	(12,547)	-42.9%
- loans and receivables with banks	3,066	(20,870)	-114.7%
- loans and receivables from customers	(10,136)	(10,083)	0.5%
- other assets	2,435	2,297	6.0%
3. Liquidity generated/absorbed by financial liabilities	**9,168**	**30,115**	**-69.6%**
- deposits from banks	4,909	14,552	-66.3%
- deposits from customers	19,459	39,203	-50.4%
- securities in issue	(14,257)	(14,546)	-2.0%
- financial liabilities held for trading	(551)	(9,120)	-94.0%
- financial liabilities designated at fair value	1,054	(112)	n.s.
- other liabilities	(1,446)	138	n.s.
Net liquidity generated/absorbed by operating activities	**7,258**	**3,786**	**91.7%**
B. INVESTMENT ACTIVITIES			
Liquidity generated/absorbed by			
- equity investments	(138)	33	n.s.
- collected dividends on equity investments	84	114	-26.3%
- financial assets held to maturity	(75)	676	-111.1%
- property, plant and equipment	(338)	(399)	-15.3%
- intangible assets	(355)	(367)	-3.3%
- sales/purchases of subsidiaries and divisions	34	29	17.2%
Net liquidity generated/absorbed by investment activities	**(788)**	**86**	**n.s.**
C. FUNDING ACTIVITIES			
- issue/purchase of treasury shares	-	-	-
- issue/purchase of equity instruments	-	-	-
- distribution of dividends and other scopes	(702)	(749)	-6.3%
Net liquidity generated/absorbed by funding activities	**(702)**	**(749)**	**-6.3%**
NET LIQUIDITY GENERATED/ABSORBED DURING THE YEAR	**5,768**	**3,123**	**84.7%**

RECONCILIATION	**As at 30 September**		**% Change**
	2016	**2015**	**2016 compared**
(in millions of Euros)			**with 2015**
Cash and cash equivalents at the beginning of the period	**10,303**	**8,051**	28.0%
Total liquidity generated/absorbed during the period	5,769	3,123	84.7%
Cash and cash equivalents: effect of change in exchange rates	81	8	n.s.
Cash and cash equivalents at the end of the period	**16,153**	**11,182**	44.5%

Statement of changes in equity

The tables below contain the statements of the changes in shareholders' equity of the Group for the periods ended 30 September 2016 and 30 September 2015.

Statement of changes in consolidated shareholders' equity as at 30 September 2016

(in millions of Euros)	Balances as at 31.12.2015	Opening balance changes	Balances as at 01.01.2016	Allocation of result from previous period: Reserves	Allocation of result from previous period: Dividends and other allocations	Changes for the period: Reserve changes	Transactions in shareholders' equity: New share issues	Treasury share purchases	Interim dividends	Extraordinary distribution of dividends	Change in equity instruments	Treasury share derivatives	Stock options	Changes in shareholdings	Comprehensive income for the first nine months of 2016	Total shareholders' equity as at 30.09.2016	Group shareholders' equity as at 30.09.2016	Minority shareholders' equity as at 30.09.2016
Share capital																		
a) ordinary shares	20,722	-	20,722	-	-	(38)	589	-	-	-	-	-	-	57	-	21,330	20,838	492
b) other shares	9	-	9	-	-	-	-	-	-	-	-	-	-	-	-	9	9	-
Issue premiums	17,234	-	17,234	(1,441)	-	(163)	-	-	-	-	-	-	-	231	-	15,861	14,385	1,476
Reserves:																		
a) of profits	9,964	-	9,964	3,160	-	179	(589)	-	-	(158)	-	-	-	783	-	13,339	11,776	1,563
b) other	5,636	-	5,636	-	-	(36)	-	-	-	-	-	-	49	-	-	5,647	5,521	127
Revaluation reserve	(4,002)	-	(4,002)	-	-	-	-	-	-	-	-	-	-	-	(1,035)	(5,037)	(4,944)	(93)
Interim dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity instruments	1,888	-	1,888	-	-	-	-	-	-	-	-	-	-	-	-	1,888	1,888	-
Treasury shares	(11)	-	(11)	-	-	4	-	-	-	-	-	-	-	-		(7)	(5)	(2)
Net profit (loss) for the year	2,046	-	2,046	(1,718)	(329)	-	-	-	-	-	-	-	-	-	2,112	2,112	1,768	343
Total shareholders' equity	**53,486**	**-**	**53,486**	**-**	**(329)**	**(54)**	**-**	**-**	**-**	**(158)**	**-**	**-**	**49**	**1,071**	**1,077**	**55,142**	**51,237**	**3,906**
Group shareholders' equity	50,087	-	50,087	-	(4)	(26)	-	-	-	(158)	-	-	49	479	809	51,236		
Minority shareholders' equity	3,399	-	3,399	-	(325)	(28)	-	-	-		-	-	-	592	268	3,906		

Statement of changes in consolidated shareholders' equity as at 30 September 2015

(in millions of Euros)	Balances as at 31.12.2014	Opening balance changes	Balances as at 01.01.2015	Allocation of result from previous period: Reserves	Allocation of result from previous period: Dividends and other allocations	Changes for the period: Reserve changes	Transactions in shareholders' equity: New share issues	Transactions in shareholders' equity: Treasury share purchases	Transactions in shareholders' equity: Interim dividends	Transactions in shareholders' equity: Extraordinary distribution of dividends	Transactions in shareholders' equity: Change in equity instruments	Transactions in shareholders' equity: Treasury share derivatives	Transactions in shareholders' equity: Stock options	Transactions in shareholders' equity: Changes in shareholdings	Comprehensive income for the first nine months of 2015	Total shareholders' equity as at 30.09.2015	Group shareholders' equity as at 30.09.2015	Minority shareholders' equity as at 30.09.2015
Share capital																		
a) ordinary shares	20,433	-	20,433	-	-	(57)	351	-	-	-	-	-	-	-	-	20,727	20,249	478
b) other shares	9	-	9	-	-	-	-	-	-	-	-	-	-	-	-	9	9	-
Issue premiums	17,224	-	17,224	-	-	3	-	-	-	-	-	-	-	-	-	17,227	15,977	1,251
Reserves:																		
a) of profits	8,523	-	8,523	1,992	-	27	(352)	-	-	(169)	-	-	-	-	-	10,023	8,798	1,225
b) other	6,504	-	6,504	-	-	(155)	-	-	-	-	-	-	71	-	-	6,422	6,295	127
Revaluation reserve	(4,130)	-	(4,130)	-	-	-	-	-	-	-	-	-	-	-	(411)	(4,541)	(4,510)	(31)
Interim dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity instruments	1,889	-	1,889	-	-	-	-	-	-	-	-	-	-	-	-	1,889	1,888	-
Treasury shares	(3)	-	(3)	-	-	(8)	-	-	-	-	-	-	-	-	-	(11)	(8)	(3)
Net profit (loss) for the year	2,388	-	2,388	(1,992)	(396)	-	-	-	-	-	-	-	-	-	1,821	1,821	1,541	280
Total shareholders' equity	**52,836**	**-**	**52,836**	**-**	**(396)**	**(188)**	**-**	**-**	**-**	**(169)**	**-**	**-**	**72**	**-**	**1,410**	**53,565**	**50,238**	**3,327**
Group shareholders' equity	49,390	-	49,390	-	(8)	(212)	-	-	-	(169)	-	-	72	-	1,166	50,239		
Minority shareholders' equity	3,446	-	3,446	-	(387)	24	-	-	-	-	-	-	-	-	244	3,327		

20.6 Dividends policy

Pursuant to Article 32 of the Issuers' Corporate Articles of Association, net income from the financial statements is destined as follows:

a) to the reserve, a share of not less than 10%, provided that the amount of the reserve is equal to the legal maximum, the profit is allocated, as a priority, to the savings shares to the extent set out in letter (b) below;

b) an amount up to five per cent of €63per share is assigned to the savings shares; when a dividend of less than five per cent of €63 per share has been allocated in a year, the difference is calculated as an increase in the preferred dividend in the next two financial years; the earnings remaining, after the allocation of the dividend to the savings shares, are distributed among all the shares so that an increased total dividend is applied to the savings shares, compared with the ordinary shares, to an extent equal to three per cent of the €63 per share;

c) without prejudice to the above, regarding the increased total dividend attached to the savings shares, an amount up to 5% of €63 per share is allocated to the ordinary shares.

   If the capital transactions change the ratio between the amount of share capital and shares issued, the amount set per share pursuant to letters (b) and (c) of this paragraph can therefore be changed;

d) the earnings which remain and which the Shareholders' Meeting resolves to distribute are shared between all the shares in addition to the allocations in (b) and (c) above;

e) the Shareholders' Meeting decides on the destination of the earnings not distributed following the proposal of the Board of Directors.

Based on the Board of Director's proposal, the Shareholders' Meeting may grant to ordinary and savings shareholders the option to request that payment of the dividends indicated in items (b), (c) and (d) above, is to be settled, in full or in part, in cash or through the delivery of ordinary and/or savings shares (scrip dividend), with the same characteristics as ordinary shares outstanding on the assignment date.

If the above option is granted, the Shareholders' Meeting shall, based on the Board of Director's proposal, determine the methods for calculating and assigning ordinary shares and establish the methods for settling payment of the dividend if the above option is not exercised by shareholders.

It is understood that the priority on dividends provided on savings shares pursuant to item (b) above is to be paid in cash unless otherwise instructed by the shareholder.

The Shareholders' Meeting, at the proposal of the Board of Directors, can also approve the creation and increase of extraordinary and special reserves to be also taken from net profit prior to the distributions in letters (c), (d) and (e) above.

The Shareholders' Meeting, at the proposal of the Board of Directors, can allocate a share of the net profit for the period to corporate, welfare or cultural initiatives, to be developed according to the judgement of the Board of Directors itself.

The Issuer can also decide on the distribution of interim dividends where applicable, through the methods and limits permitted by existing legislation.

Also note that, in determining the distribution of the dividends, the Issuer is bound to comply with the "maximum distributable amount" laid down by the prudential regulations applicable and, specifically, by Article 141 of the CRD IV ("*Limits to distributions*"). Also, the ECB, through the Recommendation of 13 December 2016, required all banks to adopt dividend distribution policies that are based on conservative and prudent assumptions that allow them to maintain – at individual and consolidated level – conditions of capital adequacy consistent with the combination of risks assumed, suitable for facilitating alignment to the prudential requirements established by CRD IV and by the CRR and for guaranteeing the coverage of the internal capital levels calculated under the scope of the SREP. Pursuant to the Recommendation of 13 December 2016 (as referred to by the Supervisory Authority in the communication of 15 December 2016 addressed to UniCredit), in defining its dividends policy the Issuer should also take into account compliance with the fully loaded capital ratios.

With reference to the financial year ended 31 December 2016, under the scope of the UniCredit Group rationalisation process (see Chapter 5, para 5.1.5 of the Registration Document), the Central and Eastern European business ("CEE") of UCB Austria was transferred to the Issuer. The transfer of the CEE business was structured as a demerger by absorption in accordance with the Austrian Demerger Act (*Spaltungsgesetz*) from UCB Austria to UCG Beteiligungsverwaltung GmbH, a wholly owned subsidiary of the Issuer, and a subsequent cross-border merger of UCG Beteiligungsverwaltung GmbH into the Issuer in accordance with the Austrian EU-Merger Act (*EU-Verschmelzungsgesetz*), Legislative Decree 108 of 30 May 2008 and the Civil Code, which took effect simultaneously. In accordance with the Austrian Demerger Act, the Austrian EU-Merger Act, Legislative Decree 108 of 30 May 2008 and the Civil Code, assets and liabilities pertaining to UCB Austria's CEE business unit were transferred through universal legal succession by operation of law.

The transaction was completed with legal effect from 1 October 2016 and with accounting effects backdated to 1 January 2016.

For accounting purposes this transaction comes under the scope of the corporate reorganisation operations within the actual group (business combination under common control) without the participation of third-party economies, the treatment of which does not come under the scope of the application of international accounting principles. For the purpose of the separate financial statements, the Issuer therefore referred to the document "Assirevi preliminary guidelines on IFRS (OPI No. 2 - Accounting treatment of mergers in the financial statements"); this document involves the possibility of the cancellation difference between the cost of the investment and the corresponding portion of the shareholders' equity of the incorporated business being allocated to the asset income of the business incorporated and to any goodwill up to the values expressed in the consolidated financial statements at the same effective accounting date.

Through the accounting of this transaction in the above way it is possible that if the consolidated value of the assets of the subsidiary business do not have sufficient capacity to absorb the cancellation difference in the previous paragraph, there could be a negative effect, possibly significant, on the separate shareholders' equity of the Issuer to cover other types of reserves and that could affect the capacity of the latter to distribute dividends.

Lastly, note that the 2016-2019 Strategic Plan involves no dividend being paid out for the year ended 31 December 2016, while an implicit pay-out of 20% is planned over the timeframe of the plan as well as a cash dividend policy with a dividend pay-out ratio of between 20% and 50%, without prejudice to the need for the necessary approval by the Ordinary Shareholders' Meetings (see Chapter 13, Paragraph 13.1.5 of the Registration Document).

20.7 Amount of dividend per share

The table below contains the dividends approved in the years 2016, 2015 and 2014 following the profits made in the years 2015, 2014 and 2013, respectively.

	31.12.2015	**31.12.2014**	**31.12.2013**
No of ordinary shares	5,882,367,465(1)	5,782,839,077(2)	5,700,904,053(3)
Gross dividend per ordinary share (Euro)	0.12	0.12	0.10
No of savings shares	2,480,677	2,449,313	2,423,898
Gross dividend per savings share (Euro)	0.12	1.065(4)	0.10
Distributable cash approved (Euro)	706,181,777.04	696,554,267,756	570,332,795.10

(1) The dividend is distributed for a total of 5,884,848,142 ordinary and savings shares: it does not include the 47,600 treasury shares and 96,756,406 ordinary shares for servicing the Cashes issued during the share capital increase of February 2009.

(2) The dividend is distributed for a total of 5,785,288,390 ordinary and savings shares: it does not include the 47,600 treasury shares and 96,756,406 ordinary shares for servicing the Cashes issued during the share capital increase of February 2009.

(3) The dividend is distributed for a total of 5,703,327,951 ordinary and savings shares: it does not include the 47,600 treasury shares and 96,756,406 ordinary shares for servicing the Cashes issued during the share capital increase of February 2009.

(4) Gross dividend per savings share €0.12 and preferred dividend per savings share €0.315 (2014), plus preferred dividend per savings share €0.630 (2012-2013).

For the sake of completeness, not that:

- The shareholders' meeting of the Issuer of 14 April 2016 resolved during the approval, *inter alia*, to grant a dividend from accumulated profits, to be implemented in the form a scrip dividend, of a total of €706,181,777.04, giving shareholders who own ordinary shares and owners of savings shares, new shares of the same kind from a free of charge capital increase, without prejudice to the right of renouncing the granting of these shares and receiving the payment of the dividend in cash. Through the announcement to the market of 3 May 2016, when the payment of the dividend from the profit reserves in the form of a scrip dividend was paid, approximately 78% of those with rights received the dividend in shares. In execution of the capital increase to service the scrip dividend, 198,646,706 new ordinary shares and 44,219 savings shares were issued;

- the shareholders' meeting of the Issuer held on 13 May 2015 approved, *inter alia*, to allocate the profit recorded in the year ended 31 December 2014 (equal to €79,774,102.79) as follows: to the 2,449,313 savings shares (i) a preferred dividend with reference to 2014 of €0.315 per share, equal to an amount of €771,533.60; and (ii) a preferred divided with reference to 2012 and 2013 – for which it was not paid – €0.630 per share, equal to €1,543,067.19. The shareholders' meeting approved the distribution to shareholders of a dividend from accumulated profits of €694,239,666.96, to be implemented in the form of a scrip dividend, giving shareholders who own ordinary shares and owners of savings shares of the Issuer, new shares of the same kind from a free of charge capital increase, without prejudice to the right of renouncing the granting of these shares and receiving the payment of the dividend in cash. Through the announcement to the market of 05 June 2015, when the payment of the dividend from the profit reserves in the form of a scrip dividend was paid, approximately 75% of those with rights received the dividend in shares. In execution of the capital increase to service the scrip dividend, 87,534,728 new ordinary shares and 31,364 savings shares were issued;

- the shareholders' meeting of the Issuer held on 13 May 2014 approved, *inter alia*, the distribution to shareholders from accumulated profits, of a total of €570,332,795.10 equal to €0.10 per (ordinary and savings) share gross of legal withholdings. Specifically, the shareholders' meeting approved the payment in the form of a scrip dividend giving shareholders who own ordinary shares and owners of savings shares of the Issuer, new shares of the same kind from a free of charge capital increase, without prejudice to the right of renouncing the granting of these shares and receiving the payment of the dividend in cash. Through the announcement to the market of 11 June 2014, when the payment of the dividend from the profit reserves in the form of a scrip dividend was paid, approximately 70% of those with rights received the dividend in shares. In execution of the capital increase to service the scrip dividend, 65,621,091 new ordinary shares and 25,415 savings shares were issued.

20.8 Legal and arbitration proceedings and proceedings connected to actions of the supervisory authorities

20.8.1 Legal and arbitration proceedings

As at the Registration Document Date, UniCredit and other UniCredit Group companies are defendant in several legal proceedings. In particular, as of 30 September 2016, the Issuer and other UniCredit Group companies were defendants in about 26,000 legal proceedings (excluding labour law, tax cases and credit recovery actions under the scope of which counterclaims were submitted 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 the UniCredit Group may not lawfully know about or communicate.

The Group is also required to deal appropriately 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 the Group to damages claims, regulatory fines, other penalties and/or reputational damages. In addition, one or more Group companies and/or their current and/or former directors at the Registration Document are subject to investigations by the relevant supervisory or prosecutorial authority in a number of countries in which it 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 the relevant Group companies and/or its clients. Given the nature of the UniCredit Group's business and its reorganisation over time there is a risk that claims or matters that initially involve one Group company may affect or involve other Group entities.

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 rulings for which the amount of any claims for compensation and/or potential liabilities that the Group is responsible for is not or cannot be determined according to the claim presented and/or the nature of the actual proceedings. In such cases, given the impossibility of reliably predicting possible outcomes, no provisions have been 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, or any of the Group companies involved, 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 labour law, tax cases and credit recovery actions), the UniCredit Group set aside a provision for risks and charges of €601 million as at 30 September 2016. The total amount claimed as at 30 September 2016 (with reference to legal proceedings excluding labour law, tax cases and credit recovery actions) was €11,839 million. That figure reflects the inconsistent nature of the pending disputes and the large number of different jurisdictions, as well as the circumstances in which the UniCredit Group is involved in counterclaims.

The estimate for reasonably possible liabilities and this provision are based upon information available as at the reference date, 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 entirely meet 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 the UniCredit Group which are not considered groundless or in the ordinary course of the Group's business.

This section also describes pending proceedings against UniCredit and/or other UniCredit Group companies and/or employees (even former employees) that UniCredit considers relevant and which, as at the Registration Document Date, 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 in Paragraphs 20.8.2 and 20.8.3 of this Chapter. In accordance with IAS 37, information that would seriously prejudice the relevant company's position in the dispute may be omitted.

It should be noted, finally, that as of the Date of the Registration Document the nature and the total amount of counterclaims formulated in the context of proceedings for recovery of credits initiated by the Issuer and/or by the other companies of the Group is not significant.

Madoff

Background

UniCredit 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.

Madoff or BLMIS and the UniCredit Group were principally connected as follows:

- Pioneer Alternative Investment Management Limited ("**PAI**"), an indirect subsidiary of UniCredit and part of the Alternative Investments division of Pioneer, investment manager and/or investment advisor for the Primeo funds (including the Primeo Fund Ltd (now in official liquidation) ("**Primeo**")) and other non-US funds-of-funds that had invested in other non-US funds with accounts at BLMIS;

- before PAI, BA Worldwide Fund Management Ltd ("**BAWFM**"), an indirect subsidiary of UCB Austria, had been Primeo's investment adviser. BAWFM also performed investment advisory functions for some time for Thema International Fund plc ("**Thema**"), a non-US fund that had an account at BLMIS;

- some UCB Austria customers purchased shares in Primeo funds that were held in their accounts at UCB Austria;

- UCB Austria owned a 25% stake in Bank Medici AG ("**Bank Medici**"), a defendant in certain proceedings described below;

- UCB Austria acted in Austria as the prospectus controller under Austrian law in respect of Primeo and the Herald Fund SPC ("**Herald**"), a non-US fund that had an account at BLMIS; and

- UCB AG (then Hypo- und Vereinsbank AG ("**HVB**")) issued notes for which the return was to be calculated by reference to the performance of a synthetic hypothetical investment in Primeo.

<u>*Proceedings in the United States*</u>

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 approximately sixty defendants, including HSBC, UniCredit and certain of its affiliates (*i.e.* PAI, PGAM, UCB Austria, BAWFM and Bank Austria Cayman Islands Ltd) (the "**HSBC**" case).

In the HSBC Appeal the SIPA Trustee had made requests for a total of more than USD 6 billion (to be quantified subsequently in the course of proceedings) against all 60 defendants, in relation to infringements of *common law* (*i.e.* complaints relating to the aid and support in the context of violations by BLMIS) and actions for annulment (also called revocatory actions). No further separate proceedings were initiated in respect of the UniCredit Group.

All claims with respect to UniCredit and of other companies of the UniCredit Group, both relating to *common law* claims and those related to revocatory actions, were rejected without any possibility of appeal, with the exception of (i) UCB Austria, with respect to which the SIPA Trustee on 21 July 2015 has voluntarily renounced, with possibility to appeal, the revocatory actions against UCB Austria; and (ii) BAWFM, where, on 22 November 2016, the bankruptcy court has issued a judgement rejecting the revocatory actions brought against BAWFM. The SIPA Trustee has the right to appeal the decision of the bankruptcy court with respect to revocatory actions brought against BAWFM and has expressed its willingness to appeal. However, in the case such an appeal is favourable for the SIPA Trustee, any compensation for damages is not significant and, therefore, has no peculiar risk for the UniCredit Group. Furthermore, at the Date of the Registration Document, to the knowledge of the Issuer, there are no further processes promoted by parties other than the SIPA Trustee in relation to this matter.

Claim by SPV OSUS Ltd

UniCredit 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 12 December 2014, by SPV OSUS Ltd. The complaint asserts common law based claims, only of a compensation nature, against all defendants of aiding and/or 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

Some investors in Primeo and Herald Funds have filed various civil proceedings in Austria. As of the Date of the Registration Document 65 proceedings remain pending, with an *overall petitum* of €21.7 million plus interest, including 52 proceedings pending before the court of first instance, 10 pending before the Court of Appeal and 3 proceedings still in progress of extraordinary appeals to the Supreme Court (the expiry of the terms for the filing of the aforementioned extraordinary appeals is set for the first months of 2017). The claims in these proceedings regard 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, 9 final Austrian Supreme Court decisions have been in favour 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 favour of the claimant. With respect to the Herald fund, the Austrian Supreme Court ruled five times with respect to prospectus liability, twice in favour of UCB Austria and three times in favour of the claimant.

In a prospectus liability case with Primeo and Herald investments the Austrian Supreme Court ruled in favour of UCB Austria. While the impact of the aforesaid decisions of the Austrian Supreme Court on the remaining pending Herald cases at the Registration Document Date 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. At the Date of the Registration Document, investigations relating to these proceedings are in progress and the Austrian Public Prosecutor has not formulated official criminal charges against UCB Austria, therefore it is not possible to evaluate what any sanctions against UCB Austria might be as well as any joint liability.

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, 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, its subsidiaries, their respective employees or former employees or entities with which UniCredit 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, as at the Registration Document Date, 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.

Alpine Holding GmbH

Alpine Holding GmbH (a limited liability company) undertook a bond offering in every year from 2010 to 2012. In 2010 and 2011, UCB Austria acted as joint lead manager, together with another bank. In June/July 2013, Alpine Holding GmbH and Alpine Bau GmbH became insolvent and insolvency proceedings began. Numerous bondholders then started to send letters to the banks involved in issuing the bonds, setting out their claims.

Insofar as UCB Austria is concerned, bondholders based their claims primarily on prospectus liability of the joint lead managers; only in a minority of cases did they also claim misselling due to bad investment advice by the banks that sold the bonds to their customers. As of the Registration Document Date, UCB Austria, among other banks, has been named as defendant in civil proceedings initiated by investors including three class actions filed by the Federal Chamber of Labour (with the claimed amount totalling about €20.5 million). The principal claim is prospectus liability. These civil proceedings are mainly pending in the first instance.

As at the Registration Document Date, no final decisions have been issued against UCB Austria. In addition to the foregoing proceedings against UCB Austria stemming from the Alpine insolvency, additional Alpine-related actions have been threatened and may be filed in the future. The pending or future actions may have negative consequences for UCB Austria. As at the Registration Document Date, it is not possible to estimate reliably the timing and results of the various actions, nor determine the level of liability, if any.

In addition, at the Registration Document Date, various people in Austria are accused in the existing criminal proceedings involving the bankruptcy of Alpine Holding GmbH and UCB Austria has intervened in these proceedings as a civil party. At the Registration Document Date investigations are also in progress involving joint lead managers (including those of UCB Austria); however, at this date, no indictments have been made with regard to employees of UCB Austria and these proceedings are at the investigatory stage.

Proceedings arising out of the purchase of UCB AG by UniCredit and the related group reorganisation

Squeeze-out of UCB AG minority shareholders (Appraisal Proceeding)

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 when they were squeezed out (Appraisal Proceeding), equal to €38.26 per share. The dispute mainly concerns the valuation of UCB AG which represents the basis for calculation of the amount due from UniCredit to the former minority shareholders. UniCredit believes that the amount paid to the minority shareholders was adequate. As at the Registration Document Date, the proceeding is pending in the first instance. The District Court of Munich, Bavaria, as is the practice in proceedings of this nature, appointed several experts for the valuation of UCB AG at the time of the squeeze-out. The experts appointed by the above Court are finalising their respective written opinion, which is expected to be submitted to the District Court of Munich, Bavaria between the end of the first quarter and the beginning of the second quarter of 2017. At present, there are no indications as far as the conclusions of the court-appointed experts are concerned. All parties will have the opportunity of making observations and it is assumed that the court will hold an oral hearing later on. Therefore it will be up to the court of the first instance to decide with regard to the claim made by the former minority shareholders, based on the opinions of the experts and the legal questions significant for the decision of the above court. The first instance decision is subject to appeal. Therefore, 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 having to pay additional cash compensation to the minority shareholders. At this stage of the proceedings, it is not possible to estimate the disputed amount.

Squeeze-out of UCB Austria's minority shareholders (Appraisal Proceeding)

In 2008, approximately 70 former minority shareholders in UCB Austria initiated proceedings before the Commercial Court of Vienna claiming that the squeeze-out price equal to €129.4 per share paid to them 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, 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 Gremium finalised his opinion on the adequacy of the price already paid during the squeeze-out. In May 2013 an additional opinion was finalised. The results of these opinions are, broadly speaking and in the Issuer's opinion, positive for UniCredit. As a result of several questions of a formal nature, the proceedings before Gremium have not yet been finalised. An oral hearing before Gremium will be held later in 2017. If an out-of-court settlement is not reached at this hearing, Gremium will refer the case to the Commercial Court of Vienna which will decide with regard to the valuation of the above-mentioned price and with regard to the legal issues. At the date of the Registration Document, the lawsuit is pending at first instance. At the current stage of proceedings it is not possible to estimate the amount under dispute.

Financial sanctions matters

In the years prior to the Registration Document Date, 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. The Issuer 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 at the date of the Registration Document. Each UniCredit Group entity subject to investigations is updating its regulators as appropriate.

It is also possible however that investigations into historical compliance practices may be extended to other companies within the UniCredit Group or that new proceedings may be commenced against the Issuer and/or the Group.

These investigations and/or proceedings into certain Group companies could result in the Issuer and/or the Group being required to pay material fines and/or being the subject of criminal or civil penalties (which at the Registration Document Date cannot be quantified).

The Issuer and the Group companies have still 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 may occur in connection therewith.

While the timing of any agreement with the various U.S. authorities is currently not determinable at the Registration Document Date, it is possible that the investigations into one or all of the Group companies 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. As at the Registration Document Date, the Issuer and the Group companies have no reliable basis on which to compare the ongoing investigations relating to any settlements involving other European institutions; however, it is not possible to assure that any such settlement 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 the Group's net assets and net results and those of one or more of its subsidiaries. Such an adverse outcome to one or more of the UniCredit Group companies subject to investigation could have a material adverse effect also from the reputational point of view and impact the business and the income statement, capital and/or financial position of the Group as well as its ability to comply with capital requirements.

Proceedings related to claims for withholding tax credits

On 31 July 2014, the Supervisory Board of UCB AG concluded its internal investigation into the cum-ex transactions (the trading of equities around dividend dates and claims for withholding tax credits) at UCB AG. The findings of the Supervisory Board's investigation indicated that UCB AG sustained losses due to certain past acts/omissions of individuals.

The Supervisory Board has thus taken appropriate action. The Supervisory Board has submitted a claim for compensation against three individual former members of the management board, not deeming it appropriate to take any action against the members in office at the Registration Document Date. UniCredit, UCB AG's parent company, supports the decisions taken by the Supervisory Board. In addition, criminal investigations have been conducted against current or former employees of UCB AG by the prosecutors in Frankfurt on the Main, Cologne and Munich with the aim of verifying alleged tax evasion offences on their part. UCB AG is collaborating with the aforesaid prosecutors who have been investigating offences that include possible tax evasion in connection with cum-ex transactions both for UCB AG's own book as well as for a former customer of UCB AG. Proceedings in Cologne against UCB AG and its former employees were closed in November 2015 by the payment by UCB AG of a fine of €9.8 million. The investigations by the Frankfurt on the Main prosecutor against UCB AG under section 30 of the Administrative Offences Act (the "*Ordnungswidrigkeitengesetz*") were closed by the payment of a fine of €5 million. The investigation by the Munich prosecutor is ongoing and at the Date of the Registration Document no amount has yet been determined by the Munich prosecutor.

UCB AG will continue to cooperate with the Prosecutor. In relation to these matters, UCB AG could be subject to tax and interest claims, as well as further penalties, administrative fines and profit or revenue claw backs. As at the Registration Document Date, UCB AG is in communication with its relevant Supervisory Authorities and the competent tax authorities regarding these matters. It remains to be clarified whether, and under what circumstances, the taxes can be applied or refunded with regard to several types of transactions carried out close to the distribution of dividends. UCB AG has made provisions deemed appropriate for the risk.

Proceeding relating to certain forms of banking transactions

The UniCredit Group is defendant in several proceedings relating to matters connected to its own operations with clients that are not specific to the UniCredit Group but involve the financial sector as a whole.

In this regard, note (i) the dispute relating to the phenomenon of compound interest, typical of the Italian market, with regard to which as at 30 September 2016, the total amount claimed against the Issuer stood at Euro 1,146 million, including mediation; (ii) the dispute linked to derivative products, relating mainly to the Italian market (with regard to which as at 30 September 2016, the total amount claimed against the Issuer stood at Euro 887 million, including mediation) and the German market (with regard to which as at 30 September 2016, the total amount claimed against UCB AG stood at Euro 137 million); as well as (iii) the dispute connected to the loans in foreign currency, mainly relating to CEE countries (with regard to which as at 30 September 2016, the total amount claimed stood at approximately €4,413 thousand).

The disputes relating to compounding of interest regards the request, made by the clients, for damages arisen from the alleged unlawfulness of the calculation methods of the amount of interest payable related to certain banking contracts. Starting from the first years of 2000, a progressive increase of actions brought by the account holders has occurred, 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. As at the Registration Document Date, the Issuer has made provisions that the Issuer 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 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 and its Group companies. As at the Registration Document Date, it is impossible to assess the full impact of such legal challenges on the Group.

With respect to proceedings relating to foreign currency loans, in the last decade, a significant number of customers in the Central and Eastern Europe area took out loans and mortgages denominated in a foreign currency ("**FX**"). In a number of instances customers, or consumer associations acting on their behalf, have sought to renegotiate the terms of such FX loans and mortgages, including having the loan principal and associated interest payments redenominated in the local currency at the time that the loan was taken out, and floating rates retrospectively changed to fixed rates. In addition, in a number of countries legislation that impacts FX loans was proposed or implemented. These developments resulted in litigation against subsidiaries of UniCredit in a number of CEE countries including Croatia, Hungary, Poland, Romania, Slovenia and Serbia.

More specifically, in Croatia, Zagrebačka banka ("**Zaba**") successfully defended a challenge brought by a consumer association against the validity of FX loans, with the Supreme Court finding in April 2015 that FX loans and the related currency clause were lawful. As the Court held that the variable interest rate clause was however in principle unfair, this has resulted in individual customers bringing lawsuits to challenge the validity of the interest charged.

Following the implementation of a new law in Croatia in September 2015 that purported to rewrite the terms of FX loan contracts, a number of these lawsuits were withdrawn as customers took advantage of the benefits of the new law. Zaba is of the view that the law is unlawful and has challenged it before the Croatian Constitutional Court. As at the Registration Document Date, the outcome of that challenge is awaited.

In September 2016, UCB Austria and Zaba also initiated a claim against the Republic of Croatia under the Agreement between the Government of the Republic of Austria and the Government of the Republic of Croatia for the promotion and protection of investments in order to recover the losses suffered as a result of amendments in 2015 to the Consumer Lending Act and Credit Institutions Act mandating the conversion of Swiss franc-linked loans into Euro-linked. In the interim, Zaba complied with the provisions of the new law and adjusted accordingly all the respective contracts where the customers requested so. In Hungary, there was comprehensive legislation in 2014 requiring the compulsory conversion of foreign currency based retail home loans into forint based ones, as well as on the compensation banks had to pay to clients, with which the bank complied. Some legacy litigation remains pending. As at the Registration Document Date, it is not possible to reliably assess the ultimate impact of these developments, the timing of any final court decisions, how successful any litigation may ultimately be or what financial impact it or any associated legislative or regulatory initiatives might ultimately have on the individual subsidiaries or the UniCredit Group.

Medienfonds/closed-end funds

As at the Registration Document Date, 181 proceedings are pending (out of an original total of 1,508 proceedings) with regard to "VIP Medienfonds 4 GmbH & Co. KG" cases with prospectus liability. The total amount claimed as at 30 September 2016 was €30,234,061.80. With regard to these proceedings, UCB AG has made provision deemed by it to be consistent to cover the risk of lawsuits.

With reference to these proceedings, it is specified that various UCB AG customers bought shares – which were not sold by UCB AG – in a fund known as VIP Medienfonds 4 GmbH & Co. KG (the "**Medienfonds Fund**"). UCB AG only granted loans to all private investors for a part of the amount invested in the Medienfonds Fund, and assumed specific payment obligations of certain film distributors with respect to the Medienfonds Fund.

Initially, the investors enjoyed certain tax benefits, which however were later revoked by the tax authorities. The Medienfonds Fund initiated a fiscal proceeding relating to the admissibility of its structure from the tax point of view for fiscal year 2004. As at the Registration Document Date, no final decision has been rendered as to whether the tax benefits were rightfully revoked in the first place and the proceedings relating to the admissibility of the tax position of the Medienfonds Fund for the 2004 tax year are pending.

A general settlement has been reached with the vast majority of the investors. In parallel, a test case had been brought pursuant to the Capital Markets Test Case Act (*Kapitalanleger-Musterverfahrensgesetz*) before the Higher Regional Court of Munich (and referred back to the Higher Regional Court of Munich by the German Federal Court of Justice) regarding the question of Hypo- und Vereinsbank AG's (as at the Registration Document Date, UCB AG) liability for the prospectus. Without prejudice to several uncertainties relating to the pre-trial stage (such as the assumption and the evaluation of the evidence by the Regional High Court of Munich within its jurisdiction) – in the Issuer's opinion it is reasonable to predict that the UCB AG's prospectus liability will not be declared in the pending proceedings pursuant to the *Kapitalanleger-Musterverfahrensgesetz*. Specifically, with regard to the alleged violation of disclosure obligations relating to several items from the decisions of the Regional High Court of Munich, it is possible to believe that the overall possibility of success for the plaintiffs in the remaining pending proceedings is limited. In any event, from the time that the Medienfonds Fund liquidation process progressed significantly, these risks may not manifest themselves in an amount that is comparable to the original amount estimated for the proceedings. In the light of the out-of-court settlement reached with the majority of investors described above (which includes the waiver of any further claim), the final decision, which at the Date of the Registration Document has not yet been made, will only have an impact on a few remaining pending cases.

Furthermore, as at the Registration Document Date, UCB AG is defending lawsuits concerning other closed-end funds. The economic background of these lawsuits is often linked to a modified view of the tax authorities with regard to tax benefits originally envisaged, and these proceedings refer to alleged violations of individual obligations by UCB AG and prospectus liability. Specifically, with regard to a mutual fund investing in heating plants, 145 investors have proposed legal action against UCB AG on the basis of individual violations of the prospectus obligations and liabilities, for a total amount claimed of Euro 12 million. In this regard note that, following a test case proposed in accordance with the *Kapitalanleger-Musterverfahrensgesetz* before the Regional Court of Munich against UCB AGI, most of the proceedings were suspended. The hearings in this test case were conducted and will continue to take place for a significant period of time. The outcome of this test case will depend on the results of these hearings and, *inter alia*, on the opinion of several experts, and is difficult to predict. However, following the positive completion of the sale of several heating systems, the income generated by the above-mentioned fund and its anticipated liquidation, several negotiations have been launched with the aim of reaching a settlement agreement on the entire issue with favourable commercial terms. These negotiations have reached a promising stage and the majority of proceedings should be concluded in 2017. Following these negotiations, the maximum amount of this transaction is estimated at around Euro 7 million and UCB AG has made suitable provision to hedge the risk for the case.

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 a company controlled indirectly by the Issuer. 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, in conjunction with negotiations 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 the Issuer were also named as defendants, by virtue of their respective corporate affiliation with VCA as described above. 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 USD 365 million (equal to approximately €351 million[107]).

In 2012, VCA reached an agreement with the ERB, SIC and State of New Mexico for an amount equal to USD 24.25 million (equal to approximately €23.31 million[108]) to settle all claims brought or threatened by or on behalf of the State of New Mexico or any of its agencies or funds. The amount of the transaction was deposited as a guarantee (escrow). The settlement is contingent on the Court's approval, but that process was temporarily

[107] Euro/USD exchange rate equal to 1.0401 (ECB foreign exchange reference rate on 28 December 2016).

[108] Euro/USD exchange rate equal to 1.0401 (ECB foreign exchange reference rate on 28 December 2016).

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 at the Registration Document Date. If the transaction were to be approved, the amount held in an escrow account will be paid to the State of New Mexico and VCA, Pioneer Investment Management USA Inc., PGAM and the Issuer will be exempt from any claim that has been or could be raised by or on behalf of the State of New Mexico or any of its agencies or funds.

<u>Other litigations</u>

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 USD 98-348 million (equal to €94 and €335 million respectively[109]). The defendants deny all the claims. In January 2017, VCA reached an out-of-court settlement for all proceedings. All costs will be paid by the insurance. The parties are expecting to implement the out-of-court settlement soon.

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 as at the Registration Document Date, "UniCredit") 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. (as at the Registration Document Date, "UniCredit"). The petition 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 claimant a total of €276.6 million as well as legal fees and interest. It also seeks the nullification of a

[109] Euro/USD exchange rate equal to 1.0401 (ECB foreign exchange reference rate on 28 December 2016).

settlement that the parties reached in 2005 under which Divania had agreed to waive any claims in respect of the transactions.

UniCredit rejects Divania demands. Without prejudice to its rejection of liability, it 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 claimant's demands. In 2010 the report of the Court- named expert witness submitted a report that broadly 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 claimant, 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's 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. Through the ruling published on 16 January 2017 the Court declared it was not competent to decide on part of the plaintiff's claim and ruled that UniCredit should pay the bankruptcy trustee Divania the total amount of approximately Euro 7.6 million plus statutory interest and part of the costs. As at the Date of the Registration Document UniCredit intends to appeal.

Another two 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 to pay approximately €12.6 million plus costs. UniCredit 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 decision has become a final judgment.

UniCredit has made a provision for an amount it deems appropriate to cover the risk of the lawsuit.

Valauret S.A.

In 2004, Valauret S.A. and Hughes de Lasteyrie du Saillant filed a civil claim for losses resulting from the drop in the share price between 2002 and 2003, allegedly caused by earlier fraudulent actions by members of the company's board of directors and others. UCB Austria (as successor to Creditanstalt) was joined as the fourteenth defendant in 2007 on the basis that it was banker to one of the defendants. Valauret S.A. is seeking damages of €129.8 million in addition to legal costs and Hughes de Lasteyrie du Saillant damages of €4.39 million.

In 2006, before the action was extended to UCB Austria, the civil proceedings were stayed following the opening of criminal proceedings by the French State that are pending as at the Registration Document Date. In December 2008, the civil proceedings were also stayed against UCB Austria. In UCB Austria's opinion, the claim is groundless and at the Registration Document Date no provisions have been made.

I Viaggi del Ventaglio Group (IVV)

In 2011 a lawsuit was filed with the Court of Milan by foreign companies IVV DE MEXICO S.A., TONLE S.A. and the bankruptcy trustee IVV INTERNATIONAL S.A. for approximately €68 million. In 2014 two further lawsuits were filed with the Court of Milan by the bankruptcy trustees of IVV Holding S.r.l. and by IVV S.p.A. 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. As at the Registration Document Date and according to the preliminary activity carried out, UniCredit's view is that the claims appear to be groundless. In particular (i) UniCredit won in first instance the first lawsuit (petitum equal to approximately €68 million) and in July 2016 and September 2016 the plaintiffs filed an appeal against the decision, and the next hearing is scheduled for February 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 preliminary motions were dismissed including the expert witness report, and the judge set a hearing for the detailed conclusions for March 2017; and (iii) lastly, with regard to the third lawsuit (a claim amounting to approximately €170 million), at the Registration Document Date it is at the pre-trial stage and the requests formulated by the judge to the expert do not concern the Issuer. 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 in the Court of Rome seeking the return of approximately €12 million for compound interest (including alleged usury component) and €400 million for damages. Conclusions are being heard. The company then went bankrupt. As at the Registration Document Date, UniCredit's initial view is that no provisions are to be made.

Mazza Group

The lawsuit comes from criminal proceedings before the Court of Rome for illicit lending transactions of disloyal employees of the UniCredit 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 at the Registration Document Date merged by incorporation into the Issuer).

The criminal proceedings 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 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 the Issuer.

At the Registration Document Date two lawsuits are pending for compensation claims against UniCredit:

(i) the first launched in June 2014 by the Mazza notary, convening UniCredit before the Court of Rome claiming compensation for damage allegedly suffered following the criminal complaint brought by the former Banca di Roma S.p.A. The plaintiff draws inspiration from 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

(ii) the second launched in March 2016 by Como S.r.l. and Camillo Colella, which brought UniCredit before the Court of Rome claiming damages 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.

These lawsuits currently appear unfounded in UniCredit's opinion and at the Registration Document Date are at the pre-trial stage. The Issuer has made the provision it deems consistent to cover the risk resulting from unlawful credit transactions, which is essentially equal to the residual credit of the Issuer.

Di Mario Group

As at the Registration Document Date, nine lawsuits are pending: one claw-back action pending in the first instance and other eight damage/ordinary revocatory claims for, in total, €157.1 million (the last two claims for approximately €29.5 million were notified in December 2016), which allege that UniCredit (together with other banks) facilitated debt restructuring agreements aimed at sterilising the risk of possible claw-back actions and obtaining privileges.

At the Registration Document Date, four of these lawsuits are in the preliminary stages (with the first hearings set, respectively, for the end of January 2017, March and April 2017), two at the pre-trial stage (specifically: (i) in the first proceedings the judge at the hearing reserved the right to rule on the preliminary motions; and (ii) in the second proceedings the judge arranged an expert witness setting the hearing for filing the report in February 2017, and three proceedings came to a close: i) one in October 2016 with the ruling to reject the plaintiff's claims, (ii) another with an unfavourable ruling announced on 3 January 2017 which will be appealed against by the Issuer, which believes the reasoning is censurable from various aspects; and (iii) a last one on 17 January 2017 with the ruling to reject the plaintiff's claims.

As at the Registration Document Date, UniCredit considers these damage/ordinary revocatory claims to be groundless. The Issuer has made a provision for an amount that it deems appropriate to handle the risk of action.

Disposal by Nuova Compagnia di Partecipazioni S.p.A. of the "oil" business

With reference to the disposal by Nuova Compagnia di Partecipazioni S.p.A. – formerly Italpetroli S.p.A. – ("**NCP**") of the "oil" business closed on 28 November 2014, the buyer Ludoil Energy S.r.l. ("**Ludoil**") had raised some claims about:

- 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.

With reference to such claims, NCP obtained a legal opinion confirming that there are not, at this stage, elements that make the claims brought by Ludoil in relation both to the validity of the contract and the “replenishing of the investments occurred”, able to classify the potential liability that could arise, is probable or even possible.

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 1 February 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 released an opinion confirming that it is reasonable for UniCredit to consider unfounded the requests of cancellation of the disposal contract.

In this context, in March 2016, SO.DE.CO. S.r.l., controlled by Ludoil, filed a damage claim for approximately €94 million against its former directors of NCP, NCP, UniCredit 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, in their respective capacities as controlling entity and managing and coordinating entity, for having allegedly breached the principles of sound corporate management. At the Registration Document Date the case is in the pre-trial stage and the next hearing is set for March 2017.

Criminal proceedings

At the Registration Document Date, the UniCredit Group and its representatives (including those no longer in office), are involved in various criminal proceedings and/or, as far as the Issuer is aware, are the subject of investigations by the competent authorities aimed at checking any liability profiles of its 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 the Registration Document Date, these criminal proceedings have not had significant negative impacts on the operating results and capital and/or financial position of the Issuer; however there is the risk that if the Issuer and/or other UniCredit Group companies or their representatives (including those no longer in office) were to be convicted following the confirmed violation of provisions of criminal significance, this situation could have an impact on the reputation of the Issuer and/or the UniCredit Group.

For the sake of completeness, note that on 13 October 2016 the Issuer was notified by the Public Prosecutor at the Court of Tempio Pausania of a notice pursuant to Article 415-*bis* (*notice of the conclusion of the preliminary investigations)* of 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 Banca del Mezzogiorno – MedioCredito Centrale S.p.A. ((“**MCC**”), later renamed “Capitalia Merchant S.p.A.”, then “UniCredit Merchant S.p.A.” and at the Registration Document Date merged by incorporation into the Issuer), as well as Sofipa SGR S.p.A. and Capitalia S.p.A. (at the Registration Document Date merged by incorporation into the Issuer).

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*).

Today's proceedings (RGNR 207/15) bring together three other separate ones (RGNR 608/16 – 375/15 and 2658/15), whereby the Issuer was only previously aware of 2658/15.

The offences being investigated with regard to the only 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.

This concerns a complex case involving the Issuer as the successor of MCC, relating to equity investments 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 refer to the years 2003/2011 (in May 2011 UniCredit Merchant S.p.A. actually sold its equity investment).

20.8.2 Employment law litigation

The Issuer is part of employment law litigation and, as at 30 September 2016, there were 545 pending disputes brought against it. In general, provisions have been made, judged by the Issuer to be adequate, for all employment law disputes to cover any potential disbursements and in any event UniCredit 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 position. Specifically, with reference to the risks relating to employment law involving counterclaims in progress at the Date of the Registration Document against the Issuer, the total amount of the claims as at 30 September 2016 stood at Euro 481 million and the related risk provision, at that date, stood at Euro 18 million.

Information about the main cases and the related claim as at 30 September 2016 are given below.

Lawsuits filed against UniCredit by members of the former Cassa di Risparmio di Roma Fund

These lawsuits, having been won in earlier proceedings by the Issuer, hang on appeal cases brought before the relevant Courts of Appeal and the Court of Cassation 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. As at 30 September 2016, 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.

20.8.3 Tax proceedings

At the Registration Document Date, there are tax proceedings pending in relation to the Issuer and other companies belonging to the UniCredit Group, Italian perimeter net of disputes settled which are referred to below, a total value of €480.4 million. As at 30 September 2016, there were 734 tax disputes involving counterclaims pending with regard to the Issuer and other companies belonging to the UniCredit Group. Note that at the Registration Document Date, the number of tax disputes involving counterclaims pending for the Italian perimeter has not changed significantly compared with 30 September 2016.

The main out-of-court settlements for the first nine months of the year ended 31 December 2016 are summarised:

1. all disputes relating to Pioneer I.M. SGR (and to the Issuer as the consolidating entity) for the years 2008, 2009, 2010, 2011 and 2012 were settled out-of-court, without the application of administrative fines because the Financial Administration recognised the correct application of the framework governing the documentary requirements of transfer pricing. Specifically, for the purpose of an out-of-court settlement, Pioneer I.M. SGR paid in total, for the years shown, for IRES purposes, a total sum of €39.7 million, of which €32.9 million was for tax and €6.8 million in interest. The outcomes of negotiations are in line with the criteria adopted for the definitions related to previous years (2006, 2007);

2. all disputes relating to the alleged non-deductibility of the amortisation of goodwill from the outcome of extraordinary transactions – completed in 2001 – which involved the company UniCredit Xelion Banca S.p.A. and, later, the Issuer and FinecoBank were defined. The above-mentioned disputes involve the years 2004 to 2011. The settlement involved the total outlay of €2.3 million by the Issuer, with reference to greater IRES, plus interest. In this case too the Revenue Agency did not impose administrative fines, having recognised that the bank acted in good faith and also completely annulled the findings relating to IRAP;

3. the lawsuits instigated by FinecoBank (and also relating to the Issuer as the consolidating entity), involving the alleged non-deductible costs incurred with regard to the activities of financial advisors for the years 2009, 2010 and 2011, were settled. With regard to a request for €2 million (with reference to IRES), the company settled the dispute by paying the total sum of €0.6 million (in tax, fines and interest);

4. the notice of assessment regarding UniCredit Factoring for IRES for the tax year 2010 for the total amount of €6.3 million (in tax, fines and interest) was settled out-of-court through the payment of €3.9 million;

5. the notice of assessment for registration tax for 2013 for UniCredit and UniCredit Business Integrated Solutions S.C.p.A. for claims involving the alleged greater taxable value following a sales transaction of the business segment, for a total of €0.8 million (in tax, fines and interest): the dispute was settled out-of-court. The total sums paid come to €0.4 million;

6. the dispute involving UCB AG – Italian branch for 2007 IRES, which emerged following claims involving the endowment fund and receivables for taxes paid abroad, was settled by the payment of €2.1 million, following an original request for €23.6 million;

7. with regard to the inspection mentioned in the Consolidated Financial Statements as at 31 December 2015, conducted by the Guardia di Finanza with regard to UCB AG – Italian branch and involving several financial transactions that took place in 2011 under the scope of its normal operations, at the end of which the increased tax of €0.24 million was disputed, the company settled the dispute out-of-court by paying €20,000.00.

Under the scope of pending lawsuits whereby we act as defendants, note that at the Registration Document Date there are disputes relating to notices of assessment prior to 2015 and, at the moment, they are pending. These disputes mainly involve registration tax due for the registration of the rulings relating to the rulings that had settled a number of opposition proceedings regarding the liability status of the companies of the Costanzo Group, as well as substitute tax on medium- and long-term loans.

With reference to the disputes involving registration tax 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, in the first quarter of 2016 the company was notified of a further notice of assessment for registration tax of €6.3 million relating to tax only. Therefore, as at 30 September 2016, the total value of assessments with regard to this matter, which as at 31 December 2015 came to €23.3 million, stood at €29.6 million.

This notice was also promptly appealed against at the competent Provincial Tax Commission. The notices of assessment from February 2015 were all settled in the first instance. At the end of the first instance proceedings, the total amount cancelled, albeit not definitively, totalled €15 million. Disputes are currently pending for all notices. Specifically: for the latest notices, the appeal is pending in the first instance; for all the others, the rulings are pending at the appeal stage.

Still with regard to the disputes referred to most recently, in 2016 a payment order was issued for €7 million concerning the entry into the taxpayer's list, plus interest and fines, of part of the sums due following the first-instance rulings indicated in the previous paragraph. An appeal was also filed against this payment order at the competent Provincial Tax Commission. At 30 September 2016 the ruling was pending.

With regard to the disputes involving substitute tax on the loans for the years 2010 and 2011, the disputes still pending are all lodged at the Rome Provincial Tax Commission. In addition to the appeals, a request has been submitted for administrative cancellation of the offices. As at 30 September 2016, the total value of cancelled notices is equal to approximately €15 million.

In 2015 the Guardia di Finanza continued its investigation into withholdings with regard to interest paid in relation to debt financial instruments issued to strengthen capital, for the tax periods from 2011 to 2014. The investigation was concluded on 6 April 2016 with the notification of the formal notice of assessment through which the alleged omitted withholdings for a total of €11.9 million were contested. The Company submitted a tax settlement proposal for 2011 and made provision by setting aside a sum equal to the higher tax challenged (€11.9 million). In August 2016, the Issuer settled the dispute relating to 2011 by paying €6.8 million, of which €5.8 million referred to tax and €1 million to interest. In this case too, no administrative fines were imposed as the good faith of the tax payer was expressly recognised.

The settlements indicated refer to cases in regard to which no effects are expected in subsequent years, with the exception of settlements relating to "Preferred Shares". In relation to the last case, suitable provisions have been allocated to deal with the liabilities relating to subsequent years, for which, however, the Tax Authority has already drawn up counterclaims.

Also note that the following tax inspections with regard to Italian legal entities were concluded:

1. UniCredit Business Integrated Solutions S.C.p.A. was involved in an inspection relating to the years 2011 and 2012 for IRES and IRAP purposes which concluded with the notification of the formal notice of

assessment on 21 July 2016. The total amount of the contested taxes is €11.8 million. As at 31 December 2016, an assessment notice relating to IRES and IRAP 2011 was served, which confirmed the findings relating to 2011 (for a total of Euro 5.2 million related to higher taxes) and sanctions were imposed in accordance with Euro 4.1 million; as of 31 December 2016, it has not yet expired the deadline for the notification of the tax assessments relating to 2012;

2. UniCredit Leasing S.p.A. was involved in a tax inspection which concluded on 29 September 2016 with the notification of the formal notice of assessment for the years 2011 and 2012 in relation to IRES, IRAP and VAT purposes. As at 31 December 2016, an assessment notice relating to 2011 was served, in which the findings relating only to IRAP and VAT were put forward, for a total of Euro 19.8 million (of which 7.3 million was for tax and Euro 12.5 million for penalties); as of 31 December 2016, it has not yet expired the deadline for the notification of the tax assessments relating to 2012; and

3. on 10 October 2016, UCB AG - a permanent establishment in Italy, was served with a formal notice of assessment which contests €0.2 million of withholdings on capital income which were allegedly missed. At the Registration Document Date assessments are being made in order to obtain a reliable estimate of the tax liabilities.

The Revenue Agency has also implemented checks pursuant to Decree-Law 185 of 29 November 2008 ("preferential scheme") with regard to the Issuer and other UniCredit Group companies forming part of the "Italy" perimeter, launched during the financial years ended, respectively, on 31 December 2014 and 31 December 2015 as well as during the financial year ended 31 December 2016. No claim or challenge has yet been formalised with regard to these activities. The "preferential scheme" pursuant to Decree-Law 185 of 29 November 2008 consists of a particular form of checking large tax payers and translates into a request for data and information relating to the declarations submitted in the previous year.

20.8.4 Proceedings connected to actions of the Supervisory Authorities

The UniCredit Group is subject to complex regulation and supervision by, *inter alia,* the Bank of Italy, CONSOB, the EBA, the ECB within the European System of Central Banks (ESCB), as well as other local supervisory authorities. In this context, the UniCredit Group is subject to normal supervision by the competent authorities. Some supervisory actions have resulted in investigations and charges of alleged irregularities that are in progress as of the Registration Document Date. The Group has acted to prove the regularity of its operations and does not believe that these proceedings could have negative consequences for the business of the UniCredit Group.

Italy

On 23 May 2016, CONSOB also began an inspection (pursuant to Article 115, paragraph 2 of the TUF) with regard to UniCredit for the purpose of acquiring documentary evidence and information relating to (i) the exercising, with regard to Feidos 11 S.r.l., of the purchase option set out in the shareholders' agreement signed on 31 July 2013 (the "Fenice Agreement"); (ii) the "Centauro Transaction", the extraordinary transaction and the part played by UniCredit and the other parties involved in the above-mentioned transaction under the scope of the share capital increase approved by the Board of Directors of Prelios S.p.A. on 12 January 2016; and (iii) relations with regard to the "Centauro Transaction" with shareholders of the Fenice shareholders' agreement of Prelios S.p.A. signed on 26 February 2016. This audit was completed in the month of November 2016 and at the Registration Document Date the Issuer has not yet received further documents or notices referred to the same audit. At the Registration Document Date, as far as the Issuer is aware, no inspections by CONSOB are ongoing with regard to subsidiaries of the Issuer or CONSOB has not launched proceedings with regard to subsidiaries of the Issuer in the financial years ended, respectively, 31 December 2016, 31 December 2015, 31 December 2014 and 31 December 2013.

From 2011 until the Registration Document Date, Banca d'Italia, under the scope of the above-mentioned supervisory activities, carried out investigations and verification/validation of internal models (Counterparty Credit Risk, VaR, IRC and Stressed VAR, AMA Model). The inspections involved the following areas: governance, management and control of credit risk with special reference to small and medium-sized enterprises (including the aspects related to transparency, usury and money laundering); transparency and fairness in customer relationships; governance, management and control of liquidity risk and interest rate risk at consolidated level with a similar parallel initiative with the German federal supervisory authority (BaFin); adequacy of the Group's information and back office systems, and related follow-up (in conjunction with BaFin and Bundesbank); management and coordination in the Finance division (CIB Markets); adequacy of the value adjustments for non-performing, doubtful and restructured loans; verification of the Group's accounting and administrative processes with special reference to information flows for the production of the Consolidated Financial Statements; remuneration and incentive policies and practices; compliance with regulations for combating money laundering (with special reference to the obligations of adequate checks on customers in the business sector); the functionality of the organisational structure for the management of claims in the Italian component of the Group.

At the Registration Document Date, all above-mentioned inspections were concluded and the action plans for each area are essentially in line with the defined deadlines. They are monitored by the top management and control functions of the company, and periodically brought to the attention of the Supervisory Authority. In more detail:

- the action plans for inspections relating to the following have been implemented in full: (i) adequacy of Group information and back office systems, and related follow up; (ii) compliance with regulations for fighting money laundering (with special reference to the obligations of adequate customer checks in the companies sector); (iii) adequacy of value adjustments to non-performing, doubtful and restructured loans; (iv) remuneration and incentive policies and practices; and (v) functionality of the organisational structure for the management of claims in the Italian component of the Group;

- the action plans relating to the inspections are in the process of being completed: (i) governance, management and control of liquidity risk and interest rate risk at consolidated level; (ii) management and coordination in the CIB Markets Finance division; and (iii) verification of group accounting and administrative processes with special regard to information flows for the production of the consolidated financial statements.

With regard to the investigations conducted: (i) in 2011 into the subjects of governance, management and control of credit risk with special reference to small and medium-sized enterprises (including aspects relating to transparency, usury and anti-money laundering); (ii) in 2012 on the matter of transparency and correctness in relations with customers, the Bank of Italy discovered irregularities with regard to which, pursuant to Article 144 of the TUB, monetary administrative fines were imposed on several company representatives[110].

In April 2016 Banca d'Italia began looking into the remuneration methods of loans and overdrafts at the Issuer, which was concluded at the end of May 2016. Banca d'Italia formulated its observations during the Board of Directors meeting held on 15 December 2016. The Supervisory Authority highlighted several shortcomings, already, to a great extent, addressed by the Issuer and, more specifically, relating to: (i) the complete inclusion of the provisions on loans with the related integration of corporate regulations; (ii) the criterion for calculating the daily available balance; (iii) the reasons for transactions exempt from fast credit processing fees (CIV); and (iv) the structure of *ex-post* checks. By 15 February 2017 the Issuer will provide Banca d'Italia with exhaustive answers, which will fully account for the corrective measures that have been and/or will be implemented

In 2012 a general and ordinary inspection was also conducted at the subsidiary FinecoBank, which concluded without imposing any sanctions. The findings, of an exclusively formal nature, were all dealt with at the Registration Document Date.

In addition, in 2014 the UniCredit Group was subject to the Comprehensive Assessment carried out by the ECB and the national Supervisory Authorities relating to the SSM. The final result, published on 26 October, demonstrated capital levels higher than the minimum levels set for both the basic and stressed scenarios.

Under the scope of ordinary prudential supervision activities, in 2015 the ECB carried out investigations into various topics: the management of liquidity risk, ILAAP and treasury at the Issuer, UCB AG and UCB Austria, leasing activities in Italy, Austria and Bulgaria, the reporting of credit risk (the interpretation of forbearance and Financial Reporting – FinRep) in UniCredit, UCB AG and UCB Austria.

With regard to the inspection into liquidity, the Supervisory Authority has highlighted – in the context of a decided reduction in liquidity risk, thanks to the improved external funding conditions and managerial actions implemented – several weaknesses in the governance of the Group in terms of liquidity, in the quality of data, in the IT framework and in several aspects of risk management activities. Specifically, there was a recommendation to set up a centralised database following the common rules on the source and provision of data for the management of liquidity at Group level. The ECB also recommended that the liquidity risk control function should have suitable IT support for the aggregation and reconciliation of data in order to focus its energy more on control activities, including the back testing of the behavioural models developed by the Finance function. Both measures were implemented in the meantime by the end of 2016.

The action plan prepared in relation to the recommendations was shared with the ECB during the closing meeting and then officially sent for the purposes of its monitoring. The implementation of all planned actions will be completed by 30 June 2017. No subsequent observations were made by the ECB in that regard.

[110] Surrounding the "governance, management and control of credit risk", this involves three executives, at the time of events working in the Group Risk Management unit, fined for a total amount of €91,000. Regarding "transparency and correctness in relations with customers", this involves four executives, at the time of the events working in Legal & Compliance and Commercial Banking Italy, fined for a total amount of €116,000. In both cases the sanctions that the Bank paid were imposed through the regulation in force at the time, Article 145, paragraph 10 of the TUB, which requires that the Issuer is jointly and severally liable for the payment and obliged to exercise the right of recourse to those liable.

With regard to the inspection into leasing activities, the Supervisory Authority – while recognising the positive developments in recent years and the significant improvement in the quality of provision in all geographical areas examined – highlighted for the Italian company several weaknesses relating to the calculation of the time value, the classification under the scope of the non-performing loans portfolio and support of the IT systems, in particular for monitoring real estate assets and collateral management. With special reference to the calculation of the time value, the Regulatory Authority detected weaknesses relating, mainly, to the calculation of estimates, recommending they be reviewed on the basis of updated historical series. According to the plan, the activity was implemented by the planned deadline of 31 December 2016. As regards the foreign subsidiaries examined (Austria, Bulgaria and Hungary), suggestions were formulated regarding the improvement of certain internal processes, but no remarks on the management of the loan portfolio.

The total action plan prepared following the recommendations was shared with the ECB during the closing meeting and then officially sent to be monitored. No subsequent observations were made by the ECB in that regard. In the Issuer's opinion, this plan continues in line with the provisions and the implementation of all the planned actions will be completed by 31 December 2017.

The action plan prepared in relation to the recommendations was shared with the ECB during the closing meeting and then officially sent for the purposes of its monitoring. The said Plan is in line with expectations and the implementation of all planned actions will be completed by 30 June 2017.

Lastly, with regard to the inspection into the reporting of credit risk, the Supervisory Authority highlighted the consistency between the FINREP reporting and managerial reporting, with room for improvement with regard to information about forbearance, a level of adequacy and satisfactory precision for the most important aggregate date (albeit with the need to standardise the reporting perimeters within the Group), the correct structuring of credit risk reporting to the Board of Directors and top management, moreover on the date of the aforesaid inspection which still needs standardising in terms of metrics and formats within the Group, and areas of improvement relating to control processes. The action plan prepared in relation to the recommendations was shared with the ECB during the closing meeting and then officially sent for the purposes of its monitoring. No subsequent observations were made by the ECB in that regard. In the Issuer's opinion, the said Plan is in line with expectations and the implementation of all planned actions will be completed by 30 June 2017.

In January 2016 the ECB launched an inspection into the "Capital position calculation accuracy" in the Group also relating to Group-wide credit models. Following this inspection, on 16 December 2016 the closing meeting was held during which the possible measures, and related deadlines, identified by the Issuer in order to resolve the problems identified during the inspection were presented and discussed. The action plan will be finalised in line with the measures considered in the 2016-2019 Strategic Plan and will be sent to the ECB by 31 March 2017 for the purposes of starting the monitoring process.

In February 2016 the ECB also launched an inspection on the subject of the Management of distressed assets/bad loans, as far as the Italian perimeter is concerned, for which the inspection stage at the Issuer concluded in May 2016. In November 2016 the Issuer received from the ECB notice of the findings emerged following the said investigation. In particular the ECB highlighted possible areas for improvement with regard to organisation, classification, monitoring, recovery, provision policy and management of guarantees, and the Issuer was advised to continue with the activities – that the Supervisory Authority deems essential – already undertaken to remedy the findings. In December 2016, the Issuer sent the ECB its action plan, which contains the following: (i) the measures it intends to implement in order to remedy the shortcomings identified during the inspection and (ii) the deadline for achieving the objectives agreed on with the ECB. The action plan, made up of a series of activities which, for the most part, will be implemented during 2017, will be concluded by June 2018.

In June 2016, the ECB launched an investigation into Market Risk models, which was concluded at the end of July 2016, and the Issuer has not yet been notified of the findings of the inspection. Only after having received such outcomes, the Issuer may follow up with the possible preparation of an action plan.

In the month of September 2016, ECB started an inspection on *IRRBB management and risk control system* ("Systems of management and control of interest rate risk") and another one on *Governance structure and business organization of the foreign branches of UCB AG* ("Processes of governance and *business* in foreign subsidiaries of UCB AG") concerning the UCB AG branches in London, New York, Milan, Hong Kong and Singapore.

These two inspections are in progress at the Date of the Registration Document and no information is available about the possible outcomes.

In addition, in November 2016 the ECB launched an inspection into Governance and Risk Appetite Framework and another into the Business Model and Profitability – Funding transfer price. The above-mentioned two inspections are in progress at the Date of the Registration Document and no information surrounding the possible outcome is available.

In December 2009, the AGCM launched proceedings against UniCredit Banca di Roma S.p.A. (now UniCredit), relating to alleged unfair commercial practices with regard to the application of regulations concerning simplified mortgage cancellation. The AGCM then extended the proceeding to another Group company, UniCredit Family Financing Bank S.p.A. (now UniCredit). In May 2010, the proceeding concluded, imposing a monetary administrative fine of €150,000 on UniCredit Banca di Roma S.p.A. alone. This fine was appealed at the Regional Administrative Court. As at the Registration Document Date, the proceedings are still pending.

In February 2010, the AGCM launched proceedings against UniCredit Banca di Roma S.p.A. (now UniCredit), relating to alleged unfair commercial practices with regard to the ending of current account relationships. The proceedings in question led, in July 2010, to the imposing of a monetary administrative fine of €50,000. This fine was appealed at the Regional Administrative Court. As at the Registration Document Date, the proceedings are still pending.

In August 2011, the AGCM requested information and then opened a proceeding against UniCredit and Family Network Credit S.p.A., a Group company, relating to alleged bad business practices in relation to a flyer designed to promote their range of loans. In September 2011, written arguments were submitted to the AGCM, meeting the requests made. In November 2011, the AGCM imposed monetary administrative fines of €70,000 and €50,000 respectively. UniCredit and Family Credit Network (which later merged into UniCredit) appealed at the Regional Administrative Court against the AGCM's fine. As at the Registration Document Date, the proceedings are still pending.

In December 2012, the AGCM launched proceedings against the Issuer, at the same time requesting information relating to alleged unfair commercial practices with regard to the publicity campaigns involving the "Conto Risparmio Sicuro" deposit account. The proceedings led, in July 2013, to the imposing of a monetary administrative fine of €250,000. UniCredit appealed at the Regional Administrative Court against the AGCM's fine. As at the Registration Document Date, the proceedings are still pending.

In April 2016, the AGCM announced the extension to UniCredit (as well as to another 10 banks) of the I/794 ABI/SEDA proceedings launched in January 2016 with regard to the ABI, aimed at confirming the existence of any concentration activity with regard to the Sepa Compliant Electronic Database Alignment (SEDA). In July 2016, the ABI and the Banks submitted a behaviour undertaking proposal to try and resolve the problems revealed by the AGCM at the launch of the proceedings, undertakings which, however, were rejected by the AGCM in August 2016. The proceedings before the AGCM are therefore still in progress at the Registration Document Date: if the AGCM were to conclude the proceedings by establishing a violation, it could impose a monetary administrative fine on the ABI and the Banks involved, including the Issuer.

The risks deriving from the ABI/SEDA process started by AGCM (common to all banks that are part of the same process) can be found in: (a) The risk of application of a pecuniary administrative sanction by the AGCM, if it confirms in the final memorandum that the adoption of the remuneration model for the SEDA service constitutes a breach of the competition protection law. Considering also that in parallel to the process in question, the activities of a special "technical panel" involving the AGCM and parts of the process are in a final stage for the purposes of the redefinition of the remuneration model for the SEDA service, it is possible to envisage two additional risk factors, and in particular: (b) Economic risk relating to possible losses of the service, if the new remuneration structure that should be adopted turns out to be at lower levels compared to the current ones; (c) Economic risk relating to the costs of the adjustment of the IT procedures that will be necessary in relation to any new remuneration structure of the service. There is also the risk that interested parties injured by the alleged anti-competitive behaviour can institute legal proceedings at the competent courts to ask for compensation for damage suffered in a civil case.

From a sanctions aspect, taking into account the nature and the effects of the disputed infraction (anti-competitive arrangements for directly indirectly fixing sales prices and other contractual conditions) the possible sanction imposed on the Issuer will be decided by the AGCM taking the following criteria into account: (i) a percentage of up to 30% of the value of the sales of goods or services subject to investigation (during the course of the financial year ended 31 December 2016, this value was approximately Euro 21.5 million); (ii) a coefficient for the number of years of involvement in the infraction; (iii) the possible inclusion in the basic amount of the fine of an additional sum of between 15% and 25% of the value of the sales of goods and services which are the subject of the infraction; (iv) an adjustment upwards or downwards depending on the existence of aggravating or extenuating circumstances; in this regard, it is probable that the activities and the outcome of the technical round-table mentioned above will constitute mitigating circumstances for any fine; (v) a possible increase in the final fine of up to 50% as a deterrent, without prejudice to the fact that this fine cannot, in any event, exceed 10% of the sales of the company in the last financial year ended prior to the notification of the final provision.

Note that as at 30 September 2016, the Issuer had not set aside any funds in the provision for risks and charges for above proceedings. As at the Date of the Registration Document, the Issuer is evaluating the development of these proceedings and therefore it is not possible to rule out that provisions will made during the approval of the financial statements for the year ended 31 December 2016.

In May 2016, the AGCM initiated proceedings with regard to the Issuer, at the same time requesting information aimed at confirming two potentially unfair commercial practices involving the application methods of the calculation mechanism for retail loans of the nominal annual interest rate for variable rate property loans indexed to the Euribor for the purchase or restructuring of a property. Between June 2016 and October 2016, the Issuer responded to the request for information and documents drawn up by the AGCM and presented and consolidated its behaviour undertakings in order to resolve the problems highlighted by the AGCM during the launch of proceedings and, if accepted by the AGCM, to allow the closing of the proceedings without establishing the infraction. In the provision sent to the Issuer on 23 December 2016, the AGCM resolved to end the proceedings without confirming an infraction and therefore they did not impose sanctions, making the above-mentioned behaviour obligations mandatory. This involves about 442,000 relations with customers of the Issuer.

Germany

In Germany various authorities exercise supervisory activities over UniCredit Bank AG (UCB AG).

The main authorities are the German Federal Financial Supervisory Authority (BaFin) and the German Central Bank (Bundesbank), and from 4 November 2014, responsibility for Banking Supervision was transferred from BaFin to the ECB under the scope of the Single Supervisory Mechanism (SSM).

If there are any findings during the inspections conducted by these authorities, UCB AG will implement the corrective measures in compliance with the mitigation plans and the time scales agreed with the Authorities and provide these Authorities with information about the implementation status of the corrective measures on a quarterly basis or when requested.

In 2013 UCB AG was contacted by the US Commodity Futures Exchange Commission, the UK Financial Conduct Authority (FCA) and BaFin under the scope of an investigation aimed at verifying a possible market manipulation of exchange rates ("**FX**"), specifically the benchmark FX rate published by Reuters. UCB AG launched an internal investigation conducted by the Internal Audit Department of UCB AG; this investigation did not reveal any evidence of involvement by UCB AG in the manipulation of the benchmark FX. At the Registration Document Date, UCB AG did not have further requests from the authorities involved.

In 2015 the ECB conducted three inspections at UCB AG involving (i) the Compliance function of UCB AG with regard to the requirements of the risk management regulations (*MaRisk*); (ii) the "management of credit risk in the FIBS portfolio – upstream loans"; and (iii) the "Quality of internal and external reporting".

Specifically, with regard to the inspection of the UCB AG Compliance function aimed at checking the operation and adequacy of internal procedures, processes and resources employed (*MaRisk*), UCB AG prepared a mitigation plan and sent it to the ECB. It is being monitored by the latter on a quarterly basis. At the Registration Document Date the findings were implemented with one exception, for which mitigation actions were launched and will be completed in compliance with the action plan by the second quarter of 2017.

With regard to the inspection on the "Management of credit risk in the FIBS portfolio – upstream loans" – aimed at verifying the adequacy of the organisational structure, internal procedures and processes, as well as the management of the credit risk of the loan portfolio of Financial Institutions, Banks and sovereign entities (FIBS) for the sound and prudent management of the credit institution – the ECB disclosed its findings, three of which have yet to be concluded at the Registration Document Date. The mitigation actions will be completed, in compliance with the action plan, by 2017.

Lastly, as far as the "Quality of internal and external reporting" is concerned, the ECB looked into the Financial Reporting Framework (FINREP) and the Common Reporting Framework (COREP). At the Registration Document Date the findings were implemented with one exception, for which mitigation actions were launched and will be completed in compliance with the action plan by the second quarter of 2017.

In 2016, the ECB conducted two inspections involving (i) the "Management of the Corporate Portfolio" of UCB AG and (ii) the "Governance and business processes in UCB AG foreign branches". The latter, as at the Registration Document Date, is still pending.

With regard to the inspection of (i) the "Management of the Corporate Portfolio" of UCB AG – aimed at verifying the adequacy of the organisational structure, internal procedures and processes, as well as the management of the credit risk of the Corporate portfolio for the sound and prudent management of the credit institution – the ECB disclosed 6 findings, one of which was concluded at the Registration Document Date. With regard to the remaining 5 findings, UCB AG will complete the mitigation actions in compliance with the action plan by the first quarter of 2018.

Poland

Under the scope of its activities, Bank Pekao is subject to normal supervisory activities: inspections, controls and investigations or assessment proceedings by various supervisory authorities including in particular: (i) the PFSA (Polish Financial Supervisory Authority); (ii) the competition supervisory authority, for the protection of competition on the market and collective consumer rights ("UOKiK"); (iii) the personal data protection supervisory authority, for the collection, processing, management and protection of personal data ("GIODO"); and (iv) the competent authorities for preventing and combating money-laundering and terrorist financing.

The following administrative proceedings were launched:

- proceedings to protect competition against the operators of the Visa and Europay systems, as well as the Polish banks that issued Visa and MasterCard credit cards, connected to the alleged joint establishment of interchange fees to the detriment of competitors in the Polish market of the operators. UOKiK deemed this practice to restrict competition within the key market and required the banks to stop using them, also imposing fines. The fine imposed on Bank Pekao was equal to approximately PLN 16.6 million (roughly €3.7 million); the bank appealed against this fine. On 12 November 2008, the Anti-Monopolies Court revoked UOKiK's decision. The latter later counter-appealed the decision of the Anti-Monopolies Court at the Court of Appeal, which on 22 April 2010 overturned the decision and the case was referred once more to the Anti-Monopolies Court for review. On 8 May 2012, the Anti-Monopolies Court suspended proceedings until the final resolution of the question regarding Mastercard's appeal against the European Commission's decision of 19 December 2007. As a result of Bank Pekao's complaint, on 25 October 2012 the Court of Appeal revoked the decision to suspend the proceedings. Through the ruling of 21 November 2013, the Anti-Monopolies Court reduced the fine imposed on Bank Pekao from Złoty 16.6 million to Złoty 14 million (equal to around €3.1 million). On 7 February 2014, Bank Pekao appealed against this fine and the appeal was rejected by the decision of the Court of Appeal of 6 October 2015, which upheld the counter-appeal made by UOKiK and reinstated the fine originally imposed on Bank Pekao. In April 2016 Bank Pekao appealed to the Supreme Court and, at the Registration Document Date, the proceedings are pending;

- proceedings of UOKiK relating to compliance with the regulations protecting consumers for communication methods for updating the Credit Bureau ("BIK") with data on funded parties. In December 2012 a fine of Złoty 1.8 million (equal to approximately €450,000) was imposed on Bank Pekao. In January 2013, Bank Pekao appealed against this fine but the appeal was rejected in February 2015. Bank Pekao appealed against this decision and, at the Registration Document Date, the proceedings are pending;

- administrative proceedings launched with regard to Bank Pekao following the decision against UOKiK of 4 August 2015 for alleged exclusion of the negative LIBOR from the interest on loans made in Swiss currency. In compliance with UOKiK's decision issued in April 2016, Bank Pekao complied with the decision and recalculated the interest based on the negative LIBOR and made the consequent repayments to customers providing appropriate information to the same;

- administrative proceedings launched following UOKiK's decision of 30 December 2015 for the alleged unilateral amendment of the rules and amounts of current accounts in violation of the interests of consumers. As at the Registration Document Date, the process is still in progress and the date envisaged for the conclusion of the process is 30 March 2017;

- Bank Pekao involved with UOKiK in numerous information processes. These processes have the aim of analysing market operations of businesses and are not intended in particular against Bank Pekao or any other company;

- administrative proceedings launched on 23 September 2016 by the GIFI (General Inspector of Financial Information) about the obligations imposed by law on anti-money laundering and combating the funding of terrorism in relation to: (i) the timetable for recording transactions and (ii) compliance with the requirements relating to the acquisition of documents and information about customers by the branches. Following the launch of the proceedings, Bank Pekao sent its own findings to the GIFI, which, on 1 December 2016, extended the deadline for the conclusion of the proceedings to 31 December 2016; On this issue, we report that Bank Pekao paid a fine in the amount of 200,000 Polish zlotys for not having promptly recorded certain transactions and not having sent to GIIF the correct documentation regarding such transactions (during the period 2015 2016), and also for not having applied the associated financial security measures according to Polish laws against money laundering and financing terrorism. As at the Registration Document Date, the process was closed and all remediation actions had been implemented.

- administrative proceedings launched on 3 October 2016, by the GIFI, involving the obligations laid down by law on anti-money laundering and combating the funding of terrorism in relation to (i) non-compliance with the requirement to record transactions and (ii) the sending to the GIFI of documents relating to transactions after the legally required deadlines. Following the launch of the proceedings, Bank Pekao sent its findings to the GIFI, objecting to the Bank having to conform to the above-mentioned registration requirements. On 27 December 2016, Bank Pekao received the provision from the GIFI for extending the deadline for the conclusion of the proceedings until 20 February 2017.

Austria

UCB Austria is subject to regulation by the CRR and the Austrian Consolidated Banking Act (*Bankwesengesetz*, BWG) which transposes the CRD IV into Austrian law.

From 4 November 2014, responsibility for banking supervision was transferred from the FMA (*Finanzmarktaufsicht* – Financial Market Authority) to the ECB under the scope of the Single Supervisory Mechanism (SSM).

Between December 2012 and February 2013, the OeNB and the FMA conducted a joint investigation with regard to the loan portfolio of UCB Austria and several subsidiaries. The main objective of this initiative was to check the progress of the action plan prepared following a previous investigation conducted in 2010 into the same subject. The intervention found that UCB Austria, in spite of implementing suitable mitigation actions, did not conform to the expectations of the Supervisory Authority with regard to the availability and quality of data, credit risk parameters and Group standards. Therefore, following the conclusion of the OeNB and FMA intervention, UCB Austria submitted a plan for the implementation of further corrective measures. The mitigation actions required involve: (i) human resources in the areas of operational and strategic management of credit risk; (ii) the implementation of important Group/standard regulations for the management of credit risk in Group companies operating in Central and Eastern European countries (“CEE”); (iii) the risk parameters in Group companies operating in Central and Eastern European countries (“CEE”); (iv) country limits; and (v) reporting on credit risks, and they were all correctly implemented, although the mitigation actions relating to certain findings involving Group standards were implemented after the deadline agreed in the plan.

In relation to the Compliance function of UCB Austria, in 2012 the FMA conducted an inspection into the provisions of the Sanctions Act § Foreign exchange act. Following this, 16 findings were drawn up – relating to the inadequacy of human resources, documentation and IT systems within the structure dealing with financial sanctions – which have been concluded in full in compliance with the plan, with the exception of one. With regard to the corrective measures involving the comprehensiveness of the documentation about customers, they are being implemented and will be concluded by the end of 2017.

At the end of 2014 the OeNB launched an on-site investigation into the management of participatory risk. Activities were concluded in December 2014 and in March 2015 the report was published, which highlighted findings of a methodological nature in four main areas – adequacy of UCB Austria’s capital at an individual level, methodological aspects of the ICAAP model, determining the price of intra-group funds and management of the results for CEE subsidiaries. UCB Austria prepared an action plan and sent it to the OeNB in April 2015. At the end of 2015, following the recommendations drawn up by the ECB which confirmed the findings of the OeNB, UCB Austria made changes to the action plan previously agreed. The mitigation actions requested involved the findings with regard to capital adequacy, methodological aspects of the ICAAP model and determining the price of intra-group funds, and were correctly implemented in compliance with the plan agreed with the ECB.

In March 2015 the ECB delegated an inspection to the OeNB of the risks relating to FX retail loans. This inspection was concluded in June 2015 and the findings were issued in October 2015, confirming the existence of an action plan undertaken by UCB Austria which the ECB was notified of. The status of the actions is reported to the ECB on a quarterly basis. All the mitigation actions aimed at, among other things, the stress testing methods, the FX retail loans strategy, FX portfolio reporting and communications with customers, were implemented in compliance with the plan.

From September 2015, the FMA conducted a check into the "Real Invest Austria" real estate investment fund with regard to the bank's custodian role performed by UCB Austria. The latter received the findings of the inspection in July 2016 and submitted its response to the findings relating to documentation and internal processing of real estate transactions, including a finding on the potential violation of the law involving compliance with the specific criteria to follow for real estate purchases by the custodian bank. In the meantime all the mitigation actions were implemented in a positive manner in compliance with the plan, and the FMA have been notified.

Other countries

The other banks operating in countries where the Group has a presence are subject to normal regulatory activities: inspections, checks and investigations or assessment procedures by the various local supervisory authorities. Depending on the country, the Authorities carry out regular checks on the activities and financial status of the various Group entities with differing frequencies and using different methods. Upon the outcome of these checks, the relevant supervisory authorities can impose the adoption of organisational measures and/or impose fines.

At the Registration Document Date there are no proceedings in process where the outcomes of the inspections could have significant repercussions for the Group.

Turkey

Following the inspection launched in November 2011 with regard to Yapi ve KrediBankası A.Ş. ("**YKB**") and another 11 Turkish banks, in March 2013 the Turkish AntiTrust Authority ("TCA") announced that it was imposing monetary administrative fines on these banks for the alleged violation of Turkish law on protecting competition. The amount of the fine imposed on YKB came to TRY 149,961,870 (equal to over €63 million). Despite YKB believing it had acted in compliance with the law, in August 2013 the bank benefited from the reduced early payment of the fine pursuant to Turkish law of TRY 112,471,402 (equal to 75% of the administrative fine imposed and equal to approximately €50 million). In September 2013, YKB also appealed against the TCA's decision asking for it to be annulled and also asking for its advance payment to be returned. Following the rejection of the appeals made by YKB, respectively in March 2015 and April 2015, in August 2016 YKB submitted a further appeal which, at the Registration Document Date, is still pending.

In addition, in September 2016 following an investigation launched on account of the alleged violation of consumer protection laws under the scope of several transactions that took place in 2011, the Turkish Ministry of Customs and Trade imposed an administrative fine of TRY 116,254,138 (equal to approximately €31 million) on YKB. In September 2016, the Issuer benefited from the reduced early payment of the fine pursuant to Turkish law of TRY 87,190,604 (equal to 75% of the original fine and equal to approximately €23 million) and in October 2016 it appealed against the fine asking for its advance payment to be returned. As at the Registration Document Date, the proceedings are still pending.

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For the sake of completeness, we report that as part of the internal rating models authorised for calculation of capital, during 2016 the ECB started a revision operation, known as TRIM (Target Internal Review Model), having the aim of guaranteeing their adequacy and comparability, in light of the elevated fragmentation of IRB systems in use at the various authorised banks with the consequent variability of measuring capital requirements.

The risks affected by such revision were not only credit risk, but also counterparty and market

The Target Internal Review Model is expected to continue until 2018 and will be divided into two phases: Institution Specific Review in 2016 and Model Specific Review in 2017-2018.

As at the Registration Document Date the first phase (Institution Specific Review) was at the completion stage, during which, with reference to credit risk, UniCredit filled out two specific questionnaires:

- General Topics Survey, on the governance of authorised internal models of IRB Ratings;
- Model Map Prioritisation, covering 5 High Default portfolios selected by the Regulator based on materiality criteria.

Solely for credit risk, as communicated, the first phase will complete in the first quarter of 2017 with the completion of Supervisory Expectations, or ECB guidelines for compliance with the CRR guidelines, which will then be subject to benchmarking with other UniCredit competitors.

The second phase of TRIM (Model Specific Review) will concern the two-year period 2017-2018 and will focus on High Default Portfolio Models in 2017 and Low Default Portfolio in 2018.

During 3Q17-4Q17, UniCredit will be concerned with on-site inspections on specific internal high default models selected for the purpose of revision.

20.9 Significant changes in the Issuer's financial or trading situation

Without prejudice to the description in the Consolidated Interim Report as at 30 September 2016, in the appendix to the Registration Document, at the Registration Document Date no significant changes were reported on the financial or commercial situation of the Issuer.

21. ADDITIONAL INFORMATION

21.1 Share capital

21.1.1 Share capital issued

At the Registration Document Date, the Issuer's issued and fully paid-up share capital totalled €20,846,893,436.94, divided into (i) 6,177,818,177 ordinary shares with no par value; and (ii) 252,489 savings shares with no par value taking into account the effects of the grouping resolved upon by the Extraordinary Shareholders' Meeting on 12 January 2017 and completed on 23 January 2017.

As at 31 December 2015, the Issuer's issued and fully paid-up share capital totalled €20,257,667,511.62, divided into (i) 5,967,177,811 ordinary shares with no par value; and (ii) 2,480,677 savings shares with no par value.

For further information on the authorised and unissued share capital, see Chapter 21, Paragraph 21.1.5 of the Registration Document.

21.1.2 Shares not representing capital

At the Registration Document Date, there are no shares not representing share capital.

21.1.3 Shares held by or on behalf of the Issuer itself

At the Registration Document Date, the Issuer holds 4,760 treasury shares.

For the sake of completeness, it is noted that the Issuer also holds the right of usufruct for 9,675,640 ordinary shares underlying the financial instruments known as "CASHES". "CASHES" are equity-linked instruments, issued for a value of €2,983,000,000 in February 2009 by The Bank of New York (Luxembourg) SA, with a maturity on 15 December 2050 and convertible, under certain conditions, into 96,756,406 ordinary shares of the Issuer (reduced by 9,675,640 following the reverse split of 27 December 2011 and 23 January 2017) subscribed by Mediobanca – Banca di Credito Finanziario S.p.A. under the scope of the capital increase approved by the Issuer's Extraordinary Shareholders' Meeting of 14 November 2008.

21.1.4 Amount of convertible securities, exchangeable securities or securities with warrant

With the exception of the secured equity-linked certificates with compulsory regulation in Bank Pekao ordinary shares issued by the Issuer on 8 December 2016 (see Chapter 22, Paragraph 22.3 of the Registration Document), at the Registration Document Date there are no convertible, exchangeable or warrant bonds that have been issued by the Issuer.

21.1.5 Acquisition rights and/or obligations over to authorised but unissued Issuer share capital, and undertaking to increase capital

The Board of Directors has the right, pursuant to Article 2443 of the Civil Code:

- to approve, even several times and for a maximum period of five years from the shareholders' meeting resolution of 11 May 2012, a free share capital increase, pursuant to Article 2349 of the Civil Code, for a maximum of €202,603,978.15 corresponding to a maximum number of 59,700,000 ordinary shares, to be granted to the personnel of UniCredit, Group banks and companies holding positions of particular significance for the purpose of achieving the Groups' overall targets;

- to approve, even several times and for a maximum period of five years from the shareholders' meeting resolution of 11 May 2013, a free share capital increase, pursuant to Article 2349 of the Civil Code, for a maximum of €143,214,140.73 corresponding to a maximum number of 42,200,000 ordinary shares, to be granted to the personnel of UniCredit, Group banks and companies holding positions of particular significance for the purpose of achieving the Groups' overall targets under the "2013 Group Incentive System";

- to increase the share capital free of charge, pursuant to Article 2349 of the Civil Code, even several times and for a maximum period of five years (i) from the shareholders' meeting resolution of 13 May 2014, for a maximum of €98,294,742.05, corresponding to a maximum number of 28,964,197 ordinary shares, as well as (ii) from the shareholders' meeting resolution of 13 May 2015, for a maximum of €32.239,804.21, corresponding to a maximum number of 9,500,000 ordinary shares to be granted to the personnel of UniCredit, Group banks and companies holding positions of particular significance for the purpose of achieving the Groups' overall targets under the "2014 Group Incentive System";

- to increase the share capital free of charge, even several times and for a maximum period of five years from the shareholders' meeting resolution of 13 May 2015, pursuant to Article 2349 of the Civil Code, for a maximum of €100,075,594.87, corresponding to a maximum number of 29,490,000 ordinary shares, as well as (ii) to increase the share capital free of charge in 2021 for a maximum of €6,821,022.23, corresponding to a maximum number of 2,010,000 ordinary shares to be granted to the personnel of UniCredit, Group banks and companies holding positions of particular significance for the purpose of achieving the Groups' overall targets under the "2015 Group Incentive System"; and

- to approve, even several times and for a maximum period of five years from the shareholders' meeting resolution of 14 April 2016, a free share capital increase, pursuant to Article 2349 of the Civil Code, for a maximum of €77,370,044.40 corresponding to a maximum number of 22,800,000 ordinary shares, to be granted to the personnel of UniCredit, Group banks and companies holding positions of particular significance for the purpose of achieving the Groups' overall targets under the "2016 Group Incentive System";

In addition, the Board of Directors in partial execution of the right, pursuant to Article 2443 of the Civil Code:

- by the Issuer's Extraordinary Shareholders' Meeting of 4 May 2004, resolved on 22 July 2004, to increase the share capital by a maximum nominal amount of €7,284,350, corresponding to a maximum of

14,568,700 ordinary shares and on 18 November 2005 to increase the share capital by a maximum nominal amount of €20,815,000 corresponding to a maximum of 41,630,000 ordinary shares, to service the exercise of a corresponding number of subscription rights reserved to the management of UniCredit and the other Group banks and companies holding particularly significant positions, in order to achieve the overall goals of the Group. The aforesaid rights may be exercised between 2008 and 2017, following the criteria and the terms established by the Board of Directors;

- by the Issuer's Extraordinary Shareholders' Meeting of 12 May 2006, resolved on 13 June 2006, to increase the share capital by a maximum nominal amount of €14,602,350, corresponding to a maximum of 29,204,700 ordinary shares, to service the exercise of a corresponding number of subscription rights reserved to the management of UniCredit and the other Group banks and companies holding particularly significant positions, in order to achieve the overall goals of the Group. The aforesaid rights may be exercised between 2010 and 2019, following the criteria and the terms established by the Board of Directors;

- by the Issuer's Extraordinary Shareholders' Meeting of 10 May 2007, resolved on 12 June 2007, to increase the share capital by a maximum nominal amount of €14,904,711.50, corresponding to a maximum of 29,809,423 ordinary shares, to service the exercise of a corresponding number of subscription rights reserved to the management of UniCredit and the other Group banks and companies holding particularly significant positions, in order to achieve the overall goals of the Group. The aforesaid rights may be exercised between 2011 and 2017, following the criteria and the terms established by the Board of Directors; and

- by the Issuer's Extraordinary Shareholders' Meeting of 8 May 2008, resolved on 25 June 2008, to increase the share capital by a maximum nominal amount of €39,097,923, corresponding to a maximum of 78,195,846 ordinary shares, to service the exercise of a corresponding number of subscription rights reserved to the management of UniCredit and the other Group banks and companies holding particularly significant positions, in order to achieve the overall goals of the Group. The aforesaid rights may be exercised between 2012 and 2018, following the criteria and the terms established by the Board of Directors.

Note that the capital increases already approved by the Board of Directors with regard to the incentive plans in the above paragraphs were increased by a further maximum €29,522,571, corresponding to a maximum number of 5,904,514 ordinary shares through the effect of applying the AIAF adjustment factors following the capital transaction approved by the Extraordinary Shareholder' Meeting of 16 November 2009 and, taking into account the grouping operation approved by the Issuer's Extraordinary Shareholders' Meeting of 15 December 2011 and executed on 27 December 2011, for the capital transaction approved by the Issuer's Extraordinary Shareholders' Meeting of 15 December 2011.

With reference to the above it should be noted that for the purposes of determining the maximum number of shares to be issued in the face of the individual capital increases mentioned in the preceding paragraphs and functional to the execution of incentive plans approved by the Company, account must be taken of the grouping operations resolved by the Extraordinary Meeting of Shareholders of 12 January 2017 and performed on 23 January 2017, regardless of the aggregate maximum amount already established for these increases.

For information about the Group incentive plans, please see Chapter 17, Paragraph 17.3 of the Registration Document.

Finally, it should be noted that on 12 January 2017, the Extraordinary Meeting of Shareholders of the Issuer (a) decided to approve the proposal for a capital increase to be released by contribution in cash for a maximum overall amount of €13 billion, including any share premium reserve, which should be carried out by 30 June 2017, in one or more *tranches* and in a separable form by the issue of ordinary shares, with regular enjoyment, to be offered in option to the holders of ordinary shares and to holders of savings shares of the company within the meaning of art. 2441, first, second and third sub-paragraphs, of the Civil Code (“**Capital Increase**”);

Lastly, note that on 12 January 2017, the Extraordinary Shareholders’ Meeting of the Issuer (a) approved the Share Capital Increase; and (b) gave the Board of Directors the widest ranging powers to execute the Share Capital Increase, specifically, to: (i) define, close to the launch of the offering, the definitive amount of the capital increase; (ii) determine, as a result of the provisions in (i), the subscription price of the shares, the portion to allocate to the share capital and that to allocate to the share premium reserve, the effective terms of the subscriptions, the number of shares to issue and the option ratio applicable to the ordinary shares and savings shares; and (iii) determine the schedule for the approval of the capital increase, specifically for the launch of the offering of subscription rights as well as the later offer on the stock exchange of any rights that were not exercised at the end of the subscription period, with regard to the final deadline of 30 June 2017, with it remaining understood that if the capital increase is not fully subscribed by that deadline the share capital will be understood to have been increased by an amount equal to the subscriptions collected.

21.1.6 Information about the Group company capital offered in rights issues

At the Registration Document Date, the Issuer is not aware of any transactions relating to rights offerings or that any conditional or unconditional rights offerings have been decided by any relevant Group companies.

21.1.7 History of share capital

The table below shows the development of the Company's share capital over the last three financial years and until the Registration Document Date.

Date	Share Capital (*in Euros*)	Total shares	Ordinary shares	Savings shares	Notes	Shares issued	Change in the share capital (*in Euros*)
23 January 2017	20,846,893,436.94	618,034,306	617,781,817	252,489	Grouping of ordinary and savings shares of UniCredit in the ratio of 1 new ordinary share having regular enjoyment for every 10 existing ordinary shares and 1 new saving share having regular enjoyment for every 10 existing savings shares approved by the extraordinary meeting of shareholders of 12 January 2017	-	-
5 May 2016	20,846,893,436.94	6,180,343,073	6,177,818,177	2,524,896	Scrip dividend approved by the extraordinary shareholders' meeting of 14 April 2016	198,646,706 ordinary shares 44,219 savings shares	548,551,596.24
4 March 2016	20,298,341,840.70	5,981,652,148	5,979,171,471	2,480,677	Capital increase approved by Board of Directors on 9 February 2016	11,993,660 ordinary shares	40,674,329.08
10 June 2015	20,257,667,511.62	5,969,658,488	5,967,177,811	2,480,677	Scrip dividend approved by the extraordinary shareholders' meeting of 13 May 2015	87,534,728 ordinary shares 31,364 savings shares	297,149,403.58
14 April 2015	19,960,518,108.04	5,882,092,396	5,879,643,083	2,449,313	Capital increase approved by Board of Directors on 09 April 2015	16,313,933 ordinary shares	54,744,365.80
11 June 2014	19,905,773,742.24	5,865,778,463	5,863,329,150	2,449,313	Scrip dividend approved by the extraordinary shareholders' meeting of 13 May 2014	65,621,091 ordinary shares 25,415 savings shares	222,774,043.97
28 March 2014	19,682,999,698.27	5,800,131,957	5,797,708,059	2,423,898	Capital increase approved by Board of Directors on 11 March 2014	8,498,340 ordinary shares	28,143,498.84
15 March 2013	19,654,856,199.43	5,791,633,617	5,789,209,719	2,423,898	Capital increase approved by Board of Directors on 15 March 2013	2,097,587 ordinary shares	6,907,674.33

In addition to the above, on 12 January 2017 the Issuers' Extraordinary Shareholders' Meeting approved the Capital Increase (on this point *see* Chapter 21, Paragraph 21.1.5 of the Registration Document).

21.2 Memorandum and Article of Association

The Company was established in Genoa by the private agreement of 28 April 1870.

21.2.1 Description of the corporate object and purposes of the Issuer

Pursuant to Article 4 of the Corporate Articles of Association, the purpose of the Company is:

"to engage in deposit-taking and lending in its various forms, in Italy and abroad, operating wherever in accordance with prevailing norms and practice. It may execute, while complying with prevailing legal requirements, all permitted transactions and services of a banking and financial nature. In order to achieve its corporate purpose as efficiently as possible, the Bank may engage in any activity that is instrumental or in any case related to the above. The Company may, in compliance with current legal provisions, issue bonds and acquire shareholdings in Italy and abroad".

According to the same provision of the Corporate Articles of Association, in its capacity as parent company of the UniCredit Banking Group, the Company also issues, in exercising management and coordination activities, instructions to other members of the UniCredit Banking Group in compliance with the requirements laid down by the Supervisory Authority in the interest of the UniCredit Banking Group's stability, as per Article 61 of the TUB.

21.2.2 Summary of the Issuer's Corporate Articles of Association with respect to the members of the administrative, management and supervisory bodies

The main provisions of the Corporate Articles of Association concerning the members of the Board of Directors, the Board of Statutory Auditors and the Central Management Office of the Company are set out below. For further information, consult the Corporate Articles of Association on UniCredit's website, www.unicreditgroup.eu, and the relevant legislation.

Board of Directors

Pursuant to Article 20 of the Corporate Articles of Association, the Board of Directors is composed of between 9 and 24 members. The composition of the Board of Directors should ensure gender balance.

The directors' term of office spans three financial years, except where a shorter term is established at the time they are appointed, and ends on the date of the Shareholders' Meeting convened for the approval of the financial statements relating to the last financial year in which they were in office.

Members of the Board of Directors must meet the professionalism and integrity requirements laid down by the prevailing laws and regulations. With regard to the requirements of independence, a number of directors at least equal to that required at any given time by the Code of Corporate Governance should possess the requirements of independence set out in the Corporate Articles of Association.

The Board of Directors is vested with all powers necessary for the running of the Company, except for those powers reserved for Shareholders' Meetings by law and by the Corporate Articles of Association.

In addition to those duties and powers that may not be delegated according to the law, the Board of Directors is exclusively responsible for resolutions on:

(i) the general direction, adoption and amendment of the Bank's industrial, strategic and financial plans;

(ii) assessing the general business performance;

(iii) adjustments made to the Corporate Articles of Association to comply with legal requirements;

(iv) the merger by incorporation of companies in the situations foreseen by Articles 2505 and 2505-*bis* of the Civil Code;

(v) the demerger of companies in the situations foreseen by Article 2506-*ter* of the Civil Code;

(vi) the reduction of capital in the event of a shareholder withdrawing;

(vii) decisions as to which directors, in addition to those indicated in the Corporate Articles of Association, may represent the Company;

(viii) determining the rules for the coordination and management of Group companies and the rules for complying with Banca d'Italia instructions;

(ix) risk management policies, as well as the evaluation of the functionality, efficiency and effectiveness of the internal audit system and the adequacy of the organisational, administrative and accounting structure;

(x) the acquisition and sale of shareholdings, companies and/or business units involving investments or divestments that exceed 5% of equity, as recorded in the last set of financial statements approved by the Company, and in any event the acquisition and sale of shareholdings that modify the composition of UniCredit Banking Group and are not included in the industrial, strategic and financial plans already approved by the Board of Directors, without prejudice to the provisions of Article 2361, paragraph 2 of the Civil Code;

(xi) resolutions concerning the organisational structures of the Company and the regulations deemed to be significant under the criteria established by the Board of Directors;

(xii) the establishment of Board committees;

(xiii) the creation and closing down of secondary offices, branches, however named, and representative offices;

(xiv) the appointment and dismissal of General Managers, Deputy General Managers and other Key Management Personnel for the Company;

(xv) the appointment and dismissal of the head of the internal audit function, the head of the risk control function and the head of the compliance function.

The Directors report to the Board of Statutory Auditors on the activities undertaken by the Company and its Subsidiaries, as well as on those transactions effected by them that are of significant importance from an operating, financial and equity perspective, with specific attention being paid to those transactions that could potentially give rise to a conflict of interest. To this end, they provide the Board of Statutory Auditors, at least once every quarter, with reports received from the Company's relevant bodies and from subsidiaries concerning the activities and transactions in question, said reports being prepared in accordance with the guidelines issued by the directors themselves.

In order for Board resolutions to be valid, the presence of the majority of Directors in office at the time is required. The resolutions of the Board are adopted by a majority of votes cast, excluding abstentions; in the event of a tie, the Chairman will have a casting vote.

Method of appointment

Pursuant to Article 20 of the Corporate Articles of Association, directors are appointed by the Shareholders' Meeting on the basis of lists submitted by legitimate parties in which candidates must be listed using sequential numbering. Each list should have a number of candidates belonging to the less represented gender that ensures compliance with gender balance to the minimum extent required by the law and regulations in force.

The list should be filed, or shall otherwise be disqualified, at the registered office or head office, even by means of remote communication and in accordance with the methods indicated in the call notice which allow the identification of the parties carrying out the filing, by the twenty fifth day prior to the date of the Shareholders' Meeting and should be made available to the public at the registered office, on the Company's website and through the other methods laid down by the regulations in force, at least twenty one days before the date of the Shareholders' Meeting. Each legitimate party may submit or contribute to the submission of only one list and, similarly, each candidate may only be included on one list, on penalty of ineligibility.

Only those legitimate parties who individually or collectively with others represent at least 0.5% of share capital in the form of ordinary shares with voting rights at ordinary Shareholders' Meetings are entitled to submit lists.

The ownership of the minimum number of shares required for filing lists is calculated with regard to the shares registered to each individual shareholder, or to multiple shareholders combined, on the day on which the lists are submitted to the Company. Ownership of the number of shares necessary for filing lists must be proven in accordance with the prevailing laws; such proof may also be submitted to the Company during or after the time when the lists are filed, provided that this occurs prior to the deadline for the Company to publish the lists.

Together with each list and by the deadline indicated above, legitimate parties which have presented a list must also file any other documents and declarations required by law or regulation, in force at any given time, as well as:

- the information on those who filed lists with information on the total percentage of equity investment held;
- information on the personal and professional characteristics of the candidates indicated on the list;

- a statement whereby the individual candidates irrevocably accept the position (subject to their appointment) and attest, under their responsibility, that there are no reasons for their ineligibility or incompatibility, and that they meet the experience and integrity requirements provided for by current regulatory and other provisions;
- a statement that the independence requirements dictated by the Corporate Articles of Association have been met.

Any list that does not meet the above requirements shall be deemed to have not been filed.

All those entitled to vote may only vote for one list.

The election of Members of the Board of Directors shall proceed as follows:

(a) from the list obtaining the majority of votes cast shall be taken – in the consecutive order in which they are shown on the list – as many directors as to be appointed, decreased of one director, if the Board of Directors consists of a number lower or equal to 20 members, or decreased of two directors, if the Board of Directors consists of a number higher than 20 members. The remaining directors shall be taken – in the consecutive order in which they are shown on the list – from the minority list receiving the highest votes;

(b) if the majority list doesn't reach a sufficient number of candidates for the election of the number of directors to be appointed, following the mechanism pointed out under letter a) above, all the candidates from the majority list shall be appointed and the remaining directors shall be taken from the minority list receiving the highest votes, in the consecutive order in which they are shown on such list.

(c) If the minority list receiving the highest votes does not reach a sufficient number of candidates for the election of the number of directors to be appointed, the remaining directors shall be taken in succession from the further minority lists receiving the highest votes, always in the order in which they are shown on the lists;

(d) if the number of candidates included on the majority as well as minority lists submitted is less than the number of the directors to be elected, the remaining directors shall be elected by a resolution passed by the Shareholder's Meeting by a relative majority, ensuring compliance with the principles of independence and gender balance required by the regulations in force. If there is a tie vote between several candidates, a run-off will be held between these candidates by means of another vote at the Meeting;

(e) if only one list or no list is filed, the Meeting shall deliberate in accordance with the procedures set forth in item (d) above;

(f) if the minimum necessary number of independent directors and/or directors belonging to the less represented gender is not elected, the directors who have the highest consecutive number in each list and do not meet the requirements in question shall be replaced by the subsequent candidates, who meet the necessary requirements, taken from the same list. If, even when applying this criterion, it is not possible to identify directors with the above-mentioned characteristics, the replacement criterion indicated shall apply to the minority lists receiving the highest votes from which the candidates elected were taken;

(g) if, even when applying the replacement criteria in the above point (f), suitable substitutes are not identified, the Shareholders' Meeting shall resolve through a majority decision. In this event, the substitutes shall be made from the lists receiving the highest votes and from the candidates with the highest consecutive number.

In the event of a director dying, leaving office or failing to hold it for any other reason or where his term in office is lapse or losing for any other reason the experience or integrity requirements, the Board of Directors can take steps to co-opt a director, taking into proper account the right of minority interests to be represented. When, in the cases mentioned above, the minimum number of directors required by the Company Articles of Association and/or the minimum number of directors belonging to the less represented gender required by law ceases to exist, the Board of Directors must ensure their replacement.

For the appointment of directors necessary to supplement the Board of Directors, the Shareholders' Meeting resolves by majority decision, ensuring compliance with the principles of independence and gender balance set out in the laws and regulations in force.

Pursuant to Article 21 of the Company Articles of Association, the Board of Directors elects from among its members, for three financial years, unless a different duration is established by the Shareholders' Meeting, one Chairman, one or more Deputy Chairmen (including one who acts as a stand-in) and a Secretary, who need not be one of its members. The Board of Directors may appoint a Managing Director, who is responsible for following the execution of resolutions carried by the Board of Directors, availing themselves of the Central Management Office. The Board of Directors can appoint one or more General Managers and/or one or more Deputy General Managers, establishing their roles and areas of competence. Should a Managing Director not have been appointed, the Board of Directors shall appoint a sole General Manager, and can appoint one or more Deputy General Managers, deciding their roles and areas of responsibility.

Board of Statutory Auditors

Pursuant to Article 30 of the Corporate Articles of Association, the Shareholders' Meeting appoints five full auditors (among whom it also appoints a Chairman) and four substitute auditors, ensuring gender balance as laid down by law. Full and substitute auditors may be re-elected.

Pursuant to the provisions of prevailing legislation, at least two full auditors and one alternate auditor must have been listed in the Register of Auditors and have undertaken the legal auditing of financial statements for a period of no less than three years. Any auditors who are not listed in the Register of Auditors must have gained at least three years' total experience of:

a) undertaking professional activities as a business accountant or lawyer, primarily in the banking, insurance and financial sectors;

b) teaching, at university level, subjects concerning – in the field of law – banking, commercial and/or tax law, as well as the running of financial markets and – in the field of business/finance – banking operations, business economics, accountancy, the running of the securities markets, the running of the financial and international markets and corporate finance; and

c) performing managerial/executive duties within public organisations or offices of the public administration, as well as in the credit, financial or insurance sector, and the investment services sector and collective investment-management sector, both of which are defined in the TUF (Consolidated Financial Act).

For issues relating to the duties, powers and authorities assigned to Auditors, the determination of their remuneration and the length of their term in office, the prevailing laws shall apply. The Board of Statutory Auditors performs the roles and functions required of it by the prevailing laws. In particular, it oversees compliance with laws, regulations and Articles of Association, the proper management and the adequacy of the organisational and accounting structure of the Company and of the risk management and control system, as well as the functionality of the whole internal audit system, of the external auditing of the financial statements and the consolidated financial statements, and of the independence of the External Auditors.

It also oversees the financial information process. Furthermore, in order to properly perform its tasks, and in particular to fulfil its obligation to promptly inform Banca d'Italia and, where necessary, other supervisory authorities of management irregularities or violations of the law, the Board of Statutory Auditors is vested with all the powers provided for by prevailing laws and regulations.

The Board of Statutory Auditors is properly formed when the majority of Auditors are present, with resolutions being carried by outright majority of votes cast by those present. In the event of a tie, the vote of the Chairman shall prevail. Whenever the Chairman of the Board of Statutory Auditors deems necessary, meetings of the Board of Statutory Auditors may be held by using telecommunications technology, providing that each of the attendees may be identified by all the others and that each of the attendees is in a position to intervene in real time during the discussion of the topics being examined, as well as receive, transmit and view documents. Once the fulfilment of these prerequisites has been verified, the meeting of the Board of Statutory of Auditors is considered held in the place where the Chairman is located.

Method of appointment

Pursuant to Article 30 of the Corporate Articles of Association, the appointment of full and alternate auditors of the Board of Statutory Auditors is made on the basis of lists submitted by legitimate parties in which candidates must be listed using sequential numbering. The lists are split into two sub-lists, which contain respectively up to five candidates for the position of full auditor and up to four candidates for the position of substitute auditor. At least the first two candidates for the office of full auditor and at least the first candidate for the office of alternate auditor on each of the respective lists should be on the Register of Auditors and should have undertaken legal auditing in accordance with the requirements of the Company Articles of Association. Each list for the appointment of a full auditor and an alternate auditor should contain a number of candidates belonging to the less represented gender ensuring compliance with gender balance to the minimum extent required by the law and regulations in force.

No candidate may appear in more than one list, or shall otherwise be disqualified.

The list should be filed, or shall otherwise be disqualified, at the registered office or head office, even by means of remote communication and in accordance with the methods indicated in the call notice which allow the identification of the parties carrying out the filing, by the twenty fifth day prior to the date of the Shareholders'

Meeting and should be made available to the public at the registered office, on the Company's website and through the other methods laid down by the regulations in force, at least twenty one days before the date of the Shareholders' Meeting. Only those legitimate parties who individually or collectively with others represent at least 0.5% of share capital in the form of ordinary shares with voting rights at ordinary Shareholders' Meetings are entitled to submit lists. Minority shareholders without any connecting relationships to the shareholders concerned remain, in any case, entitled to use a deadline extension to present lists in the cases and using the procedures specified in current regulatory and other provisions.

The ownership of the minimum number of shares required for filing lists is calculated with regard to the shares registered to each individual shareholder, or to multiple shareholders combined, on the day on which the lists are submitted to the Company. Ownership of the number of shares necessary for filing lists must be proven in accordance with the prevailing laws; such proof may also be submitted to the Company during or after the time when the lists are filed, provided that this occurs prior to the deadline for the Company to publish the lists.

Together with the lists and by the deadline indicated above, legitimate parties which have presented a list must also file any other documents and declarations required by law or regulations, in force at any given time.

Any list that does not meet the above requirements shall be deemed to have not been filed.

Every person entitled to vote may vote for one list only.

With regard to the appointment of full auditors, the votes obtained by each list are subsequently divided by one, two, three, four and five. The quotients thus obtained are allocated progressively to the candidates in the first sub-list of each list in the order of the list concerned, and are arranged in a single table from highest to lowest.

Those obtaining the highest quotients are elected, unless four or more candidates obtaining the highest quotients belong to the same list. In this case, the first three shall be elected, while the fourth and fifth elected shall be those who obtain the highest quotients out of those belonging to the minority lists.

The candidate who has obtained the highest quotient among the candidates on the list with the highest number of votes among the minority lists, as defined by the provisions and regulations in force, shall be elected by the Shareholders' Meeting as Chairman of the Board of Statutory Auditors. In case of a tie between lists, the candidate from the list presented by the legitimate parties with a larger stake or, subordinately, by the higher number of parties, shall be elected Chairman of the Board of Statutory Auditors. In case of a further tie, the more senior candidate in terms of age shall be appointed Chairman. If the Chairman of the Board of Statutory Auditors cannot be elected on the basis of the above mentioned criteria, the Shareholders' Meeting shall appoint directly with relative majority.

With regard to the appointment of alternate auditors, the votes obtained by each list are subsequently divided by one, two, three and four. The quotients thus obtained are allocated progressively to the candidates in the second sub-list of each list in the order of the list concerned, and are arranged in a single table from highest to lowest.

Those obtaining the highest quotients are elected, unless three or more candidates obtaining the highest quotients belong to the same list. In this case, the first two shall be elected, while the third and fourth elected shall be those who obtain the highest quotients out of those belonging to the minority lists.

If the quotients are tied for the candidates for election as full auditor and/or alternate auditor, the candidate from the list that obtained the highest number of votes is chosen or, if the voting is tied, the one more senior in terms of age.

if the minimum necessary number of full or alternate auditors belonging to the less represented gender is not elected, the auditor who has the highest consecutive number in each list and belongs to the less represented gender shall be replaced by the subsequent candidate belonging to the less represented gender, taken from the same list. If, in spite of this, there is still an insufficient minimum number of auditors belonging to the less represented gender, the substitute criterion will apply, where possible, to the minority lists with the most votes from which the candidates elected have been taken, or the list with the most votes will apply once again. Where, in spite of all this, the minimum number of auditors belonging to the less represented gender still does not exist, the Shareholders' Meeting shall resolve by a majority decision. In this event, the substitutes shall be made from the lists receiving the highest votes and from the candidates with the lowest quotient.

If, in accordance with the deadlines and procedures set forth in the previous paragraphs only one list, or no list, has been presented, or the lists do not contain the required number of candidates to be elected, the Shareholders' Meeting shall pass a resolution for appointment or addition by relative majority. If there is a tie vote between several candidates, a run-off ballot shall be held between them through a further vote of the Shareholders' Meeting.

The Shareholders' Meeting is bound, in any event, to ensure compliance with the principles of independence and gender balance required by the regulations in force.

In the event of death, withdrawal or disqualification or a full auditor leaving office for any other reason, they shall be replaced by the alternate auditor belonging to the same list as the departing auditor in accordance with the failure for any other reason by a full auditor in the consecutive order in which they are shown on the list, in compliance with the minimum number of members on the Register of Auditors who have undertaken the legal auditing of financial statements pursuant to the Corporate Articles of Association and the principle of gender balance. Where this is not possible, the outgoing auditor should be replaced by the alternate auditor with the characteristics indicated taken from the lists with the most votes from the minority lists, in the consecutive order. If auditors are not appointed by the list system, the substitute auditor provided for by law shall take over. In the event of the Chairman being replaced, the alternate auditor who takes over will also take up the office of Chairman. Pursuant to article 2401, paragraph 1 of the Civil Code, the shareholders' meeting appoints and replaces statutory auditors, in compliance with the principle of mandatory minority and gender balance representation. Where the appointment of this auditor to the position of full auditor is not confirmed by the next Shareholders' Meeting, he shall return to his position of substitute auditor.

Central Management Office

As per Article 27 of the Corporate Articles of Association, the Central Management Office comprises the General Managers, Deputy General Managers, other Managers with Strategic Responsibilities for the Company, employees assigned to the Central Management Office and secondees to it.

The Central Management Office guarantees, in accordance with the guidelines established by the Managing Director or – where not appointed – by the General Manager, the smooth running of the business and the correct execution of resolutions carried by the Board of Directors.

The Managing Director, the General Managers, the Deputy General Managers and the other Key Management Personnel for the Company are directly vested, without any further specific powers required, with the powers that may be exercised separately to take the following decisions:

a) to promote and support judicial and administrative actions, arbitration and conciliation/mediation proceedings at any level of jurisdiction, including, by way of example, the exercising, cancellation and waiving of the right to file a complaint, as well as bringing a civil action and the related revocation and representing the Company in any judiciary or administrative, arbitration and conciliation setting, before any authority and in any country and at any level and therefore also in appeal rulings and revocation sentencing and before the Council of State, with the right to conduct questioning as laid down by law, conciliate, come to a settlement and compromise in arbitration proceedings, including an amicable one, as well as abandoning claims and actions;

b) to allow, also through special mandates, registrations, subrogation, reductions, subordinations and cancellations of liens and privileges, as well as making and cancelling transcriptions and notes of any kind, including independently of the payment of the receivables pursuant to said registrations, transcriptions and notes referred to;

c) to carry out any transactions, including the collection and withdrawal of securities and notes, at any company or organisation, at the Bank of Italy, Cassa Depositi e Prestiti, the Public Debt Administration, and, in any event, at any Public Administration, with no exceptions, organisations, businesses and companies with state ownership or public bodies, and, in addition, to carry out any action inherent to said transactions;

d) to issue special mandates for the completion of individual actions and transactions or certain categories of actions and transactions and power of attorney to appear in court, as well as to appoint expert witnesses and arbitrators, providing them with the necessary powers;

e) to award employees and third-parties the right, including individually, to represent the Company as a shareholder or as the lead of third-party shareholders in ordinary and extraordinary shareholders' meetings of Italian and foreign companies, in conformity with existing laws.

The powers mentioned above may be delegated to the employees assigned to the Central Management Office or to secondees.

The Board of Directors is entitled to establish organisational structures and/or decision-making units of the Central Management Office, such as regional management offices, situated locally, to which the Managing Director or – where not appointed – the General Manager may delegate, availing itself of the Central Management Office if necessary, additional duties, powers and authorities to those required by the Company Articles of Association, for the management of branches, however named, determining the procedures by which they are to be exercised.

The CEO or - if the latter has not been nominated - the General Manager can delegate additional powers and responsibilities to those set out in the Corporate Articles of Association, to the management of the branches, also using the General Management and the structures, as in the previous paragraph, for the management of these branches, deciding the ways they will be exercised.

21.2.3 Description of the rights, preferences and restrictions attaching to each class of existing shares

The ordinary shares issued by the Company are registered shares.

As per Article 5 of the Corporate Articles of Association, no one entitled to vote may vote, for any reason whatsoever, for a number of shares exceeding 5% of the share capital bearing voting rights. For further information, see Chapter 21, Paragraph 21.2.6 of the Registration Document.

Savings shares issued by the Company do not have voting rights. Any reduction of share capital due to losses does not reduce the par value of savings shares, other than by the portion of any loss exceeding the overall amount of the share capital represented by the other shares; in the event of the Company being wound up, savings shares enjoy the right of pre-emption in respect of the redemption of capital, for up to €63 per share. In the case of capital transactions which alter the ratio between the amount of share capital and the shares issued, the fixed amount per share indicated above can be changed as a result. In the event of reserves being distributed, savings shares bear the same rights as other shares.

Resolutions carried for the issuance of new savings and/or ordinary shares at the time of a capital increase or the conversion of shares of another class that have already been issued, do not require the approval of an extraordinary meeting of savings shareholders.

Whenever the Company's ordinary shares or savings shares are barred from trading, the saving shareholders may ask for its shares to be converted into ordinary shares, in accordance with the procedures resolved upon by the Extraordinary Shareholders' Meeting, convened as and when the need arises within two months from shares being barred from trading.

Savings shares, when fully paid-up, are bearer shares, unless provided for otherwise by law. At the request and expense of the shareholder, they may be transformed into registered savings shares and vice versa.

For information on the rights connected to savings shares when profits are being distributed, see Chapter 20, Paragraph 20.6 of the Registration Document.

21.2.4 Description of the procedures necessary for changing shareholders' rights, including the cases in which the conditions outweigh those provided by law

The Corporate Articles of Association do not set out specific conditions for amending shareholders' rights, other than those provided by law. In particular, the right of withdrawal may only be exercised where it is expressly provided for by law. The right of withdrawal must be exercised as per the methods and time limits described in the relevant laws.

Shareholders who have not been involved in the approval of resolutions regarding the extension of the Company's duration or the introduction or removal of restrictions imposed upon the circulation of shares may not exercise the right of withdrawal.

21.2.5 Description of the conditions governing in which Annual General Meetings and Extraordinary Shareholders' Meetings are called including the conditions of admission

Convening meetings and responsibilities

Pursuant to Article 8 of the Company Articles of Association, an Ordinary Shareholders' Meeting is called at least one a year, within 180 days of the end of the financial year, in order to take resolutions on the issues for which it is responsible pursuant to the Company Articles of Association. In particular, the Ordinary Shareholders' Meeting sets the remuneration of the company bodies it has appointed and approves: (i) the remuneration and incentive policies for members of bodies with strategic supervisory, management and control functions and the remaining personnel; (ii) remuneration plans based on financial instruments; (iii) the criteria for determining compensation to be agreed in the case of the early termination of the employment contract or early termination of office, including the limits set on this compensation in terms of the annuity of the fixed remuneration and the maximum amount resulting from its application. Adequate information must be provided to the Shareholders' Meetings about the implementation of the remuneration policies.

In addition, when approving remuneration policies, the Shareholders' Meeting has the right to approve a ratio between the variable component and the fixed component of individual personal remuneration higher than 1:1, but not exceeding 2:1, without prejudice to the fact that the proposal must be validly approved:

- with a vote in favour of at least 2/3 of the share capital represented at the Shareholders' Meeting, if the Shareholders' Meeting is made up of at least half of the share capital;
- with a vote in favour of at least 3/4 of the share capital represented at the Shareholders' Meeting, irrespective of the share capital at the Shareholders' Meeting.

An Extraordinary Shareholders' Meeting is called whenever necessary to resolve upon any of the matters that are exclusively attributed to it by the prevailing laws.

Shareholders' Meetings are called in accordance with legal and regulatory requirements via a notice published on the UniCredit website and through other channels provided for under prevailing laws and regulatory provisions.

Shareholders' Meetings take place at the Company's registered office, at its Central Management Office or in another location within Italy, as indicated in the notice of meeting. If the notice of meeting so states, then holders of voting rights may participate in the Shareholders' Meeting remotely and exercise their voting rights using electronic means, in accordance with the conditions established in the notice.

The Agenda of the Shareholders' Meeting is established in accordance with legal requirements and the Corporate Articles of Association by whoever exercises the power to call a meeting.

The Shareholders' Meeting is held in a single call. The Board of Directors can arrange for the Shareholders' Meeting to be held in several calls.

Additions to the agenda and presentation of new proposals for deliberation

Shareholders who, including jointly, represent at least 0.50% of the share capital of UniCredit have the right to ask for additions to the agenda of the Shareholders' meeting or they can submit draft resolutions on subjects already on the agenda in the cases, methods and terms indicated by Article 126-*bis* of the TUF and the Corporate Articles of Association. The requests, together with the certification proving ownership of the shareholding, must be submitted in writing.

Shareholders cannot add items to the agenda for matters on which the Shareholders' Meeting resolves, on the recommendation of the directors or based on a project or a report prepared by them, other than those indicated in Article 125-*ter*, paragraph 1 of the TUF.

Anyone requesting an addition to the agenda must prepare a report containing the reason for the draft resolutions on the new matters that they propose be dealt with and they must send the Board of Directors the report, by the deadline laid down by the regulations in force, giving the reason for the request for the addition or the draft resolution on items already on the agenda.

Anyone with voting rights can individually submit draft resolutions to the Shareholders' Meeting.

Notice must be given of additions to the agenda or the submission of additional draft resolutions on subjects already on the agenda, in the formats required for the publication of the call notice, by the deadlines laid down by existing legislation.

At the same time as the publication of this notice, the reports prepared by the applicants seeking the additions and/or extra draft resolutions submitted must be made available to the public, in the same formats as for the documents relating to the Shareholders' Meeting, accompanied by any evaluations of the Board of Directors.

Right to ask questions before the Shareholders' Meeting

In conformity with the provisions of Article 127-*ter* of the TUF, anyone who has the right to vote can ask questions about the items on the agenda before the Shareholders' Meeting. The questions received by the Company before the Shareholders' Meeting will be answered - after verifying the entitlement to exercise this right - at the latest during the actual meeting. The Company can provide a single answer to questions with the same contents.

The call notice indicates the deadline by which the questions put before the General Meeting should reach the Company. The deadline should not be earlier than three days prior to the date of the General Meeting, single or first call, or five days if the call notice requires the Company to give an answer, before the General Meeting, to questions received. In this case the answers will be supplied at least two days before the General Meeting, including through publication in a dedicated section of the Company website.

No answer is due, not even during the meeting, when the information requested is already available in a "question and answer" format on the Company's website or when the answer has already been published. An answer made available in hard copy at the beginning of the meeting to everyone having the right to vote is considered as having given a response at the meeting.

Quorum to convene and pass resolutions and right to speak

In order for a Shareholders' Meeting along with the resolutions carried therein to be valid, the relevant legal provisions are to be duly observed, without prejudice to the provisions of Article 5 of the Corporate Articles of Association (for further information, see Chapter 21, Paragraph 21.2.6 of the Registration Document).

The Shareholders' Meeting may be attended by those who hold voting rights for whom notification has been received by the Company from the broker holding the relevant shareholder accounts within the time period established under prevailing laws.

In compliance with the provisions of the regulations in force, anyone who has the right to vote can be represented at Shareholders' Meetings through a proxy, indicating one or more replacements for the representative. If the proxy includes this right, the delegate can be replaced by a subject of their choice.

The proxy should be conferred in writing; it cannot be issued with the name of the representative left blank and it can always be revoked in spite of any contrary agreement. For this purpose, it is possible to use the proxy form issued by enabled intermediaries at the request of anyone having the right or the proxy model prepared by UniCredit, which can be downloaded from the Company website and printed off.

Representation can only be conferred for single meetings, also with effect for subsequent calls, provided that this involves general power of attorney or power of attorney conferred by a company, association, foundation or other collective body or institution onto one of their employees.

If the representation is conferred by a company, association, foundation or other collective body or institution, it can only be delegated to one of its employees or contractors.

Conferring a proxy on a representative in conflict of interest is permitted provided that the representative notifies the shareholder in writing of the circumstances that give rise to this conflict and on condition that there are specific voting instructions for each resolution as to how the representative should vote on behalf of the shareholder. The representative is responsible for proving they have notified the shareholder of the circumstances that give rise to the conflict of interest. The eventualities of a conflict of interest pertaining to the representative or their substitute are indicated in Article 135-*decies* of the TUF.

The representative can, in place of the original, hand over or send a copy, even in electronic form, of the proxy, certifying the conformity of the proxy to the original and the identity of the delegate. The representative should keep the original proxy and keep a record of any voting instructions received for a year after the conclusion of the meeting proceedings.

Pursuant to Article 135-*undecies* of the TUF, the Company designates a subject (the "**Designated Representative**") to whom the voting rights can be conferred, by the end of the second day the market is open prior to the date set for the Shareholders' Meeting, even in a call following the first one, a proxy with voting instructions for all or some of the proposals on the agenda. The proxy is only effective for proposals with regard to those for which voting instructions have been given. The proxy is conferred by signing a proxy form, which can be downloaded from the Company website and printed off, and its contents are governed by CONSOB through regulations. Conferring a proxy does not involve any expense for the shareholder. The proxy and voting instructions received by the Designated Representative can always be revoked within the above deadline.

The Designated Representative is obliged to notify any interests either on their own account or on behalf of third parties that they have with regard to the draft resolutions on the agenda and to also to maintain confidentiality on the voting instructions received until the start of the actual voting, except for the possibility of communicating this information to their employees and assistants, who are also bound by the same duty of confidentiality.

Each ordinary share entitles the bearer to one vote, without prejudice to the provisions of Article 5 of the Corporate Articles of Association (for further information, see Chapter 21, Paragraph 21.2.6 of the Registration Document).

Proceedings of Shareholders' Meetings and regulations

The Shareholders' Meeting is chaired by the Chairman of the Board of Directors or, in case of absence or impediment, by the Deputy Chairman or, where more than one Deputy Chairman has been appointed, by the Stand-in Chairman or, where the latter is absent or impeded, by the older Deputy Chairman. If the Chairman and all the Deputy Chairmen are absent or impeded, the Meeting is chaired by a Director or by a Shareholder designated by those in attendance.

The person chairing the Shareholders' Meeting is assisted by a Secretary designated by the majority of those holding voting rights. The assistance of a Secretary is not required when the minutes of the Meeting is drawn up by a notary assigned by the Chairman.

The Chairman of the Shareholders' Meeting has full powers to regulate activities and discussions, in accordance with the criteria and procedures established by prevailing laws and foreseen in the regulations for shareholders' meetings.

Since 1998, the Ordinary Shareholders' Meetings have adopted a meeting regulation (last modified on 29 April 2011) designed to govern the orderly and functional proceeding of meetings. In particular, Article 8 of the meeting regulation provides that those who have the right to attend Shareholders' Meetings pursuant to the prevailing laws and the Corporate Articles of Association have the right to speak on any of the matters under discussion.

Those who intend to speak must notify the Chairman via the Notary or the Secretary, submitting a written question indicating the relevant topic, having read the agenda and provided that the discussion on said topic has not already been declared closed. The Chairman normally gives the floor following the chronological order in which questions were submitted; if two or more questions are submitted at the same time then the Chairman will follow alphabetical order with regard to the surname of the askers.

The Chairman may authorise questions by raise of hands; in this case the Chairman will give the floor according to the alphabetical order of the askers' surnames.

The Members of the Board of Directors, the Statutory Auditors and the General Managers may ask to intervene in the discussions at the Meeting.

21.2.6 Description of the provisions of the Corporate Articles of Association that may delay, defer or preventing a change in control of the Issuer

As per Article 5 of the Corporate Articles of Association, no one entitled to vote may vote, for any reason whatsoever, for a number of shares exceeding 5% of the share capital bearing voting rights. For this purpose, the total stake held by the controlling party, be it an individual, legal entity or a company, and all direct and indirect subsidiaries and affiliates is taken into consideration; those shareholdings included in the portfolios of mutual funds managed by subsidiaries or affiliates are not, on the other hand, taken into consideration. Control, including with regard to parties other than companies, is deemed to exist in the situations provided for by Article 2359, paragraphs 1 and 2 of the Civil Code. Control with dominant influence is deemed to exist in the cases provided for by Article 23, paragraph 2 of the TUB. Connection is deemed to exist in the cases provided for by Article 2359, paragraph 3 of the Italian Civil Code. For the purposes of computing the stake held, those shares held through custodian companies and/or intermediaries and/or those shares whose voting rights are assigned for any purpose to a party other than their owner, are also taken into consideration. In the event of the above provisions being breached, any shareholders' resolution carried may be challenged pursuant to the provisions of Article 2377 of the Civil Code, where the majority required would not have been reached without this breach. Those shares for which voting rights may not be exercised are in any event computed in order for the Shareholders' Meeting to be properly formed.

21.2.7 Provisions of the Corporate Articles of Association that govern the threshold above which the obligation to publicise the amount of shares held applies

There are no provisions in the Corporate Articles of Association that govern the threshold above which the obligation to publicise the amount of shares held applies. The provisions and regulations of the relevant laws apply.

21.2.8 Provisions of the articles of association and by laws governing changes in the capital

The Corporate Articles of Association do not contain any provisions on amending the Company's share capital that are more restrictive than those provided by law.

The share capital can be increased through a resolution of the Shareholders' Meeting, also pursuant to Article 2441, paragraph 4, second section of the Civil Code through the issuing of shares also with different rights, in conformity with the legal requirements. Specifically, the Shareholders' Meeting can approve the issuing of savings shares with the characteristics and rights required by the laws in force and by the Corporate Articles of Association.

Resolutions carried for the issuance of new savings and/or ordinary shares at the time of a capital increase or the conversion of shares of another class that have already been issued, do not require the approval of an extraordinary meeting of savings shareholders.

22. MATERIAL CONTRACTS

The terms and conditions of the main contracts agreed by the Company or by Group companies in the two years prior to the Registration Document Date, which do not come under the normal course of business and/or which involve significant obligations and/or rights for the Company and for the Group are illustrated below.

22.1 Agreements relating to the Project Fino

As part of the plan to reduce the non-core portfolio called for in the 2016-2019 Strategic Plan (see Chapter 13 of the Registration Document), on 13 December 2016, UniCredit signed two separate agreements, as amended, (each of them a "**Framework Agreement**"), respectively with FIG LLC, an affiliate company of the Fortress Investment Group LLC, and with LVS III SPE I LP ("**PIMCO**"), a subsidiary of the PIMCO BRAVO Fund III, L.P., to transfer the non-performing loans to FIG LLC e PIMCO. On 30 December 2016, FIG LLC, in conformity with the provisions of the Framework Agreement, replacing Fortress Italian NPL Opportunities Series Fund LLC, Series 6 ("**Fortress**") in contractual relations resulting from the Framework Agreement.

Each Framework Agreement places binding obligations on UniCredit and the respective investors to negotiate and finalise the contractual documentation necessary for implementing the "Fino Project" under the scope of "phase 1" (as explained in more detail later on), the sale of the loan portfolios through the realisation of separate securitization transactions on the basis of the contractual principles, essential terms and guidelines identified in each Framework Agreement as well as the draft sales agreements agreed between the parties. Each Framework Agreement in particular identifies the individual portfolios being sold to each investor, governs the obligations and commitments (as well as the related terms and conditions) of the parties with regard to "phase 1" of the "Project Fino". With specific reference to "phase 2" of the "Project Fino" UniCredit and the respective investors have, pursuant to each Framework Agreement, agreed the guidelines, policies and mutual collaboration commitments in the potential structuring of "phase 2".

Specifically, "phase 1" involves the commitment by the parties to the agreement, to execute, respectively, a securitisation transaction with a single sector (i.e. a single securitisation transaction with one cover pool comprising credits securing the bonds issued in relation thereto) to execute the agreement with PIMCO and a multisector securitisation transaction (i.e. several securitisation transactions in relation to separate cover pools comprising credits securing bonds issued in relation to each securitisation transaction) to execute the agreement with Fortress. Each Framework Agreement provides that the transaction will be implemented through the creation of one or more special purpose vehicles ("**SPVs**") pursuant to Law No. 130 of 30 April 1999, as amended, which will acquire the impaired loans being sold as indicated in each Framework Agreement. Pursuant to each Framework Agreement, save as otherwise agreed by the parties or if required by applicable law, neither UniCredit nor any investor may hold or purchase units of the share capital of the SPV.

Each SPV will acquire the impaired loans with proceeds from issuance of the asset-backed securities (the "**Notes**"), which will be subscribed for by UniCredit as well as, depending on the respective SPV, by PIMCO and Fortress. In particular, the consideration due to UniCredit by each SPV for the transfer of each portfolio will be offset by the respective SPV on the date of issue of the related Notes (i) with the amount UniCredit owed the SPV as subscription price of the Notes by UniCredit, (ii) in cash through the funds received by investors by way of payment of part (in the proportion and according to the mechanism specified below) of the subscription price of the Notes that the same investors subscribed for; and (ii) by way of a transfer by the respective SPV to UniCredit of the claim claimed by the same SPV against the investors (including any affiliated or controlling entities) as deferred payment of part of the subscription price of the Notes that the same investors subscribed for and that has not been paid in cash to the SPV on the date of issue of the Notes (in the proportion and according to the mechanism specified below).

Each Framework Agreement provides – for the purpose of financing the purchase of each loan portfolio sold in "phase 1" - for the issuance by each SPV of three classes of Notes, in the context of each securitisation: the class A Notes, the class B Notes and the class C Notes. The repayment of the class A Notes will occur prior to the repayment of the class B Notes and the class C Notes; the repayment of the class B Notes will occur after the repayment of the class A Notes but prior to the repayment of the class C Notes; the repayment of the class C Notes will occur after the repayment of the class A Notes and the Class B Notes. Each investor and UniCredit undertook to subscribe for, at a subscription price equal to 100% of the nominal value of the Notes, respectively 50.1% and 49.9% of each class of Notes issued by the SPV in relation to each securitization[111]. At the Date of the Registration Document the interest rates that will accrue on the Notes have not been defined and there are no personal guarantees expected to guarantee the repayment of the Notes. Pursuant to each Framework Agreement the parties have agreed the main terms of the order of priority of the payments by each SPV of the sums from the recoveries and collections made in relation to each loan portfolio subject to securitization. In any event, this order of priority remains subject to the final definition by UniCredit and the investors.

Moreover, further classes of Notes that UniCredit will entirely subscribe to might be issued in order to fund certain cash reserves in the context of each securitisation transaction. At the Date of the Registration Document the terms and conditions of the issue and subscription by UniCredit of further classes of Notes have not been defined.

Each securitisation transaction completed in fulfilment of the Framework Agreement will be governed by typical securitisation transaction agreements and, *inter alia*, the transfer agreement, the master servicing agreement, the inter-creditor agreement, the subscription agreement of the Notes, the mandate agreement, the agency and accounts agreement, the terms and conditions of the Notes and the rules of organisation of the noteholders, the shareholders' agreement of each SPV and the corporate services agreement, the key terms of which have been agreed by the parties in the respective Framework Agreement. Following the issue of the Notes in the context of "Phase 1", the parties have agreed that the above-mentioned securitization agreements will exclusively regulate relations between the parties in the context of the securitizations, with the provisions of the Framework Agreement being withdrawn in the case of a conflict.

In particular, each Framework Agreement contains a draft of the transfer agreement, as agreed between the relevant parties, which includes the representations and warranties UniCredit has given in relation to any loan portfolio being transferred, together with the related indemnity for breaches of such representations and warranties. These drafts require the sale of loans to take place with non-recourse factoring, in other words

[111] Pursuant to the Framework Agreement with Fortress, the subscription of the Notes is expected to be aimed, among other things, at allowing the Issuer to satisfy the requirements of maintaining a clear economic interest in the securitization pursuant to the provisions of EU Regulation no. 575/2013 and the related implementation measures; pursuant to the Framework Agreement with PIMCO, the subscription of the Notes is expected to be aimed, among other things, at allowing the Issuer to satisfy the requirements of maintaining a clear economic interest in the securitization pursuant to the provisions of EU Regulation No. 575/2013 and the related implementation measures, (EU) Regulation No. 231/2013 and the related implementation measures, (EU) Regulation 2015/35 and the related implementation measures and Section 15G of the U.S. Exchange Acts of 1934, as amended (codified at 17 C.F.R. § 246.1-246.22) and the U.S. regulations on risk retention as amended.

without a guarantee of the solvency of the debtors or their underwriters. The sale will also be governed pursuant to the combined provisions of Articles 1 and 4 of Law 130 of 30 April 1999, as later supplemented and amended, and Article 58 of the TUB and the related implementation regulation.

As far as the declarations and guarantees issued by UniCredit pursuant to the above-mentioned drafts are concerned, these representations and warranties cover, *inter alia*, the existence of the loans being transferred; the ownership of UniCredit of the loans being transferred and their transferability; and the validity and the existence of the warranties relating to the loans secured by a collateral. There are also plans that, if the declarations and guarantees issued by UniCredit with regard to each loan portfolio sold are not correct or truthful, UniCredit should compensate the SPV for the damage suffered through a maximum amount that ranges from 15% to 30% (depending on the securitization) of the sale price of the loan to which the violation of the declarations and guarantees refers. As an alternative to the obligation to pay compensation, UniCredit Group may buy back its credit (with reference to the Framework Agreement with Fortress; this option to repurchase is subject to the fact that the alleged damage suffered by the respective SPV is above a given threshold) paying the repurchase price determined on the basis of the original price of sale of the relevant credit net of any collection made on such credit and plus any collection costs incurred up to the date of the repurchase to the relative SPV.

Each draft of the transfer agreement attached to the relevant Framework Agreement also provides for the possibility for UniCredit, subject to certain conditions, to repurchase claims transferred to the respective SPV. Specifically, UniCredit can exercise this buyback option if, among other things, UniCredit believes it is advisable to repurchase it for reasons of internal compliance or if there has been a request for compensation for damages regarding this loan or another claim or if the debtor has been successful in a dispute of the first instance at least involving the loan sold. The successful completion of the transfer is, instead, not conditional upon maintaining certain performance levels *(i.e.* the repayment of capital and interest by the relevant debtors) of the loans being transferred. The Framework Agreement with PIMCO, however, provides that the amount due from the respective SPV to the Issuer by way of purchase price of the related portfolio is offset by an amount equal to the higher of the collections relating to the portfolio between the valuation date of the portfolio (expected to occur on 30 June 2016) and the settlement date of the Notes (expected to occur by no later than 31 July 2017) (collections which will remain under the ownership of the Issuer) and Euro 100 million. The Framework Agreement with Fortress, on the other hand, makes provision that the amount due from the SPV to the Issuer by way of the purchase price of the portfolios is paid *pro tanto* with a sum equal to the amount of the collections made on the portfolio between the valuation date of the portfolio (expected to be 30 June 2016) (collections which will remain under the ownership of the Issuer) and the issue date of the Notes (expected to be no later than 31 July 2017).

The drafts of the remaining documents mentioned above relating to the securitisation have not yet been agreed between the parties and they remain subject to further negotiation, pursuant to the principles and essential terms provided in each Framework Agreement. The key terms regarding these remaining documents and contained in each Framework Agreement do not include specific duties, commitments, representations or warranties to be given by UniCredit in favour of the respective SPV, nor specific indemnities that UniCredit will be expected to give.

The realisation of the securitization transactions planned under "phase 1" of the "Fino Project" is subject to UniCredit obtaining the necessary authorisation from the competent corporate bodies (including the Board of

Directors) and the related disclosure obligations of the ECB relating to the disposal of loans in order to comply with the requirements of the CRR in relation to the significant risk transfer of the portfolios sold to each SPV[112]. In this respect, it should be noted that as of the Date of the Registration Document no notification has been sent to the respective SPV within the meaning of "*Public guidance on the recognition of significant risk transfer*" issued by the ECB on 24 March 2016 concerning the intention of recognizing the significant transfer of risk relating to the "Fino" portfolio.

With reference to "phase 2", to be achieved through the possible restructuring of the Notes and amendment of the contractual documentation of the "Phase 1" securitizations on the other hand, the parties have preliminarily identified the guidelines and strategies aimed at regulating, among other things: (i) a progressive sale, including to third-party investors, by UniCredit of the Notes subscribed, in compliance with the requirements of maintaining a clear economic interest in the securitization transactions[113]; and (ii) the optimisation of the financial structure of the Notes issued as part of "phase 1", including obtaining a guarantee on the securitisations of the impaired loans ("**GACS**") from the Ministry of Economy and Finance. Note that the implementation methods of "phase 2" have not yet been definitively agreed by the parties and remain subject to further agreements between the parties on the basis of agreed guidelines and strategies in the respective Framework Agreements.

In addition, pursuant to the agreements with investors, there are plans (i) that 40% of the price of the Notes subscribed by each investor will be paid in cash at the issue date of the Notes and (ii) for a payment mechanism for the remaining 60% by the date which falls no later than 36 months for Fortress and 42 months for PIMCO after the issue date of the Notes (the "**Deferred Subscription Price Mechanism**").

The completion of "phase 1" is expected to take place by 31 July 2017 and it is subject to certain conditions precedent being satisfied by 31 March 2017.

These conditions precedent include, among others:

- with regard to the Framework Agreement with PIMCO: (i) the satisfying of all the conditions precedent and the assumptions indicated in the offer letter sent to UniCredit by PIMCO on 12 December 2016, regarding the portfolio described in the relevant Framework Agreement (i.e. *inter alia*, the granting of a guarantee by UniCredit for an amount of at least €100 million through collections by the date of the transfer) (or, if this is not the case, UniCredit must pay to the respective SPV an amount equal to the difference between €100 million and the collections actually realised); deferred payment of part of the subscription price of the Notes; closing of the transaction by 31 July; agreement relating to the FINO Loan; all the agreements relating to the securitisation in a form that is satisfactory to PIMCO (including the agreements relating to the Deferred Subscription Price Mechanism); costs related to the establishment of the SPV to be borne by UniCredit; agreement relating to the servicing mechanisms of the portfolio between the valuation date and the date of the transfer – without prejudice to the fact that the offer letter

[112] On this issue we report that, pursuant to articles 243(2 and 3) and 244(2 and 3) of the CRR, realisation of the securitization operations covered by phase 1 of the Fino Project was not subject to obtaining specific authorisation in relation to the significant transfer of credit risk. The Public guidance on the recognition of significant risk transfer, issued by the ECB on 24 March 2016 in fact requires originators with the intention of acknowledging the significant transfer of risk solely to notify the ECB rate at least three months prior to the date envisaged for conclusion of the associated transaction.

[113] It is expected that this sale under the scope of "phase 2" could also include tag along and drag along obligations.

shall be deemed as superseded by the Framework Agreement, as expressly provided in the Framework Agreement); (ii) the fulfilment by UniCredit of all its significant obligations pursuant to the Framework Agreement; (iii) the definition of the aforesaid agreements relating to the securitisation transaction and the agreements relating to the Deferred Subscription Price Mechanism and reflecting the commercial agreements in a form and substance satisfactory to the parties from time to time; and (iv) the obtaining by UniCredit of the necessary authorisations by the competent corporate bodies (including the Board of Directors);

- with regard to the Framework Agreement with Fortress: (i) the definition of the agreements relating to the securitisation transaction and the agreements relating to the Deferred Subscription Price Mechanism and reflecting the commercial agreements in a form and substance satisfactory to the parties from time to time, and (ii) the obtaining by UniCredit of the necessary authorisations by the competent corporate bodies (including the Board of Directors).

If the above-mentioned conditions precedent are not realised, the respective Framework Agreement will be understood as terminated. Specifically, if the failure to satisfy them is attributable to the Issuer, the Issuer should refund investors the costs and expenses incurred for carrying out the due diligence relating to the securitisation transaction or following the realisation of the above-mentioned conditions precedent up to a maximum amount of € 5 million.

As at the completion of the relevant securitisation transactions, the transfer of gross loans for a total amount of €17.7 billion will occur as at 30 June 2016. Pursuant to each Framework Agreement, one of the objectives of "phase 1" of "Project Fino" is the derecognition of the transferred portfolio. As prescribed by IAS 39, the transferred loans will be derecognised in the financial statements of the Issuer (i) once all the related risks and benefits have been transferred to independent third parties or (ii) once a sufficient part of the risks and benefits has been transferred, provided that the Issuer has not retained control over the loans included in such portfolio. As at the Registration Document Date, the Issuer is assessing both the qualitative and quantitative criteria necessary to prospectively support the evaluation of the above-mentioned conditions in particular those referred to the Deferred Subscription Price Mechanism and the structure of the securitisation transactions contemplated by the Framework Agreements.

The analysis will be completed on the completion of the contractual documentation and could highlight the failure of the conditions set out by the reference accounting principle for the derecognition of the portfolio. In this event it could be necessary to revise provisional information in Chapter 13, Paragraph 13.1.7 of the Registration Document.

Pursuant to each Framework Agreement, the offer letters sent by PIMCO and Fortress to UniCredit, respectively, on 12 December 2016 and 13 December 2016, about the portfolios which are the subject of each Framework Agreement should be understood as superseded by these latest agreements.

For further information on the pro-forma impacts of the transaction, see Chapter 20, Paragraph 20.2 of the Registration Document.

22.2 Sale of PGAM's assets

On 11 December 2016, UniCredit signed a binding agreement (the "**Master Sale and Purchase Agreement**") with PGAM, a company wholly owned by UniCredit, and Amundi S.A. ("**Amundi**") for the sale of PGAM's subsidiaries (the "**Pioneer Subsidiaries**") (the "**Sale**").

Pursuant to the Master Sale and Purchase Agreement, PGAM reserved the right to exclude the following from the Pioneer subsidiaries being sold: (i) Pioneer Pekao Investment Management S.A. (in which, as at the Registration Document Date, PGAM owns 51% of the share capital); (ii) Pioneer Pekao Towarzystwo Funduszy Inwestycyjnych S.A. (in which, as at the Registration Document Date, PGAM indirectly owns 100% of the share capital via Pioneer Pekao Investment Management S.A.); and (iii) Pekao Pioneer Universal Pension Fund Company S.A. (in which, as at the Registration Document Date, PGAM owns 35% of the share capital) (jointly defined as the "**Polish Subsidiaries**").

The Master Sale and Purchase Agreement requires that, for the acquisition of the Pioneer Subsidiaries, Amundi will pay cash consideration (excluding the Polish Subsidiaries) of €3,545 million. In addition, the agreement provides for PGAM's right to proceed with the distribution of an extraordinary dividend of €315 million to be paid out before the closing of the Sale. Following the closing of the Sale, the consideration can be subject to adjustments linked to (i) the circumstance that the amount of the extraordinary dividend effectively distributed would be different than that proposed by the parties and specified above; (ii) specified corporate actions to be carried out by PGAM and/or by the Pioneer Companies (as defined in the following) for the establishment of a new company wholly and directly controlled by PGAM in China before the date envisaged for the closing of the Sale; (iii) the amount of revenue generated in relation to some assets under management of U.S. customers where the corporate actions that are expressly set out pursuant to the Master Sale and Purchase Agreement are not satisfied (including, first of all, obtaining the consent to the Sale requested by the respective related bodies) according to the calculation mechanisms provided by the Master Sale and Purchase Agreement; and (iv) the amount of any loss or cost of an extraordinary nature and any leakage, as defined pursuant to the Master Sale and Purchase Agreement (e.g. distributions, guarantees, payments of bonuses not related to the ordinary course of business and expenses of various kinds, as defined pursuant to the Master Sale and Purchase Agreement) that the Pioneer Subsidiaries that are part of the Sale had been involved in or would been involved in between 30 September 2016 and the completion date of the Sale.

In addition, when any of the grounds for terminating the Distribution Agreements (as defined below), expressly set forth in the Master Sale and Purchase Agreement occur, Amundi and PGAM, depending on the case, have the right, to obtain a reduction or an addition (not subject to a minimum and/or maximum) to the consideration paid for the sale, calculated on the basis of the revenues or economic advantages that each of the parties would have obtained in the event that the relative Distribution Agreement had gone ahead. The Master Sale and Purchase Agreement provides for termination rights upon occurrence of the following events: (i) any breach by UniCredit or any Group companies of the obligations and/or undertakings provided for by the Distribution Agreements; (ii) any amendments of the Distribution Agreements following orders or decisions by the competent authorities, as identified pursuant to the Master Sale and Purchase Agreement; (iii) in relation with the Distribution Agreement executed by UCB Austria and Pioneer Investments Austria GmbH, the failure to reach an agreement relating to the amendments of specific contractual terms, including amendments relating to regulatory provisions issued by the relevant Supervisory Authority, in the absence of which the distribution and the offer of the instruments provided for in such contract would result in violation of the applicable laws and regulations.

The completion of the Sale is expected to take place by the end of the first half of 2017 and is subject to the satisfaction (or waiver) of certain conditions precedent pertaining to PGAM and Amundi (that should take place, in any case, within a maximum of 12 months of signing the Master Sale and Purchase Agreement).

These conditions precedent include, among other things: (i) the receipt of necessary approvals from the related supervisory, regulatory and antitrust authorities; (ii) the realisation of certain corporate actions with regard to operations in the U.S. and the receipt of certain authorisations/waivers from (a) certain companies connected to PGAM by a joint venture relationship and (b) the board of trustees of the U.S. funds' shareholders; and (iii) the signing of the Distribution Agreements (as defined in the following), namely, 10-year agreements for the distribution of asset management products, respectively, by UniCredit, UCB AG and UCB Austria and the Pioneer Subsidiaries operating in Italy, Germany and Austria.

In addition to the above conditions precedent, the Master Sale and Purchase Agreement requires that UniCredit, PGAM and Amundi provide market-standard representations and warranties, which, with respect to PGAM and UniCredit, relate mainly to: (i) corporate and legal status of UniCredit, PGAM and the Pioneer companies, including the companies directly and/or indirectly controlled subject to the Sale (the "**Pioneer Companies**"), as defined pursuant to the Master Sale and Purchase Agreement; (ii) title to shares or stakes in the Pioneer Subsidiaries by PGAM; (iii) the truthfulness and accuracy of the financial data and compliance with the commitments of PGAM pursuant to the Master Sale and Purchase Agreement; (iv) title and/or use of the properties, the intellectual properties and compliance with the law on personal data protection by the Pioneer Companies; (v) the material contracts and joint ventures, as well as the agreements with related parties executed by the Pioneer Companies; (vi) employment, tax and social security matters in connection with the Pioneer Companies; (vii) compliance by the Pioneer Companies with applicable law; (viii) the litigation relating to the Pioneer Companies; (ix) insurance coverages of the Pioneer Companies; (x) the absence of material adverse changes, as at 30 September 2016, in relation with the activities of the Pioneer Group, as defined pursuant to the Master Sale and Purchase Agreement; and (xi) the legal status and amount of the funds managed by the "Pioneer Group", as defined pursuant to the Master Sale and Purchase Agreement.

The Master Sale and Purchase Agreement includes several all-encompassing indemnities from PGAM concerning any losses incurred by Amundi and from the Pioneer Companies as a result of the potential inaccuracy or the violation of any representations and warranties given by PGAM pursuant to the Master Sale and Purchase Agreement. This indemnity is limited to an amount equal to 10% of the consideration paid for the sale, with the exception of the indemnity for breaches of certain fundamental warranties (the "**PGAM Fundamental Warranties**"), which could reach 100% of the consideration paid for the sale. These Fundamental Warranties include those relating to: (i) corporate and legal status of UniCredit, PGAM and the Pioneer Companies, and (ii) disclosure of specified management actions occurring outside the ordinary course of business between 30 September 2016 and the date of execution of the Master Sale and Purchase Agreement.

Moreover, the Master Sale and Purchase Agreement provides for specific indemnity obligations (up to the amount of the sale price), in relation to certain losses that may be incurred by Amundi and the Pioneer Companies as result of (i) proceedings and/or claims connected to specified cases in the Master Sale and Purchase Agreement; (ii) certain transfers of infra-group assets and facts or events relating to the assets, liabilities, contracts and the interests of PGAM or of the companies controlled by PGAM and excluded from the sale, as defined pursuant to the Master Sale and Purchase Agreement; (iii) non-compliance with the applicable legislation in relation to the Pioneer Companies' activities as identified in the Master Sale and Purchase Agreement; (iv) specified tax matters, including relating to fiscal proceeding and/or claims. In addition to the above, the Master Sale and Purchase Agreement provides additional general and standard indemnity obligations customary for this type of transaction (such as for fraud, wilful misconduct or gross negligence).

The Master Sale and Purchase Agreement also provides that UniCredit (i) is obligated to guarantee PGAM in relation to the full and timely fulfilment of all of PGAM's financial obligations pursuant to the Master Sale and Purchase Agreement; (ii) is responsible for PGAM's obligations under the agreement if it is not able, for any reason whatsoever, to meet its obligations; and (iii) waives any benefits, rights, exception or limitation to which it may be entitled pursuant to the Civil Code; provided that in no case the liability of UniCredit shall exceed the Sale price.

Lastly, pursuant to the Master Sale and Purchase Agreement, the Issuer has given an undertaking (i) not to carry out (or not to own shares in companies that carry out), directly or indirectly, any asset management activities in the territory in which the Pioneer Subsidiaries that are part of the Sale (with the exception of the territories in which the Pioneer Companies, which will not be subject of the Sale, will continue to operate, in which case only such subsidiaries should be subject to the same non-compete obligations) operate for a period of three years from the closing date of the Sale (with the exception of the circumstances expressly provided for in the Master Sale and Purchase Agreement); and (ii) not to prepare offers of employment aimed at the senior managers of the Pioneer Subsidiaries that are part of the Sale for a period of two years from the closing date of the sale.

Distribution agreements

In the context of the Sale it is provided for that the Issuer, UCB AG and UCB Austria will sign separate distribution agreements with some of the Pioneer Companies (the "**Distribution Agreements**" and, each, the "**Distribution Agreement**").

Through the signing of the Distribution Agreements, the parties intend to establish and govern a commercial relationship aimed at the distribution to investors, by the Issuer, on a non-exclusive basis, of financial products of certain Pioneer Companies. The Distribution Agreements will have a term of 10 years, subject to renewal for additional five-year periods, unless terminated by one of the parties. In addition, UniCredit, UCB AG, and UCB Austria may terminate the Distribution Agreements by written notification respectively to PGAM, Pioneer Investments Kapitalanlagegesellschaft GmbH and Pioneer Investment Austria GmbH, in the event of an insolvency event as described pursuant to each Distribution Agreement. In such case, the obligation provided by the Distribution Agreements of the respective parties will cease to have any effect, subject to continued effectiveness of, *inter alia*, the provisions related to the compliance with the applicable rules, to the confidentiality, to the correspondence between the parties, the governing law, the competent jurisdiction, and the previous agreements entered into between the relevant parties will continue to have effect. Moreover, as noted above, upon the occurrence of certain termination events, the Sale price may be increased or decreased.

Specifically, the above-mentioned UniCredit Group companies will be obliged to reach certain contractually agreed market shares in terms of sales volumes each year, with the consideration calculated as a percentage of the management fees applicable to the financial products distributed.

Lastly, if the UniCredit Group companies that are part of the Distribution Agreements do not comply with certain obligations they will be obligated, depending on the case and in any case in compliance with the applicable law, to pay their respective counterparties an indemnity equal to the lost earnings suffered by the same or to receive a reduced fee for the services rendered. Similarly, the failure by the relevant Pioneer Companies to comply with their commitments undertaken in the Distribution Agreements would cause a reduction of the sales volumes that the UniCredit Group companies are obliged to reach pursuant to the above agreements.

For further information on the pro-forma impacts of the transaction, see Chapter 20, Paragraph 20.2 of the Registration Document.

22.3 Sale of Bank Pekao

Agreement for the accelerated bookbuilding procedure

On 12 July 2016, UniCredit completed a sale to institutional investors by way of an accelerated bookbuilding of 26,200,000 ordinary shares, or 10% of total outstanding share capital, of Bank Pekao, for PLN 126 per share (equal to approximately €28.53[114] at the date that the transaction was completed). The settlement of the transaction occurred on 15 July 2016 and the total consideration was equal to approximately PLN 3.3 billion (equal to approximately €749 million[115] at the date that the transaction was completed), not subject to price adjustment mechanisms. The transaction, which has not entailed the consolidation of the group headed by Bank Pekao, generated an overall positive change in consolidated shareholders' equity equal to €203 million.

In the placement agreement with Morgan Stanley & Co. International plc., Citigroup Global Markets Limited, UBS Limited, Dom Maklerski Banku Handlowego Spólka Akcyjna and UniCredit Bank AG, Milan Branch (who acted as joint bookrunners), the Issuer gave representations and warranties mainly relating to: (i) corporate and legal status of UniCredit; (ii) title to the shares to be sold pursuant to the accelerated bookbuilding procedure; (iii) the adoption of the resolutions as well as the fulfilment of other corporate actions required for the purpose of executing the agreement; (iv) the absence of tax burdens for the joint bookrunners arising out of the transaction; (v) the absence of material adverse changes in the financial condition of Bank Pekao; (vi) the truthfulness and accuracy of the financial data and of the documents made available to the public relating to Bank Pekao; (vii) the characteristics of the shares involved in the transaction, as well as the qualification of Bank Pekao and of the sale of the shares under the U.S. Securities Act; (viii) compliance by UniCredit and, under certain circumstances, by UniCredit subsidiaries with the applicable legislation concerning, *inter alia*, the obligations to disclose information to the market, the possession of inside information, the offer to the public, market abuse and relationships with sanctioned countries.

[114] Exchange rate €/PLN equal to 4.4171 (ECB foreign exchange reference as at 12 July 2016).

[115] Exchange rate €/PLN equal to 4.4171 (ECB foreign exchange reference as at 12 July 2016).

UniCredit has also undertaken to indemnify and hold harmless, in accordance with the relevant provisions governing the compensation for damages pursuant to the applicable law, the joint bookrunners and their affiliates as well as their respective directors, officers, agents and employees controlling the joint bookrunners or any of their respective affiliates, from and against any and all damages, losses, claims or liability arising out of, *inter alia*, any breach or alleged breach by UniCredit of the above-mentioned representations and warranties or any failure or alleged failure by the Issuer to perform its obligations.

In the context of such transaction, the Issuer gave an undertaking not to dispose of further Bank Pekao shares for a period of 90 days from the transaction's settlement date.

Share Purchase Agreement

On 8 December 2016, UniCredit signed an agreement with Powszechny Zakład Ubezpieczeń S.A. ("**PZU**") and Polski Fundusz Rozwoju S.A. ("**PFR**") for the sale of an equity investment in Bank Pekao equal to approximately 32.8% of its share capital (the "**Share Purchase Agreement**").

Pursuant to the Share Purchase Agreement, the above-mentioned transaction is expected to be completed by mid-2017 and is subject to the satisfaction of certain conditions precedent, specifically including the receipt of approvals from the PFSA and Polish antitrust authority (*Prezes Urzędu Ochrony Konkurencji i Konsumentów*) and Ukrainian antitrust authority (*Антимонопольний комітет України*), as well as the European Union antitrust authority.

The price agreed for the sale of the above-mentioned stakeholding in Bank Pekao to PZU and PFR is PLN 123 (equivalent to approximately Euro 28 at the exchange rate recorded on 8 December 2016) per share or PLN 10,589 million in total (equivalent to Euro 2,377 million at the exchange rate on 8 December 2016) and equal to 1.42 times the shareholders' equity of Bank Pekao at 30 September 2016. The Share Purchase Agreement does not include price adjustment mechanisms, with the exception of the reduction of the sales price to the extent of the amount of dividends paid in favour of UniCredit and any financial outlays, as defined pursuant to the Share Purchase Agreement (e.g. distributions, payments, waivers in favour of the Issuer or its subsidiaries not agreed between the parties), in which Bank Pekao and its subsidiaries were/are involved in between 30 September 2016 and the completion date of the sale.

In addition, UniCredit agreed with PZU and PFR the sale of further equity investments in the Group Polish companies: Pioneer Pekao Investment Management SA, Pekao Pioneer PTE SA and Dom Inwestycyjny Xelion SP. Z O.O. (the only stake held directly by the Issuer), for a total price of PLN 634 million (equivalent to approximately Euro 142 million at the exchange rate on 8 December 2016) of which approximately Euro 2 million is attributable to the equity investment in Dom Inwestycyjny Xelion SP. Z O.O.

The Share Purchase Agreement contains a set of representations and warranties granted by UniCredit, as seller, pertaining to: (i) corporate and legal status of UniCredit; (ii) corporate and legal status of Bank Pekao; (iii) title to the shares to be sold pursuant to the Share Purchase Agreement; (iv) the legal status of the special purpose vehicle (SPV) that will be used in the context of the transaction; (v) the proper maintenance of the corporate registers and the truthfulness and accuracy of the financial data referring to Bank Pekao; (vi) the lack of insolvency proceedings against Bank Pekao; (vii) the management of Bank Pekao and of the companies belonging to the group headed by Bank Pekao during the period of time running from the signing of the Share

Purchase Agreement until the closing of the transaction (interim period); (viii) the absence of breaches of EU regulation relating to state aid; (ix) compliance with the applicable laws and regulations; (x) the existence of certain clauses in the "material contracts" (as identified pursuant to the Share Purchase Agreement) mainly relating to termination rights conferred to the counterparties, non-compete obligations or binding performance targets; (xi) the proper fulfilment of tax obligations; (xii) the legal ownership of intellectual property rights and IT systems; (xiii) the insurance coverages; (xiv) the existence of litigation whose value exceeds the agreed materiality thresholds; (xv) employment and social security issues; (xvi) the ownership of properties and the absence of encumbrances (*diritti reali di garanzia*); (xvii) the share capital and the shares of certain subsidiaries of Bank Pekao; (xviii) the level of disclosure provided in the context of the due diligence exercise carried out by the counterparties (collectively the "**Representations and Warranties**"). The Representations and Warranties set out under points (i), (ii), (iii), (iv) and some of those listed under points (vi) and (xvii) constitute "fundamental guarantees" under the agreement (the "**Pekao Fundamental Warranties**").

In addition, if UniCredit breaches the Representations and Warranties as well as its obligations pursuant to the Share Purchase Agreement, the Issuer must pay PZU and PFR a certain sum as compensation or by way of the penalty clause depending on the case and pursuant to Polish law. The total aggregate amount of UniCredit liability arising in connection with a breach of a Pekao Fundamental Warranty is limited to the total amount equal to 100% of the overall price paid by PZU and PFR as consideration. The total aggregate amount of UniCredit liability for any and all claim arising in connection with a breach of the Representations and Warranties other than the Pekao Fundamental Warranties as well as of certain obligations pursuant to the Share Purchase Agreement is limited to the total amount equal to 15% of the overall price paid by PZU and PFR as consideration.

The Share Purchase Agreement also provides for certain indemnity obligations to be borne by UniCredit relating to Bank Pekao's CHF exchange rate exposure in connection with the CHF-denominated agreements entered into by Bank Pekao in the event of regulatory changes that may result in additional costs for the bank. The parties agreed that the said indemnification will not exceed €40 million in case of regulatory changes within 3 years of the change of control of Bank Pekao in favour of the purchasers that may result in additional costs for the bank.

In addition to these obligations, the Share Purchase Agreement includes further restrictions, which apply from the 26th day after the date on which the conditions precedent are satisfied, or have been waived, until 31 December 2019, pertaining to the Issuer with regard to, *inter alia,* its operation, directly or indirectly, on Polish soil (including cross-border transactions), its subscription to shares in Polish banks and, in any event, any activity in competition with Bank Pekao and its subsidiaries (as defined pursuant to the Share Purchase Agreement). Notwithstanding the exceptions pursuant to the Share Purchase Agreement, in case of breach of such non-competition undertakings, PZU and PFR shall be entitled to receive an indemnity to be determined according to the mechanisms provided for in the Share Purchase Agreement and more specifically: (a) broadly speaking, if the consequences of the violation are not remedied, the compensation will be equal to the amount of damage suffered by Bank Pekao as a result of the first six violations of the Issuer's non-compete obligation and to PLN 2 million (equivalent to approximately Euro 0.45 million at the exchange rate on 8 December 2016) for every further violation; (b) should the breach of the non-competition undertakings consist of: (i) the establishment or maintenance of the business (through offices, branches or other physical presence) in Poland; or (ii) the acquisition of an equity investment in a bank operating in Poland, the Issuer would be required to pay a sum to PZU and PFR, by way of penalty equal to PLN 300 million (equivalent to approximately Euro

67 million at the exchange rate on 8 December 2016). In any event, the amount of the compensation due cannot exceed the consideration received by the Issuer for the sale.

Secured equity-linked certificates

On 8 December 2016, UniCredit in order to dispose of its residual equity investment in Bank Pekao equal to 7.3% of the share capital, UniCredit issued 1,916 secured equity-linked certificates (the "**Certificates**"), guaranteed by a pledge on the Bank Pekao shares (the "**Pekao Shares**") and with mandatory regulation in Bank Pekao ordinary shares, on or before 15 December 2019 (the "**Expiration Date**").

The reference price per share was set at €27.0294, equal to the average weighted price for volumes of Bank Pekao shares on the Warsaw Stock Exchange on 9 December 2016, converted into Euros at an exchange rate of 4.4448 on 9 December 2016. The issue price of the Certificates was set at €232,047.40 each or approximately €444.6 million overall.

The number of Pekao Shares underlying Certificates is 19,160,000 (the "**Underlying Shares**"), corresponding to an aggregate reference amount relating to the issuance of Certificates equal to €517,883,304.00 (equivalent to a reference amount per certificate of €270,294.00 (the "**Reference Amount**")).

Unless previously settled at the option of the Issuer (the "**Voluntary Settlement at the Option of the Issuer**") or the holders of the Certificates (the "**Voluntary Settlement at the Option of the Holder**"), or upon the occurrence of Accelerated Settlement Events (as defined below), and subject to the Issuer's cash settlement option (the "**Cash Settlement**"), each Certificate will be mandatorily settled on the Expiration Date by delivery of a number of Pekao Shares equal to the product of the *pro rata* share of the Underlying Shares and a settlement ratio to be determined on the basis of a minimum settlement price initially equal to €27.0294, equivalent to a minimum settlement price per certificate equal to €270,294.00 (the "**Minimum Settlement Price**") and a maximum settlement price initially equal to €31.0838, equivalent to a maximum settlement price per certificate equal to €310,838.00 (the "**Maximum Settlement Price**"), without prejudice to the standard adjustment mechanisms to be applied upon occurrence of extraordinary transactions involving Bank Pekao.

At any time during the period from and including 25 January 2017 to and including the 38th scheduled trading day prior to the Expiration Date, the Issuer is entitled to avail itself of the Voluntary Settlement at the Option of the Issuer, upon giving not less than 30 and not more than 60 days' notice to the holders of the Certificates, by delivering to each holder of the Certificates a number of Pekao Shares determined on the basis of a maximum settlement ratio equal to 100% (equivalent to the Reference Amount divided by the Minimum Settlement Price).

At any time during the period from and including 25 January 2017 to and including the 38th scheduled trading day prior to the Expiration Date, the holders of the Certificates have the right to avail themselves of the Voluntary Settlement at the Option of the Holder, by receiving a number of Pekao Shares determined on the basis of a minimum settlement ratio equal to 87% (equivalent to the Reference Amount divided by the Maximum Settlement Price).

Upon settlement of any Certificates, the Issuer will be entitled to proceed with the Cash Settlement, to deliver the relevant Underlying Shares or any combination thereof, except upon the occurrence of an automatic accelerated settlement event as provided for in the terms and condition of the Certificates (the "**Automatic Accelerated Settlement Event**"), in which case there will be no Cash Settlement.

Upon the occurrence of an accelerated settlement event provided for in the terms and conditions of the Certificates (the "**Accelerated Settlement Events**"), including, but not limited to, the default by UniCredit to comply with its payment obligations as well as with other binding provisions arising out of the issuance of the Certificates, the subjection of the Issuer to insolvency proceedings or to an order for the compulsory winding-up, as well as the liquidation or dissolution of the Issuer, the Issuer shall proceed with the accelerated settlement by delivering to each holder of the Certificates a number of Pekao Shares determined on the basis of a ratio equal to the Reference Amount divided by the Minimum Settlement Price.

For further information on the pro-forma impacts of the transaction, see Chapter 20, Paragraph 20.2 of the Registration Document.

22.4 Sale of equity investments in FinecoBank

On 12 July 2016, UniCredit completed a sale to institutional investors, by way of an accelerated bookbuilding procedure aimed at institutional investors involving ordinary shares held in FinecoBank. By virtue of this transaction the Issuer sold institutional investors, of approximately 60.7 million ordinary shares of FinecoBank, corresponding to 10% of the share capital of FinecoBank, at a price of €5.40 per share. The settlement of the transaction occurred on 14 July 2016 and the total consideration was equal to approximately €328 million, not subject to price adjustment mechanisms.

Later, on 12 October 2016, UniCredit completed another sale to institutional investors through an accelerated bookbuilding procedure aimed at institutional investors involving ordinary shares held in FinecoBank. By virtue of this transaction the Issuer sold institutional investors of approximately 121.4 million ordinary shares held in FinecoBank, corresponding to 20% of its share capital of FinecoBank, at a price of €4.55 per share. The settlement of the transaction occurred on 17 October 2016 and the total consideration was equal to approximately €552 million, not subject to price adjustment mechanisms.

In all, therefore, the two distinct accelerated book building operations described above (corresponding to 30% of the share capital of FinecoBank), which did not involve the deconsolidation of FinecoBank, generated a positive change for UniCredit from the sale of the consolidated shareholders' equity equal to approximately Euro 709 million (of which approximately Euro 276 million relates to the July 2016 transaction and approximately Euro 433 relates to the October 2016 transaction).

In the context of the contracts agreed for the two accelerated bookbuilding transactions with UBS Limited and UniCredit Bank AG, Milan Branch (which acted as joint global coordinators and joint bookrunners), the Issuer made representations and warranties mainly relating to: (i) the corporate and legal status of UniCredit; (ii) ownership and title of UniCredit of the shares to be sold pursuant to the accelerated bookbuilding procedure; (iii) the adoption of the resolutions as well as the fulfilment of other corporate actions required for the purpose of executing the agreement; (vi) the absence of tax burdens for the joint global coordinators and the joint bookrunners arising out of the transaction; (v) the truthfulness and accuracy of the financial data and the documents made available to the public relating to FinecoBank; (vi) the characteristics of the shares involved in the transaction, as well as the qualification of FinecoBank and of the sale of the shares under the U.S.

Securities Act; (vii) compliance by UniCredit and, under certain circumstances, by UniCredit subsidiaries with the applicable law concerning, *inter alia*, the obligations to disclose information to the market, the possession of inside information, the offer to the public, market abuses and relationships with "sanctioned countries".

UniCredit has also undertaken to indemnify and hold harmless, in accordance with the relevant provisions governing the compensation for damages pursuant to the applicable law and without prior limitation in terms of amount, UBS Limited, UniCredit Bank AG, Milan Branch ("**Manager**"), their affiliates and their respective directors, officers, agents and employees controlling the Manager or any of their respective affiliates, from and against any and all damages, losses, claims or liability arising out of, *inter alia*, any breach or alleged breach by UniCredit of the above-mentioned representations and warranties or any failure or alleged failure by the Issuer to perform its obligations.

In the context of this second bookbuilding, the Issuer gave an undertaking not to dispose of further FinecoBank shares for a period of 360 days from the transaction date. During this lock-up period, apart from several exceptions in line with market practice, therefore, UniCredit cannot implement any transactions to dispose of FinecoBank shares without the prior written consent of UBS Limited on behalf of the joint bookrunners. UBS Limited and UniCredit Bank AG, Milan Branch).

For further information on the pro-forma impacts of the transaction, see Chapter 20, Paragraph 20.2 of the Registration Document.

22.5 Sale of the processing service relating to SIA S.p.A.

On 3 August 2016, UniCredit Business Integrated Solutions S.C.p.A. ("**UBIS**")—a company subject to the management, coordination and control by the Issuer—and its subsidiary UniCredit Business Integrated Solutions Austria GmbH ("**UBIS Austria**") signed an agreement with SIA S.p.A. ("**SIA**", and together with UBIS and UBIS Austria, the "**Parties**") (the "**SIA Framework Agreement**", as later supplemented) relating to: (i) the sale by UBIS and UBIS Austria to SIA of the provision of payment processing services via payment cards supplied by UBIS and UBIS Austria ("**Card Factoring**") for the banks of the UniCredit Group in Italy, Germany and Austria and customers not belonging to the UniCredit Group (the "**Third Parties**"); (ii) the definition of a service provision relationship initially for a period of ten years involving the supply by the SIA group to UniCredit Group of IT services in the sector of payment processing through payment cards currently provided by UBIS and UBIS Austria; (iii) the takeover by the SIA group from UBIS in the provision of these services with regard to the Third Parties subject to the agreement of the latter (the "**Transaction**").

The structure of the Transaction, to be considered unitary and inseparable, involves a complex arrangement of ordinary and extraordinary transactions, namely: (i) the establishment by UBIS of a new company under Italian law ("**Newco ITA**"), as well as the acquisition by UBIS Austria of a "shelf-co" under Austrian law ("**Newco Austria**"); (ii) the transfer by UBIS and UBIS Austria, respectively, to Newco ITA and Newco Austria, of the Card Factoring business units; (iii) the signing, (a) by UBIS, Newco ITA and SIA, of a 10-year master services agreement valid from 1 January 2017 for the provision of e-money services to UniCredit Group (the "**Master Services Agreement**"), which will govern the provision of these services in Italy and (b) by UBIS, through its German branch, and Newco ITA, through its German branch, as well as by UBIS Austria and NewCo Austria, of two agreements governing the implementation locally (i.e. Austria and Germany) of what is defined in the Master Services Agreement (the "**Local Services Agreements**"); and (iv) the sale by UBIS and UBIS Austria to SIA, of an equity investment representing the entire share capital, respectively, of Newco ITA and Newco Austria.

Pursuant to the Framework Agreement, the obligation of UBIS and UBIS Austria to Newco ITA and Newco Austria, respectively, is subject to the fulfilment of certain conditions precedent, including, specifically: (i) the obtaining of the necessary authorisation from the Bank of Italy; (ii) the completion of the trade union consultations; (iii) the obtaining of authorisation from the competent antitrust authorities; (iv) the release of expert opinions relating to the business units; and (v) the obtaining of the necessary permission for sub-outsourcing and the waiver to exercise the withdrawal/termination rights associated with any change of control clauses in the agreements signed with UniCredit Group companies that are part of the business units.

Under the scope of the Framework Agreement, the Parties have provided representations and warranties in line with the practice for similar transactions, including relating to: (i) the existence of the necessary powers required to execute and complete the Transaction (except for certain authorisations for which the release is provided as a condition precedent to the Framework Agreement); and (ii) the absence of conflicts arising out of the signing of the Framework Agreement. The breach of such representations and warranties entails a corresponding indemnity by each party, as far as they are concerned, equal to the entire sum of each liability of any nature, expense and/or other cost, incurred or suffered by a party and which the latter would not have incurred or suffered if the representations and warranties given by the other parties (each as far as they are concerned) had been correct, complete and truthful.

The completion of the Transaction occurred on 23 December 2016 (the "**Completion Date**").

At the Completion Date, the following took place: (i) between UBIS and SIA the sale and purchase of the entire equity investment in Newco ITA for a consideration of €494.9 million, effective from 23:59 on 31 December 2016 (the "**Effective Date**"); and (ii) between UBIS Austria and SIA the sale and purchase of the entire equity investment in Newco Austria for a consideration of €5.1 million effective from 31 December 2016. Unless expressly indicated in the Framework Agreement, the sale and purchase price was agreed as fixed and unchangeable and cannot be subject to any adjustment.

In addition, at the Completion Date: (i) UBIS, Newco ITA and SIA entered into the Master Services Agreement; and (ii) UBIS, through its German branch, NewCo ITA, through its German branch, as well as UBIS Austria and NewCo Austria entered into the Local Services Agreements. It is understood that, at the Completion Date, SIA became jointly obligated and answerable and severally liable with Newco ITA and Newco Austria with regard to the Master Services Agreement and the Local Service Agreements. Specifically, UBIS and UBIS Austria can ask SIA directly to take over the provision of services to remedy failings by Newco ITA and Newco Austria, as well as directly compensate for any damage caused through breaches by Newco ITA and Newco Austria.

22.6 Sale of PJSC Ukrsotsbank to ABH Holdings S.A.

On 31 December 2015, the Issuer signed a binding agreement with UCB Austria (the "**Subscription Agreement**") for the sale by the transfer of PJSC Ukrsotsbank ("**USB**") to ABH Holding S.A. ("**ABHH**"), a holding company with its registered office in Luxembourg and with investments in banking activities in the former Soviet Union. This sale was completed on 31 October 2016, after the obtaining of the necessary regulatory authorisations on 12 October 2016.

As holder of 99.8% of the share capital at the time of the transaction, the Issuer transferred its equity investment in USB (the "**USB Transfer**") to ABHH, pursuant to which the Issuer subscribed for newly issued shares representing 9.9% of ABHH's share capital after the USB Transfer, for which the estimated value was equal to about USD 418 million as at the completion date of the transaction (equal to about €382 million[116] as at the same date).

The Subscription Agreement contains safeguards for the benefit of both parties, including representations and warranties in favour of UniCredit, UCB Austria and ABHH. In particular, the representations and warranties given by UniCredit and UCB Austria relate mainly to: (i) the valid establishment and the legal status of USB and the companies controlled by USB (the "**USB Companies**"); (ii) the ownership and title of the USB's shares; (iii) the truthfulness and accuracy of the financial data of the USB Companies; (iv) the ownership and/or use of the property, the intellectual property rights and compliance with the law on personal data protection by the USB Companies; (v) certain loans upon the USB Companies; (vi) the material agreements, joint ventures and agreements with related parties, executed by the USB Companies; (vii) employment, tax and social security matters relating to the USB Companies; (viii) compliance by the USB Companies with applicable law and regulations; (ix) the litigations relating to the USB Companies[117]; (x) the absence of any event triggering the exercise of the put option, as described below, known by UniCredit or UCB Austria and not notified to ABHH.

Moreover, the Subscription Agreement provides for certain indemnity obligations upon UniCredit and UCB Austria relating to certain events involving USB, including a possible negative outcome of certain proceedings regarding the ownership of certain properties located in Kiev pertaining to USB. Such indemnity obligations provide that UniCredit and UCB Austria are obligated to pay in cash to ABHH, and upon request of ABHH, an amount equal to 50% of the net book value of the above properties located in Kiev that are in dispute.

In addition, the Subscription Agreement includes certain mechanisms for the distribution of income, through which UniCredit and UCB Austria are obligated to pay, in favour of ABHH, an amount equal to 80% of the expenses and costs borne by each USB Companies in relation to certain corporate loans provided in the Subscription Agreement. The above sum shall be deducted by the income arising from the transfer made by UniCredit and UCB Austria (or another entity within UniCredit Group, as defined pursuant to the Shareholders' Agreement), of all or part of the shares held in ABHH and subscribed pursuant to the USB Transfer.

Furthermore, pursuant to the Subscription Agreement, UniCredit and UCB Austria commitments toward ABHH (deriving from the breach of the above representations and warranties) shall be limited to a maximum amount of USD 225 million (equal to approximately €206 on the date of completion of the transaction[118]). Under the scope of the above-mentioned transaction, the Issuer, UCB Austria, ABHH and the other ABHH

[116] Exchange Rate €/USD equal to 1.0946 (ECB foreign exchange reference rate as at 31 October 2016).

[117] Note that, in line with market practice for similar transactions, UniCredit and UCB Austria have stated that: (i) the USB companies are not involved in any dispute or litigation of any significance for the business of these USB companies; and (ii) the USB companies have not received any notice in writing of the existence or risk of such a dispute or litigation taking place.

[118] Euro/USD exchange rate equal to 1.0946 (ECB foreign exchange reference rate on 31 October 2016).

shareholders signed a shareholders' agreement (the "**Shareholders' Agreement**"), whose expiration date (i) is conditional upon the execution of an agreement among the above parties, (ii) will occur on the date when all the ABHH shares will be held by a sole shareholder; or (iii) will occur when ABHH will be subject to a winding-up procedure. The Shareholders' Agreement aims to govern certain corporate governance aspects relating to ABHH and includes, among other things, (i) the possibility for the UniCredit Group[119] to appoint a member of the board of directors of ABHH (a director or an observer); (ii) the possibility for the UniCredit Group to request the listing of ABHH, subject to certain conditions; (iii) a put option mechanism in relation to the right of the UniCredit Group to require ABHH to buy all the shares that the Issuer held in ABHH, which can be activated when certain conditions are met and at the earlier of the expiration of a period of 5 years and 30 days since the closing of the transaction and the course of the lock-up period of a potential IPO; and (iv) a call option mechanism for ABHH's right to require the Issuer to sell to ABHH all of the shares that the Issuer held in ABHH, which can be activated when certain conditions are met and once the period for the exercise of the put option has occurred.

The put option mechanism may be exercisable by the UniCredit Group as from the moment when the UniCredit Group, the director appointed by the UniCredit Group or the observer of the board of directors appointed by the UniCredit Group becomes aware of certain events, among which (i) the failure to initiate an IPO in relation to the ABHH's shares within the fifth anniversary as from the completion date of the USB Transfer; (ii) the execution, acquisition or investment by ABHH and the companies controlled by ABHH (the "**ABHH Companies**") in activities beyond the scope of their business, whose value, in terms of investments, exceeds USD 750 million (equal to approximately €685 million on the date of completion of the transaction[120]); (iii) the completion of actions triggering the forced sale by the UniCredit Group of its shares in ABHH at a price lower than the price provided for the exercise of the option rights (put and call); (iv) the breach by ABHH or one of the ABHH Companies of the applicable law and regulation to which they are subject (a director or an observer), without taking any measure to recover such breach within 30 days from written notice received by the UniCredit Group; (v) the initiation of certain specific transactions described pursuant to the Shareholders' Agreement; and (vi) the initiation of a formal IPO on ABHH's shares at a price that is lower than the price provided for the exercise of the option rights (put and call), all as provided in the Shareholders' Agreement.

Once the UniCredit Group become aware of the occurrence of any of the aforementioned events, it must send a written notice to ABHH within 90 days in respect of the right to exercise the put option which otherwise would elapse. The expiration date for the exercise of the put option will be the earlier of (i) 5 years and 30 days following the completion date of the USB Transfer and (ii) the course of a potential lock-up period in relation to an IPO on ABHH's shares (the "**Put Option Termination Date**").

The call option mechanism is exercisable by ABHH by written notice to be sent in any moment as from 5 months following the Put Option Termination Date.

[119] Pursuant to the agreements UniCredit signed with UCB Austria in the context of this transaction, the "UniCredit Group" includes all the companies controlled by UniCredit, except for AO UniCredit Bank and the other companies controlled by UniCredit which operate, directly or indirectly, in Russia.

[120] Euro/USD exchange rate equal to 1.0946 (ECB foreign exchange reference rate on 31 October 2016).

The price provided for the exercise of the put and call options is calculated on the basis of the ratio between the number of shares included in the exercise of, respectively, the put and the call option and the equity investment corresponding to 9.9% of the share capital of ABHH, to be subscribed by the UniCredit Group as at the completion of the USB Transfer, multiplied by USD 325 million (equal to approximately €297 million on the date of completion of the transaction[121]).

In addition to the above, the Shareholders' Agreement provided that – prior to the earlier of (i) the initiation of an IPO on ABHH's shares; (ii) the course of 6 months following the Put Option Termination Date, the UniCredit Group may not carry out sales or transfers of any of its shares in ABHH other than as provided in the Shareholders' Agreement.

For further information on the pro-forma impacts of the transaction, see Chapter 20, Paragraph 20.2 of the Registration Document.

22.7 Sale of UniCredit Credit Management Bank S.p.A.

On 11 February 2015 the Issuer signed an agreement, later amended on 6 March 2015 and 30 October 2015, with Avio S.à r.l. ("**Avio**"), a company operating under Luxembourg law jointly controlled by the US Group which is the parent company of Fortress Investment Group LLC and Eurocastle Investment Ltd, through which UniCredit is obligated to sell Avio the entire equity investment owned in UniCredit Credit Management Bank S.p.A. ("**UCCMB**"), equal to 97.81% of the share capital (since the remaining 2.59% of the share capital was represented by own shares of UCCMB), for a total consideration of €530 million (the "**Share Purchase Agreement**"). As at the Registration Document Date, the overall value of the transaction is subject to certain price adjustment mechanisms in relation to the difference between the net asset value of UCCMB as of 30 June 2014 (equal to €71.5 million) and the conventional net asset value of UCCMB representing the sum of the assets, liabilities and cash items of UCCMB, as indicated in the Share Purchase Agreement, determined in accordance alternatively with: (i) the calculation made by UCCMB; (ii) the access granted, by UCCMB and Avio, to UniCredit to all the necessary documentation in order to provide such calculation; and/or (iii) the determination by an independent auditor, as defined pursuant to the Share Purchase Agreement. This price adjustment will be made in Euros and if the aggregate value of the elements comprised in the calculation of the conventional net asset value of UCCMB (net of certain cash items expressly indicated in the Share Purchase Agreement) exceeds the aggregate value of the elements comprised in the calculation of the net asset value of UCCMB as of 30 June 2014 (net of the cash items indicated above), by more than 20%, then the amount exceeding such 20% will not be take into account for the purpose of the price adjustment.

Pursuant to the Share Purchase Agreement, the conclusion of the sale was subject to various conditions precedent, including: (i) the issuing of the necessary authorisation by the Bank of Italy and the AGCM; and (ii) the completion of the spin-off in favour of UniCredit of the non-core business unit of the subsidiary UCCMB and a portfolio of the property complex under the operations pursuant to Capitalia of UniCredit Credit Management Immobiliare S.p.A. ("**UCCMI**"), wholly owned by UCCMB, in favour of a newly established vehicle company and the subscription by UCCMB of asset-backed securities issued by the vehicle company in order to pay the purchase price pursuant to Law No 130 of 30 April 1999.

[121] Euro/USD exchange rate equal to 1.0946 (ECB foreign exchange reference rate on 31 October 2016).

The Share Purchase Agreement provides for certain standard representations and warranties by UniCredit, including relating to: (i) corporate and legal status of UniCredit, UCCMB and UCCMI; (ii) title to UCCMB's shares or stakes by UniCredit; (iii) the truthfulness and accuracy of the financial data of UCCMB and UCCMI; (iv) the ownership and/or use of the property, the intellectual property rights and compliance with the law on personal data protection by UCCMB and UCCMI; (v) the material agreements, joint ventures and agreements with related parties executed by UCCMB and UCCMI; (vi) employment, tax and social security matters relating to UCCMB and UCCMI; (vii) the compliance by UCCMB and UCCMI with applicable law and regulations; (viii) the litigation relating to UCCMB and UCCMI; (ix) the insurance coverages pertaining to UCCMB and UCCMI; (x) the characteristics and status of certain non-performing receivables granted by the UniCredit Group to UCCMB and certain specific loans as indicated in the Share Purchase Agreement; (xi) the absence of liability upon UniCredit, UCCMB and UCCMI in relation to, *inter alia*, brokerage commissions regarding the transfer; (xii) certain claims made by third parties against Avio, UCCMB and UCCMI related to claw-back actions, mismanagement of servicing agreements relating to the loan portfolios, usury, compounding of interest, indemnities or compensation of payments pursuant to the agreements for sales of portfolios made by UCCMB and UCCMI prior to the closing of the transfer, additional remunerations due to lawyers in relation to certain services rendered to UCCMB and UCCMI prior to the closing of the transfer and exceeding the agreed fees and reimbursements indicated in the relevant agreement; (xiii) the absence of material adverse changes, from 31 December 2013 up to the date of execution of the Share Purchase Agreement and the absence of certain conditions pursuant to Articles 2446 and 2447 of the Civil Code.

Moreover, pursuant to the Share Purchase Agreement, UniCredit has undertaken to indemnify Avio, or upon request by Avio, UCCMB, UCCMI or a securitisation vehicle expressly indicated in the Share Purchase Agreement, in relation to, *inter alia*, (a) any direct costs, losses or damages suffered by UCCMB, UCCMI by the above securitisation vehicle or Avio (in this last case solely in respect of the breach of representations and warranties set out in points (i) and (ii) above) caused by the inaccuracy and untruthfulness of the representations and warranties prescribed by the Share Purchase Agreement, by reference to the circumstances existing as at the date of the closing of the transfer; (b) direct costs, losses or damages suffered in case of breach of the representations and warranties relating to compliance with the applicable law by UCCMB and UCCMI, until a maximum period of 12 months following the date of the closing of the transfer, to the extent such breach continued uninterrupted and depends upon the failure of UCCMB and UCCMI systems or processes to meet the requirements of applicable law.

Such indemnities are calculated on the basis of 100% of the above direct costs, losses or damages, net of: (a) any specific or generic reserve or fund resulting from the latest financial statements of UCCMB in relation to such direct costs, losses or damages suffered; (b) any amount which UCCMB and UCCMI has received by way of indemnification from insurers or liable third parties in respect of the direct costs, losses or damages suffered; (c) tax benefits that UCCMB or UCCMI is entitled to enjoy as a consequence of the direct costs, losses or damages suffered, save to the extent that any tax liability arising from payment of the indemnification by UniCredit offsets such benefits; (d) any amount already included in the calculation of the net asset value of UCCMB or the price adjustment; and (e) any other costs directly paid by UniCredit to UCCMB in relation to the transfer of the non-core business by UCCMB and UCCMI to UniCredit.

The above indemnities are limited to an aggregate maximum amount equal to €45 million, save for the case of a breach of the representations and warranties relating, *inter alia*, to (i) corporate and legal status of UniCredit, UCCMB and UCCMI; (ii) title to UCCMB's shares or stakes by UniCredit; (iii) the absence of material adverse changes, from 31 December 2013 up to the date of execution of the Share Purchase Agreement and the absence of certain conditions pursuant to Articles 2446 and 2447 of the Civil Code; and (iv) the conformity of the transfer with potential servicing agreements, entered into with third parties, in relation to which, in case of breach, UniCredit is obligated to pay an indemnity equal to 100% of the transfer price.

Moreover, pursuant to the Share Purchase Agreement, the indemnities given by UniCredit in relation to the breach of representations and warranties are limited to a period of 24 months from the date of the closing of the transaction (except for, in particular, representations and warranties relating to (i) the ownership and disposal of the UCCMB's shares or stakes by UniCredit; and (ii) employment, tax and social security matters relating to UCCMB and UCCMI).

In addition to the above, the Share Purchase Agreement provides for certain indemnities to be given by UniCredit in case of breach of representations and warranties relating to certain loans expressly indicated in the Share Purchase Agreement, limited to a period of 24 months as from the date of the closing of the transfer and to a maximum amount equal to €13.3 million (to be reduced in case of repurchase by UniCredit of the loan in relation to which the relevant breach occurred, as provided pursuant to the Share Purchase Agreement).

In addition, the Share Purchase Agreement provides, *inter alia*, for (i) an indemnity for an overall maximum amount of €120 million limited to a period of 48 months from the date of the closing of the transaction, solely in relation to a breach of representations and warranties regarding certain third-party claims against Avio, UCCMB and UCCMI and indicated in the Share Purchase Agreement, and, in particular, in case of breach of the representations and warranties relating to additional remunerations due to lawyers in relation to certain services rendered to UCCMB and UCCMI prior to the closing of the transfer and exceeding the agreed fees and reimbursements indicated in the relevant agreement, such indemnity shall be paid by UniCredit upon condition that, *inter alia*, from the date in which Avio files the notice of claim with UniCredit no new engagements are entered into between UCCMB, UCCMI and such lawyers for new work for so long as the relevant claim is pending; (ii) an indemnity limited to €32 million in relation to the characteristics and status of certain non-performing receivables granted by the UniCredit Group to UCCMB and certain specific loans as indicated in the Share Purchase Agreement; (iii) further indemnities given by UniCredit to Avio for any direct cost, loss or damage arising out of the transfer of the non-core business, which are not caused by Avio; and (iv) the restitution by UniCredit to UCCMB and UCCMI of the income arising from the management of the non-performing loans and the servicing activities pertaining to UCCMB and, in general, the other activities carried out by UCCMB that have not already been included in the calculation of the conventional net asset value of UCCMB.

The completion of the transactions, following the fulfilment of the above-mentioned conditions precedent, took place on 30 October 2015.

Following the sale of the entire equity investment in UCCMB (as at the Registration Document Date, renamed "doBank S.p.A."), existing commercial relations at the Registration Document Date between UniCredit and doBank S.p.A. are governed by the master servicing agreement signed on 30 October 2015 by the Issuer and UCCMB (the "**Master Servicing Agreement**"). Pursuant to the Master Servicing Agreement, the Issuer, also in the interest of and representing the member companies FinecoBank and UniCredit Bank AG, Milan Branch, gave an undertaking to exclusively award UCCMB the administrative, management, collection and recovery services for non-performing loans worth (in gross terms) €1 million or less, except for the exclusions in the agreement, aimed at the recovery and, in the case of doubtful loans not revoked, their restoration to performing loans. The Master Servicing Agreement lasts for 10 years from 1 November 2015 and will automatically be renewed for further periods of 24 months, without prejudice to the right (i) of the Issuer and other members to cancel the Master Servicing Agreement, in full or in part, with at least 24 months' notice and (ii) for UCCMB to cancel the entire Master Servicing Agreement with at least 18 months' notice.

There is a consideration for the provision of these services, as described in greater detail in the service level agreement, to be calculated on the basis of: (i) a basic fee, on a quarterly basis in advance, calculated as a percentage of the net accounting balance of loans under management; and (ii) a performance fee, on a quarterly basis in advance, calculated as a percentage of net collections realised. In addition, UniCredit, at its discretion, also on behalf of the other member parties, shall have the right to establish the payment to doBank S.p.A. of an extra performance fee linked to reaching certain targets identified by UniCredit.

If in the period between 11 February 2015 and 31 December 2025 the Issuer was to sell the non-performing loans entrusted to UCCMB for management to other third-party companies, then the Issuer would have to pay UCCMB a fixed and a variable indemnity, calculated using the methods in the Master Servicing Agreement. In particular, in respect of (i) the fixed indemnity, the Issuer shall pay to UCCMB an amount equal to a base commission pertaining to UCCMB and calculated on the basis of the net accounting balance of the loans under management and being transferred (as described pursuant to the Master Servicing Agreement) for the year ongoing as at the date of the transfer and the following 12 months or, if more favourable for UCCMB, for a period of 18 months as from the date of the closing of the transfer; and (ii) the variable indemnity, the Issuer shall pay to UCCMB an amount calculated on the basis of the percentage of the performance commissions provided by the Master Servicing Agreement (having regard to the year of the contract and the value of the relevant loans being transferred) for an overall price equal to the claim under management and being transferred, net of transfer expenses (all as defined in the Master Servicing Agreement).

In addition, if the above-mentioned sales were to occur (i) in the period between 1 January 2026 and 31 December 2030, UCCMB shall have the right to receive the entire variable indemnity, as described above and calculated using the methods in the Master Servicing Agreement, or (ii) after 1 January 2031, UCCMB shall have the right to receive 50% of the variable indemnity, as described above and calculated using the same method in the Master Servicing Agreement.

In addition to the above, the Issuer is obligated to rehire four UCCMB employees for every €500 million loans entrusted to UCCMB under management, which are sold by the Issuer to third-party companies between 11 February 2015 and 31 December 2025 (up to a maximum of 14 employees for each year).

The obligations to pay the fixed indemnity and to rehire UCCMB's employees, as described above, will cease to have effect as of 1 January 2026.

22.8 Creation of a non-performing loan management platform with Intesa Sanpaolo S.p.A. and KKR Credit Advisors (Ireland)

In June 2015, the Issuer reached an agreement with Intesa Sanpaolo S.p.A. ("**ISP**" and together with the Issuer, the "**Transferor Banks**"), on the one side, and KKR Credit Advisors (Ireland) ("**KKR Credit**"), part of KKR & Co. L.P., on the other, for the transfer of certain loans of the Transferor Banks, deriving from non-performing loans and equity instruments of a selected number of debtor businesses with credit exposures in the process of restructuring, by way of a transfer by the Transferor Banks of the above loans and equity instruments, respectively to Pillarstone Italy SPV S.r.l. (the "**SPV**"), a newly established securitisation vehicle pursuant to Law 130 of 30 April 1999 and to Pillarstone Italy Holding S.p.A. ("**Pillarstone Italy Holding**"), a newly established stock company. The agreement provides that Pillarstone Italy S.p.A. ("**Pillarstone Italy**"), the Italian platform launched by KKR Credit, shall act as principal of the SPV and Pillarstone Italy Holding providing them, *inter alia*, with certain services for the management of the assets purchased by the SPV and Pillarstone Italy Holding.

In November 2015, the Issuer has subscribed, among others, to a framework agreement **(Framework Agreement**") with ISP Pillarstone, Italy, Pillarstone Italy Holding and KAG Italy SCS (Lux) (company managed directly or indirectly by KKR Credit), as investor ("**Investor**"), which has entirely replaced the aforesaid Agreement signed between the Issuer, ISP and KKR Credit in June 2015. For the purposes of the Framework Agreement the parties have, inter alia, agreed on principles, terms and conditions for: (i) the sale of the above-mentioned total impaired loans to the SPV by the Transferring Banks and securitisation of such claims by the SPV through the implementation of one or more securitisation transactions (in particular, the Framework Agreement provides that the SPV performs a securitisation transaction in respect of each debtor whose claims were transferred to the SPV by the Transferring Banks); (ii) in connection with the transfer of credits referred to in the previous point (i), the transfer of certain capital instruments relating to the debtors of the receivables assigned to the SPV, held by the Issuer and ISP by the Pillarstone Transferor Banks to Italy Holding following the conversion of a part of the original debt of these debtors in capital instruments, and their subsequent conferment by Pillarstone Italy Holding in assets destined for a specific deal of new constitution within the meaning of Article 2447-*bis*, paragraph 1, letter (a), of the Civil Code in order to, inter alia, hold and manage capital instruments conferred in them and (iii) the management of the relations with the transferred debtors and the adoption of initiatives (including the possible granting of new financing to the debtor firms according to the alternative methods described in the Framework Agreement) mean, inter alia, to maximize the recoveries with effect on the securitised loans and, more generally, the value of these loans and of the capital instruments that are the subject of the transaction, with the primary purpose of benefiting the bearers of securities issued in the context of securitisation transactions mentioned above and, in particular, the holders of the junior securities intended for subscription by the Issuer and/or ISP as the transferring bank.

Each securitisation transaction carried out under the terms of the Framework Agreement will be governed by contracts typical for securitisation transactions and therefore, among others, one or more agreements concerning the assignment of credits, contract *servicing*, inter-creditor agreement, contracts for subscription of securities, administrative services contract, regulation of securities and the rules on the functioning of the organization of the holders, shareholders' agreement between the members of the SPV and contract of payment services, as well as certain other documents and contracts specifically referable to the structure of the operation as a whole (including *management* agreements between Pillarstone Italy and, respectively, SPV and Pillarstone Italy Holding and contract of *special servicing* between SPV, the *servicer* and Pillarstone Italy and for the purchase and sale of capital instruments by Pillarstone Italy Holding which is expected to be regulated pursuant to and in accordance with the principles of contracts concluded between the Parties in accordance with the models annexed to the Framework Agreement.

The Framework Agreement also provides for the possibility of further transfers of loans and related capital instruments held by Transferring Banks (or other financing third parties) in respect of the initial transferred debtors and/or other transferred debtors selected by the parties.

In this respect, the Framework Agreement also indicates that the price payable by the SPV to the Transferring Banks as consideration for the purchase of the initial loans may not be lower than the nominal value of the respective loan.

In implementation of the above-mentioned agreements the Issuer has sold the loans and, where present, capital instruments:

- In December 2015, those claimed against the companies Comital S.p.A., Rainbow S.p.A., Lediberg S.p.A. and Burgo S.p.A., for a total nominal amount of €288 million, for a price not lower than the nominal value of such loans as provided for in the Framework Agreement;

- In July 2016, those claimed against the group headed by Premuda S.p.A. for a total nominal amount of €98 million, at a price not lower than the nominal value of such loans as provided for in the Framework Agreement.

Moreover, as a result of each of the above sales of equity instruments, Pillarstone Italy Holding has established the above-mentioned segregated assets, by conferring into them the equity instruments converted, from time to time, as a result of debt-to-equity transactions, respectively by the Issuer and ISP. Pursuant to the Framework Agreement, it has been agreed that, in relation to each such segregated asset established and managed by Pillarstone Italy Holding in the context of the transaction, financial instruments participating in the business are issued pursuant to Article 2447-*ter* of the Civil Code. To this extent, the Issuer undertook to subscribe to part of the financial instruments issued, from time to time, by each segregated asset.

23. THIRD-PARTY INFORMATION, AND STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTERESTS

23.1 Expert reports and opinions

In the Registration Document, there are no expert opinions or reports.

23.2 Third-party information

The information in the Registration Document comes from third-party sources only where expressly indicated and in particular in Chapter 6 "Overview of activities" in relation to market sources and ratings assigned to the Issuer. This information is faithfully reproduced by the Issuer and, as far as UniCredit is aware – also based on information published by the third-parties in question –, no facts have been omitted that could make this information inaccurate or misleading.

24. DOCUMENTS ON DISPLAY

For the period of validity of the Registration Document, the following documents are available to the public at the registered office of UniCredit in Rome, Via A. Specchi, 16, at the Head Office in Milan, Piazza Gae Aulenti 3 – Tower A, during office hours and on working days, as well as in electronic format (except for the certification of incorporation) on the website of the Issuer **(**www.unicreditgroup.eu):

- Issuer's Memorandum of Association and Corporate Articles of Association;
- Registration Document;
- Interim Report as at 30 September 2016 accompanied by the External Auditor's Report;
- Reports and Draft and Consolidated Financial Statements of the Issuer and the UniCredit Group as at 31 December 2015, accompanied by the External Auditor's Report;
- Reports and Draft and Consolidated Financial Statements of the Issuer and the UniCredit Group as at 31 December 2014, accompanied by the External Auditor's Report;
- Reports and Draft and Consolidated Financial Statements of the Issuer and the UniCredit Group as at 31 December 2013, accompanied by the External Auditor's Report;
- the "2016 Group Remuneration Policy", including the Annual Remuneration Report prepared pursuant to Article 123-*ter* of the TUF, together with the respective annexes: (i) Annex 1 to the "2016 Group Pay Policy" – "Information tables pursuant to Article 84-*quater* of the 'Annual Report – Section II' of the Italian Securities and Exchange Commission (CONSOB) regulation 11971", 2015; and (ii) Annex 2 to the "2016 Group Pay Policy" – "2016 pay plans based on financial instruments in favour of UniCredit Group employees, UniCredit shareholders' meeting – April 2016", available on the Issuer's website (www.unicreditgroup.eu).
- Presentations relating to the 2016-2019 Strategic Plan approved by the Company Board of Directors on 12 December 2016.

25. INFORMATION ON HOLDINGS

The information regarding the main companies in which, at the Registration Document Date, the Issuer owns a percentage of the share capital that has a significant impact on the value of the assets and liabilities, financial situation or profits and losses of the actual Issuer, is given below.

For companies directly and indirectly controlled by UniCredit, see Chapter 7, Paragraph 7.2, of the Registration Document.

List of main associate companies

DENOMINATION	REGISTERED OFFICE STATE	BUSINESS	PARTICIPANT	% OF OWNERSHIP IN THE SHARE CAPITAL	% OF VOTING RIGHTS	CUR	SHARE CAPITAL
ALLIANZ YASAM VE EMEKLILIK AS	TURKEY	ADMINISTRATION AND MANAGEMENT	YAPI KREDI FAKTORING AS	0.036	0.036	TRY	58,000,000.00
ALLIANZ YASAM VE EMEKLILIK AS	TURKEY	ADMINISTRATION AND MANAGEMENT	YAPI KREDI FINANSAL KIRALAMA AO	19.927	19.927	TRY	58,000,000.00
ALLIANZ YASAM VE EMEKLILIK AS	TURKEY	ADMINISTRATION AND MANAGEMENT	YAPI KREDI YATIRIM MENKUL DEGERLER AS	0.036	0.036	TRY	58,000,000.00
ALLIANZ YASAM VE EMEKLILIK AS	TURKEY	ADMINISTRATION AND MANAGEMENT	YAPI VE KREDI BANKASI AS	0.001	0.001	TRY	58,000,000.00
ALLIANZ ZB D.O.O. DRUSTVO ZA UPRAVLJANJIE OBVEZNIM MIROVINSKIM FONDOM	CROATIA	INVESTMENT FUND	ZAGREBACKA BANKA D.D.	49	49	HRK	90,000,000.00
AVIVA SPA	ITALY	INSURANCE	UNICREDIT SPA	49	49	EUR	247,000,000.00
BANK FUER TIROL UND VORARLBERG AKTIENGESELLSCHAFT	AUSTRIA	BANK	CABO BETEILIGUNGSGESELLSCHAFT M.B.H.	37.534	41.287	EUR	55,000,000.00
BANK FUER TIROL UND VORARLBERG AKTIENGESELLSCHAFT	AUSTRIA	BANK	UNICREDIT BANK AUSTRIA AG	9.851	5.424	EUR	55,000,000.00
BANQUE DE COMMERCE ET DE PLACEMENTS SA	SWITZERLAND	BANK	YAPI VE KREDI BANKASI AS	30.667	30.667	CHF	75,000,000.00
BKS BANK AG	AUSTRIA	BANK	CABO BETEILIGUNGSGESELLSCHAFT M.B.H.	23.152	24.25	EUR	79,279,200.00
BKS BANK AG	AUSTRIA	BANK	UNICREDIT BANK AUSTRIA AG	6.629	6.1	EUR	79,279,200.00
CBD INTERNATIONAL SP.ZO.O.	POLAND	REAL ESTATE	ISB UNIVERSALE BAU GMBH	49.751	49.751	PLN	100,500.00
CNP UNICREDIT VITA S.P.A.	ITALY	INSURANCE	UNICREDIT SPA	38.799	38.799	EUR	381,698,528.64
COMPAGNIA AEREA ITALIANA S.P.A.	ITALY	SERVICES	UNICREDIT SPA	32.67	32.67	EUR	925,759,409.00
COMTRADE GROUP B.V.	NETHERLANDS	INVESTMENT FUND	HVB CAPITAL PARTNERS AG	21.05	21.05	EUR	4,521,670.00
CREDITRAS ASSICURAZIONI SPA	ITALY	INSURANCE	UNICREDIT SPA	50	50	EUR	52,000,000.00
CREDITRAS VITA SPA	ITALY	INSURANCE	UNICREDIT SPA	50	50	EUR	112,200,000.00
FOCUS INVESTMENTS SPA	ITALY	REAL ESTATE	UNICREDIT SPA	8.333	25	EUR	161,111.00
HSG ZANDER GMBH	AUSTRIA	SERVICES	B A I BAUTRAEGER AUSTRIA IMMOBILIEN GMBH	36	36	EUR	363,364.17
INCONTRA ASSICURAZIONI S.P.A.	ITALY	INSURANCE	UNICREDIT SPA	49	49	EUR	5,200,000.00
ISTANBUL TAKAS VE SAKLAMA BANKASI AS	TURKEY	ADMINISTRATION AND MANAGEMENT	YAPI KREDI YATIRIM MENKUL DEGERLER AS	4.38	4.38	TRY	600,000,000.00
KOC FINANSAL HIZMETLER AS	TURKEY	HOLDING COMPANY	UNICREDIT SPA	50	50	TRY	3,011,274,868.44
MEDIOBANCA BANCA DI CREDITO FINANZIARIO SPA	ITALY	BANK	UNICREDIT SPA	8.54	8.54	EUR	436,375,574.00

DENOMINATION	REGISTERED OFFICE STATE	BUSINESS	PARTICIPANT	% OF OWNERSHIP IN THE SHARE CAPITAL	% OF VOTING RIGHTS	CUR	SHARE CAPITAL
OBERBANK AG	AUSTRIA	BANK	CABO BETEILIGUNGSGESELLSCHAFT M.B.H.	23.76	25.97	EUR	105,921,900.00
OBERBANK AG	AUSTRIA	BANK	UNICREDIT BANK AUSTRIA AG	3.414	1.319	EUR	105,921,900.00
OESTERREICHISCHE HOTEL- UND TOURISMUSBANK GESELLSCHAFT M.B.H.	AUSTRIA	REAL ESTATE	UNICREDIT BANK AUSTRIA AG	50	50	EUR	11,627,653.00
OESTERREICHISCHE KONTROLLBANK AKTIENGESELLSCHAFT	AUSTRIA	BANK	CABET-HOLDING GMBH	24.75	24.75	EUR	130,000,024.00
OESTERREICHISCHE KONTROLLBANK AKTIENGESELLSCHAFT	AUSTRIA	BANK	SCHOELLERBANK AKTIENGESELLSCHAFT	8.26	8.26	EUR	130,000,024.00
OESTERREICHISCHE KONTROLLBANK AKTIENGESELLSCHAFT	AUSTRIA	BANK	UNICREDIT BANK AUSTRIA AG	16.14	16.14	EUR	130,000,024.00
OGR-CRT SOCIETA' CONSORTILE PER AZIONI	ITALY	REAL ESTATE	UNICREDIT SPA	10.714	10.714	EUR	70,000,000.00
PSA PAYMENT SERVICES AUSTRIA GMBH	AUSTRIA	ADMINISTRATION AND MANAGEMENT	SCHOELLERBANK AKTIENGESELLSCHAFT	0.021	4.5229	EUR	285,000.00
PSA PAYMENT SERVICES AUSTRIA GMBH	AUSTRIA	ADMINISTRATION AND MANAGEMENT	UNICREDIT BANK AUSTRIA AG	19.481	19.481	EUR	285,000.00
RCI FINANCIAL SERVICES S.R.O.	CZECH REPUBLIC	LEASING	UNICREDIT LEASING CZ, A.S.	50	49.86	CZK	70,000,000.00
TORRE SGR S.P.A.	ITALY	ADMINISTRATION AND MANAGEMENT	UNICREDIT SPA	37.5	37.5	EUR	3,200,000.00
VALUE TRANSFORMATION SERVICES SPA	ITALY	SERVICES	UNICREDIT BUSINESS INTEGRATED SOLUTIONS SOCIETA CONSORTILE PER AZIONI	49	49	EUR	5,000,000.00
WKBG WIENER KREDITBUERGSCHAFTS- UND BETEILIGUNGSBANK AG	AUSTRIA	INVESTMENTS	UNICREDIT BANK AUSTRIA AG	21.537	21.537	EUR	9,205,108.90
YAPI KREDI BANK MALTA LTD.	MALTA	OTHER BANKING ACTIVITY	KOC FINANSAL HIZMETLER AS	0	0	EUR	60,000,000.00
YAPI KREDI BANK MALTA LTD.	MALTA	OTHER BANKING ACTIVITY	YAPI KREDI HOLDING BV	100	100	EUR	60,000,000.00
YAPI KREDI BANK AZERBAIJAN CLOSED JOINT STOCK COMPANY	AZERBAIJAN	OTHER BANKING ACTIVITY	YAPI KREDI FINANSAL KIRALAMA AO	0.1	0.1	AZN	46,810,703.88
YAPI KREDI BANK AZERBAIJAN CLOSED JOINT STOCK COMPANY	AZERBAIJAN	OTHER BANKING ACTIVITY	YAPI KREDI YATIRIM MENKUL DEGERLER AS	0.1	0.1	AZN	46,810,703.88
YAPI KREDI BANK AZERBAIJAN CLOSED JOINT STOCK COMPANY	AZERBAIJAN	OTHER BANKING ACTIVITY	YAPI VE KREDI BANKASI AS	99.8	99.8	AZN	46,810,703.88
YAPI KREDI BANK MOSCOW	RUSSIA	BANK	YAPI KREDI FINANSAL KIRALAMA AO	0.157	0.157	RUB	478,272,000.00
YAPI KREDI BANK MOSCOW	RUSSIA	BANK	YAPI VE KREDI BANKASI AS	99.843	99.843	RUB	478,272,000.00
YAPI KREDI BANK NEDERLAND N.V.	NETHERLANDS	OTHER BANKING ACTIVITY	YAPI KREDI HOLDING BV	32.757	32.757	EUR	48,589,110.46

DENOMINATION	REGISTERED OFFICE STATE	BUSINESS	PARTICIPANT	% OF OWNERSHIP IN THE SHARE CAPITAL	% OF VOTING RIGHTS	CUR	SHARE CAPITAL
YAPI KREDI BANK NEDERLAND N.V.	NETHERLANDS	OTHER BANKING ACTIVITY	YAPI VE KREDI BANKASI AS	67.243	67.243	EUR	48,589,110.46
YAPI KREDI FAKTORING AS	TURKEY	FACTORING	ENTERNASYONAL TURIZM YATIRIM A.S.	0	0	TRY	31,916,695.00
YAPI KREDI FAKTORING AS	TURKEY	FACTORING	YAPI KREDI FINANSAL KIRALAMA AO	0.012	0.012	TRY	31,916,695.00
YAPI KREDI FAKTORING AS	TURKEY	FACTORING	YAPI VE KREDI BANKASI AS	99.952	99.952	TRY	31,916,695.00
YAPI KREDI FINANSAL KIRALAMA AO	TURKEY	LEASING	YAPI VE KREDI BANKASI AS	99.994	99.994	TRY	389,927,705.00
YAPI KREDI HOLDING BV	NETHERLANDS	HOLDING COMPANY	YAPI VE KREDI BANKASI AS	100	100	EUR	102,000,000.00
YAPI KREDI KORAY GAYRIMENKUL YATIRIM ORTAKLIGI AS	TURKEY	FINANCIAL	YAPI VE KREDI BANKASI AS	30.45	30.45	TRY	40,000,000.00
YAPI KREDI PORTFOEY YOENETIMI AS	TURKEY	INVESTMENTS	YAPI KREDI YATIRIM MENKUL DEGERLER AS	87.324	87.324	TRY	2,349,443.00
YAPI KREDI PORTFOEY YOENETIMI AS	TURKEY	INVESTMENTS	YAPI VE KREDI BANKASI AS	12.649	12.649	TRY	2,349,443.00
YAPI KREDI YATIRIM MENKUL DEGERLER AS	TURKEY	BROKERAGE	YAPI KREDI FINANSAL KIRALAMA AO	0.002	0.002	TRY	98,918,083.46
YAPI KREDI YATIRIM MENKUL DEGERLER AS	TURKEY	BROKERAGE	YAPI VE KREDI BANKASI AS	99.977	99.977	TRY	98,918,083.46
YAPI VE KREDI BANKASI AS	TURKEY	BANK	KOC FINANSAL HIZMETLER AS	81.796	81.796	TRY	4,347,051,284.00

List of main companies in which the Group holds a minority interest

DENOMINATION	REGISTERED OFFICE STATE	BUSINESS	PARTECIPANT	% OF OWNERSHIP IN THE SHARE CAPITAL	% OF VOTING RIGHTS	CUR	SHARE CAPITAL
ABH HOLDINGS SA	LUXEMBOURG	HOLDING COMPANY	UNICREDIT SPA	9.9	9.9	USD	53,926.97
BANCA D'ITALIA	ITALY	SECURITIES SERVICES	UNICREDIT SPA	16.543	16.543	EUR	7,500,000,000.00
BANK OF VALLETTA PLC	MALTA	BANK	UNICREDIT SPA	14.552	14.552	EUR	390,000,000.00
ERAMET SA	FRANCE	MINING AND METALLURGY	UNICREDIT SPA	4.069	4.069	EUR	80,956,814.90
ERG S.P.A.	ITALY	ENERGY	UNICREDIT SPA	4	4	EUR	15,032,000.00
F2I - FONDO ITALIANO PER LE INFRASTRUTTURE	ITALY	INVESTMENT FUND	UNICREDIT BANK AG	8.144	0	EUR	1,852,000,000.00
VISA INC.	U.S.A.	ADMINISTRATION AND MANAGEMENT	BANK PEKAO SA	0.28	0	EUR	315.70
VISA INC.	U.S.A.	ADMINISTRATION ADN MANAGEMENT	FINECOBANK SPA	0.072	0	EUR	315.70
VISA INC.	U.S.A.	ADMINISTRATION AND MANAGEMENT	UNICREDIT BANK AG	0.049	0	EUR	315.70
VISA INC.	U.S.A.	ADMINISTRATION AND MANAGEMENT	UNICREDIT BANK CZECH REPUBLIC AND SLOVAKIA, A.S.	0.159	0	EUR	315.70
VISA INC.	U.S.A.	ADMINISTRATION AND MANAGEMENT	UNICREDIT BANK HUNGARY ZRT.	0.025	0	EUR	315.70
VISA INC.	U.S.A.	ADMINISTRATION AND MANAGEMENT	UNICREDIT BANK S.A.	0.069	0	EUR	315.70
VISA INC.	U.S.A.	ADMINISTRATION AND MANAGEMENT	UNICREDIT BANKA SLOVENIJA D.D.	0.017	0	EUR	315.70
VISA INC.	U.S.A.	ADMINISTRATION AND MANAGEMENT	UNICREDIT BULBANK AD	0.058	0	EUR	315.70
VISA INC.	U.S.A.	ADMINISTRATION AND MANAGEMENT	UNICREDIT SPA	0.301	0	EUR	315.70
VISA INC.	U.S.A.	ADMINISTRATION AND MANAGEMENT	YAPI VE KREDI BANKASI AS	0.335	0	EUR	315.70
VISA INC.	U.S.A.	ADMINISTRATION AND MANAGEMENT	ZAGREBACKA BANKA D.D.	0.084	0	EUR	315.70

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ANNEX

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Inside real life. A 360° view.

Consolidated Interim Report
as at September 30, 2016

Welcome to UniCredit

UniCredit firmly believes that to truly understand real life, we must directly experience it. That way we are more prepared to find sustainable solutions while the world's needs and values constantly change.

For us, helping customers fulfil the basic necessities of modern life is just as important as offering the very best financial and banking products.

This means providing a complete range of services to support families and businesses, fully aware that responding to their needs builds a sustainable future for everyone.

Our products begin with real human insights that help us accompany customers throughout their lives. Because life is full of ups and downs, but it is also full of many other things, like buying a home, getting married, having children and sending them to university, etc.

It's a 360-degree approach that we call Real Life Banking.

Over the following pages, our aim is not just to present data and numbers about our Group's performance. We also want to share stories that show how we have helped people realize their dreams and supported the communities that host our branches.

Because the drive to build a better future is what keeps people going.

And supporting people keeps us going too.

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

Welcome to
UniCredit

Contents

Notes
The following conventional symbols have been used in the tables:
- a dash (-) indicates that the item/figure is inexistent;
- two stops (..), "n.s." or "n.m." when the figures do not reach the minimum considered significant or are not in any case considered significant;
- "n.a." indicates that the figure is not available.

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

Introduction

Board of Directors, Board of Statutory Auditors and External Auditors as at September 30, 2016

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

(*) On July 12, 2016 the CEO Jean Pierre Mustier has replaced Mr. Federico Ghizzoni, who has resigned his position.

(**) The Board meeting of September 22 coopted Dr. Martha Dagmar Böckenfeld.

(***) Mr. Francesco Giordano has replaced Mrs. Marina Natale on September 1, 2016.

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 € 20,846,893,436.94 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

Introduction

Note to the Consolidated Interim Report

General Aspects

This Consolidated Interim Report was prepared accordingly to IAS/IFRS international accounting standards, in compliance with the requirements of IAS34 Interim Financial Reporting, in the condensed version provided for in paragraph 10, instead of the full reporting provided for annual accounts.

Press releases on significant events occurred during the period, the market presentation on third quarter results, and the Disclosure by Institutions according to Regulation (EU) No.575/213 are also available on UniCredit's website.

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

Preparation criteria

The Consolidated Interim Report includes:

- the Interim Report on Operations using reclassified financial statement formats, including not only comments on the results for the period and on other main events, but also the additional financial information required by the CONSOB provisions;
- the Condensed Interim Consolidated Accounts, stated in comparison with those for 2015; specifically, as provided for by IAS34, the balance sheet has been compared with the figures as at December 31, 2015, while the Income Statement, the Statement of Comprehensive Income, the Change in Shareholders' Equity and the Cash Flow Statement are compared with the corresponding figures for the first nine months of the previous year;
- the Explanatory Notes, which include not only the detailed information required by IAS34, stated according to the formats adopted in the financial statements, but also the additional information required by the CONSOB and the information deemed useful for providing a true picture of the consolidated corporate standing;
- the Certification of the Condensed Interim Consolidated Financial Statements pursuant to Article 81-ter of CONSOB Regulation No.11971 of May 14, 1999 and subsequent amendments and addenda;
- the Auditor's Report by Deloitte & Touche S.p.A., as a limited review.

To further illustrate the results for the period, the Consolidated Interim Report on Operations includes condensed accounts prepared using the same criteria of previous quarterly reports.

Moreover the Condensed Interim Financial Statement report is accompanied by a number of tables - Highlights, Condensed Accounts and their Quarterly Figures, Condensed Income Statement - Comparison of Q3 2016/ Q3 2015, Segment Reporting, Group historical data and UniCredit Share - as well as a comment on Group Results and Results by Business Segment, accompanied, in order to provide further information about the performance achieved by the Group, by some alternative performance indicators (as Cost/income ratio, EVA, Net bad loans to customers/Loans to customers, Net Non-Performing loans to customers/Loans to customers, Absorbed Capital, ROAC, Cost of risk).

Although some of this information - including certain alternative performance indicators - are not extracted nor directly reconciled with Condensed Interim Consolidated Financial Statements, in the Consolidated Interim Report on Operations and in Annexes 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 are included the reconciliations of the Condensed Accounts to Mandatory Reporting schedule.

Scope of consolidation

During the first nine months of 2016 the following overall changes have been recorded in the consolidation perimeter:

- the number of fully consolidated companies changed from 713 at the end of 2015 to 681 at September 2016 (13 incoming and 45 exited), presenting a decrease of 32;
- the number of companies consolidated using the equity method changed from 67 at the end of 2015 to 68 at September 2016 (1 incoming), presenting an increase of 1.

For further details see Explanatory Notes - Part A - Accounting Policies; A.1 General, Section 3 - Consolidation Procedures and Scope.

Non-Current Assets and Asset Groups Held for Disposal

In the Balance Sheet at September 30, 2016, the main reclassified assets based on the IFRS5 accounting principle, as non-current assets and asset disposal groups refer to:

- regarding the individual asset and liabilities held for sale:
  - the subsidiary Bankhaus Neelmayer AG and to assets and liabilities referred to UBIS's card processing activities in Italy, Germany and Austria;
  - the real estate properties held by certain companies in the Group;
- regarding the data relating to groups of assets held for sale and associated liabilities, the following companies that have been already reported in the consolidated accounts at December 31, 2015 based on the accounting standard IFRS5:
  - the companies of the Ukrainian Group (PUBLIC JOINT STOCK COMPANY UKRSOTSBANK, PRIVATE JOINT STOCK COMPANY FERROTRADE INTERNATIONAL, LLC UKROTSBUD, LTD SI&C AMC UKRSOTS REAL ESTATE), for which refer also to Other information - Development of Group operations and other corporate transactions;
  - the companies of the Immobilien Holding Group (Austria).

For additional information, reference is made to Part B - Information on the consolidated balance sheet - Assets - Section 15 of the Condensed Interim Consolidated Financial Statements - Explanatory Notes.

Segment Reporting

Segment reporting is presented and commented on the basis of the organizational structure currently used in management reporting of Group results, which consists of the following business segments:

- Commercial Banking Italy;
- Commercial Banking Germany;
- Commercial Banking Austria;
- Poland;
- CEE Division;
- CIB;
- Asset Management;
- Asset Gathering;
- Non-core;
- Governance/Group Corporate Centre (including Global Banking Services, Corporate Centre Global Function, inter-segment adjustments and consolidation adjustments not attributable to individual segments).

Consolidated Interim Report on Operations

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

Consolidated Interim Report on Operations

Highlights

Income Statement

(€ million)

	FIRST 9 MONTHS 2016	FIRST 9 MONTHS 2015	% CHANGE
Operating income	17,071	16,816	+ 1.5%
of which: - net interest	*8,644*	*8,887*	*- 2.7%*
- dividends and other income from equity investments	*700*	*579*	*+ 20.9%*
- net fees and commissions	*5,736*	*5,914*	*- 3.0%*
Operating costs	(9,808)	(10,236)	- 4.2%
Operating profit	7,263	6,580	+ 10.4%
Profit (loss) before tax	2,933	2,925	+ 0.3%
Net profit (loss) attributable to the Group	**1,768**	**1,541**	**+ 14.7%**

The figures in this table refer to reclassified income statement.

Balance Sheet

(€ million)

	AMOUNTS AS AT 09.30.2016	AMOUNTS AS AT 12.31.2015	% CHANGE
Total assets	874,527	860,433	+ 1.6%
Financial assets held for trading	94,110	90,997	+ 3.4%
Loans and receivables with customers	480,926	473,999	+ 1.5%
of which: - Non-Performing loans	*36,417*	*38,920*	*- 6.4%*
Financial liabilities held for trading	68,387	68,919	- 0.8%
Deposits from customers and debt securities in issue	590,099	584,268	+ 1.0%
of which: - deposits from customers	*470,296*	*449,790*	*+ 4.6%*
- securities in issue	*119,803*	*134,478*	*- 10.9%*
Shareholders' Equity	**51,237**	**50,087**	**+ 2.3%**

The figures in this table refer to reclassified balance sheet.

See § "Net write-downs on loans and provisions for guarantees and commitments" in this Consolidated Interim Report on Operations for more details.

Staff and Branches

	AS AT 09.30.2016	AS AT 12.31.2015	CHANGE
Employees (1)	122,990	125,510	-2,520
Branches	6,592	6,934	-342
of which: - Italy	*3,613*	*3,873*	*-260*
- Other countries	*2,979*	*3,061*	*-82*

(1) "Full time equivalent" data (FTE): number of employees counted for the rate of presence.

Profitability Ratios

	FIRST 9 MONTHS 2016	2015	CHANGE
EPS [1] (€)	0.372	0.273	0.10
Cost/income ratio	57.5%	60.9%	-3.42bp
EVA [2] (€ million)	(879)	(2,016)	+ 1,137
Return on assets [3]	0.24%	0.21%	0.03bp

(1) Annualized figure. For further details please refer to Part C - Section 24 Earnings per share.

(2) Economic Value Added, equal to the difference between NOPAT (net operating profit after tax) and the cost of capital.

(3) Return on assets (ROA): calculated as the ratio of Net profit or loss to Total assets pursuant to Art.90 of CRD IV. The annualized figure amounts to 0.32%.

Risk Ratios

	AS AT 09.30.2016	12.31.2015
Net bad loans to customers/Loans to customers	4.07%	4.20%
Net Non-Performing loans to customers/Loans to customers	7.57%	8.21%

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

Transitional Capital Ratios

	AS AT 09.30.2016 (*)	12.31.2015 (*)
Total own funds (€ million)	56,667	55,579
Total risk-weighted assets (€ million)	390,901	390,599
Common Equity Tier 1 Capital Ratio	**11.00%**	**10.59%**
Total Capital Ratio	**14.50%**	**14.23%**

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

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

Ratings

	SHORT-TERM DEBT	MEDIUM AND LONG-TERM	OUTLOOK	STANDALONE RATING
Fitch Ratings	F2	BBB+	negative	bbb+
Moody's Investors Service	P-2	Baa1	stable	ba1
Standard & Poor's	A-3	BBB-	stable	bbb-

Data as at September 16, 2016.

Consolidated Interim Report on Operations

Condensed Accounts

Consolidated Balance Sheet

(€ million)

ASSETS	AMOUNTS AS AT 09.30.2016	AMOUNTS AS AT 12.31.2015	CHANGE AMOUNT	CHANGE %
Cash and cash balances	16,153	10,303	+ 5,850	+ 56.8%
Financial assets held for trading	94,110	90,997	+ 3,113	+ 3.4%
Loans and receivables with banks	76,750	80,073	- 3,323	- 4.1%
Loans and receivables with customers	480,926	473,999	+ 6,928	+ 1.5%
Financial investments	155,336	152,845	+ 2,492	+ 1.6%
Hedging instruments	8,094	8,010	+ 85	+ 1.1%
Property, plant and equipment	9,555	10,031	- 476	- 4.7%
Goodwill	3,591	3,618	- 28	- 0.8%
Other intangible assets	2,087	2,140	- 53	- 2.5%
Tax assets	15,469	15,726	- 257	- 1.6%
Non-current assets and disposal groups classified as held for sale	3,369	2,820	+ 549	+ 19.5%
Other assets	9,085	9,872	- 787	- 8.0%
Total assets	**874,527**	**860,433**	**+ 14,093**	**+ 1.6%**

(€ million)

LIABILITIES AND SHAREHOLDERS' EQUITY	AMOUNTS AS AT 09.30.2016	AMOUNTS AS AT 12.31.2015	CHANGE AMOUNT	CHANGE %
Deposits from banks	114,983	111,373	+ 3,610	+ 3.2%
Deposits from customers	470,296	449,790	+ 20,505	+ 4.6%
Debt securities in issue	119,803	134,478	- 14,675	- 10.9%
Financial liabilities held for trading	68,387	68,919	- 532	- 0.8%
Financial liabilities designated at fair value	1,509	455	+ 1,054	+ 231.9%
Hedging instruments	11,797	11,254	+ 544	+ 4.8%
Provisions for risks and charges	9,849	9,855	- 5	- 0.1%
Tax liabilities	1,495	1,529	- 34	- 2.2%
Liabilities included in disposal groups classified as held for sale	2,651	1,880	+ 771	+ 41.0%
Other liabilities	18,615	17,416	+ 1,199	+ 6.9%
Minorities	3,906	3,399	+ 507	+ 14.9%
Group Shareholders' Equity:	51,237	50,087	+ 1,150	+ 2.3%
- Capital and reserves	*50,411*	*48,315*	*+ 2,096*	*+ 4.3%*
- AfS assets fair value reserve, Cash-flow hedging reserve and Defined benefits plans reserve	*(943)*	*77*	*- 1,020*	*n.s.*
- Net profit (loss)	*1,768*	*1,694*	*+ 74*	*+ 4.4%*
Total liabilities and Shareholders' Equity	**874,527**	**860,433**	**+ 14,093**	**+ 1.6%**

Consolidated Income Statement

(€ million)

	FIRST 9 MONTHS		CHANGE		
	2016	2015	P&L	%	ADJUSTED [1]
Net interest	8,644	8,887	- 243	- 2.7%	- 1.8%
Dividends and other income from equity investments	700	579	+ 121	+ 20.9%	+ 27.8%
Net fees and commissions	5,736	5,914	- 178	- 3.0%	- 2.2%
Net trading income	1,820	1,342	+ 478	+ 35.6%	+ 37.0%
Net other expenses/income	170	94	+ 77	+ 81.7%	+ 80.2%
OPERATING INCOME	**17,071**	**16,816**	**+ 255**	**+ 1.5%**	**+ 2.6%**
Payroll costs	(6,013)	(6,287)	+ 274	- 4.4%	- 3.7%
Other administrative expenses	(3,628)	(3,869)	+ 241	- 6.2%	- 5.8%
Recovery of expenses	562	599	- 37	- 6.2%	- 6.2%
Amortisation, depreciation and impairment losses on intangible and tangible assets	(728)	(678)	- 50	+ 7.3%	+ 8.1%
Operating costs	**(9,808)**	**(10,236)**	**+ 428**	**- 4.2%**	**- 3.5%**
OPERATING PROFIT (LOSS)	**7,263**	**6,580**	**+ 683**	**+ 10.4%**	**+ 12.1%**
Net write-downs on loans and provisions for guarantees and commitments	(2,677)	(2,898)	+ 222	- 7.6%	- 6.7%
NET OPERATING PROFIT (LOSS)	**4,586**	**3,682**	**+ 905**	+ 24.6%	+ 27.1%
Other charges and provisions	(1,231)	(777)	- 454	+ 58.4%	+ 59.4%
Integration costs	(398)	(12)	- 386	n.s.	n.s.
Net income from investments	(24)	33	- 57	n.s.	n.s.
PROFIT (LOSS) BEFORE TAX	**2,933**	**2,925**	**+ 7**	**+ 0.3%**	**+ 2.5%**
Income tax for the period	(821)	(778)	- 43	+ 5.5%	+ 6.8%
NET PROFIT (LOSS)	**2,112**	**2,148**	**- 36**	**- 1.7%**	**+ 1.0%**
Profit (Loss) from non-current assets held for sale, after tax	13	(152)	+ 165	n.s.	n.s.
PROFIT (LOSS) FOR THE PERIOD	**2,124**	**1,995**	**+ 129**	**+ 6.5%**	**+ 9.3%**
Minorities	(343)	(280)	- 63	+ 22.6%	+ 26.8%
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP BEFORE PPA	**1,781**	**1,715**	**+ 66**	**+ 3.8%**	**+ 6.4%**
Purchase Price Allocation effect	(13)	(174)	+ 161	- 92.7%	- 92.5%
Goodwill impairment	-	-	-	-	-
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP	**1,768**	**1,541**	**+ 227**	**+ 14.7%**	**+ 18.0%**

Notes:
(1) Changes at constant foreign exchange rates and perimeter.

Consolidated Interim Report on Operations

Condensed Accounts - Quarterly Figures

Consolidated Balance Sheet

(€ million)

	AMOUNTS AS AT			AMOUNTS AS AT			
ASSETS	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	16,153	12,523	9,419	10,303	11,182	9,962	9,870
Financial assets held for trading	94,110	105,075	97,880	90,997	91,612	97,626	114,356
Loans and receivables with banks	76,750	69,078	86,907	80,073	90,689	86,192	89,014
Loans and receivables with customers	480,926	489,155	483,282	473,999	474,122	473,930	482,658
Financial investments	155,336	163,684	160,899	152,845	152,909	153,043	148,503
Hedging instruments	8,094	8,085	8,562	8,010	8,939	9,282	11,482
Property, plant and equipment	9,555	9,559	9,635	10,031	10,064	10,089	10,278
Goodwill	3,591	3,563	3,598	3,618	3,601	3,617	3,668
Other intangible assets	2,087	2,110	2,115	2,140	2,016	2,028	2,020
Tax assets	15,469	15,700	15,715	15,726	15,036	15,117	14,595
Non-current assets and disposal groups classified as held for sale	3,369	3,501	3,509	2,820	3,454	3,751	3,915
Other assets	9,085	9,445	10,682	9,872	9,882	10,490	10,291
Total assets	**874,527**	**891,477**	**892,203**	**860,433**	**873,506**	**875,126**	**900,649**

(€ million)

	AMOUNTS AS AT			AMOUNTS AS AT			
LIABILITIES AND SHAREHOLDERS' EQUITY	09.30.2016	06.30.2016	03.31.2016	12.31.2015	09.30.2015	06.30.2015	03.31.2015
Deposits from banks	114,983	113,036	112,130	111,373	120,555	121,454	130,422
Deposits from customers	470,296	472,369	477,833	449,790	450,204	435,898	423,162
Debt securities in issue	119,803	124,039	128,181	134,478	137,491	144,961	150,625
Financial liabilities held for trading	68,387	79,991	71,793	68,919	67,334	72,501	90,224
Financial liabilities designated at fair value	1,509	1,465	1,217	455	455	460	539
Hedging instruments	11,797	12,703	12,263	11,254	11,717	12,543	16,408
Provisions for risks and charges	9,849	9,876	9,495	9,855	9,958	10,017	10,449
Tax liabilities	1,495	1,430	1,657	1,529	1,569	1,427	1,892
Liabilities included in disposal groups classified as held for sale	2,651	2,770	2,760	1,880	1,415	1,448	1,479
Other liabilities	18,615	20,501	20,930	17,416	19,242	20,951	20,408
Minorities	3,906	3,174	3,513	3,399	3,327	3,272	3,711
Group Shareholders' Equity:	51,237	50,123	50,431	50,087	50,239	50,195	51,331
- Capital and reserves	*50,411*	*49,814*	*49,971*	*48,315*	*49,248*	*50,163*	*50,655*
- AfS assets fair value reserve, Cash-flow hedging reserve and Defined benefits plans reserve	*(943)*	*(1,013)*	*55*	*77*	*(551)*	*(1,003)*	*164*
- Net profit (loss)	*1,768*	*1,321*	*406*	*1,694*	*1,541*	*1,034*	*512*
Total liabilities and Shareholders' Equity	**874,527**	**891,477**	**892,203**	**860,433**	**873,506**	**875,126**	**900,649**

Consolidated Income Statement

(€ million)

	2016			2015			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net interest	2,850	2,918	2,876	3,029	2,925	2,999	2,963
Dividends and other income from equity investments	189	299	212	250	192	269	118
Net fees and commissions	1,858	1,932	1,946	1,935	1,902	1,997	2,014
Net trading income	509	950	362	302	250	473	619
Net other expenses/income	50	41	80	73	63	(3)	34
OPERATING INCOME	**5,455**	**6,139**	**5,476**	**5,589**	**5,332**	**5,735**	**5,749**
Payroll costs	(1,964)	(2,022)	(2,028)	(2,053)	(2,067)	(2,127)	(2,093)
Other administrative expenses	(1,205)	(1,221)	(1,202)	(1,289)	(1,286)	(1,294)	(1,289)
Recovery of expenses	191	195	176	210	198	213	188
Amortisation, depreciation and impairment losses on intangible and tangible assets	(251)	(241)	(237)	(250)	(228)	(227)	(224)
Operating costs	**(3,228)**	**(3,289)**	**(3,291)**	**(3,382)**	**(3,383)**	**(3,435)**	**(3,418)**
OPERATING PROFIT (LOSS)	**2,227**	**2,850**	**2,186**	**2,207**	**1,949**	**2,299**	**2,331**
Net write-downs on loans and provisions for guarantees and commitments	(1,008)	(914)	(755)	(1,216)	(1,005)	(913)	(980)
NET OPERATING PROFIT (LOSS)	**1,219**	**1,937**	**1,430**	**991**	**944**	**1,386**	**1,351**
Other charges and provisions	(292)	(522)	(417)	(807)	(154)	(359)	(264)
Integration costs	(48)	(90)	(260)	(398)	(8)	(2)	(1)
Net income from investments	(7)	-	(17)	(39)	20	18	(5)
PROFIT (LOSS) BEFORE TAX	**872**	**1,324**	**736**	**(254)**	**802**	**1,043**	**1,080**
Income tax for the period	(328)	(247)	(246)	640	(197)	(238)	(343)
NET PROFIT (LOSS)	**545**	**1,077**	**490**	**387**	**605**	**805**	**737**
Profit (Loss) from non-current assets held for sale, after tax	9	(11)	14	(143)	27	(121)	(58)
PROFIT (LOSS) FOR THE PERIOD	**554**	**1,067**	**503**	**244**	**633**	**683**	**679**
Minorities	(103)	(147)	(93)	(72)	(78)	(100)	(102)
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP BEFORE PPA	**451**	**920**	**410**	**172**	**554**	**583**	**577**
Purchase Price Allocation effect	(4)	(4)	(4)	(19)	(48)	(61)	(65)
Goodwill impairment	-	-	-	-	-	-	-
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP	**447**	**916**	**406**	**153**	**507**	**522**	**512**

Consolidated Interim Report on Operations

Condensed Income Statement - Comparison of Q2 2016/Q2 2015

Consolidated Income Statement

(€ million)

	Q3		CHANGE		
	2016	2015	P&L	%	ADJUSTED [1]
Net interest	2,850	2,925	- 75	- 2.6%	- 2.3%
Dividends and other income from equity investments	189	192	- 2	- 1.2%	+ 2.7%
Net fees and commissions	1,858	1,902	- 45	- 2.3%	- 1.9%
Net trading income	509	250	+ 259	+ 103.7%	+ 103.5%
Net other expenses/income	50	63	- 13	- 21.3%	- 27.1%
OPERATING INCOME	**5,455**	**5,332**	**+ 123**	**+ 2.3%**	**+ 2.7%**
Payroll costs	(1,964)	(2,067)	+ 103	- 5.0%	- 4.8%
Other administrative expenses	(1,205)	(1,286)	+ 81	- 6.3%	- 6.2%
Recovery of expenses	191	198	- 7	- 3.5%	- 3.5%
Amortisation, depreciation and impairment losses on intangible and tangible assets	(251)	(228)	- 23	+ 10.1%	+ 10.1%
Operating costs	**(3,228)**	**(3,383)**	**+ 154**	**- 4.6%**	**- 4.4%**
OPERATING PROFIT (LOSS)	**2,227**	**1,949**	**+ 277**	**+ 14.2%**	**+ 15.1%**
Net write-downs on loans and provisions for guarantees and commitments	(1,008)	(1,005)	- 3	+ 0.3%	+ 0.6%
NET OPERATING PROFIT (LOSS)	**1,219**	**944**	**+ 275**	**+ 29.1%**	**+ 30.6%**
Other charges and provisions	(292)	(154)	- 139	+ 90.1%	+ 91.1%
Integration costs	(48)	(8)	- 40	+ 493.8%	+ 508.6%
Net income from investments	(7)	20	- 27	n.s.	n.s.
PROFIT (LOSS) BEFORE TAX	**872**	**802**	**+ 70**	**+ 8.7%**	**+ 10.1%**
Income tax for the period	(328)	(197)	- 131	+ 66.2%	+ 67.2%
NET PROFIT (LOSS)	**545**	**605**	**- 61**	**- 10.0%**	**- 8.4%**
Profit (Loss) from non-current assets held for sale, after tax	9	27	- 18	- 65.5%	- 198.2%
PROFIT (LOSS) FOR THE PERIOD	**554**	**633**	**- 78**	**- 12.4%**	**- 15.7%**
Minorities	(103)	(78)	- 25	+ 31.6%	+ 35.9%
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP BEFORE PPA	**451**	**554**	**- 103**	**- 18.6%**	**- 23.0%**
Purchase Price Allocation effect	(4)	(48)	+ 43	- 91.0%	- 90.9%
Goodwill impairment	-	-	-	-	-
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP	**447**	**507**	**- 60**	**- 11.8%**	**- 16.5%**

Notes:
(1) Changes at constant foreign exchange rates and perimeter.

Segment Reporting

Key Figures by Business Segment

(€ million)

	COMMERCIAL BANKING ITALY	COMMERCIAL BANKING GERMANY	COMMERCIAL BANKING AUSTRIA	POLAND	CEE DIVISION	CIB	ASSET MANAGEMENT	ASSET GATHERING	GROUP CORPORATE CENTER [1]	NON-CORE	CONSOLIDATED GROUP TOTAL
Income Statement											
OPERATING INCOME											
9M 2016	5,754	1,850	1,167	1,251	3,072	3,223	631	421	(145)	(153)	**17,071**
9M 2015	*5,806*	*2,002*	*1,146*	*1,273*	*2,818*	*2,966*	*678*	*407*	*(341)*	*60*	***16,816***
OPERATING COSTS											
9M 2016	(3,309)	(1,432)	(927)	(558)	(1,124)	(1,291)	(367)	(171)	(421)	(207)	**(9,808)**
9M 2015	*(3,203)*	*(1,514)*	*(1,001)*	*(586)*	*(1,089)*	*(1,345)*	*(424)*	*(174)*	*(545)*	*(355)*	***(10,236)***
OPERATING PROFIT											
9M 2016	2,445	418	240	693	1,948	1,932	263	249	(566)	(361)	**7,263**
9M 2015	*2,604*	*488*	*145*	*687*	*1,729*	*1,621*	*254*	*234*	*(886)*	*(295)*	***6,580***
PROFIT BEFORE TAX											
9M 2016	1,351	403	(64)	517	1,362	1,562	220	232	(940)	(1,711)	**2,933**
9M 2015	*1,723*	*336*	*(2)*	*551*	*853*	*1,443*	*242*	*224*	*(905)*	*(1,540)*	***2,925***
Balance Sheet											
LOANS TO CUSTOMERS											
as at September 30, 2016	137,128	80,972	48,435	28,082	59,868	101,390	-	972	(5,427)	29,505	**480,926**
as at December 31, 2015	*131,558*	*80,431*	*49,119*	*28,621*	*57,353*	*97,743*	*-*	*923*	*(7,556)*	*35,806*	***473,999***
DEPOSITS FROM CUSTOMERS AND DEBT SECURITIES IN ISSUE											
as at September 30, 2016	144,523	108,944	64,736	29,703	60,609	103,116	-	17,444	61,433	1,098	**591,607**
as at December 31, 2015	*145,257*	*106,389*	*63,783*	*30,862*	*58,692*	*96,559*	*-*	*16,084*	*65,402*	*1,695*	***584,723***
TOTAL RISK WEIGHTED ASSETS											
as at September 30, 2016	78,868	35,015	23,536	25,649	93,528	73,077	1,668	1,778	31,530	26,252	**390,901**
as at December 31, 2015	*77,008*	*34,030*	*24,969*	*26,354*	*93,055*	*68,249*	*1,920*	*1,804*	*32,036*	*31,174*	***390,599***
EVA											
9M 2016	296	7	(28)	104	375	504	149	93	(1,098)	(1,281)	**(879)**
9M 2015	*446*	*(65)*	*(128)*	*92*	*(312)*	*349*	*160*	*88*	*(1,340)*	*(1,306)*	***(2,016)***
Cost/income ratio											
9M 2016	57.5%	77.4%	79.4%	44.6%	36.6%	40.1%	58.2%	40.7%	- 291.4%	- 135.5%	**57.5%**
9M 2015	*55.2%*	*75.6%*	*87.3%*	*46.0%*	*38.7%*	*45.3%*	*62.6%*	*42.6%*	*- 160.0%*	*591.2%*	***60.9%***
Employees											
as at September 30, 2016	35,620	11,074	6,118	17,240	28,601	3,789	1,945	1,033	17,037	533	**122,990**
as at December 31, 2015	*36,582*	*11,542*	*6,440*	*17,606*	*28,485*	*3,946*	*1,986*	*1,019*	*17,187*	*717*	***125,510***

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

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

Consolidated Interim Report on Operations

Group historical data

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

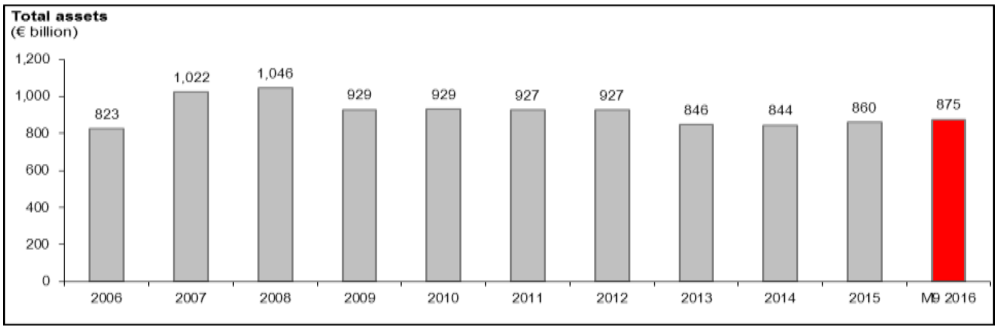
This expansion was characterized, particularly:

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

Group Figures 2006 - 2016

	IAS/IFRS										
	M9 2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Income Statement (€ million)											
Operating income	17,071	22,405	22,513	23,973	25,049	25,200	26,347	27,572	26,866	25,893	23,464
Operating costs	(9,808)	(13,618)	(13,838)	(14,801)	(14,979)	(15,460)	(15,483)	(15,324)	(16,692)	(14,081)	(13,258)
Operating profit (loss)	7,263	8,787	8,675	9,172	10,070	9,740	10,864	12,248	10,174	11,812	10,206
Profit (loss) before income tax	2,933	2,671	4,091	(4,888)	317	2,060	2,517	3,300	5,458	9,355	8,210
Net profit (loss) for the period	2,124	2,239	2,669	(3,920)	1,687	644	1,876	2,291	4,831	6,678	6,128
Net profit (loss) attributable to the Group	1,768	1,694	2,008	(13,965)	865	(9,206)	1,323	1,702	4,012	5,961	5,448
Balance Sheet (€ million)											
Total assets	874,527	860,433	844,217	845,838	926,827	926,769	929,488	928,760	1,045,612	1,021,758	823,284
Loans and receivables with customers	480,926	473,999	470,569	503,142	547,144	559,553	555,653	564,986	612,480	574,206	441,320
of which: Non-Performing loans	*19,557*	*19,924*	*19,701*	*18,058*	*19,360*	*18,118*	*16,344*	*12,692*	*10,464*	*9,932*	*6,812*
Deposits from customers and debt securities in issue	590,099	584,268	560,688	571,024	579,965	561,370	583,239	596,396	591,290	630,533	495,255
Shareholders' Equity	51,237	50,087	49,390	46,841	62,784	51,479	64,224	59,689	54,999	57,724	38,468
Profitability ratios (%)											
Operating profit (loss)/Total assets	0.83	1.02	1.03	1.08	1.09	1.05	1.17	1.32	0.97	1.16	1.24
Cost/income ratio	57.5	60.8	61.5	61.7	59.8	61.4	58.8	55.6	62.1	54.4	56.5

Information in the table are "historical figures". They don't allow comparison because they are not recasted or adjusted following to new accounting principles or perimeter changes.



IAS/IFRS

UniCredit Share

Share Information

	M9 2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Share price (€) (*)											
- 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	2.882	5.889	5.996	4.399	3.292	8.549	12.701	11.946	21.009	36.489	34.397
- end of period	2.072	5.135	5.335	5.380	3.706	4.228	10.196	14.730	9.737	31.687	37.049
Number of outstanding shares (million)											
- at period end (1)	6,180	5,970	5,866	5,792	5,789.0	1,930.0	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	5,693.0	1,833.0	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*	*2.4*	*2.4*	*24.2*	*24.2*	*21.7*	*21.7*	*21.7*
- average (1)	6,087	5,927	5,837	5,791	5,473.0	1,930.0	19,101.8	16,637.8	13,204.6	11,071.6	10,345.2
Dividend											
- 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.

UniCredit Share

Earnings Ratios

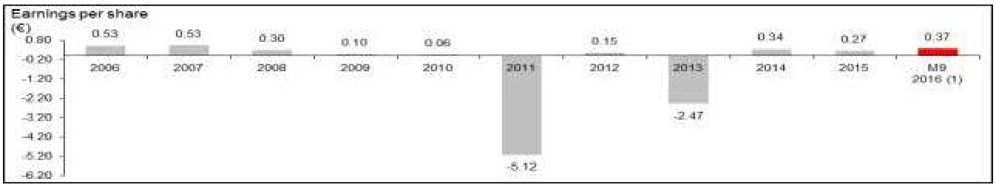
	IAS/IFRS										
	M9 2016	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**
Shareholders' Equity (€ million)	51,237	50,087	49,390	46,841	62,784	51,479	64,224	59,689	54,999	57,724	38,468
Group portion of net profit (loss) (€ million)	1,768	1,694	2,008	(13,965)	865	(9,206)	1,323	1,702	4,012	5,961	5,448
Net worth per share (€)	8.29	8.39	8.42	8.09	10.85	26.67	3.33	3.56	4.11	4.35	3.72
Price/Book value	0.25	0.61	0.63	0.67	0.34	0.16	3.06	4.14	2.37	7.28	9.97
Earnings per share (1) (€)	0.372	0.27	0.34	-2.47	0.15	-5.12	0.06	0.10	0.30	0.53	0.53
Payout ratio (%)		41.7	34.7	-4.1	59.2		41.6	32.3	(*)	58.1	45.6
Dividend yield on average price per ordinary share (%)		2.04	2.00	2.27	2.73		1.55	1.58	(*)	3.98	3.90

(1) Annualized figure. For further details please refer to Part C - Section 24 Earnings per share.

(*) 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").

Information in the table are "historical figures" and they must be read with reference to each single period.

The 2008 EPS figure published in the consolidated report as at December 31, 2008 was €0.30 and has now been amended to €0.26 due to the increase in the number of shares following the capital increase (IAS 33 § 28). From 2009 for the purposes of calculating EPS, due to disbursements made in connection with the foreseen use of treasury shares agreed under the 'cashes' transaction, and charged to equity, net profit for the period was reduced by the following amounts: for 2009 of €131 million, for 2010 of €156 million, for 2011 of €172 million, for 2012 of €46 million, for 2013 of €105 million, for 2014 of €35 million and for 2015 of €100 million and for 2016 first nine months of €96 million.



IAS/IFRS

(1) Annualized figure.

Group Results

Macroeconomic situation, banking and financial markets

International situation

USA/Eurozone

Global growth is gradually recovering. While the first half of the year was characterized by concerns about China's structural rebalancing, the Brexit vote was the main source of uncertainty in the third quarter. With advanced economies still stuck in a low inflation/low growth environment, the macroeconomic outlook in the emerging world, especially in East Asia, is brightening and is expected to strengthen further in energy-rich countries. In China, where GDP growth remains consistent with a soft landing scenario, the excessively high stock of corporate debt represents the main systemic risk, if it is not properly addressed. A part from the immediate period around the UK referendum, euro area and global financial markets remained relatively calm in 3Q, supported by ultra-accommodative monetary policies and robust fundamentals. So far, the Brexit vote has not had major consequences on the global macroeconomic outlook. The UK economy is slowing but activity appears to be somewhat more resilient than initially expected. However, the Brexit shock is still unfolding and it is too early to draw inferences from the data about the outlook beyond the very near term. A hard Brexit, which now seems the most likely outcome of the negotiations that are expected to start in March 2017, is seen to severely impact the UK economy in the medium-long term.

In the eurozone, economic activity has reached cruising speed of 1.5% annualized. This flags good resilience of the eurozone recovery at a time when the currency no longer contributes to stimulating growth, support from low oil prices is slowly fading and external demand conditions remain weak. Inflation remains subdued, but rising oil prices, following the informal agreement reached during the September OPEC meeting, are creating some timid inflationary pressures. With inflation still a long way off from its 2% target, the ECB will continue to pursue its accommodative monetary policy. The Governing Council will likely opt for an extension of QE by six to nine months at the current pace. This would require EUR 480-720 billion of additional purchasable assets. Under current market conditions, raising the ISIN limit from 33% to 50% and applying the deposit-rate restriction to a portfolio of bonds rather than to individual bonds would free a sufficient amount of German paper to make this extension possible. Bank bond purchases do not seem to be on the agenda, while a deposit rate cut remains highly unlikely as its side effects would outweigh the benefits.

The US economy has gone through an extended period of weakness, with real GDP growth averaging a mere 1% over the past three quarters. The main factors that have been holding the economy back are the oil-related slump in capex, a lasting inventory correction, and the lagged effect of a stronger USD. Now that the impact of all of these factors has started to fade, growth is finally picking up, stabilizing at around 2.5%. The main contributor to growth is once again consumer spending, which is on track for another 3% rise (and would thus add two full percentage points). Capex spending has started to look a bit better than over the past few quarters but remains lackluster. At its September meeting, the Fed decided to leave the target rate unchanged, while giving clear signals of an upcoming move. A 25bp hike in December is highly probable. At the same time, the Fed lowered its interest rate projections for the medium term. These now indicate two hikes in 2017 and three in 2018, which is in line with our own projections.

Banking and financial markets

In 3Q 2016, credit recovery continued in the Eurozone, albeit gradually.
Lending to non-financial corporations, in particular, increased the pace of expansion, with an annual growth rate of +1.4% in September 2016 (the latest data available), compared with a still negative annual growth rate of -0.4% as of September 2015. Loans to Households kept an annual growth rate higher than the corporate one, with a +2.1% reading in September 2016, also in acceleration with respect to +1.6% as of September 2015.
In the three countries of reference for the group, loans to Households showed good growth momentum, with an annual growth rate around +3% in September 2016 both in Germany and Austria and +1.1% in Italy. The latter is however showing an improving trend with respect to the +0.3% in September 2015. In contrast, loans to non-financial corporations further accelerated in Germany to an annual growth of +4.2% in September 2016, confirmed an annual growth rate over 1% in Austria (+1.3% in September 2016) while remaining subdued in Italy where growth is still in negative territory (-2.1% in September 2016), due to weak loan demand.

In 3Q of 2016 in the three countries of reference for the group, bank deposit developments were mainly characterized by a clear dichotomy between a confirmed steady positive growth of sight deposits and a reduction in deposits over the medium and longer term (excluding bonds), which, altogether, supported however a further expansion of total deposits.
3Q of 2016 was also characterized by further declines in interest rates, both for bank loans and for bank deposits. The downward trend of bank interest rates continues to be driven by the highly expansive monetary policy stance of the European Central Bank. Monetary policy stance is not expected to change in the short term and in addition monetary easing might be extended over 1Q 2017 in case of deterioration of economic/ financial conditions.

Financial markets in the Eurozone showed a higher volatility in 3Q 2016, following the Brexit Referendum results and the political uncertainty related to US elections and Italian Constitutional referendum. In terms of the impact on the equity market performance, in September 2016, the Italian stock market posted the worst performance among the three core countries of the group, with a reduction of approximately 23%, compared to December 2015 average. Next came the Austrian stock market, which was down by about 1%. Meanwhile, the German stock exchange in September fell by about 1%, compared to December 2015 average.

CEE Countries

Fed dovishness and continued monetary accommodation have provided welcome support to financial markets in the aftermath of the Brexit vote. These favorable global environment has prevented major financial market shocks despite events such as the failed coup in Turkey and the recently intensified tensions in the U.S.-Russia relations. The impact of Brexit has been muted thus far, with growth in the EA holding well and the modalities of the process yet to be determined. However, we expect a more significant impact next year, when the expected drop in external demand is likely to shave off 0.6 to 0.8 pp from GDP growth.

In 2Q16, growth in CEE surprised again on the downside. While in CEE-EU temporary factors such as the drop in EU transfers typical for the start of each new seven-year programing period and a transient dip in foreign demand played a role, it seems that the these economies are now behind their cyclical peaks. In Turkey, the 2Q16 slowdown reflected mostly political tensions, while in Russia and Ukraine the long-awaited recoveries remained elusive with growth crawling along the bottom.

Preliminary data about 3Q16 point to diverging trends. All in all, we expect 3Q growth near the 2Q level in CEE-EU before easing somewhat in 4Q as EA growth slows in response to Brexit. We have upgraded our growth projection for Hungary and Bulgaria on expected fiscal accommodation and kept the rest little changed. Growth ought to accelerate also in Croatia and Serbia thanks to improved policy implementation with the election-driven political uncertainty behind us and reforms set to accelerate. In Russia, we expect growth to return in 4Q. We upgraded as a result Russia's outlook for both this and next year, taking into account the economy's increased resilience and the expected recovery in oil prices, but downgraded the outlook for Ukraine due to lagging reforms. We have also downgraded our projection for Turkey due to the fallout of the failed July coup and an unprecedented drop in tourism that is likely to have brought growth to a halt in 3Q. Even so, growth in CEE (excluding Russia and Ukraine) will remain well above 3% this year, among the highest in the EM universe and matching or exceeding global growth projections.

In all countries in the region except for Russia and Ukraine, growth has been led by domestic demand. In CEE-EU, this mainly reflected sharply improved labor markets and accelerating real wage growth, facilitated in part by continued very low inflation, while improved confidence has helped buoy private investment. We expect this trend to continue in the remainder of the year and into 2017. The contribution of net exports will turn negative with export growth likely to remain subdued on the expected impact of Brexit while import growth picks up in line with demand.

This year, policy accommodation will provide major support to growth as well. Monetary policy will remain loose, with inflation mostly subdued and global liquidity ample. In CEE-EU, we expect central banks to remain on hold, with inflation approaching targets only in late 2017. There is scope for further easing in both Russia and Serbia but both are likely to remain cautions, refraining from further cuts this year – the former due to continued high inflation expectations and growing fiscal risks, and the latter mindful of the potential impact of the upcoming resumption of Fed rate hikes. Turkey, in contrast, has no scope for easing given rising inflation and heightened market volatility following Moody's downgrade but will do so nonetheless, partly due to intensified political pressure and in response to continued sluggish bank lending and lackluster growth. Fiscal policy has provided an important impetus to growth as well, with scope for fiscal stimuli ample this year, except for Croatia and Serbia, which are in the midst of major fiscal adjustments, and in Russia, where the drop in oil revenues has hit revenues hard. Next year, fiscal space will be mostly exhausted, especially in Poland and Romania, which may need to tighten. By contrast, good fiscal outcomes this year leave scope for fiscal stimulus in Bulgaria, Czech Republic, Hungary, and Slovakia. Fiscal policy looks set to be eased sharply further in Turkey as the government tries to prop-up growth and in disregard of continued high price pressures and a deteriorating current account.

External positions in most of the region remain solid, except for Turkey and, to a lesser extent, Serbia, with current accounts broadly balanced, FX reserves ample and financing needs mostly covered by FDI. In Turkey, with the expected gradual rise in oil prices wiping out the terms of trade gains that have contained the headline deficit thus far, we expect the deficit to widen again to 5.2% of GDP this year and towards 6% of GDP next year. In Serbia, the same factors will keep the deficit elevated as well at 4-5% of GDP.
With Fed hikes delayed until December and no decision on initiating Brexit likely until 2017, the outcome of the U.S. presidential election in November has become the key risk. A Trump victory is likely to spur a global selloff that would hit EMs hard. In CEE, Turkey and Serbia are most at risk to shifts in market sentiment. The sharp deterioration in U.S.-Russia relations poses a growing risk, too, especially if it leads to new tougher sanctions against Russia – even before the new U.S. administration takes over. Domestic political risks remain an important factor, especially in Poland and particularly in Turkey, where political tensions will remain high with the government intent to initiate a referendum on the introduction of an executive presidency early next year with possible new parliamentary elections shortly thereafter.

Main results and performance for the period

Introduction

In the first nine months of 2016 the Group recorded a net profit equal to €1,768 million, increasing by 14.7% (up by 19.5% at constant exchange rates) compared with the same period in 2015, which closed at €1,541 million.

"Core" segment (that includes the strategic business segments and in line with the risk strategies determined by the Group) contributed to the nine months' result for €2,898 million, increasing by 11.9% compared with the same period in 2015 (up by 14.7% at constant exchange rates). The growth was attributable to higher revenues (up by 2.8%), to costs containment (down by 2.8%) and to net write-downs on loans decline (down by 19.1%), while a negative trend of non-operating items has been recorded.

In contrast the "Non-core" activities (that includes non-strategic segments and/or those with a considered poor fit to the Group's risk-adjusted return framework, to be managed with the aim of reducing the overall exposure) in first nine months of 2016 registered a loss of €1,130 million as an effect of lower revenues caused by the progressive decrease of loans volumes, by the growing incidence of the Non-Performing component that do not accrue interests and by the still high provisions on credit risk.
The nine months' loss of "Non-core" activities increased by 7.8% compared with the one of the same period of 2015.

Operating income

In the first nine months of 2016 Group's revenues amounted to €17,071 million, increasing by 1.5% over the same period 2015 (up by 2.6% at constant exchange rates) mainly due to trading result dynamics, dividends and other operating income. In particular net interest amounted to €8,644 million, falling by 2.7% over the same period of 2015, dividends (which include companies accounted for using the equity method's profit) to €700 million, increasing by 20.9% over first nine months of 2015, net fees and commissions to €5,736 million, decreasing by 3.0% over the same period of 2015, while net trading, hedging and fair value income increased by 35.6% to €1,820million. Finally net other expenses/income in first nine months totalized €170 million, in comparison to €94 million of the same period last year.

Almost the whole revenues (€17,224 million) were attributable to the "core" segment, increasing compared with the previous year (up by 3.9% at constant exchange rates) mainly attributable to a higher net trading, hedging and fair value income, to dividends and to other operating income, only partially offset by the decrease of the fees and commissions (down by 1.3% at constant exchange rates compared to first nine months of 2015). Net interest remained substantially stable (0.0% at constant exchange rates).

In particular "core" segment's net interest amounted equal to €8,766 million, decreasing by 1.1% over the previous year, but substantially stable at constant exchange rates (0.0%).
Net interest was still characterized by the reduction of interests income on lending to customers, offset by the reduction of the average cost of commercial funding and by the growth of the other non-commercial components. Also in the first nine months of 2016 the progressive reduction of credit spreads continued, in an environment of falling interest rates, moved to a negative territory (average 3 months Euribor equal to -0.25% in the first nine months of 2016 compared with 0.00% in the same period of 2015).

Net interests result has took place in a quite improving loans dynamic. In particular loans to customers related to the "core" segment (equal to €451.4 billion as of September 30, 2016) were up by 3.4% over the previous period of last year (up by 3.4% at constant exchange rates). The same trend was registered for the stock of commercial loans to customers growing by 3.3% (up by 3.3% at constant exchange rates), showing broad growths at geographical level: compared to first nine months of 2015 both Western Europe registered an increase (up by 4.0%), in particular due to Italy up by 5.2%, Germany up by 4.6% while Austria showed a decrease of 0.2% and the countries of CEE Region (up by 0.7% at constant exchange rates) driven by Czech Republic (up by 8.9% at constant exchange rates), Romania (up by 5.8% at constant exchange rates) Bulgaria (up by 2.7% at constant exchange rates) and Hungary (up by 12.7% at constant exchange rates), while Russia (down by 12.4% at constant exchange rates) and Poland (down by 1.8% at constant exchange rates) showed a decline.

Direct funding from customers (deposits and securities) of "core" segment was growing by 0.7% (up by 0.6% at constant exchange rates) over the first nine months of 2015. Such a trend was a result of the commercial direct funding from customers (up by 3.9%), while the institutional component was declining (down by 7.1%).
Focusing on commercial direct funding from customers, the Western Europe countries were growing by 4.4%, with Italy up by 2.7%, Germany up by 11.9% and Austria down by 2.1%. The CEE Region kept a balance between loans and deposits, growing by 2.3% (up by 2.0% at constant exchange rates) over the nine months of 2015, driven Czech Republic (up by 2.1% at constant exchange rates), Bulgaria (up by 12.9% at constant exchange rates), Croatia (up by 5.2% at constant exchange rates), Hungary (up by 16.0% at constant exchange rates) and Romania (up by 30.3% at constant exchange rates), while Poland (down by 0.9% at constant exchange rates) and Russia (down by 11.0% at constant exchange rates) were down.
As a consequence of the above outlined dynamics, in the first nine months of 2016, a commercial funding surplus "core" (which excludes institutional component) of €19.0 billion was recorded, compared to €16.0 billion of first nine months of 2015.

"Core" segment's dividends (which include the profits of the companies accounted for using the equity method) in the first nine months of 2016 amounted at €700 million, growing by €121 million compared with the same period 2015.

Consolidated Interim Report on Operations

Group Results

With regard to net fees and commissions related to the "core" segment, in the first nine months of 2016 they amounted to €5,763 million, decreasing by 1.7% (down by 1.3% at constant exchange rates) over the same period of the previous year.
Decrease was widespread over all the categories: financing services (down by 3.6% over the first nine months of 2015), transactional services fees (down by 1.7% compared with the first nine months of 2015), investment services (down by 0.7% compared with the first nine months of 2015), on which weighed the decline of asset under management fees (down by 1.0% over the first nine months of 2015) as a result of lesser gross sales compared to the same period of last year.

"Core" segment's net trading, hedging and fair value income in the first nine months of 2016 was €1,799 million, growing by 35.4% over the same period 2015 (up by 37.0% at constant exchange rate).

To such a result contributed the disposal of VISA Europe stakes (€306 million) and the effects related to the termination of securitization transactions.

Finally, "core" segment's net other expenses/income in the first nine months of 2016 amounted to €197 million, up by €75 million over the same period of 2015.

Regarding "Non-core" segment, in the first nine months of 2016 it registered -€153 million of revenues, compared to €60 million of the same period last year. Such a trend was consistent with the 21.6% reduction of customers loans, coupled with a higher weight of the portion of impaired loans that do not accrue interests.

Operating income

(€ million)

	FIRST 9 MONTHS								% CHANGE ON Q2 2016	
	2015		2016		% CHANGE		2016 Q3			
	GROUP	O/W CORE	GROUP	O/W CORE	GROUP	O/W CORE	GROUP	O/W CORE	GROUP	O/W CORE
Net interest	8,887	8,864	8,644	8,766	- 2.7%	- 1.1%	2,850	2,900	- 2.3%	- 2.1%
Dividends and other income from equity investments	579	579	700	700	+ 20.9%	+ 20.9%	189	189	- 36.7%	- 36.7%
Net fees and commissions	5,914	5,862	5,736	5,763	- 3.0%	- 1.7%	1,858	1,873	- 3.9%	- 3.7%
Net trading income	1,342	1,329	1,820	1,799	+ 35.6%	+ 35.4%	509	510	- 46.4%	- 46.0%
Net other expenses/income	94	122	170	197	+ 81.7%	+ 61.2%	50	57	+ 22.4%	+ 3.1%
Operating income	**16,816**	**16,756**	**17,071**	**17,224**	**+ 1.5%**	**+ 2.8%**	**5,455**	**5,529**	**- 11.1%**	**- 10.9%**

Operating costs

Group's operating costs were equal to €9,808 million in the first nine months of 2016, decreasing by 4.2% compared with the same period 2015 (down by 3.7% at constant exchange rates). In detail staff expenses were equal to €6,013 million, decreasing by 4.4% over last year, other administrative expenses were equal to €3,628 million, decreasing by 6.2% over last year, expenses recovery were equal to €562 million, down by 6.2% over last year. Finally, write-downs on tangible and intangible assets were equal to €728 million, increasing by 7.3% over last year.

Such a result on operating costs was driven by Group's "core" segment, which registered €9,600 million in the first nine months of the year, lower by 2.8% in comparison to the same period of 2015 (down by 2.3% at constant exchange rates), thanks to savings both in staff expenses and in other administrative expenses.

Analyzing more in detail the single components, staff expenses related to the "core" segment in the first nine months of 2016 were €5,976 million, decreased by 3.4% over the same period 2015 (down by 2.9% at constant exchange rates).
Such a trend was achieved mainly thanks to the general dynamic of employees reduction and to the pension scheme restructuring which took place in Austria.

Concerning "core" segment's other administrative expenses, they amounted to €3,372 million in the first nine months of 2016, decreasing by 4.4% in comparison to the same period 2015 (down by 3.9% at constant exchange rates). Good part of the expenses reduction was driven by lower consulting, ICT, credit information and credit recovery, expenses related to personnel and real estate expenses.

The expenses recovery "core" item in first nine months 2016 was €474 million, in comparison to the €505 million of the same period last year.

Finally, the write-downs on tangible and intangible assets of "core" segment in the first nine months of 2016 were €727 million, growing by 7.3% (up by 8.0% at constant exchange rates), mainly as a consequence of the IT investments carried out.

Overall "core" segment's total operating costs excluding staff expenses were reducing (down by 2.0%) over the same period of 2015.

Operating costs related to the "non-core" segment in the first nine months of 2016 were €207 million, down by 41.5% over the same period 2015, mainly as a consequence of the credit recovery company UniCredit Credit Management Bank (UCCMB) disposal.

Operating costs

(€ million)

	FIRST 9 MONTHS 2015		FIRST 9 MONTHS 2016		% CHANGE		2016 Q3		% CHANGE ON Q2 2016	
	GROUP	O/W CORE	GROUP	O/W CORE	GROUP	O/W CORE	GROUP	O/W CORE	GROUP	O/W CORE
Payroll costs	(6,287)	(6,183)	(6,013)	(5,976)	- 4.4%	- 3.4%	(1,963)	(1,953)	- 2.9%	- 2.9%
Other administrative expenses	(3,869)	(3,525)	(3,628)	(3,372)	- 6.2%	- 4.4%	(1,205)	(1,121)	- 1.3%	- 2.3%
Recovery of expenses	598	505	562	474	- 6.2%	- 6.1%	191	164	- 1.9%	+ 8.3%
Write downs of tangible and intangible assets	(678)	(678)	(728)	(727)	+ 7.3%	+ 7.3%	(251)	(250)	+ 4.2%	+ 4.2%
Operating costs	**(10,236)**	**(9,881)**	**(9,808)**	**(9,600)**	**- 4.2%**	**- 2.8%**	**(3,228)**	**(3,159)**	**- 1.8%**	**- 2.7%**

The growth of the revenues, jointly with the costs decrease, led to €7,263 million Group gross operating profit in the first nine months of 2016, up by 10.4% over the same period of 2015 (up by 12.4% at constant exchange rates). It has been better the gross operating profit of "core" segment, at €7,623 million, growing by 10.9% (up by 12.9% at constant exchange rates).

The cost income ratio of "core" segment amounted to 55.7% in the first nine months of 2016, improving by 3.2 percentage points over the same period of 2015.

Gross operating profit related to the "non-core" segment in the first nine months of 2016 was -€361 million, against -€295 million in the same period of 2015 as an effect of lower revenues caused by the progressive decrease of loans volumes and by the growing incidence of the Non-Performing component that does not accrue interests.

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Group Results

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

Net write-downs on loans and provisions for guarantees and commitments of the Group, in the first nine months of 2016, were €2,677 million, reduced compared to the same period 2015 (down by 7.6%).

In the first nine months of 2016 Group gross impaired loans decreased by €3.0 billion (down by 3.7%) over the beginning of the year figures, with an incidence on total loans of 14.67% compared to 15.42% at 2015 year end. Coverage ratio (52.57%) has improved in comparison to the value registered at 2015 year end (51.20%).

With regard to the "core" segment, in first nine months of 2016 net write-downs on loans and provisions for guarantees and commitments amounted to €1,388 million, decreasing by 19.1% (down by 17.8% at constant exchange rates) over the same period 2015.
Cost of risk was 41 basis points in first nine months of 2016, improved in comparison to the same period of the previous year (amounted to 53 basis points), showing however relevant differences on geographical basis, with Italy amounting to 53 basis points, Germany 19 basis points, Austria -14 basis points, Poland 27 basis points and CEE 109 basis points.

The "core" segment's gross impaired loans at September the 30, 2016 were decreasing by €638 million compared to December 31, 2015 (down by 2.3%). Thanks to this decrease over the last quarter 2015, the growth of gross impaired loans on total loans ratio improved, moving from 6.11% in December 2015 to 5.80% in September 2016. Gross Non-Performing loans stock was at €14.2 billion, increasing by €512 million over December 2015.

Regarding "Non-core" segment, instead, net write-downs on loans and provisions for guarantees and commitments were increasing over the same period last year, moving from €1,182 million in the first nine months of 2015 to €1,289 million in the first nine months of 2016.

"Non-core" segment's impaired loans as of September 30, 2016 were €49.7 billion, decreasing by 4.5% in comparison to €52.0 billion as of 2015 year end. Non-Performing loans were €37.1 billion, decreasing by €290 million on the 2015 year end level.
The coverage ratio of "Non-core" segment as of September 30, 2016 was at 53.57% in comparison to 52.37% as of 2015 year end.

Loans to customers - Asset quality

(€ million)

	BAD EXPOSURES	UNLIKELY TO PAY	NON-PERFORMING PAST-DUE	TOTAL (*) NON-PERFORMING	PERFORMING	TOTAL LOANS
As at 09.30.2016						
Gross Exposure	51,310	23,373	2,100	**76,784**	446,643	**523,426**
as a percentage of total loans	*9.80%*	*4.47%*	*0.40%*	***14.67%***	*85.33%*	
Writedowns	31,753	8,022	592	**40,367**	2,133	**42,500**
as a percentage of face value	*61.88%*	*34.32%*	*28.18%*	***52.57%***	*0.48%*	
Carrying value	19,557	15,351	1,508	**36,417**	444,510	**480,926**
as a percentage of total loans	*4.07%*	*3.19%*	*0.31%*	***7.57%***	*92.43%*	
As at 12.31.2015						
Gross Exposure	51,089	26,054	2,617	**79,760**	437,495	**517,255**
as a percentage of total loans	*9.88%*	*5.04%*	*0.51%*	***15.42%***	*84.58%*	
Writedowns	31,165	8,968	707	**40,840**	2,417	**43,257**
as a percentage of face value	*61.00%*	*34.42%*	*27.03%*	***51.20%***	*0.55%*	
Carrying value	19,924	17,086	1,910	**38,920**	435,079	**473,999**
as a percentage of total loans	*4.20%*	*3.60%*	*0.40%*	***8.21%***	*91.79%*	

(*) The perimeter of Impaired loans is substantially equivalent to the perimeter of EBA NPE exposures.

The information includes the full loans to customers portfolio of all the companies which are in the scope of the accounting consolidation, banking group and other companies.

From net operating profit to profit before tax

As a consequence of a gross operating profit growing by €683 million and net write-downs on loans down by €222 million over the first nine months 2015, Group's net operating profit amounted to €4,586 million in first nine months of 2016, increasing by €905 million (up by 24.6%) compared to the same period of 2015.

The "core" segment contribution to net operating profit in first nine months of 2016 was equal to €6,235 million, increasing by 20.9% compared with the same period of 2015.

Group's provisions for risk and charges were -€1,231 million, of which -€1,183 million related to the "core" segment. This item includes legal cases and estimated contingent liabilities of various nature totaling -€325 million, in addition to the systemic charges, amounting to -€907 million in the first nine months of the year. These last include the contributions to the new Single Resolution Fund (SRF) and the Deposits Guarantee Scheme (DGS) charges, as well as the Bank Levies, in addition to the new guarantee fee for the DTA conversion.

Integration costs were -€398 million against -€12 million registered in the first nine months of 2015 and were mainly related to the pension scheme restructuring which took place in Bank Austria and to the managers leaving plan in Italy.

Finally, net income from investments was -€24 million, versus €33 million of first nine months of 2015.

As an effect of the items above mentioned, in the first nine months of 2016 the Group registered a profit before tax of €2,933 million, compared to €2,925 million achieved in the same period of 2015 (up by 0.3%), of which €4,643 million related to the "core" segment (up by 4.0% in comparison to the €4,465 million of first nine months of 2015) and -€1,711 million related to the "non-core" segment (in comparison to the -€1,540 million of the same period 2015).

Profit before tax by business segment (€ million)

	OPERATING INCOME	OPERATING COSTS	NET WRITE-DOWNS ON LOANS AND PROVISIONS	NET OPERATING PROFIT	PROFIT BEFORE TAX FIRST 9 MONTHS 2015	PROFIT BEFORE TAX FIRST 9 MONTHS 2016
Commercial Banking Italy	5,754	(3,309)	(712)	1,734	1,723	1,351
Commercial Banking Germany	1,850	(1,432)	8	426	336	403
Commercial Banking Austria	1,167	(927)	28	268	(2)	(64)
Poland	1,251	(558)	(56)	637	551	517
Central Eastern Europe	3,072	(1,124)	(479)	1,469	853	1,362
Corporate & Investment Banking	3,223	(1,291)	(158)	1,774	1,443	1,562
Asset Management	631	(367)	-	263	242	220
Asset Gathering	421	(171)	(4)	246	224	232
Group Corporate Center	(145)	(421)	(15)	(581)	(905)	(940)
Non Core	(153)	(207)	(1,289)	(1,649)	(1,540)	(1,711)
Group Total	**17,071**	**(9,808)**	**(2,677)**	**4,586**	**2,925**	**2,933**

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Group Results

Profit (loss) attributable to the Group

As a consequence of €2,933 million profit before tax, in the first nine months of 2016 Group's income taxes were €821 million, from which derives a 28.0% tax rate, against the 26.6% of the same period last year.

The partial write off of DTA on tax loss carried forward derives from the results of updated DTA sustainability test run in September, which takes into account the exclusion of Fineco from the Italian tax consolidation perimeter. In accordance with fiscal law, the loss of control of majority in Fineco, as a consequence of further stake disposal carried out, drives to the exclusion of this Legal Entity from Italian Fiscal Perimeter since January 1, 2016. Excluding Fineco, a lower estimated future tax base is available to calculate the maximum capability to absorb tax losses under a 5 year time horizon. Such a time horizon has been set in order to harmonize the approach within the main Group Legal Entities.

Profit from discontinued operations net of taxes was €13 million and referred to the Ukrainian subsidiary Ukrsotsbank and Immobilien Holding group, classified according to the IFRS5.

Profit for the period in first nine months of 2016 was €2,124 million, with the contribution of "core" segment amounting to €3,254 million, increasing by 6.9% (up by 9.5% at constant exchange rates) in comparison to the €3,043 million achieved in the same period of 2015.

Minorities were €343 million.

Purchase price allocation was -€13 million, decreasing in comparison to the -€174 million accounted in first nine months of 2015.

Consequently, in first nine months of 2016, a net profit attributable to the Group of €1,768 million was registered, growing by 14.7% (up by 19.5% at constant exchange rates) compared to €1,541 million profit registered in the same period of 2015.

The "core" segment in first nine months of 2016 achieved €2,898 million profit attributable to the Group, increasing by 11.9% (up by 14.7% at constant exchange rates), in comparison to €2,589 million profit of the same period of 2015.

"Non-core" segment registers €1,130 million net loss attributable to the Group, in comparison to €1,048 million loss registered in first nine months of 2015 (up by 7.8%).

Profit (loss) attributable to the Group

(€ million)

	FIRST 9 MONTHS								% CHANGE ON Q2 2016	
	2015		2016		% CHANGE		2016 Q3			
	GROUP	O/W CORE	GROUP	O/W CORE	GROUP	O/W CORE	GROUP	O/W CORE	GROUP	O/W CORE
Operating income	16,816	16,756	17,071	17,224	+ 1.5%	+ 2.8%	5,455	5,529	- 11.1%	- 10.9%
Operating costs	(10,236)	(9,881)	(9,808)	(9,600)	- 4.2%	- 2.8%	(3,228)	(3,159)	- 1.8%	- 2.7%
Operating profit (loss)	**6,580**	**6,875**	**7,263**	**7,623**	**+ 10.4%**	**+ 10.9%**	**2,227**	**2,370**	**- 21.9%**	**- 19.9%**
Net write-downs on loans and provisions for guarantees and commitments	(2,898)	(1,716)	(2,677)	(1,388)	- 7.6%	- 19.1%	(1,008)	(462)	+ 10.3%	- 10.0%
Net operating profit (loss)	**3,682**	**5,159**	**4,586**	**6,235**	**+ 24.6%**	**+ 20.9%**	**1,219**	**1,908**	**- 37.0%**	**- 21.9%**
Provisions for risks and charges	(777)	(717)	(1,231)	(1,183)	+ 58.4%	+ 65.1%	(292)	(285)	- 43.9%	- 43.9%
Integration costs	(12)	(12)	(398)	(395)	n.s.	n.s.	(48)	(48)	- 47.5%	- 45.9%
Net income from investment	33	35	(24)	(14)	- 174.3%	- 141.0%	(7)	(7)	n.s.	- 196.3%
Profit (loss) before tax	**2,925**	**4,465**	**2,933**	**4,643**	**+ 0.3%**	**+ 4.0%**	**872**	**1,569**	**- 34.1%**	**- 15.4%**
Income tax for the period	(778)	(1,270)	(821)	(1,402)	+ 5.5%	+ 10.4%	(328)	(550)	+ 32.7%	+ 22.5%
Net profit (loss) of discontinued operations	(152)	(152)	13	13	- 108.3%	- 108.3%	9	9	- 189.7%	- 189.7%
Profit (loss) for the period	**1,995**	**3,043**	**2,124**	**3,254**	**+ 6.5%**	**+ 6.9%**	**554**	**1,028**	**- 48.1%**	**- 26.3%**
Minorities	(280)	(280)	(343)	(343)	+ 22.6%	+ 22.6%	(103)	(103)	- 30.1%	- 30.1%
Net profit (loss) attributable to the Group before PPA	**1,715**	**2,763**	**1,781**	**2,911**	**+ 3.8%**	**+ 5.4%**	**451**	**925**	**- 50.9%**	**- 25.9%**
Purchase Price Allocation effects	(174)	(174)	(13)	(13)	- 92.7%	- 92.7%	(4)	(4)	+ 0.7%	+ 0.7%
Goodwill impairment	-	-	-	-	n.s.	n.s.	-	-	n.s.	n.s.
Net profit (loss) attributable to the Group	**1,541**	**2,589**	**1,768**	**2,898**	**+ 14.7%**	**+ 11.9%**	**447**	**921**	**- 51.2%**	**- 26.0%**

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, 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 considers 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-cyclical effect).

Transitional Own Funds and Capital Ratios (€ million)

	AS AT	
	09.30.2016 (*)	12.31.2015 (*)
Common Equity Tier 1 Capital	42,980	41,375
Tier 1 Capital	46,152	44,920
Total own funds	56,667	55,579
Total RWA	390,901	390,599
Common Equity Tier 1 Capital Ratio	**11.00%**	**10.59%**
Tier 1 Capital Ratio	**11.81%**	**11.50%**
Total Capital Ratio	**14.50%**	**14.23%**

(*) 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 relative to the requirements for banking institutions on capital and liquidity, also known as "Basel 3". The regulatory changes introduced by the Basel 3 framework define more stringent rules for capital requirements and introduce for the first time liquidity and leverage limits. According to the Basel 3 framework, the new rules are 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 and the Regulation n.575/2013. Moreover, in December 2013 Banca d'Italia published the "Circolare 285" which updated and adjusted to the new international regulation framework the rules on Italian banks and banking groups.
Italian banking groups are required to comply with the following minimum capital ratios: 4.5% CET1 ratio, 6% Tier 1 ratio and 8% Total Capital Ratio of 8%. Minimum ratios are integrated by the combined buffer requirement which includes the following buffers, where applicable:

- capital conservation buffer, for 2016 set at 2.5% for all Italian banking groups. In October 2016 the Bank of Italy has decided to apply the transitional rules in line with other EU countries, consequently, in 2017 the capital conservation buffer applicable to Italian Banking Group will lower to 1.25% and then increase by 0.625% per year, arriving at 2.5% in 2019;
- institution specific countercyclical capital buffer to be applied in the periods of excessive credit growth. For UniCredit this buffer is set at 0.005% as of September, 2016;

Group Results

- global systemically important institution (G-SII) capital buffer for institutions relevant at global level. For UniCredit this buffer is set at 0.25% (from January 1, 2016), with 0.25% of increase per year till 1% to be maintained from January 1, 2019 [1];
- other systemically important institutions (O-SII) capital buffer for institutions relevant at local level, for UniCredit this buffer is set at 0% for the 2016 [2];
- systemic risk buffer to prevent an mitigate the systemic risk on long period. This buffer is currently non applicable for UniCredit.

Failure to comply with such combined buffer requirements triggers restrictions on distributions and the need to adopt a capital conservation plan.
As part of the transition arrangements, regulatory capital recognition of outstanding non-CET1 capital instruments that no longer meet the minimum criteria will be gradually phased out.

Following the results of the Supervisory Review and Evaluation Process (SREP) performed by European Central Bank (ECB), UniCredit is required to meet on a consolidated basis a CET1 ratio transitional of 9.75% for 2016. The G-SIB buffer of 0.25% in 2016 has to be applied on top of SREP ratio.

As of September 30, 2016, UniCredit's CET1 ratio transitional on a consolidated basis was equal to 11% for regulatory purposes, above the minimum SREP requirement, including the phase-in G-SIB buffer.

(1) In March 2015 Banca d'Italia identified UniCredit banking group as a global systemically important institution (G-SIB) authorized to operate in Italy. UniCredit group is in the first subcategory of global systemic importance. According to the transition period envisaged under Directive 2013/36/EU (Capital Requirements Directive IV - CRD IV), the UniCredit group is required to maintain a capital buffer for the G-SIIs of an amount equal to 0.25% from January 1, 2016. This buffer must be increased annually by 0.25% to reach 1% no later than January 1, 2019. This decision was confirmed by Banca d'Italia in December 2015.

(2) In January 2016 Banca d'Italia has identified the UniCredit, Intesa Sanpaolo and Monte dei Paschi di Siena banking groups as domestic systemically important institutions (other systemically important institutions, OSIIs) authorized to operate in Italy. Banca d'Italia has also decided to set an additional capital buffer ('O-SII buffer') equal to zero per cent for 2016 for the three banking groups.

Shareholders' Equity attributable to the Group

The Shareholders' Equity of the Group, including the net profit of the period equal to €1,768 million, amounted to €51,237 million at September 30, 2016, compared to €50,087 million at December 31, 2015.

The statement of changes in Shareholders' Equity is included in the Consolidated Accounts.

The following table shows the main changes that occurred in 2016.

Shareholders' Equity attributable to the Group (€ million)

Shareholders' Equity as at December 31, 2015	**50,087**
Capital increase (net of capitalized costs)	-
Equity instruments	-
Disbursements related to Cashes transaction ("canoni di usufrutto")	(96)
Dividend payment (*)	(158)
Forex translation reserve (**)	253
Change in afs/cash-flow hedge reserve	(165)
Others (***)	(452)
Net profit (loss) for the period	1,768
Shareholders' Equity as at September 30, 2016	**51,237**

(*) The dividends distributed equal to €158 million mainly refer to the share of dividends paid in cash with respect to a total of approved dividends for Scrip dividend equal to €706 million. For further information, please see Part B – Liabilities, Section 15 of the Explanatory Notes.

(**) This positive effect is mainly due to the impact of the Ruble for 331 million, partially net of the negative impact of the Zloty for 40 million.

(***) This includes mainly the negative change in the reserves relating to the actuarial gains/losses on defined benefit plans of €855 million net of taxes and the negative change in the valuation reserve of the companies accounted for using the equity method for €193 million, mainly due to the revaluation of the items in Turkish Lira. Furthermore are included the effects of the sale of 10% of Pekao S.A and the 10% of Finecobank S.p.A., UniCredit still has a controlling shareholding of both companies. For further information here related, please refer to Section "Consolidated Accounts – Statement of changes in Shareholders' Equity".

Capital Strengthening

During the first nine months of 2016 there were no transaction of capital strengthening.

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 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 opted for a cash payout, the share capital increased by €548,551,596.24, corresponding to 198,646,706 ordinary shares and 44,219 savings shares.
Therefore, the share capital of the Bank is now €20,846,893,436.94, divided in 6,180,343,073 shares with no face value, of which 6,177,818,177 ordinary shares and 2,524,896 savings shares.

Results by Business Segment

Commercial Banking Italy

Commercial Banking Italy is composed by UniCredit S.p.A. commercial network - except CIB clients - Leasing and Factoring. In relation to individual clients (Households and clients of specialized network Private Banking), Commercial Banking's goal is to offer a full range of investments and credit needs, relying on almost 3,450 branches and multichannel services provided by new technologies. In relation to corporate customers, Commercial Banking, with about 747 Managers divided in 131 Corporate branches, operates trying to guarantee both the support to the economic and entrepreneurial system and the profitability and quality of its portfolio.

Income Statement, Key Ratios and Indicators

(€ million)

COMMERCIAL BANKING ITALY	FIRST 9 MONTHS 2015	FIRST 9 MONTHS 2016	% CHANGE	2016 Q3	% CHANGE ON Q2 2016
Operating income	5,806	5,754	- 0.9%	1,833	- 7.9%
Operating costs	(3,203)	(3,309)	+ 3.3%	(1,094)	- 2.0%
Net write-downs on loans	(784)	(712)	- 9.2%	(239)	+ 1.1%
Net operating profit	1,820	1,734	- 4.8%	500	- 21.5%
Profit before tax	1,723	1,351	- 21.6%	371	- 20.9%
Loans to customers (eop)	133,076	137,128	+ 3.0%	137,128	- 0.9%
Customer deposits (incl. Securities in issue - eop)	141,927	144,523	+ 1.8%	144,523	- 0.4%
Total RWA Eop	80,965	78,868	- 2.6%	78,868	- 0.4%
EVA (€ million)	446	296	- 33.6%	25	- 79.7%
Absorbed Capital (€ million)	8,301	8,454	+ 1.8%	8,638	+ 4.0%
ROAC	+ 19.01%	+ 14.52%	-449bp	+ 11.86%	-334bp
Cost/Income	+ 55.2%	+ 57.5%	235bp	+ 59.7%	360bp
Cost of Risk	0.79%	0.70%	-9bp	0.69%	0bp
Full Time Equivalent (eop)	36,308	35,620	- 1.9%	35,620	- 2.4%

Commercial Banking Germany

Commercial Banking Germany provides all German customers - except CIB clients - with a complete range of banking products and services. Commercial Banking Germany holds large market shares and a strategic market position in retail banking, in Private Banking and especially in business with local corporate customers (including factoring and leasing). The Division also includes the local Corporate Center, which performs tasks as sub-holding towards other Subgroup legal entities.

Income Statement, Key Ratios and Indicators

(€ million)

COMMERCIAL BANKING GERMANY	FIRST 9 MONTHS 2015	FIRST 9 MONTHS 2016	% CHANGE	2016 Q3	% CHANGE ON Q2 2016
Operating income	2,002	1,850	- 7.6%	594	- 1.8%
Operating costs	(1,514)	(1,432)	- 5.4%	(474)	- 1.1%
Net write-downs on loans	(43)	8	- 118.3%	(21)	n.s
Net operating profit	445	426	- 4.3%	99	- 25.2%
Profit before tax	336	403	+ 19.9%	104	- 24.9%
Loans to customers (eop)	80,143	80,972	+ 1.0%	80,972	+ 0.3%
Customer deposits (incl. Securities in issue - eop)	101,504	108,944	+ 7.3%	108,944	+ 1.3%
Total RWA Eop	34,086	35,015	+ 2.7%	35,015	- 1.0%
EVA (€ million)	(65)	7	- 111.0%	(21)	n.s
Absorbed Capital (€ million)	2,868	3,170	+ 10.5%	3,262	+ 2.8%
ROAC	+ 7.06%	+ 9.01%	196bp	+ 6.23%	-323bp
Cost/Income	+ 75.6%	+77.4%	180bp	+ 79.9%	60bp
Cost of Risk	0.07%	-0.01%	-9bp	0.10%	14bp
Full Time Equivalent (eop)	11,838	11,074	- 6.5%	11,074	+ 0.3%

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Results by Business Segment

Commercial Banking Austria

Commercial Banking Austria provides all Austrian customers - except CIB clients - with a complete range of banking products and services. The goal of Commercial banking Austria is to strengthen regional responsibility, to increase synergies, effectiveness and to improve time-to-market; therefore customer service teams can now adjust more quickly to local market changes.
Commercial Banking Austria holds large market shares and a strategic market position in retail banking, in Private Banking and especially in business with local corporate customers (including Factoring and Leasing).

Income Statement, Key Ratios and Indicators

(€ million)

COMMERCIAL BANKING AUSTRIA	FIRST 9 MONTHS 2015	FIRST 9 MONTHS 2016	% CHANGE	2016 Q3	% CHANGE ON Q2 2016
Operating income	1,146	1,167	+ 1.8%	391	- 7.3%
Operating costs	(1,001)	(927)	- 7.4%	(295)	- 7.6%
Net write-downs on loans	(3)	28	n.s	21	+ 100.6%
Net operating profit	142	268	+ 88.7%	117	+ 3.6%
Profit before tax	(2)	(64)	n.s	80	- 8.3%
Loans to customers (eop)	48,494	48,435	- 0.1%	48,435	- 0.4%
Customer deposits (incl. Securities in issue - eop)	64,950	64,736	- 0.3%	64,736	+ 0.2%
Total RWA Eop	25,451	23,536	- 7.5%	23,536	- 0.6%
EVA (€ million)	(128)	(28)	- 78.3%	23	- 2.7%
Absorbed Capital (€ million)	2,326	2,301	- 1.1%	2,297	+ 0.9%
ROAC	+ 2.52%	- 4.93%	n.s.	+ 12.58%	81bp
Cost/Income	+ 87.3%	+ 79.4%	n.s.	+ 75.5%	-28bp
Cost of Risk	0.01%	-0.08%	-8bp	-0.17%	-9bp
Full Time Equivalent (eop)	6,457	6,118	- 5.2%	6,118	- 0.6%

Poland

Bank Pekao S.A. is one of the biggest banks in Poland providing a full range of banking services to individual and institutional clients. Bank Pekao has a nationwide network and a strong presence in all the major cities, enabling the Bank's customers to have fully flexible and easy access to banking services all over the country.

Income Statement, Key Ratios and Indicators

(€ million)

POLAND	FIRST 9 MONTHS 2015	FIRST 9 MONTHS 2016	% CHANGE	2016 Q3	% CHANGE ON Q2 2016
Operating income	1,273	1,251	- 1.7%	406	- 12.1%
Operating costs	(586)	(558)	- 4.8%	(184)	- 1.5%
Net write-downs on loans	(94)	(56)	- 40.5%	(31)	+ 2.9%
Net operating profit	593	637	+ 7.4%	191	- 21.9%
Profit before tax	551	517	- 6.2%	148	- 27.1%
Loans to customers (eop)	29,128	28,082	- 3.6%	28,082	+ 3.7%
Customer deposits (incl. Securities in issue - eop)	31,096	29,703	- 4.5%	29,703	+ 2.7%
Total RWA Eop	26,440	25,649	- 3.0%	25,649	+ 2.6%
EVA (€ million)	92	104	+ 13.3%	32	- 26.5%
Absorbed Capital (€ million)	1,260	1,023	- 18.8%	507	- 59.9%
ROAC	+ 21.57%	+ 23.56%	199bp	+ 35.08%	n.s.
Cost/Income	+ 46.0%	+ 44.6%	-142bp	+ 45.3%	484bp
Cost of Risk	0.44%	0.27%	-17bp	0.45%	1bp
Full Time Equivalent (eop)	17,806	17,240	- 3.2%	17,240	- 1.0%

CEE Division

UniCredit has a broad network of about 2,300 branches in Central and Eastern Europe. Its regional footprint is diverse and includes a direct presence in 16 countries (Azerbaijan, Bosnia & Herzegovina, Bulgaria, Croatia, the Czech Republic, Hungary, Romania, Russia, Serbia, Slovakia, Slovenia, Turkey and Ukraine and Leasing activities in the 3 Baltic countries). The Group's market position in CEE provides local banks with substantial competitive advantages. This includes the sharing of best practices, significant economies of scale, access to international markets and strong brand recognition. Moreover, the diversified portfolio in this region enables modular growth and increased market penetration for UniCredit's global product lines.

Income Statement, Key Ratios and Indicators

(€ million)

CEE DIVISION	FIRST 9 MONTHS 2015	FIRST 9 MONTHS 2016	% CHANGE	2016 Q3	% CHANGE ON Q2 2016
Operating income	2,818	3,072	+ 9.0%	1,023	- 10.0%
Operating costs	(1,089)	(1,124)	+ 3.2%	(383)	+ 1.0%
Net write-downs on loans	(754)	(479)	- 36.5%	(149)	- 21.2%
Net operating profit	975	1,469	+ 50.8%	491	- 13.6%
Profit before tax	853	1,362	+ 59.7%	487	- 8.8%
Loans to customers (eop)	58,092	59,868	+ 3.1%	59,868	+ 1.1%
Customer deposits (incl. Securities in issue - eop)	57,800	60,609	+ 4.9%	60,609	+ 1.5%
Total RWA Eop	93,628	93,528	- 0.1%	93,528	- 0.9%
EVA (€ million)	(312)	375	- 220.3%	167	- 4.9%
Absorbed Capital (€ million)	8,665	9,160	+ 5.7%	9,356	+ 3.0%
ROAC	+ 7.51%	+ 16.41%	n.s.	+ 17.96%	-64bp
Cost/Income	+ 38.7%	+ 36.6%	-207bp	+ 37.4%	406bp
Cost of Risk	1.71%	1.09%	-62bp	1.00%	-29bp
Full Time Equivalent (eop)	28,697	28,601	- 0.3%	28,601	+ 0.7%

CIB

Corporate & Investment Banking (CIB) is dedicated to Multinational and Large Corporate clients with highly sophisticated financial profile and needs for investment banking services, as well as institutional clients of UniCredit group. The organizational structure of CIB is based on a matrix that integrates market coverage (carried out through an extensive network in Western, Central and Eastern Europe and an international network of branches and representative offices) and product offering (divided into three Product Lines - Financing and Advisory, Markets, Global Transaction Banking - that consolidate the breadth of the Group's CIB know-how).

Income Statement, Key Ratios and Indicators

(€ million)

CORPORATE & INVESTMENT BANKING	FIRST 9 MONTHS 2015	FIRST 9 MONTHS 2016	% CHANGE	2016 Q3	% CHANGE ON Q2 2016
Operating income	2,966	3,223	+ 8.7%	1,050	- 5.5%
Operating costs	(1,345)	(1,291)	- 4.0%	(434)	- 0.5%
Net write-downs on loans	(34)	(158)	n.s	(29)	- 61.0%
Net operating profit	1,587	1,774	+ 11.8%	588	- 2.3%
Profit before tax	1,443	1,562	+ 8.2%	562	+ 1.1%
Loans to customers (eop)	93,169	101,390	+ 8.8%	101,390	- 7.4%
Customer deposits (incl. Securities in issue - eop)	108,688	103,116	- 5.1%	103,116	- 5.7%
Total RWA Eop	71,127	73,077	+ 2.7%	73,077	- 6.4%
EVA (€ million)	349	504	+ 44.3%	185	- 2.1%
Absorbed Capital (€ million)	6,964	7,318	n.s	7,465	+ 1.1%
ROAC	+ 18.59%	+ 18.70%	10bp	+ 19.61%	n.s.
Cost/Income	+ 45.3%	+ 40.1%	-529bp	+ 41.3%	207bp
Cost of Risk	0.05%	0.20%	15bp	0.11%	-17bp
Full Time Equivalent (eop)	4,019	3,789	- 5.7%	3,789	- 1.2%

Consolidated Interim Report on Operations

Results by Business Segment

Asset Management

Asset Management operates under the Pioneer Investments brand, the asset management company within the UniCredit group specializing in the management of customer investments worldwide. The business segment acts as a centralized product factory and, in addition, directs, supports and supervises the development of local business at regional level.
Leveraging on different investment partnerships with third-party financial institutions at international level, Asset Management offers a wide range of financial solutions, including mutual funds, asset administration services and portfolios for institutional investors.

Income Statement, Key Ratios and Indicators

(€ million)

ASSET MANAGEMENT	FIRST 9 MONTHS 2015	FIRST 9 MONTHS 2016	% CHANGE	2016 Q3	% CHANGE ON Q2 2016
Operating income	678	631	- 7.0%	208	- 3.4%
Operating costs	(424)	(367)	- 13.4%	(109)	- 11.7%
Net write-downs on loans	-	-	n.s	-	n.s
Net operating profit	254	263	+ 3.8%	99	+ 7.8%
Profit before tax	242	220	- 9.0%	76	- 6.2%
TFAs (eop)	223,615	232,395	+ 3.9%	232,395	+ 2.3%
RoA (Operating Income/ avg TFAs)	0.40%	0.37%	-2.87bp	0.36%	57.99bp
EVA (€ million)	160	149	- 7.0%	64	+ 66.2%
Absorbed Capital (€ million)	260	179	- 31.2%	169	- 6.1%
ROAC	+ 89.38%	+ 100.68%	n.s.	+ 126.42%	n.s.
Cost/Income	+ 62.6%	+ 58.2%	-435bp	+ 52.5%	-495bp
Full Time Equivalent (eop)	2,029	1,945	- 4.2%	1,945	- 0.8%

Asset Gathering

Asset Gathering is a division specialized in wealth management through the direct channel and the financial advisors network, mainly focused on the retail customer segment.
It operates in Italy through Fineco Bank, which offers an integrated business model combining direct banking and financial advice, with a full range of banking, credit, trading and investment services which are also available through mobile applications.

Income Statement, Key Ratios and Indicators

(€ million)

ASSET GATHERING	FIRST 9 MONTHS 2015	FIRST 9 MONTHS 2016	% CHANGE	2016 Q3	% CHANGE ON Q2 2016
Operating income	407	421	+ 3.3%	132	- 11.4%
Operating costs	(174)	(171)	- 1.4%	(53)	- 7.2%
Net write-downs on loans	(4)	(4)	- 14.7%	(1)	- 47.1%
Net operating profit	229	246	+ 7.2%	78	- 13.6%
Profit before tax	224	232	+ 3.5%	66	- 25.3%
Loans to customers Eop	885	972	+ 9.9%	972	+ 10.4%
Customer deposits (incl. Securities in issue) Eop	15,311	17,444	+ 13.9%	17,444	+ 0.6%
Total RWA Eop	1,781	1,778	- 0.2%	1,778	- 1.5%
TFAs Outstading Stock (eop)	52,521	57,562	+ 9.6%	57,562	+ 3.6%
TFAs Net Sales	3,713	3,585	- 3.5%	935	- 23.1%
EVA (€ million)	88	93	+ 4.8%	23	- 43.4%
Absorbed Capital (€ million)	138	136	- 1.6%	89	- 45.2%
ROAC	+ 93.99%	+ 99.71%	572bp	+ 110.31%	319bp
Cost/Income	+ 42.6%	+ 40.7%	-195bp	+ 40.5%	185bp
Full Time Equivalent (eop)	1,013	1,033	+ 2.0%	1,033	+ 0.8%

Non-core

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

Income Statement, Key Ratios and Indicators

(€ million)

	FIRST 9 MONTHS		%		% CHANGE
NON-CORE	2015	2016	CHANGE	2016 Q3	ON Q2 2016
Operating income	60	(153)	n.s	(74)	+ 12.7%
Operating costs	(355)	(207)	- 41.5%	(69)	+ 64.9%
Net write-downs on loans	(1,182)	(1,289)	+ 9.0%	(546)	+ 36.3%
Net operating profit	(1,477)	(1,649)	+ 11.7%	(689)	+ 35.6%
Profit before tax	(1,540)	(1,711)	+ 11.1%	(697)	+ 31.2%
Loans to customers (eop)	37,649	29,505	- 21.6%	29,505	- 4.1%
Net Impaired Loans(percentage of total net loans)	62.85%	77.15%	14.3bp	78.19%	1.0bp
Total RWA Eop	32,660	26,252	- 19.6%	26,252	- 4.3%
EVA (€ million)	(1,306)	(1,281)	- 2.0%	(509)	+ 34.9%
Absorbed Capital (€ million)	2,917	1,905	- 34.7%	1,291	- 30.6%
ROAC	- 47.89%	- 79.08%	n.s.	- 146.91%	n.s.
Cost/Income	+ 591.2%	- 135.5%	n.s.	- 93.1%	n.s.
Cost of Risk	3.76%	5.33%	157bp	7.25%	225bp
Full Time Equivalent (eop)	1,672	533	- 68.1%	533	- 2.8%

Other information

Development of Group operations and other corporate transactions

During the current year, 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.

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, in the first nine months of 2016 UniCredit continued to carry out activities to implement innovative projects aimed at leading, on the one hand, to the supply of banking services (through the development of the so-called buddy project), designed in particular to meet the more technological needs of the market (e.g. through smartphones 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 September 30, 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 €25.4 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. with the competent companies' registers of Vienna and Rome, having all regulatory approvals been granted.
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.
For updates about the transaction refer also to paragraph "Subsequent events".

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 will generate a consolidated net capital gain of around €440 million for UniCredit in 2016.
The closing of the transaction is expected by the end of 2016, subject to customary regulatory authorizations.

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 its credit profile.

Other transactions and initiatives involving shareholdings

Disposal to Visa Inc. of the shareholding in Visa Europe

In June, UniCredit Group sold own VISA Europe shares (representing 0.39% of the share capital) to VISA Inc.
The consideration for the sale comprises around €194 million in cash and 81,662 class C preferred shares of VISA Inc., unlisted and convertible into listed class A shares, valued at around €57 million in total, plus a three-year-deferred cash payment of around €16.7 million (including interest).
The sale contributed positively for €268 million to UniCredit Group's consolidated income statement, gross of taxes and including the share of Yapi Kredi group. In addition, UniCredit Group's consolidated income statement benefited of €68 million related to this transaction with reference to VISA Austria. The total contribution net of taxes and minorities has been €216 million.

Disposal of PJSC Ukrsotsbank to Alfa Group

As illustrated in the Consolidated Report on Operations in 2015 Consolidated Reports and Accounts, UniCredit reached a binding agreement for the transfer of its Ukrainian subsidiary, PJSC Ukrsotsbank ("USB") to Alfa Group in exchange for the 9.9% shareholding in ABH Holding S.A. For updates about the transaction refer also to paragraph "Subsequent events".

Accelerated bookbuilding of 10% of FinecoBank S.p.A. shares

On July 11 2016, UniCredit announced the launch of a placement of ordinary shares in its subsidiary, FinecoBank S.p.A. representing up 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 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 €213 million - net of tax - recognized in UniCredit S.p.A. separate financial statements in the third quarter 2016.

After completion of the Placement, UniCredit S.p.A. continues to hold a majority shareholding in FinecoBank, corresponding to 55.4% of the latter's share capital.
UniCredit S.p.A. has agreed, in line with the market practice, to a 90 days lockup period from the closing of the Placement with respect to sales of any remaining shares it holds in FinecoBank. Subject to customary exceptions, 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.

Accelerated bookbuilding of 10% of Bank Pekao s.a. 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 €8 million - net of tax - recognized in UniCredit S.p.A. separate financial statements in the third quarter 2016
After the completion of the Placement, UniCredit continues to hold a controlling shareholding in Pekao, corresponding to 40.1% of Bank Pekao share capital. In the context of the Placement, UniCredit has agreed to a 90 days lock-up period with respect to its remaining controlling shareholding in Bank Pekao, subject to customary carve-outs.

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.

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.

Other information

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 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 Financial Report at December 31, 2015), 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.

Significant organizational changes in the first nine months of 2016

At the meeting 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.

2016 EU-Wide Stress test results

On July 29 the EBA announced the results of the EU-wide stress test, to which UniCredit was subject. The 2016 EU-wide stress test does not contain a pass-fail threshold and instead is designed to be used as a crucial piece of information for the supervisory review process in 2016. The results will thus allow competent authorities to assess UniCredit's ability to meet applicable minimum and additional own funds requirements under stressed scenarios based on a common methodology and assumptions.
The adverse stress test scenario was set by the ECB/ESRB and covers a three-year time horizon (2016-2018). The stress test has been carried out applying a static balance sheet assumption as at December 2015, and therefore does not take into account future business strategies and management actions. It is not a forecast of UniCredit profits.
Based on the results of the exercise, that will constitute a relevant input to the 2016 supervisory review process, UniCredit will work with SSM to understand the extent to which credible management actions may offset some of the impact of the adverse scenario; to assess the impact of the results on UniCredit forward looking capital plans and its capacity to meet applicable own funds requirements; and to determine whether any additional measures or changes to the UniCredit capital plan are needed.
UniCredit's results in 2018 are summarized below:
- baseline scenario: CET1 ratio at 11.57%, corresponding to 98bps higher than CET1 ratio transitional as of Dec-2015,
- adverse scenario: CET1 ratio at 7.12%, corresponding to 347bps lower than CET1 ratio transitional as of Dec-2015.

Conversion of DTAs into tax credit

UniCredit S.p.A. closed 2015 financial year with a net loss of €1,441.4 million; as such, the conditions for a new conversion of Deferred Tax Assets (DTA) into tax credits, pursuant to Art.2, paragraph 55, of Decree Law December 29, 2010 n. 225, were met. The conversion carried out by UniCredit S.p.A. amounted to €341.4 million.

In order to preserve for the future the regime of conversion of DTAs into tax credits, and in order to overcome the issues raised by the European Commission in connection to the application of State Aid rules, Art.11 of DL May 3, 2016 n.59 (cd. "Banks Decree" - converted into Law 30 June 2016 n.119), introduced the possibility, starting from 2016 since 2029, to opt for the payment of an annual fee to the extent of 1.5% of an aggregate amount deriving from the difference between:
- the increase in convertible DTAs recognized at the end of the fiscal year and the convertible DTA existing as of December 31, 2007 - for IRES tax - and as of December 31, 2012 - for IRAP tax, taking into account the amounts already converted into tax credits;
- taxes:
  - IRES paid by tax group starting from January 1, 2008;
  - IRAP paid registered starting from January 1, 2013 by Legal Entities included in Tax Group with convertible DTAs;
  - substitute taxes that generated convertible DTAs.

For the year 2015, 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 because of their relevance) was paid. An amount of €94 million was set aside as a provision for the payment due for the year 2016 based on the best estimates at this time carried out.
As at September 30, 2016 UniCredit group recognized the total amount of €220,8 million including the fee for 2015 and the estimated one for 2016.

Certifications and other communications

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

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, during the first nine months of 2016 Bank's Presidio Unico received a report of three transactions of greater importance all ended in the period. Specific disclosure of one of these transactions was provided to Consob;
b) during the first nine months of 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 the first nine months of 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 Explanatory Notes - Part H of this document.

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Subsequent Events and Outlook

Subsequent Events (3)

Following the rationalisation of the Group announced on November 11, 2015, the bank has proceeded with the demerger of the business unit regarding operations in Central and Eastern Europe ("CEE business") of UniCredit Bank Austria AG to an Austrian company (hereinafter also "CEE NewCo") and the subsequent merger by incorporation of this entity into UniCredit S.p.A. 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, under certain circumstances, a potentially significant negative effect may be seen upon individual net equity of the Issuer, which should be covered by the use of other types of reserve.

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 No.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 (€4.55 per share). The price represents a discount of approximately 5% to the last pre-announcement closing price of FinecoBank.
Upon completion of the Placement, UniCredit will continue to control and consolidate the Company with a shareholding of about 35%, hence leveraging on FinecoBank's distinctive capabilities and know-how and supporting its liquidity investment policy.
UniCredit has agreed, in line with the market practice, to a 360 days lockup period from the closing of the Placement with respect to sales of any remaining shares it holds in FinecoBank. Subject to customary exceptions, 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.

On October 12, 2016 the National Bank of Ukraine granted the authorization to close the deal and on October 31, 2016 the transaction became effective with the transfer of USB shares to Alfa. The economic effects of the agreement were already included in the 2015 results. As of the completion date, in accordance to IAS21.48, the cumulative negative effects of the Exchange Fluctuations Reserve (equal to €750 million as of September 30) will be recognized in UCG income statement without, however, any impact on the Group's regulatory capital.

Last October, 12 UniCredit finalized the barter of the entire stake (7.14%) held in ERG Renew S.p.A. with a stake of 4.00% of ERG SpA (listed at MTA) which generated a consolidated capital gain of €9.6 million (to be verified by Accounting); in the context of the operation UniCredit has taken on a commitment not to sell the shares received for a period of six months.

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.

On November 1, it took effect the transfer of the business unit Ultra High Wealth Individuals Network (hereinafter UHNWI) of UniCredit in favor of Cordusio Sim, the company identified for offering all the consulting and investment management services to clients with more than €5 million financial assets.
The project, already announced in the report of the consolidated financial statements at December 31, 2015, is a part of the growth strategy focused on capital high-return business and re-enters into the decision of the Group to strengthen its presence in wealth management in Italy.
Cordusio SIM, the effect of that provision, will perform the business of providing investment services referred to Article 1, paragraph 5, of Legislative Decree 24 February 1998 No.58, and in particular: placement without firm or standby commitment to issuers, portfolio management and reception/transmission of orders.

(3) Up to the date of approval by the Board of Directors' Meeting of November 10, 2016.

Outlook

In the first nine months of the year the global growth persisted to be moderate. While the first half of the year was characterized by concerns about China's structural rebalancing, the Brexit vote was the main source of uncertainty in the third quarter. With advanced economies still stuck in a low inflation/low growth environment, the macroeconomic outlook in the emerging countries, especially in East Asia, is brightening and is expected to strengthen further in oil exporters rich countries. In China, where GDP growth remains consistent with a soft landing scenario, the excessively high stock of corporate debt represents the main systemic risk, if it is not properly addressed. A part from the immediate period around the Brexit referendum, global financial markets remained relatively calm, supported by ultra-accommodative monetary policies and in general robust fundamentals. So far, the Brexit vote has not had major consequences on the global macroeconomic outlook. The UK economy is slowing but at a slower pace than initially expected. However, the Brexit shock is still unfolding and it is too early to draw inferences from the macroeconomic data about the outlook beyond the very near term. A hard Brexit, which now seems the most likely outcome of the negotiations that are expected to start in March 2017, is seen to severely impact the UK economy in the medium-long term.
World markets' volatility could increase in the light of the consequences stemming out from the American election's result as well as from the persistence of macro-politic stress situations characterizing specific geographic areas, as, for instance, Turkey. At the moment duration of this volatility and possible implications in terms of macroeconomics and monetary policy arising from such events aren't predictable.

In the eurozone, economic activity was stabilizing at a growth rate of 1.5% annualized. This flags good resilience of the eurozone recovery at a time when the weak currency no longer contributes to stimulating growth, support from low oil prices is slowly fading and external demand conditions remain weak. In Italy, economic activity was flat in the second quarter and will most probably show a modest expansion in the third quarter of 2016. Italy's economic growth will probably remain weak towards the end of 2016, due to sluggish global trade and rising economic and political uncertainty, which might curb the consumer's spending.

The right conditions will probably remain in place for a gradual recovery in investment, including easier financing conditions for firms, thanks to the ECB's bold monetary stimulus to date. However the credit recovery has struggled to gain momentum, mainly for loans to corporates; some caution on the pace of expansion of credit aggregates on next quarters is therefore confirmed.

Inflation remains subdued in the eurozone, but rising oil prices, following the informal agreement reached during the September OPEC meeting, are creating some timid inflationary pressures. With inflation still a long way off from its 2% target, the ECB will continue to pursue its accommodative monetary policy. The Governing Council will likely opt for an extension of QE by six to nine months at the current pace. This would require €480-720 billion of additional purchasable assets. Under current market conditions, raising the ISIN limit from 33% to 50% and applying the deposit-rate restriction to a portfolio of bonds rather than to individual bonds would free a sufficient amount of German paper to make this extension possible. Bank bonds purchases do not seem to be on the agenda, while a deposit rate cut remains highly unlikely as its side effects would outweigh the benefits.

In the last quarter of 2016, the Group, in a situation of general, even though limited, recovery in economic cycle, will further intensify its focus on the growth of new core loans and on the increase of the revenues, albeit the level of interest rates remains extraordinarily low, consequently affecting the net interest income dynamic. Furthermore it will continue to reduce the costs and strengthen the ordinary profitability.

When assessing the quarterly results, it should be noted that UniCredit is in the process of preparing a new multi-year plan. The new plan will be presented to the market on the December 13, 2016 and will reflect the outcome of the ongoing review of all Group assets announced in July 2016.
The actions and decisions set out in the new plan could influence, also substantially, the results of the fourth quarter with respect to the evaluation of certain assets and/or to potential market transactions affecting the Group's participations and credit portfolio.

Milan - November 10, 2016

THE BOARD OF DIRECTORS

CHAIRMAN
GIUSEPPE VITA

CEO
JEAN PIERRE MUSTIER

Condensed Interim Consolidated Financial Statements

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.

Consolidated Accounts

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Consolidated Balance Sheet

Consolidated Balance Sheet

(€ '000)

BALANCE SHEET - ASSETS	AMOUNTS AS AT 09.30.2016	AMOUNTS AS AT 12.31.2015
10. Cash and cash balances	16,152,994	10,303,334
20. Financial assets held for trading	94,110,116	90,996,708
30. Financial assets at fair value through profit or loss	29,682,132	34,368,295
40. Available-for-sale financial assets	116,485,461	109,806,652
50. Held-to-maturity investments	2,195,068	2,093,301
60. Loans and receivables with banks	76,750,331	80,073,334
70. Loans and receivables with customers	480,926,340	473,998,521
80. Hedging derivatives	5,361,988	5,368,364
90. Changes in fair value of portfolio hedged items (+/-)	2,732,217	2,641,257
100. Equity investments	6,973,817	6,576,603
110. Insurance reserves attributable to reinsures	-	-
120. Property, plant and equipment	9,555,261	10,030,830
130. Intangible assets	5,677,894	5,758,474
of which: - goodwill	*3,590,676*	*3,618,345*
140. Tax assets	15,469,118	15,725,896
a) current tax assets	*1,312,740*	*1,354,484*
b) deferred tax assets	*14,156,378*	*14,371,412*
of which for purposes of L. 214/2011	*11,340,348*	*11,685,183*
150. Non-current assets and disposal groups classified as held for sale	3,369,465	2,820,068
160. Other assets	9,084,593	9,871,738
Total assets	**874,526,795**	**860,433,375**

Continued: Consolidated Balance Sheet

(€ '000)

BALANCE SHEET - LIABILITIES AND SHAREHOLDERS' EQUITY	AMOUNTS AS AT 09.30.2016	AMOUNTS AS AT 12.31.2015
10. Deposits from banks	114,982,552	111,372,678
20. Deposits from customers	470,295,733	449,790,439
30. Debt securities in issue	119,802,775	134,477,901
40. Financial liabilities held for trading	68,386,705	68,918,595
50. Financial liabilities at fair value through profit or loss	1,508,941	454,656
60. Hedging derivatives	5,701,508	6,148,629
70. Changes in fair value of portfolio hedged items (+/-)	6,095,854	5,105,112
80. Tax liabilities	1,494,971	1,528,801
a) current tax liabilities	*864,278*	*941,347*
b) deferred tax liabilities	*630,693*	*587,454*
90. Liabilities included in disposal groups classified as held for sale	2,651,189	1,879,999
100.Other liabilities	17,431,094	16,281,650
110. Provision for employee severance pay	1,184,241	1,134,776
120. Provisions for risks and charges	9,849,132	9,854,616
a) post retirement benefit obligations	*6,317,663*	*5,198,039*
b) other provisions	*3,531,469*	*4,656,577*
130. Insurance reserves	-	-
140. Revaluation reserves	(4,943,605)	(3,976,940)
150. Share capital repayable on demand	-	-
160. Equity instruments	1,888,463	1,888,463
170. Reserves	17,296,451	14,254,879
180. Share premium	14,384,918	15,976,604
190. Share capital	20,846,893	20,257,668
200. Treasury shares (-)	(4,975)	(8,171)
210. Minorities (+/-)	3,905,596	3,398,780
220. Net Profit (Loss) for the period (+/-)	1,768,359	1,694,240
Total liabilities and Shareholders' Equity	**874,526,795**	**860,433,375**

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Consolidated Income Statement

Consolidated Income Statement

(€ '000)

ITEM	AS AT 09.30.2016	AS AT 09.30.2015
10. Interest income and similar revenues	13,140,247	14,653,483
20. Interest expenses and similar charges	(4,496,658)	(6,002,982)
30. Net interest margin	**8,643,589**	**8,650,501**
40. Fee and commission income	6,984,941	7,069,826
50. Fee and commission expense	(1,176,600)	(1,198,600)
60. Net fees and commissions	**5,808,341**	**5,871,226**
70. Dividend income and similar revenue	381,582	389,509
80. Gains and losses on financial assets and liabilities held for trading	875,773	860,196
90. Fair value adjustments in hedge accounting	(33,188)	(32,707)
100. Gains (Losses) on disposal and repurchase of:	733,264	274,376
a) loans	*29,012*	*24,660*
b) available-for-sale financial assets	*702,245*	*310,580*
c) held-to-maturity investments	*485*	*79*
d) financial liabilities	*1,522*	*(60,943)*
110. Gains and losses on financial assets/liabilities at fair value through profit or loss	27,087	34,620
120. Operating income	**16,436,448**	**16,047,721**
130. Net losses/recoveries on impairment:	(2,715,438)	(2,900,972)
a) loans	*(2,745,522)*	*(2,910,136)*
b) available-for-sale financial assets	*(63,953)*	*(36,987)*
c) held-to-maturity investments	*(216)*	*458*
d) other financial assets	*94,253*	*45,693*
140. Net profit from financial activities	**13,721,010**	**13,146,749**
150. Premiums earned (net)	-	-
160. Other income (net) from insurance activities	-	-
170. Net profit from financial and insurance activities	**13,721,010**	**13,146,749**
180. Administrative costs:	(11,018,013)	(10,641,668)
a) staff expense	*(6,386,930)*	*(6,298,317)*
b) other administrative expense	*(4,631,083)*	*(4,343,351)*
190. Net provisions for risks and charges	(324,907)	(287,243)
200. Impairment/write-backs on property, plant and equipment	(545,341)	(490,360)
210. Impairment/write-backs on intangible assets	(382,283)	(342,958)
220. Other net operating income	852,100	797,394
230. Operating costs	**(11,418,444)**	**(10,964,835)**
240. Profit (loss) of investments	532,170	441,058
250. Gains and losses on tangible and intangible assets measured at fair value	(1,420)	(1,834)
260. Impairment of goodwill	-	-
270. Gains and losses on disposal of investments	81,911	50,564
280. Total profit or loss before tax from continuing operations	**2,915,227**	**2,671,702**
290. Tax expense (income) related to profit or loss from continuing operations	(816,178)	(698,152)
300. Total profit or loss after tax from continuing operations	**2,099,049**	**1,973,550**
310. Profit (Loss) after tax from discontinued operations	12,586	(152,368)
320. Net profit or loss for the period	**2,111,635**	**1,821,182**
330. Minorities	(343,276)	(279,934)
340. Holdings Income (Loss) of the period	**1,768,359**	**1,541,248**

Earnings per share (€)	0.279	0.254
Diluted earnings per share (€)	0.278	0.253

For further information on earnings per share and diluted earnings per share please see Explanatory Notes - Part C - Information on the Income Statement - Section 24.

Consolidated Statement of Comprehensive Income

Consolidated Statement of Comprehensive Income

(€ '000)

ITEMS	AS AT 09.30.2016	AS AT 09.30.2015
10. Net profit (loss) for the period	**2,111,635**	**1,821,182**
Other comprehensive income after tax not reclassified to profit or loss		
20. Property, plant and equipment	-	-
30. Intangible assets	-	-
40. Defined benefit plans	(859,361)	200,736
50. Non-current assets classified as held for sale	(6,324)	-
60. Portion of revaluation reserves from investments valued at equity	189	-
Other comprehensive income after tax that may be reclassified to profit or loss		
70. Hedges of foreign investments	-	-
80. Exchange differences	199,758	27,765
90. Cash flow hedges	(71,844)	(103,954)
100. Available-for-sale financial assets	(104,654)	(8,258)
110. Non-current assets classified as held for sale	(61)	3,770
120. Valuation reserves from investments accounted for using the equity method	(192,688)	(531,358)
130. Total other comprehensive income after tax	**(1,034,985)**	**(411,299)**
140. Comprehensive income after tax (Item 10+130)	**1,076,650**	**1,409,883**
150. Consolidated comprehensive income attributable to minorities	(267,430)	(244,379)
160. Consolidated comprehensive income attributable to the Parent Company	809,220	1,165,504

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Statement of changes in Shareholders' Equity

Statement of changes in Shareholders' Equity includes Group portion and minorities.

Statement of changes in Shareholders' Equity as at September 30, 2016

	BALANCE AS AT 12.31.2015	CHANGE IN OPENING BALANCE	BALANCE AS AT 01.01.2016	ALLOCATION OF PROFIT FROM PREVIOUS YEAR	
				RESERVES	DIVIDENDS AND OTHER ALLOCATIONS
Issued capital:					
a) ordinary shares	20,722,005	-	20,722,005	-	-
b) other shares	8,418	-	8,418	-	-
Share premiums	17,233,697	-	17,233,697	(1,441,449)	-
Reserves:					
a) from profits	9,964,255	-	9,964,255	3,159,844	-
b) other	5,635,868	-	5,635,868	-	-
Revaluation reserves	(4,001,980)	-	(4,001,980)	-	-
Advanced dividends	-	-	-	-	-
Equity instruments	1,888,463	-	1,888,463	-	-
Treasury shares	(11,152)	-	(11,152)	-	-
Net profit or Loss for the period	2,045,948	-	2,045,948	(1,718,395)	(327,553)
Total Shareholders' Equity	**53,485,523**	**-**	**53,485,523**	**-**	**(327,553)**
Shareholders' Equity Group	50,086,743	-	50,086,743	-	(2,654)
Shareholders' Equity minorities	3,398,780	-	3,398,780	-	(324,899)

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).

The change of revaluation reserve includes the negative effects for €859 million of actuarial gain/losses from the measurement of the actuarial liabilities (defined benefit plans) and the negative effects for €105 million of AFS financial assets. This includes also the positive effects relating to the Exchange Differences Reserve for €200 million, partially net of the negative change in the valuation reserve of the companies accounted for using the equity method for €193 million, mainly due to the revaluation of the items in Turkish Lira.

The changes in shareholdings relate to the effects of the sale of 10% of Pekao S.A. and 10% of FinecoBank S.p.A.; UniCredit still has a controlling interest in both companies.

For further details about the Shareholders' Equity changes see Part B - Liabilities, Section 15 of the Explanatory Notes.

Any discrepancies in this table and between data shown are solely due to the effect of rounding.

(€ '000)

CHANGES DURING THE PERIOD												
	SHAREHOLDERS' EQUITY TRANSACTIONS											
CHANGES IN RESERVES	ISSUE OF NEW SHARES	ACQUISITION OF TREASURY SHARES	ADVANCED DIVIDENDS	DISTRIBUTION OF EXTRAORDINARY DIVIDENDS	CHANGE IN EQUITY INSTRUMENTS	OWN SHARE DERIVATIVES	STOCK OPTIONS	CHANGES IN SHAREHOLDINGS	COMPREHENSIVE INCOME OF FIRST 9 MONTHS 2016	TOTAL SHAREHOLDERS' EQUITY AS AT 09.30.2016	SHAREHOLDERS' EQUITY GROUP AS AT 09.30.2016	SHAREHOLDERS' EQUITY MINORITIES AS AT 09.30.2016
(38,071)	589,126	-	-	-	-	-	-	56,872	-	21,329,932	20,838,376	491,556
-	99	-	-	-	-	-	-	-	-	8,517	8,517	-
(162,558)	-	-	-	-	-	-	-	231,499	-	15,861,190	14,384,918	1,476,272
179,009	(589,226)	-	-	(157,630)	-	-	-	782,453	-	13,338,704	11,775,829	1,562,875
(37,121)	-	-	-	-	-	-	48,746	-	-	5,647,493	5,520,622	126,871
66	-	-	-	-	-	-	-	-	(1,034,985)	(5,036,899)	(4,943,605)	(93,294)
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	1,888,463	1,888,463	-
4,217	-	-	-	-	-	-	-	-	-	(6,935)	(4,975)	(1,960)
-	-	-	-	-	-	-	-	-	2,111,635	2,111,635	1,768,359	343,276
(54,458)	**-**	**-**	**-**	**(157,630)**	**-**	**-**	**48,746**	**1,070,824**	**1,076,650**	**55,142,100**	**51,236,504**	**3,905,596**
(26,311)	-	-	-	(157,630)	-	-	48,746	478,392	809,220	51,236,504		
(28,147)	-	-	-	-	-	-	-	592,432	267,430	3,905,596		

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Statement of changes in Shareholders' Equity

Statement of changes in Shareholders' Equity as at September 30, 2015

	BALANCE AS AT 12.31.2014	CHANGE IN OPENING BALANCE	BALANCE AS AT 01.01.2015	ALLOCATION OF PROFIT FROM PREVIOUS YEAR: RESERVES	ALLOCATION OF PROFIT FROM PREVIOUS YEAR: DIVIDENDS AND OTHER ALLOCATIONS
Issued capital:					
a) ordinary shares	20,433,062	-	20,433,062	-	-
b) other shares	8,312	-	8,312	-	-
Share premiums	17,223,368	-	17,223,368	-	-
Reserves:					
a) from profits	8,523,226	-	8,523,226	1,992,399	-
b) other	6,503,965	-	6,503,965	-	-
Revaluation reserves	(4,130,026)	-	(4,130,026)	-	-
Advanced dividends	-	-	-	-	-
Equity instruments	1,888,463	-	1,888,463	-	-
Treasury shares	(2,845)	-	(2,845)	-	-
Net profit or Loss for the period	2,388,027	-	2,388,027	(1,992,399)	(395,628)
Total Shareholders' Equity	**52,835,552**	**-**	**52,835,552**	**-**	**(395,628)**
Shareholders' Equity Group	49,389,733	-	49,389,733	-	(8,315)
Shareholders' Equity minorities	3,445,819	-	3,445,819	-	(387,313)

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).

The change of revaluation reserve includes the positive change in the reserves relating to the actuarial gains/losses on defined benefit plans of €202 million net of taxes, partially net of the negative change in the valuation reserve of the companies accounted for using the equity method for €532 million, mainly due to the revaluation of the items in Turkish Lira.

Any discrepancies in this table and between data shown are solely due to the effect of rounding.

(€ '000)

CHANGES DURING THE PERIOD												
	SHAREHOLDERS' EQUITY TRANSACTIONS											
CHANGES IN RESERVES	ISSUE OF NEW SHARES	ADVANCED DIVIDENDS	ACQUISITION OF TREASURY SHARES	DISTRIBUTION OF EXTRAORDINARY DIVIDENDS	CHANGE IN EQUITY INSTRUMENTS	OWN SHARE DERIVATIVES	STOCK OPTIONS	CHANGES IN SHAREHOLDINGS	COMPREHENSIVE INCOME OF FIRST 9 MONTHS 2015	TOTAL SHAREHOLDERS' EQUITY AS AT 09.30.2015	SHAREHOLDERS' EQUITY GROUP AS AT 09.30.2015	SHAREHOLDERS' EQUITY MINORITIES AS AT 09.30.2015
(57,478)	351,788	-	-	-	-	-	-	-	-	20,727,372	20,249,250	478,122
-	106	-	-	-	-	-	-	-	-	8,418	8,418	-
3,972	-	-	-	-	-	-	-	-	-	17,227,340	15,976,604	1,250,736
28,089	(351,894)	-	-	(168,751)	-	-	-	-	-	10,023,069	8,798,283	1,224,786
(154,620)	-	-	-	-	-	-	72,460	-	-	6,421,805	6,294,934	126,871
198	-	-	-	-	-	-	-	-	(411,299)	(4,541,127)	(4,510,314)	(30,813)
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	1,888,463	1,888,463	-
(7,998)	-	-	-	-	-	-	-	-	-	(10,843)	(8,065)	(2,778)
-	-	-	-	-	-	-	-	-	1,821,182	1,821,182	1,541,248	279,934
(187,837)	**-**	**-**	**-**	**(168,751)**	**-**	**-**	**72,460**	**-**	**1,409,883**	**53,565,678**	**50,238,820**	**3,326,858**
(211,810)	-	-	-	(168,751)	-	-	72,460	-	1,165,504	50,238,820		
23,973	-	-	-	-	-	-	-	-	244,379	3,326,858		

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Consolidated Cash Flow Statement

Consolidated Cash Flow Statement (indirect method)

(€ '000)

	AS AT	
	09.30.2016	**09.30.2015**
A. OPERATING ACTIVITIES		
1. Operations	**6,514,032**	**6,911,384**
- profit and loss of the year (+/-)	1,768,359	1,541,248
- capital gains/losses on financial assets/liabilities held for trading and on assets/liabilities designated at fair value through profit and loss (+/-)	(1,730,620)	(993,868)
- capital gains/losses on hedging operations (+/-)	33,188	32,707
- net losses/recoveries on impairment (+/-)	4,309,100	4,553,084
- net write-offs/write-backs on tangible and intangible assets (+/-)	929,044	835,152
- provisions and other incomes/expenses (+/-)	75,553	331,422
- uncollected net premiums (-)	-	-
- other uncollected incomes and expenses from insurance activities (+/-)	-	-
- unpaid taxes and tax credits (+/-)	748,817	181,415
- Impairment/write-backs on discontinued operations, net of tax (-/+)	4,492	149,262
- other adjustments (+)	376,099	280,962
2. Liquidity generated/absorbed by financial assets	**(8,424,332)**	**(33,240,900)**
- financial assets held for trading	(1,411,161)	10,601,230
- financial assets at fair value	4,782,748	(2,638,956)
- available-for-sale financial assets	(7,161,405)	(12,547,194)
- loans and receivables with banks	3,066,471	(20,869,927)
- loans and receivables with customers	(10,136,074)	(10,083,092)
- other assets	2,435,089	2,297,039
3. Liquidity generated/absorbed by financial liabilities	**9,168,660**	**30,115,170**
- deposits from banks	4,908,835	14,551,954
- deposits from customers	19,458,809	39,203,886
- debt certificates including bonds	(14,257,122)	(14,546,357)
- financial liabilities held for trading	(550,626)	(9,120,299)
- financial liabilities designated at fair value	1,054,285	(111,985)
- other liabilities	(1,445,521)	137,971
Net liquidity generated/absorbed by operating activities	**7,258,360**	**3,785,654**
B. INVESTMENT ACTIVITIES		
Liquidity generated/absorbed by:		
- equity investments	(137,987)	32,353
- collected dividends on equity investments	83,815	114,141
- financial assets held to maturity	(74,194)	675,699
- tangible assets	(338,093)	(398,883)
- intangible assets	(354,831)	(366,718)
- sales/purchases of subsidiaries and divisions	33,567	29,211
Net liquidity generated/absorbed by investment activities	**(787,723)**	**85,803**
C. FUNDING ACTIVITIES		
- issue/purchase of treasury shares	-	-
- issue/purchase of equity instruments	-	-
- distribution of dividends and other scopes	(702,196)	(748,604)
Net liquidity generated/absorbed by funding activities	**(702,196)**	**(748,604)**
NET LIQUIDITY GENERATED/ABSORBED DURING THE PERIOD	**5,768,441**	**3,122,853**

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

Continued: Consolidated Cash Flow Statement (indirect method)

Reconciliation

(€ '000)

ITEMS	AS AT 09.30.2016	09.30.2015
Cash and cash equivalents at the beginning of the period	**10,303,334**	**8,051,122**
Net liquidity generated/absorbed during the period	5,768,441	3,122,853
Cash and cash equivalents: effect of exchange rate variations	81,219	7,804
Cash and cash equivalents at the end of the period	**16,152,994**	**11,181,779**

Explanatory Notes

Part A – Accounting Policies

Part A – Accounting Policies

A.1 - General

Section 1 - Statement of Compliance with IFRSs

These Condensed Interim Consolidated Financial Statements 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 September 30, 2016, pursuant to EU Regulation No.1606/2002 which was incorporated into Italy's legislation through the Legislative Decree No.38 dated February 28, 2005.

They are integral part of the Consolidated Interim Report as at September 30, 2016 which includes the Consolidated Interim Report on Operations and the Certification required by Art.154-bis 2 TUF.

The contents of this Condensed Interim Consolidated Financial Statements are in line with IAS34 on interim reporting. In accordance with paragraph 10 IAS34, the Group has opted to provide Condensed Interim Consolidated Financial Statements.

The Condensed Interim Consolidated Financial Statements are subject to a limited audit of the accounts by Deloitte & Touche S.p.A.

Section 2 - General Preparation Criteria

As mentioned above, these Condensed Interim Consolidated Financial Statements have been prepared in accordance with the international accounting standards endorsed by the European Commission.
The following documents have been used to interpret and support the application of IFRS, even though they have not all 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 the IAS/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.

These Condensed Interim Consolidated Financial Statements comprise the Consolidated Balance Sheet, the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income the Statement of Changes in Shareholders' Equity, the Consolidated Cash Flow Statement (compiled using the indirect method), the Explanatory Notes and Annexes.

These are in line with Banca d'Italia templates as prescribed by Circular 262 dated December 22, 2005 (fourth amendment dated December 15, 2015), and they present comparative figures, as at December 31, 2015 for the balance sheet and as at September 30, 2015 for the profit and loss account, the comprehensive income statement, the statement of changes in equity and the cash-flow statement.

Figures in the Consolidated Account are given in **euros** and Explanatory Notes are given in **thousands of euros**, if not otherwise specified.

In their joint Document No.4 of March 3, 2010, Banca d'Italia, Consob and Ivass 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, in light of the positive result of the first nine months of the year and not having identified symptoms in the capital and financial structure that could indicate uncertainty about the entity's ability to continue as a going concern, 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 Interim Report as at September 30, 2016 has been prepared on a going concern basis.

The measurement criteria adopted are therefore consistent with this assumption 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, except for the modifications described in section "A.2 The Main Items of the Accounts" relating to the introduction of new standards and interpretations.

When assessing the quarterly results, it should be noted that UniCredit is in the process of preparing a new multi-year plan. The new plan will be presented to the market on December 13 and will reflect the outcome of the ongoing review of all Group assets announced in July 2016.
The actions and decisions set out in the new plan could influence, also substantially, the results of the fourth quarter with respect to the evaluation of certain assets and/or to potential market transactions affecting the Group's participations and credit portfolio.

Risk and uncertainty due to use of estimated figures

Under the IAS/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 contingent 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 and measurement of some of the largest items in the Condensed Interim Consolidated Financial Statements as at September 30, 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 support the carrying values as at September 30, 2016. Valuation is particularly complex because of the uncertainty in the macroeconomic and market environment.

Part A – Accounting Policies

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, among others, in the measurement of:
- fair value of financial instruments not listed in active markets;
- loans and receivables, shareholdings 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 - Information on risks and related risk management policies - Section 4 - Operational Risk);
- goodwill and other intangible assets;
- deferred tax assets;
- property held for investment;
- whose assessment may significantly change over time according to the trend in: domestic and international socio-economic conditions and subsequent impact on the Bank's profitability and customers' creditworthiness; financial markets which affect changes in interest rates, prices and actuarial assumptions; real estate market affecting the value of property owned by the Bank or received as collateral.

Please note that the economic and political uncertainty in Turkey, Ukraine and Russia were taken into account during the assessment of the net assets owned by the Group in these Countries. Please see Part E - Information on risks and related risk management policies - Section 5 - Other Aspects.

With specific reference to future cash flow projections used in the valuation of goodwill, other intangible assets and deferred tax assets, it should be noted that the parameters and information used are significantly influenced by the macro-economic market situation, which may change unpredictably. For further information on intangible assets see Part B - Consolidated Balance Sheet - Section 13 - Intangible assets.

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.

Section 3 - Consolidation Scope and Methods

The consolidation criteria and principles used to prepare the Condensed Interim Consolidated Financial Statements as at September 30, 2016 are described below.

Consolidated Accounts

For the preparation of the Condensed Interim Consolidated Financial Statements as at September 30, 2016 the following sources have been used:
- UniCredit S.p.A. third-quarter accounts at September 30, 2016;
- the third-quarter accounts duly reclassified and adjusted to take account of consolidation needs and, where necessary, to align them to the Group accounting principles;
- the sub-consolidated third-quarter accounts of Nuova Compagnia di Partecipazioni Group including Nuova Compagnia di Partecipazioni S.p.A. (formerly Compagnia Italpetroli S.p.A.) and its direct and indirect subsidiaries, as at September 30, 2016.

Amounts in foreign currencies are converted at closing exchange rates in the balance sheet, whereas the average exchange rate for the year is used for the income statement.

The accounts and Explanatory Notes of the main fully consolidated subsidiaries prepared under IFRS are subject to limited review by leading audit companies.

Subsidiaries

Entities, including structured entities, over which the Group has direct or indirect control, are considered subsidiaries.

Control over an entity entails:
- the existence of power over the relevant activities;
- the exposure to the variability of returns;
- the ability to use the power exercised in order to influence the returns to which it is exposed.

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 depending on 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 of the entity (or those that contribute most to the results) and the Group's exposure to the variability of returns deriving from these activities.

The carrying amount of an equity interest in a fully consolidated entity held by the Parent Company or another Group company is eliminated - against the recognition of the assets and liabilities of the investee - as an offsetting entry to the corresponding portion of net equity of the subsidiary attributable to the Group.

Intragroup balances, the off-balance sheet transactions, the income and expenses, and the gain/losses between consolidated companies are eliminated in full, according to the method of consolidation adopted.

A subsidiary's income and expenses are included in the consolidation from the date the Parent acquires the control. On disposal of a subsidiary, its income and expenses are consolidated up to the date of the disposal, i.e. until the Parent ceases to control the subsidiary. The difference between the consideration received of the subsidiary and the carrying amount of its net assets at the same date is recognised in the Income Statement under item "270 Gains (Losses) on the disposal of investments" for fully consolidated companies.

Part A – Accounting Policies

The portion attributable to non-controlling interests is presented in the Balance Sheet under item "210 Minorities", separately from the liabilities and net equity attributable to the Group. In the Income Statement, the portion attributable to minorities is also presented separately under item "330 Minorities".
With respect to companies included in the consolidation scope for the first time, the fair value of the cost paid to obtain control of this equity interest, including ancillary expenses, is measured at the acquisition date.

The difference between the consideration received of an interest held in a subsidiary and the carrying amount of the net assets is recognised in the Net Equity, if the sale does not entail loss of control.

Joint arrangements
A joint arrangement is a contractual agreement under the terms of which two or more counterparties arrange to jointly control an entity.
Joint control is the contractually agreed sharing of control of an arrangement, which exists only when the decisions about the relevant activities require the unanimous consent of the parties sharing control.
According to the standard IFRS11 - Joint Arrangements, such agreements must be classified as Joint Operations or Joint Ventures according to the contractual rights and obligations held by the Group.

A Joint Operation is a joint arrangement in which the parties have rights on the assets and obligations with respect to the liabilities of the arrangement.
A Joint Venture is a joint arrangement in which the parties have rights on the net assets of the arrangement.

The Group has assessed the nature of the joint arrangements and has determined that its jointly controlled equity investments are of the Joint Venture type. These equity investments are recognised using the equity method.
Carrying amount of the Joint Ventures is tested in accordance with IAS36 as a single asset, by comparing it with the corresponding recoverable amount (i.e. higher of VIU and FV less cost to sell).

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 associates are recognised using the equity method. Carrying amount of Associates is tested in accordance with IAS36 as a single asset, by comparing it with the corresponding recoverable amount (i.e. higher of VIU and FV less cost to sell).

Equity Method
Equity investments in companies measured using the equity method include the goodwill (less any impairment loss) paid to purchase them. The investor's share of the profit and loss of the investee after the date of acquisition is recognised in the Income Statement under item "240 Profit (Loss) of associates". Any dividends distributed reduce the carrying amount of the equity investment.

If the investor's share of an investee's losses is equal to or greater than its carrying amount, no further losses are recognised, unless the investor has incurred specific obligations or made payments on behalf of the associate.

Gains and losses on transactions with associates or joint arrangements are eliminated according to the percentage interest in the said company.

Any changes in the revaluation reserves of associates or joint arrangements, which are recorded as a contra item to changes in value of the phenomena relevant to this purpose, are reported separately in the Statement of Comprehensive Income.

The following table shows the companies included in the scope of consolidation.

Investments in subsidiaries and valued at equity

	NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
	A. LINE BY LINE METHOD						
1	**UNICREDIT SPA** Issued capital EUR 20,846,893,436.94	**ROME**	**MILAN**		**HOLDING**		
2	A&T-PROJEKTENTWICKLUNGS GMBH & CO. POTSDAMER PLATZ BERLIN KG Issued capital EUR 613,550	MUNICH	MUNICH	1	GRUNDSTUCKSAKTIENGESELLSCHAFT AM POTSDAMER PLATZ (HAUS VATERLAND)	100.00	
3	ACIS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH & CO. OBERBAUM CITY KG Issued capital EUR 26,000	GRUNWALD	GRUNWALD	1	ACIS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH	..	1.89
					SIRIUS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH	100.00	98.11
4	ACIS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH & CO. PARKKOLONNADEN KG Issued capital EUR 26,000	GRUNWALD	GRUNWALD	1	A&T-PROJEKTENTWICKLUNGS GMBH & CO. POTSDAMER PLATZ BERLIN KG	100.00	98.11
					ACIS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH	..	1.89
5	ACIS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH & CO. STUTTGART KRONPRINZSTRASSE KG Issued capital EUR 26,000	GRUNWALD	GRUNWALD	1	ACIS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH	..	1.89
					HVB GESELLSCHAFT FUR GEBAUDE MBH & CO KG	100.00	98.11
6	AGROB IMMOBILIEN AG Issued capital EUR 11,689,200	ISMANING	ISMANING	1	HVB GESELLSCHAFT FUR GEBAUDE MBH & CO KG	52.72	75.02
7	AI BETEILIGUNGS GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
8	ALLEGRO LEASING GESELLSCHAFT M.B.H. Issued capital EUR 3,576,202	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
					UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
9	ALLIB LEASING S.R.O. Issued capital CZK 100,000	PRAGUE	PRAGUE	1	UNICREDIT LEASING CZ, A.S.	100.00	
10	ALLIB NEKRETNINE D.O.O. ZA POSLOVANJE NEKRETNINAMA Issued capital HRK 20,000	ZAGREB	ZAGREB	1	LOCAT CROATIA DOO	100.00	
11	ALMS LEASING GMBH. Issued capital EUR 36,337	VIENNA	SALZBURG	1	UNICREDIT LEASING (AUSTRIA) GMBH	100.00	
12	ALPINE CAYMAN ISLANDS LTD. Issued capital EUR 798	GRAND CAYMAN	GEORGE TOWN	1	UNICREDIT BANK AUSTRIA AG	100.00	
13	ALTUS ALPHA PLC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
14	ALV IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
15	AMBASSADOR PARC DEDINJE D.O.O. BEOGRAD Issued capital RSD 2,715,063	BELGRADE	BELGRADE	1	UCTAM D.O.O. BEOGRAD	100.00	
16	ANTARES IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
17	ANTHEMIS UNICREDIT STRATEGIC VENTURES LLP Issued capital EUR 25,415,615	LONDON	LONDON	4	UNICREDIT SPA	..	(3)
18	ANTUS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH Issued capital EUR 26,000	MUNICH	MUNICH	1	HVB PROJEKT GMBH	90.00	
19	AO UNICREDIT BANK Issued capital RUR 41,787,805,174	MOSCOW	MOSCOW	1	UNICREDIT BANK AUSTRIA AG	100.00	
20	ARABELLA FINANCE DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
21	ARANY PENZUEGYI LIZING ZRT. Issued capital HUF 60,000,000	BUDAPEST	BUDAPEST	1	UNICREDIT BANK HUNGARY ZRT.	100.00	
22	ARENA NPL ONE S.R.L. (CARTOLARIZZAZIONE 2014)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
23	ARGENTAURUS IMMOBILIEN-VERMIETUNGS- UND VERWALTUNGS GMBH Issued capital EUR 511,300	MUNICH	MUNICH	1	HVB PROJEKT GMBH	100.00	

Part A – Accounting Policies

	NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
24	ARNO GRUNDSTUECKSVERWALTUNGS GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	99.80	
	Issued capital EUR 36,337				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
25	ARRONDA IMMOBILIENVERWALTUNGS GMBH	MUNICH	MUNICH	1	HVB PROJEKT GMBH	100.00	
	Issued capital EUR 511,500						
26	ATLANTERRA IMMOBILIENVERWALTUNGS GMBH	MUNICH	MUNICH	1	HVB PROJEKT GMBH	90.00	
	Issued capital EUR 1,023,000						
27	AUFBAU DRESDEN GMBH	MUNICH	MUNICH	1	HVB PROJEKT GMBH	100.00	
	Issued capital EUR 260,000						
28	AUSTRIA LEASING GMBH	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	0.40	
	Issued capital EUR 36,336				GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	99.40	
					UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
29	B 03 IMMOBILIEN GMBH & CO KG	VIENNA	VIENNA	1	B A I BAUTRAEGER AUSTRIA IMMOBILIEN GMBH	90.00	
	Issued capital EUR 10,000				INV TOTALUNTERNEHMER GMBH	10.00	
30	B A I BAUTRAEGER AUSTRIA IMMOBILIEN GMBH	VIENNA	VIENNA	1	BA-CA MARKETS & INVESTMENT BETEILIGUNG GES.M.B.H.	0.25	
	Issued capital EUR 730,000				IMMOBILIEN HOLDING GMBH	99.75	
31	B A I BETEILIGUNGSVERWALTUNGS-GMBH	VIENNA	VIENNA	1	BA-CA MARKETS & INVESTMENT BETEILIGUNG GES.M.B.H.	0.25	
	Issued capital EUR 730,000				IMMOBILIEN HOLDING GMBH	99.75	
32	B.I. INTERNATIONAL LIMITED	GEORGE TOWN	GEORGE TOWN	1	TRINITRADE VERMOGENSVERWALTUNGS-GESELLSCHAFT MIT BESCHRANKTER HAFTUNG	100.00	
	Issued capital EUR 792						
33	BA ALPINE HOLDINGS, INC.	WILMINGTON	WILMINGTON	1	UNICREDIT BANK AUSTRIA AG	100.00	
	Issued capital USD 74,435,918						
34	BA BETRIEBSOBJEKTE GMBH	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
	Issued capital EUR 5,630,000						
35	BA BETRIEBSOBJEKTE GMBH & CO BETA VERMIETUNGS OG	VIENNA	VIENNA	1	BA BETRIEBSOBJEKTE GMBH	94.00	
	Issued capital EUR 1,000				MY DREI HANDELS GMBH	6.00	
36	BA BETRIEBSOBJEKTE PRAHA, SPOL.S.R.O.	PRAGUE	PRAGUE	1	BA BETRIEBSOBJEKTE GMBH	100.00	
	Issued capital CZK 100,000						
37	BA CA LEASING (DEUTSCHLAND) GMBH	HAMBURG	HAMBURG	1	UNICREDIT LEASING S.P.A.	94.90	
	Issued capital EUR 153,388				TRAMITE SOCIETA' FIDUCIARIA NON DEL GRUPPO	5.10	(4)
38	BA CA SECUND LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
39	BA EUROLEASE BETEILIGUNGSGESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	100.00	
	Issued capital EUR 363,364						
40	BA GEBAEUDEVERMIETUNGSGMBH	VIENNA	VIENNA	1	BA GVG-HOLDING GMBH	89.00	
	Issued capital EUR 36,336				BA-CA MARKETS & INVESTMENT BETEILIGUNG GES.M.B.H.	10.00	
					PAYTRIA UNTERNEHMENSBETEILIGUNGEN GMBH	1.00	
41	BA GVG-HOLDING GMBH	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
	Issued capital EUR 18,168						
42	BA IMMO GEWINNSCHEIN FONDS1	VIENNA	VIENNA	4	UNICREDIT BANK AUSTRIA AG	..	(3)
43	BA-CA ANDANTE LEASING GMBH	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	100.00	
	Issued capital EUR 36,500						

	NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
44	BA-CA FINANCE (CAYMAN) II LIMITED	GEORGE TOWN	GEORGE TOWN	1	ALPINE CAYMAN ISLANDS LTD.	100.00	
	Issued capital EUR 15,000						
45	BA-CA FINANCE (CAYMAN) LIMITED	GEORGE TOWN	GEORGE TOWN	1	ALPINE CAYMAN ISLANDS LTD.	100.00	
	Issued capital EUR 15,000						
46	BA-CA LEASING DREI GARAGEN GMBH	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	99.80	
	Issued capital EUR 35,000				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
47	BA-CA LEASING MAR IMMOBILIEN LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
48	BA-CA MARKETS & INVESTMENT BETEILIGUNG GES.M.B.H.	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
	Issued capital EUR 127,177						
49	BA-CA PRESTO LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
50	BA-CA WIEN MITTE HOLDING GMBH	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
	Issued capital EUR 35,000						
51	BA/CA-LEASING BETEILIGUNGEN GMBH	VIENNA	VIENNA	1	CALG DELTA GRUNDSTUECKVERWALTUNG GMBH	99.80	
	Issued capital EUR 454,000				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
52	BACA CENA IMMOBILIEN LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
53	BACA HYDRA LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
54	BACA KOMMUNALLEASING GMBH	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	100.00	
	Issued capital EUR 36,500						
55	BACA LEASING ALFA S.R.O.	PRAGUE	PRAGUE	1	UNICREDIT LEASING CZ, A.S.	100.00	
	Issued capital CZK 110,000						
56	BACA LEASING CARMEN GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
57	BACA LEASING UND BETEILIGUNGSMANAGEMENT GMBH	VIENNA	VIENNA	1	CALG IMMOBILIEN LEASING GMBH	98.80	
	Issued capital EUR 21,936,492				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	1.00	
58	BACA-LEASING AQUILA INGATLANHASNOSITO KORLATOLT FELELOSSEGUE TARSASAG	BUDAPEST	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
	Issued capital HUF 3,000,000						
59	BACAL ALPHA DOO ZA POSLOVANJE NEKRETNINAMA	ZAGREB	ZAGREB	1	LOCAT CROATIA DOO	100.00	
	Issued capital HRK 20,000						
60	BAI WOHNUNGSEIGENTUMSGESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	B A I BAUTRAEGER AUSTRIA IMMOBILIEN GMBH	99.90	
	Issued capital EUR 73,000				BA-CA MARKETS & INVESTMENT BETEILIGUNG GES.M.B.H.	0.10	
61	BAL CARINA IMMOBILIEN LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	

Part A – Accounting Policies

	NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
62	BAL DEMETER IMMOBILIEN LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
63	BAL HESTIA IMMOBILIEN LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
64	BAL HORUS IMMOBILIEN LEASING GMBH	VIENNA	VIENNA	1	CALG DELTA GRUNDSTUECKVERWALTUNG GMBH	99.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
65	BAL HYPNOS IMMOBILIEN LEASING GMBH	VIENNA	VIENNA	1	CALG DELTA GRUNDSTUECKVERWALTUNG GMBH	99.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
66	BAL LETO IMMOBILIEN LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
67	BAL OSIRIS IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
68	BAL SOBEK IMMOBILIEN LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT ZEGA LEASING-GESELLSCHAFT M.B.H.	99.80	
69	BALEA SOFT GMBH & CO. KG Issued capital EUR 500,000	HAMBURG	HAMBURG	1	UNICREDIT LEASING GMBH	100.00	
70	BALEA SOFT VERWALTUNGSGESELLSCHAFT MBH Issued capital EUR 50,000	HAMBURG	HAMBURG	1	UNICREDIT LEASING GMBH	100.00	
71	BANK AUSTRIA CREDITANSTALT LEASING IMMOBILIENANLAGEN GMBH	VIENNA	VIENNA	1	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	99.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
72	BANK AUSTRIA FINANZSERVICE GMBH Issued capital EUR 490,542	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
73	BANK AUSTRIA HUNGARIA BETA LEASING KORLATOLT FELELOSSEGUE TARSASAG Issued capital HUF 3,000,000	BUDAPEST	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
74	BANK AUSTRIA LEASING ARGO IMMOBILIEN LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				WOEM GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	99.80	
75	BANK AUSTRIA LEASING HERA IMMOBILIEN LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,337				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
76	BANK AUSTRIA LEASING IKARUS IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
77	BANK AUSTRIA LEASING MEDEA IMMOBILIEN LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
78	BANK AUSTRIA REAL INVEST CLIENT INVESTMENT GMBH Issued capital EUR 145,500	VIENNA	VIENNA	1	BANK AUSTRIA REAL INVEST IMMOBILIEN-MANAGEMENT GMBH	100.00	
79	BANK AUSTRIA REAL INVEST IMMOBILIEN-KAPITALANLAGE GMBH Issued capital EUR 5,000,000	VIENNA	VIENNA	1	BANK AUSTRIA REAL INVEST IMMOBILIEN-MANAGEMENT GMBH	100.00	

	NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
80	BANK AUSTRIA REAL INVEST IMMOBILIEN-MANAGEMENT GMBH Issued capital EUR 10,900,500	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	94.95	
81	BANK AUSTRIA WOHNBAUBANK AG Issued capital EUR 18,765,944	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
82	BANK PEKAO SA Issued capital PLN 262,470,034	WARSAW	WARSAW	1	UNICREDIT SPA	40.10	
83	BANKHAUS NEELMEYER AG Issued capital EUR 12,800,000	BREMEN	BREMEN	1	UNICREDIT BANK AG	100.00	
84	BARD ENGINEERING GMBH Issued capital EUR 100,098	EMDEN	EMDEN	4	BARD HOLDING GMBH	..	(3)
85	BARD HOLDING GMBH Issued capital EUR 25,000	EMDEN	EMDEN	4	UNICREDIT BANK AG	..	(3)
86	BAREAL IMMOBILIENTREUHAND GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	B A I BAUTRAEGER AUSTRIA IMMOBILIEN GMBH	100.00	
87	BARODA PIONEER ASSET MANAGEMENT COMPANY LTD Issued capital INR 880,440,640	MUMBAI	MUMBAI	1	PIONEER GLOBAL ASSET MANAGEMENT SPA	51.00	
88	BARODA PIONEER TRUSTEEE COMPANY PVT LTD Issued capital INR 500,000	MUMBAI	MUMBAI	1	PIONEER GLOBAL ASSET MANAGEMENT SPA	51.00	
89	BAULANDENTWICKLUNG GDST 1682/8 GMBH & CO OEG Issued capital EUR 58,000	VIENNA	VIENNA	1	CALG ANLAGEN LEASING GMBH	1.00	
					CALG IMMOBILIEN LEASING GMBH	99.00	
90	BAVARIA SERVICOS DE REPRESENTACAO COMERCIAL LTDA. Issued capital BRL 351,531	SAO PAULO	SAN PAOLO	1	UNICREDIT DELAWARE INC	0.47	
					UNICREDIT SPA	99.53	
91	BAYERISCHE WOHNUNGSGESELLSCHAFT FUER HANDEL UND INDUSTRIE, GESELLSCHAFT MIT BESCHRAENKTER HAFTUNG Issued capital EUR 51,150	MUNICH	MUNICH	1	HVB GESELLSCHAFT FUR GEBAUDE MBH & CO KG	100.00	
92	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	100.00	
93	BF NINE HOLDING GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	ALLEGRO LEASING GESELLSCHAFT M.B.H.	100.00	
94	BIL LEASING-FONDS GMBH & CO VELUM KG Issued capital EUR 2,556	GRUNWALD	GRUNWALD	1	BIL LEASING-FONDS VERWALTUNGS-GMBH	..	33.33
					UNICREDIT BANK AG	100.00	33.33
95	BIL LEASING-FONDS VERWALTUNGS-GMBH Issued capital EUR 26,000	GRUNWALD	GRUNWALD	1	WEALTHCAP PEIA MANAGEMENT GMBH	100.00	
96	BLUE CAPITAL EUROPA IMMOBILIEN GMBH & CO. ACHTE OBJEKTE GROSSBRITANNIEN KG Issued capital EUR 5,500	MUNICH	MUNICH	1	WEALTHCAP FONDS GMBH	90.91	
					WEALTHCAP INVESTORENBETREUUNG GMBH	9.09	
97	BORGO DI PEROLLA SRL Issued capital EUR 2,043,952	MASSA MARITTIMA	MASSA MARITTIMA	1	FONDIARIA LASA SPA	100.00	
98	BREWO GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H. Issued capital EUR 36,337	VIENNA	VIENNA	1	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	99.80	
					UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
99	BUCHSTEIN IMMOBILIENVERWALTUNG GMBH UND CO OG Issued capital EUR 18,168	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
100	BUDDY SERVIZI MOLECOLARI SPA Issued capital EUR 15,000,000	MILAN	MILAN	1	UNICREDIT SPA	100.00	
101	BUITENGAATS HOLDING B.V. Issued capital EUR 18,000	EEMSHAVEN	EEMSHAVEN	4	BARD ENGINEERING GMBH	..	(3)

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	NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
102	BV GRUNDSTUCKSENTWICKLUNGS-GMBH Issued capital EUR 511,300	MUNICH	MUNICH	1	HVB IMMOBILIEN AG	100.00	
103	BV GRUNDSTUCKSENTWICKLUNGS-GMBH & CO. VERWALTUNGS-KG Issued capital EUR 511,292	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
104	CA-LEASING EURO, S.R.O. Issued capital CZK 100,000	PRAGUE	PRAGUE	1	UNICREDIT LEASING CZ, A.S.	100.00	
105	CA-LEASING OVUS S.R.O. Issued capital CZK 100,000	PRAGUE	PRAGUE	1	UNICREDIT LEASING CZ, A.S.	100.00	
106	CA-LEASING SENIOREN PARK GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	99.80	
					UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
107	CA-ZETA REAL ESTATE DEVELOPMENT LIMITED LIABILITY COMPANY Issued capital HUF 3,000,000	BUDAPEST	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
108	CABET-HOLDING GMBH Issued capital EUR 290,909	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
109	CABO BETEILIGUNGSGESELLSCHAFT M.B.H. Issued capital EUR 35,000	VIENNA	VIENNA	1	CABET-HOLDING GMBH	100.00	
110	CAFU VERMOEGENSVERWALTUNG GMBH & CO OG Issued capital EUR 6,719,227	VIENNA	VIENNA	1	SCHOELLERBANK AKTIENGESELLSCHAFT	100.00	
111	CAL-PAPIER INGATLANHASZNOSITO KORLATOLT FELELOESSEGUE TARSASAG Issued capital HUF 3,000,000	BUDAPEST	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
112	CALG 307 MOBILIEN LEASING GMBH Issued capital EUR 90,959	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	98.80	
					UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	1.00	
113	CALG 443 GRUNDSTUECKVERWALTUNG GMBH Issued capital EUR 36,336	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	98.80	
					CALG IMMOBILIEN LEASING GMBH	1.00	
					UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
114	CALG 445 GRUNDSTUECKVERWALTUNG GMBH Issued capital EUR 18,168	VIENNA	VIENNA	1	CALG IMMOBILIEN LEASING GMBH	99.80	
					UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
115	CALG 451 GRUNDSTUECKVERWALTUNG GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	CALG DELTA GRUNDSTUECKVERWALTUNG GMBH	99.80	
					UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
116	CALG ALPHA GRUNDSTUECKVERWALTUNG GMBH Issued capital EUR 36,500	VIENNA	VIENNA	1	CALG DELTA GRUNDSTUECKVERWALTUNG GMBH	99.80	
					UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
117	CALG ANLAGEN LEASING GMBH Issued capital EUR 55,945,753	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
118	CALG ANLAGEN LEASING GMBH & CO GRUNDSTUECKVERMIETUNG UND - VERWALTUNG KG Issued capital EUR 2,326,378	MUNICH	MUNICH	1	CALG ANLAGEN LEASING GMBH	99.90	
119	CALG DELTA GRUNDSTUECKVERWALTUNG GMBH Issued capital EUR 13,318,789	VIENNA	VIENNA	1	CALG ANLAGEN LEASING GMBH	99.80	
					UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	

	NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
120	CALG GAMMA GRUNDSTUECKVERWALTUNG GMBH	VIENNA	VIENNA	1	CALG IMMOBILIEN LEASING GMBH	99.80	
	Issued capital EUR 36,337				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
121	CALG GRUNDSTUECKVERWALTUNG GMBH	VIENNA	VIENNA	1	CALG IMMOBILIEN LEASING GMBH	74.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
122	CALG IMMOBILIEN LEASING GMBH	VIENNA	VIENNA	1	CALG ANLAGEN LEASING GMBH	99.80	
	Issued capital EUR 41,384,084				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
123	CALG IMMOBILIEN LEASING GMBH & CO. 1120 WIEN, SCHOENBRUNNER SCHLOSSSTRASSE 38-42 OG	VIENNA	VIENNA	1	CALG IMMOBILIEN LEASING GMBH	99.80	
	Issued capital EUR 300				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
124	CALG IMMOBILIEN LEASING GMBH & CO. PROJEKT VIER OG	VIENNA	VIENNA	1	CALG IMMOBILIEN LEASING GMBH	99.80	
	Issued capital EUR 300				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
125	CALG MINAL GRUNDSTUECKVERWALTUNG GMBH	VIENNA	VIENNA	1	CALG ANLAGEN LEASING GMBH	99.80	
	Issued capital EUR 18,286				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
126	CAPITAL MORTGAGE SRL (CARTOLARIZZAZIONE : BIPCA CORDUSIO RMBS)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
127	CAPITAL MORTGAGE SRL (CARTOLARIZZAZIONE : CAPITAL MORTGAGE 2007 - 1)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
128	CARD COMPLETE SERVICE BANK AG	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	50.10	
	Issued capital EUR 6,000,000						
129	CARDS & SYSTEMS EDV-DIENSTLEISTUNGS GMBH	VIENNA	VIENNA	1	CARD COMPLETE SERVICE BANK AG	5.00	
	Issued capital EUR 75,000				DC BANK AG	1.00	
					UNICREDIT BANK AUSTRIA AG	52.00	
130	CASTELLANI LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	10.00	
	Issued capital EUR 1,800,000				UNICREDIT ZEGA LEASING-GESELLSCHAFT M.B.H.	90.00	
131	CDM CENTRALNY DOM MAKLERSKI PEKAO SA	WARSAW	WARSAW	1	BANK PEKAO SA	100.00	
	Issued capital PLN 56,331,898						
132	CEAKSCH VERWALTUNGS G.M.B.H.(IN LIQ.)	VIENNA	VIENNA	1	BA-CA MARKETS & INVESTMENT BETEILIGUNG GES.M.B.H.	100.00	
	Issued capital EUR 35,000						
133	CENTAR KAPTOL DOO	ZAGREB	ZAGREB	1	ZAGREBACKA BANKA D.D.	100.00	
	Issued capital HRK 46,830,400						
134	CENTRUM BANKOWOSCI BEZPOSREDNIEJ SPOLKA Z OGRANICZONA ODPOWIEDZIALNOSC	KRAKOW	KRAKOW	1	BANK PEKAO SA	100.00	
	Issued capital PLN 500,000						
135	CENTRUM KART SA	WARSAW	WARSAW	1	BANK PEKAO SA	100.00	
	Issued capital PLN 26,782,648						
136	CHARADE LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	74.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
137	CHEFREN LEASING GMBH	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	100.00	
	Issued capital EUR 36,500						
138	CIVITAS IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	

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	NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
139	COFIRI S.P.A. IN LIQUIDAZIONE Issued capital EUR 6,910,151	ROME	ROME	1	UNICREDIT SPA	100.00	
140	COMMUNA - LEASING GRUNDSTUECKSVERWALTUNGSGESELLSCHAFT M.B.H. Issued capital EUR 36,337	VIENNA	VIENNA	1	REAL-LEASE GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	99.80	
					UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
141	COMPAGNIA FONDIARIA ROMANA - SOCIETA' A RESPONDABILITA' LIMITATA Issued capital EUR 103,400	ROME	ROME	1	NUOVA COMPAGNIA DI PARTECIPAZIONI SPA	87.50	
					SOCIETA' VERONESE GESTIONE COMPRAVENDITA IMMOBILI A R.L.	12.50	
142	CONSORZIO QUENIT Issued capital EUR 10,000	VERONA	VERONA	1	UNICREDIT BUSINESS INTEGRATED SOLUTIONS SOCIETA CONSORTILE PER AZIONI	55.00	
143	CONSUMER THREE SRL (CARTOLARIZZAZIONE : CONSUMER THREE)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
144	CONSUMER TWO SRL (CARTOLARIZZAZIONE : CONSUMER TWO)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
145	CONTRA LEASING-GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	74.80	
					JAUSERN-LEASING GESELLSCHAFT M.B.H.	25.00	
					UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
146	CORDUSIO RMBS - UCFIN SRL (CARTOLARIZZAZIONE : CORDUSIO RMBS UCFIN - SERIE 2006)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
147	CORDUSIO RMBS SECURITISATION SRL (CARTOLARIZZAZIONE : CORDUSIO RMBS SECURITISATION - SERIE 2006)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
148	CORDUSIO RMBS SECURITISATION SRL (CARTOLARIZZAZIONE : CORDUSIO RMBS SECURITISATION - SERIE 2007)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
149	CORDUSIO SIM SPA. Issued capital EUR 6,120,000	MILAN	MILAN	1	UNICREDIT SPA	67.32	(5)
150	CORDUSIO SOCIETA' FIDUCIARIA PER AZIONI Issued capital EUR 520,000	MILAN	MILAN	1	UNICREDIT SPA	100.00	
151	CORIT - CONCESSIONARIA RISCOSSIONE TRIBUTI S.P.A. IN LIQUIDAZIONE Issued capital EUR 1,243,732	ROME	ROME	1	UNICREDIT SPA	60.00	
152	CRIVELLI SRL Issued capital EUR 10,000	MILAN	MILAN	1	UNICREDIT SPA	100.00	
153	CUMTERRA GESELLSCHAFT FUR IMMOBILIENVERWALTUNG MBH Issued capital EUR 26,000	MUNICH	MUNICH	1	HVB IMMOBILIEN AG	93.85	
					UNICREDIT BANK AG	6.15	
154	CUXHAVEN STEEL CONSTRUCTION GMBH Issued capital EUR 25,000	CUXHAVEN	CUXHAVEN	4	BARD ENGINEERING GMBH	..	(3)
155	DBC SP.Z O.O. Issued capital PLN 50,000	WARSAW	WARSAW	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
156	DC BANK AG Issued capital EUR 5,000,000	VIENNA	VIENNA	1	CARD COMPLETE SERVICE BANK AG	99.94	
157	DC ELEKTRONISCHE ZAHLUNGSSYSTEME GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	KSG KARTEN-VERRECHNUNGS- UND SERVICEGESELLSCHAFT M.B.H.	100.00	
158	DEBO LEASING IFN S.A. Issued capital RON 724,400	BUCHAREST	BUCHAREST	1	UNICREDIT CONSUMER FINANCING IFN S.A.	0.01	
					UNICREDIT LEASING CORPORATION IFN S.A.	99.99	

	NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
159	DELPHA IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH & CO. GROSSKUGEL BAUABSCHNITT ALPHA MANAGEMENT KG Issued capital EUR 255,650	MUNICH	MUNICH	1	HVB PROJEKT GMBH	100.00	
160	DELPHA IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH & CO. GROSSKUGEL BAUABSCHNITT BETA MANAGEMENT KG Issued capital EUR 255,650	MUNICH	MUNICH	1	HVB PROJEKT GMBH	100.00	
161	DELPHA IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH & CO. GROSSKUGEL BAUABSCHNITT GAMMA MANAGEMENT KG Issued capital EUR 255,650	MUNICH	MUNICH	1	HVB PROJEKT GMBH	100.00	
162	DINERS CLUB CS, S.R.O. Issued capital EUR 995,000	BRATISLAVA	BRATISLAVA	1	DC BANK AG	100.00	
163	DINERS CLUB POLSKA SP.Z.O.O. Issued capital PLN 7,500,000	WARSAW	WARSAW	1	DC BANK AG	100.00	
164	DIRANA LIEGENSCHAFTSVERWERTUNGSGESELLSCHAFT M.B.H. Issued capital EUR 17,500	VIENNA	VIENNA	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
165	DLV IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
166	DOBLERHOF IMMOBILIEN GMBH & CO KG	VIENNA	VIENNA	1	B A I BAUTRAEGER AUSTRIA IMMOBILIEN GMBH	90.00	
	Issued capital EUR 10,000				EUROGATE BETEILIGUNGSVERWALTUNG GMBH	10.00	
167	DOM INWESTYCYJNY XELION SP. Z O.O.	WARSAW	WARSAW	1	BANK PEKAO SA	50.00	
	Issued capital PLN 60,050,000				UNICREDIT SPA	50.00	
168	DOMUS CLEAN REINIGUNGS GMBH Issued capital EUR 17,500	VIENNA	VIENNA	1	UNICREDIT BUSINESS INTEGRATED SOLUTIONS AUSTRIA GMBH	100.00	
169	DONAUMARINA PROJEKTENTWICKLUNG GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	B A I BAUTRAEGER AUSTRIA IMMOBILIEN GMBH	100.00	
170	DR. W. W. DONATH IMMOBILIENVERWALTUNG GMBH Issued capital EUR 37,000	VIENNA	VIENNA	1	B A I BAUTRAEGER AUSTRIA IMMOBILIEN GMBH	100.00	
171	DUODEC Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
172	DV ALPHA GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	PIRTA VERWALTUNGS GMBH	100.00	
173	DV BETEILIGUNGSVERWALTUNGS GMBH IN LIQU. Issued capital EUR 35,000	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
174	EKAZENT GEBAEUDEVERMIETUNG GMBH	VIENNA	VIENNA	1	BA-CA MARKETS & INVESTMENT BETEILIGUNG GES.M.B.H.	0.06	
	Issued capital EUR 1,310,000				EKAZENT REALITAETENGESELLSCHAFT M.B.H.	99.94	
175	EKAZENT IMMOBILIEN MANAGEMENT GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	IMMOBILIEN HOLDING GMBH	100.00	
176	EKAZENT REALITAETENGESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	BA-CA MARKETS & INVESTMENT BETEILIGUNG GES.M.B.H.	0.02	
	Issued capital EUR 4,370,000				IMMOBILIEN HOLDING GMBH	99.98	
177	ELEKTRA PURCHASE NO. 17 S.A. - COMPARTEMENT 2	LUXEMBOURG	LUXEMBOURG	4	UNICREDIT BANK AG	..	(3)
178	ELEKTRA PURCHASE NO. 28 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
179	ELEKTRA PURCHASE NO. 31 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)

Part A – Accounting Policies

	NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	 HOLDING %	VOTING RIGHTS % (2)
180	ELEKTRA PURCHASE NO. 32 S.A.	LUXEMBOURG	LUXEMBOURG	4	UNICREDIT BANK AG	..	(3)
181	ELEKTRA PURCHASE NO. 33 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
182	ELEKTRA PURCHASE NO. 34 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
183	ELEKTRA PURCHASE NO. 35 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
184	ELEKTRA PURCHASE NO. 36 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
185	ELEKTRA PURCHASE NO. 37 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
186	ELEKTRA PURCHASE NO. 38 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
187	ELEKTRA PURCHASE NO. 40 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
188	ELEKTRA PURCHASE NO. 41 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
189	ELEKTRA PURCHASE NO. 42 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
190	ELEKTRA PURCHASE NO. 43 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
191	ELEKTRA PURCHASE NO. 46 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
192	ELEKTRA PURCHASE NO. 47 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
193	ELEKTRA PURCHASE NO. 48 DAC	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
194	ELEKTRA PURCHASE NO. 911 LTD	ST. HELIER	ST. HELIER	4	UNICREDIT BANK AG	..	(3)
195	ERSTE ONSHORE WINDKRAFT BETEILIGUNGSGESELLSCHAFT MBH & CO. WINDPARK GREFRATH KG	OLDENBURG	OLDENBURG	1	WEALTHCAP INVESTORENBETREUUNG GMBH	0.07	
	Issued capital EUR 1,043,889				WEALTHCAP PEIA MANAGEMENT GMBH	68.45	68.20
196	ERSTE ONSHORE WINDKRAFT BETEILIGUNGSGESELLSCHAFT MBH & CO. WINDPARK KRAHENBERG KG	OLDENBURG	OLDENBURG	1	WEALTHCAP INVESTORENBETREUUNG GMBH	0.05	
	Issued capital EUR 1,393,806				WEALTHCAP PEIA MANAGEMENT GMBH	68.49	68.24
197	ERSTE ONSHORE WINDKRAFT BETEILIGUNGSGESELLSCHAFT MBH & CO. WINDPARK MOSE KG	OLDENBURG	OLDENBURG	1	WEALTHCAP INVESTORENBETREUUNG GMBH	0.05	0.06
	Issued capital EUR 1,270,305				WEALTHCAP PEIA MANAGEMENT GMBH	68.48	68.23
198	EUROGATE BETEILIGUNGSVERWALTUNG GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	B A I BAUTRAEGER AUSTRIA IMMOBILIEN GMBH	100.00	
199	EUROGATE PROJEKTENTWICKLUNG GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	B A I BAUTRAEGER AUSTRIA IMMOBILIEN GMBH	100.00	
200	EUROGATE PROJEKTENTWICKLUNG GMBH & CO AREA BETA KG Issued capital EUR 35,000	VIENNA	VIENNA	1	B A I BAUTRAEGER AUSTRIA IMMOBILIEN GMBH	100.00	
201	EUROLEASE AMUN IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
202	EUROLEASE ANUBIS IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
203	EUROLEASE ISIS IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
204	EUROLEASE MARDUK IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
205	EUROLEASE RA IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	

	NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
206	EUROLEASE RAMSES IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 14,398,879				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
207	EUROPA BEFEKTETESI ALAPKEZELOE ZRT (EUROPA INVESTMENT FUND MANAGEMENT LTD.) Issued capital HUF 100,000,000	BUDAPEST	BUDAPEST	1	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00	
208	EUROPE REAL-ESTATE INVESTMENT FUND	BUDAPEST	BUDAPEST	4	UNICREDIT BANK HUNGARY ZRT.	..	(3)
209	EUROPEAN-OFFICE-FONDS	MUNICH	MUNICH	4	UNICREDIT BANK AG	..	(3)
210	EUROVENTURES-AUSTRIA-CA-MANAGEMENT GESMBH Issued capital EUR 36,336	VIENNA	VIENNA	1	CABET-HOLDING GMBH	100.00	
211	EXPANDA IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
212	F-E GOLD SRL (CARTOLARIZZAZIONE : F-E GOLD)	MILAN	MILAN	4	UNICREDIT LEASING S.P.A.	..	(3)
213	F-E MORTGAGES SRL (CARTOLARIZZAZIONE : F-E MORTGAGES 2005)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
214	F-E MORTGAGES SRL (CARTOLARIZZAZIONE : F-E MORTGAGES SERIES 1 - 2003)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
215	FACTORBANK AKTIENGESELLSCHAFT Issued capital EUR 3,000,000	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
216	FCT UCG TIKEHAU Issued capital EUR 14,780,000	PARIS	PARIS	4	UNICREDIT SPA	..	(3)
217	FINECO VERWALTUNG AG (IN LIQUIDATION) Issued capital EUR 50,000	MUNICH	MUNICH	1	UNICREDIT SPA	100.00	
218	FINECOBANK SPA Issued capital EUR 200,245,794	MILAN	REGGIO EMILIA	1	UNICREDIT SPA	55.44	
219	FMC LEASING INGATLANHASZNOSITO KORLATOLT FELELOESSEGUE TARSASAG Issued capital HUF 3,000,000	BUDAPEST	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
220	FMZ SAVARIA SZOLGALTATO KORLATOLT FELELOESSEG TARSASAG Issued capital HUF 3,000,000	BUDAPEST	BUDAPEST	1	UNICREDIT LEASING KFT	75.00	
221	FMZ SIGMA PROJEKTENTWICKLUNGS GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 35,000				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
222	FOLIA LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	99.80	
	Issued capital EUR 1,981,769				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
223	FONDIARIA LASA SPA Issued capital EUR 3,102,000	ROME	ROME	1	NUOVA COMPAGNIA DI PARTECIPAZIONI SPA	100.00	
224	FONDO SIGMA IMMOBILIARE Issued capital EUR 180,100,960	ROME	ROME	4	UNICREDIT SPA	..	(3)
225	FOOD & MORE GMBH Issued capital EUR 100,000	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
226	FORUM POLSKIEGO BIZNESU MEDIA SP.Z O.O. Issued capital PLN 13,758,000	WARSAW	WARSAW	1	PEKAO PROPERTY SA	100.00	
227	FUGATO LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,336	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	100.00	

Part A – Accounting Policies

	NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
228	G.N.E. GLOBAL GRUNDSTUECKSVERWERTUNG GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,337				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
229	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	CALG IMMOBILIEN LEASING GMBH	99.80	
	Issued capital EUR 21,872,755				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
230	GARAGE AM HOF GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	IMMOBILIEN HOLDING GMBH	90.60	
	Issued capital EUR 220,000				SCHOELLERBANK AKTIENGESELLSCHAFT	2.00	
231	GBS GRUNDSTUECKSVERWALTUNGSGESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	CALG ANLAGEN LEASING GMBH	99.00	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	1.00	
232	GEBAEUDELEASING GRUNDSTUCKSVERWALTUNGSGESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	98.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	1.00	
233	GELDILUX-TS-2013 S.A.	LUXEMBOURG	LUXEMBOURG	4	UNICREDIT LUXEMBOURG S.A.	..	(3)
	Issued capital EUR 31,000						
234	GELDILUX-TS-2015 S.A.	LUXEMBOURG	LUXEMBOURG	4	UNICREDIT LUXEMBOURG S.A.	..	(3)
	Issued capital EUR 31,000						
235	GEMEINDELEASING GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	37.30	
	Issued capital EUR 18,333				CALG IMMOBILIEN LEASING GMBH	37.50	
					UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
236	GEMMA VERWALTUNGSGESELLSCHAFT MBH & CO. VERMIETUNGS KG Issued capital EUR 68,325,723	PULLACH	PULLACH	4	ORESTOS IMMOBILIEN-VERWALTUNGS GMBH	6.13	(3)
237	GENERAL LOGISTIC SOLUTIONS LLC Issued capital RUB 142,309,444	MOSCOW	MOSCOW	1	UCTAM RU LIMITED LIABILITY COMPANY	100.00	
238	GIMMO IMMOBILIEN-VERMIETUNGS- UND VERWALTUNGS GMBH Issued capital EUR 25,600	MUNICH	MUNICH	1	TERRENO GRUNDSTUCKSVERWALTUNG GMBH & CO. ENTWICKLUNGS- UND FINANZIERUNGSVERMITTLUNGS-KG	100.00	
239	GOLF- UND COUNTRY CLUB SEDDINER SEE IMMOBILIEN GMBH	MUNICH	MUNICH	1	ANTUS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH	6.00	
	Issued capital EUR 52,500				HVB PROJEKT GMBH	94.00	
240	GRAND CENTRAL FUNDING CORPORATION Issued capital USD 1,000	NEW YORK	NEW YORK	4	UNICREDIT BANK AG	..	(3)
241	GRUNDSTUCKSAKTIENGESELLSCHAFT AM POTSDAMER PLATZ (HAUS VATERLAND) Issued capital EUR 4,086,245	MUNICH	MUNICH	1	TERRENO GRUNDSTUCKSVERWALTUNG GMBH & CO. ENTWICKLUNGS- UND FINANZIERUNGSVERMITTLUNGS-KG	98.24	
242	GRUNDSTUCKSGESELLSCHAFT SIMON BESCHRANKT HAFTENDE KOMMANDITGESELLSCHAF Issued capital EUR 51,500	MUNICH	MUNICH	1	HVB GESELLSCHAFT FUR GEBAUDE MBH & CO KG	100.00	
243	GRUNDSTUECKSVERWALTUNG LINZ-MITTE GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 35,000				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
244	H & B IMMOBILIEN GMBH & CO. OBJEKTE KG Issued capital EUR 5,000	MUNICH	MUNICH	1	HVB GESELLSCHAFT FUR GEBAUDE MBH & CO KG	100.00	
245	H.F.S. IMMOBILIENFONDS GMBH Issued capital EUR 25,565	EBERSBERG	EBERSBERG	1	WEALTHCAP INVESTMENT SERVICES GMBH	100.00	

					OWNERSHIP RELATIONSHIP		
	NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	HELD BY	HOLDING %	VOTING RIGHTS % (2)
246	H.F.S. LEASINGFONDS DEUTSCHLAND 1 GMBH & CO. KG (IMMOBILIENLEASING)	MUNICH	MUNICH	4	HVB IMMOBILIEN AG	..	(3)
	Issued capital EUR 61,170,962				WEALTHCAP REAL ESTATE MANAGEMENT GMBH	0.08	
247	H.F.S. LEASINGFONDS DEUTSCHLAND 7 GMBH & CO. KG	MUNICH	MUNICH	4	HVB PROJEKT GMBH	..	(3)
	Issued capital EUR 56,605,126				WEALTHCAP REAL ESTATE MANAGEMENT GMBH	0.08	
248	HAWA GRUNDSTUCKS GMBH & CO. OHG HOTELVERWALTUNG	MUNICH	MUNICH	1	HVB GESELLSCHAFT FUR GEBAUDE MBH & CO KG	99.50	
	Issued capital EUR 276,200				TIVOLI GRUNDSTUCKS-AKTIENGESELLSCHAFT	0.50	
249	HAWA GRUNDSTUCKS GMBH & CO. OHG IMMOBILIENVERWALTUNG	MUNICH	MUNICH	1	HVB GESELLSCHAFT FUR GEBAUDE MBH & CO KG	99.50	
	Issued capital EUR 54,300				TIVOLI GRUNDSTUCKS-AKTIENGESELLSCHAFT	0.50	
250	HBF PROJEKTENTWICKLUNG ZWEI GMBH & CO KG Issued capital EUR 1,000	VIENNA	VIENNA	1	B A I BAUTRAEGER AUSTRIA IMMOBILIEN GMBH	100.00	
251	HBF PROJEKTENTWICKLUNG DREI GMBH & CO KG Issued capital EUR 1,000	VIENNA	VIENNA	1	B A I BAUTRAEGER AUSTRIA IMMOBILIEN GMBH	100.00	
252	HBF PROJEKTENTWICKLUNG EINS GMBH & CO KG Issued capital EUR 1,000	VIENNA	VIENNA	1	B A I BAUTRAEGER AUSTRIA IMMOBILIEN GMBH	100.00	
253	HELICONUS SRL (CARTOLARIZZAZIONE : HELICONUS)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
254	HERKU LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	74.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
255	HJS 12 BETEILIGUNGSGESELLSCHAFT MBH Issued capital EUR 25,000	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
256	HONEU LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	74.80	
	Issued capital EUR 36,336				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
257	HUMAN RESOURCES SERVICE AND DEVELOPMENT GMBH Issued capital EUR 18,168	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
258	HVB ASSET LEASING LIMITED Issued capital USD 1	LONDON	LONDON	1	UNICREDIT BANK AG	100.00	
259	HVB ASSET MANAGEMENT HOLDING GMBH Issued capital EUR 25,000	MUNICH	MUNICH	1	HVB VERWA 4 GMBH	100.00	
260	HVB CAPITAL LLC Issued capital USD 10,000	WILMINGTON	WILMINGTON	1	UNICREDIT BANK AG	100.00	
261	HVB CAPITAL LLC II Issued capital USD 13	WILMINGTON	WILMINGTON	1	UNICREDIT BANK AG	100.00	
262	HVB CAPITAL LLC III Issued capital USD 10,000	WILMINGTON	WILMINGTON	1	UNICREDIT BANK AG	100.00	
263	HVB CAPITAL PARTNERS AG Issued capital EUR 2,500,000	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
264	HVB EXPORT LEASING GMBH Issued capital EUR 25,600	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
265	HVB FUNDING TRUST	WILMINGTON	WILMINGTON	4	UNICREDIT BANK AG	..	(3)
266	HVB FUNDING TRUST II Issued capital USD 2,328	WILMINGTON	WILMINGTON	1	UNICREDIT BANK AG	100.00	

Part A – Accounting Policies

	NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
267	HVB FUNDING TRUST III	WILMINGTON	WILMINGTON	4	UNICREDIT BANK AG	..	(3)
268	HVB GESELLSCHAFT FUR GEBAUDE BETEILIGUNGS GMBH Issued capital EUR 25,000	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
269	HVB GESELLSCHAFT FUR GEBAUDE MBH & CO KG Issued capital EUR 10,000,000	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
270	HVB HONG KONG LIMITED Issued capital USD 129	HONG KONG	HONG KONG	1	UNICREDIT BANK AG	100.00	
271	HVB IMMOBILIEN AG Issued capital EUR 520,000	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
272	HVB INVESTMENTS (UK) LIMITED Issued capital GBP 2	GEORGE TOWN	GEORGE TOWN	1	UNICREDIT BANK AG	100.00	
273	HVB LEASING CZECH REPUBLIC S.R.O. Issued capital CZK 49,632,000	PRAGUE	PRAGUE	1	UNICREDIT LEASING CZ, A.S.	100.00	
274	HVB LIFE SCIENCE GMBH & CO. BETEILIGUNGS-KG Issued capital EUR 1,025,000	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
275	HVB LONDON INVESTMENTS (AVON) LIMITED Issued capital GBP 2	LONDON	LONDON	1	UNICREDIT BANK AG	100.00	
276	HVB PROFIL GESELLSCHAFT FUR PERSONALMANAGEMENT MBH Issued capital EUR 26,000	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
277	HVB PROJEKT GMBH	MUNICH	MUNICH	1	HVB IMMOBILIEN AG	94.00	
	Issued capital EUR 24,543,000				UNICREDIT BANK AG	6.00	
278	HVB SECUR GMBH Issued capital EUR 50,000	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
279	HVB TECTA GMBH	MUNICH	MUNICH	1	HVB IMMOBILIEN AG	94.00	
	Issued capital EUR 1,534,000				UNICREDIT BANK AG	6.00	
280	HVB VERWA 1 GMBH Issued capital EUR 51,200	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
281	HVB VERWA 4 GMBH Issued capital EUR 26,000	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
282	HVB VERWA 4.4 GMBH Issued capital EUR 25,000	MUNICH	MUNICH	1	HVB VERWA 4 GMBH	100.00	
283	HVB-LEASING FORTE INGATLANHASNOSITO KORLATOLT FELELOESSEGUE TARSASAG Issued capital HUF 3,000,000	BUDAPEST	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
284	HVB-LEASING GARO INGATLANHSZNOSITO KORLATOLT FELELOESSEGUE TARSASAG Issued capital HUF 3,100,000	BUDAPEST	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
285	HVB-LEASING JUPITER INGATLANHASZNOSITO KORLATOLT FELELOESSEGUE TARSASAG Issued capital HUF 3,000,000	BUDAPEST	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
286	HVB-LEASING LAMOND INGATLANHASZNOSITO KFT (IN LIQUIDAZIONE) Issued capital HUF 3,000,000	BUDAPEST	BUDAPEST	1	UNICREDIT LEASING S.P.A.	100.00	
287	HVB-LEASING MAESTOSO INGATLANHASZNOSITO KFT. Issued capital HUF 3,100,000	BUDAPEST	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
288	HVB-LEASING ROCCA INGATLANHASZNOSITO KORLATOLT FELELOESSEGUE TARSASAG Issued capital HUF 3,000,000	BUDAPEST	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
289	HVB-LEASING RUBIN KFT. Issued capital HUF 3,000,000	BUDAPEST	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	

	NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
290	HVB-LEASING SMARAGD KFT. Issued capital HUF 3,000,000	BUDAPEST	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
291	HVBFF INTERNATIONAL GREECE GMBH Issued capital EUR 25,000	MUNICH	MUNICH	1	HVBFF INTERNATIONALE LEASING GMBH	100.00	
292	HVBFF INTERNATIONALE LEASING GMBH Issued capital EUR 26,000	MUNICH	MUNICH	1	HVBFF OBJEKT BETEILIGUNGS GMBH	10.00	
					WEALTHCAP PEIA MANAGEMENT GMBH	90.00	
293	HVBFF OBJEKT BETEILIGUNGS GMBH Issued capital EUR 25,000	MUNICH	MUNICH	1	WEALTHCAP PEIA MANAGEMENT GMBH	100.00	
294	HVZ GMBH & CO. OBJEKT KG Issued capital EUR 148,090,766	MUNICH	MUNICH	1	PORTIA GRUNDSTUCKS-VERWALTUNGSGESELLSCHAFT MBH & CO. OBJEKT KG	100.00	
295	HYPO-BANK VERWALTUNGSZENTRUM GMBH Issued capital EUR 25,600	MUNICH	MUNICH	1	PORTIA GRUNDSTUCKS-VERWALTUNGSGESELLSCHAFT MBH & CO. OBJEKT KG	100.00	
296	HYPO-BANK VERWALTUNGSZENTRUM GMBH & CO. KG OBJEKT ARABELLASTRASSE Issued capital EUR 25,600	MUNICH	MUNICH	1	HVB GESELLSCHAFT FUR GEBAUDE MBH & CO KG	100.00	
297	HYPO-REAL HAUS- UND GRUNDBESITZ GESELLSCHAFT MBH & CO. IMMOBILIEN-VERMIETUNGS KG Issued capital EUR 7,669,500	MUNICH	MUNICH	1	HVB PROJEKT GMBH	80.00	
298	HYPOVEREINSFINANCE N.V. Issued capital EUR 181,512	AMSTERDAM	AMSTERDAM	1	UNICREDIT BANK AG	100.00	
299	I-FABER SPA Issued capital EUR 5,652,174	MILAN	MILAN	1	UNICREDIT SPA	88.32	
300	IMMOBILIEN HOLDING GMBH Issued capital EUR 36,336	VIENNA	VIENNA	1	ZETA FUENF HANDELS GMBH	100.00	
301	IMMOBILIEN RATING GMBH Issued capital EUR 50,000	VIENNA	VIENNA	1	BANK AUSTRIA REAL INVEST IMMOBILIEN-MANAGEMENT GMBH	61.00	
					UNICREDIT BANK AUSTRIA AG	19.00	
					UNICREDIT LEASING (AUSTRIA) GMBH	19.00	
302	IMMOBILIENLEASING GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	ARNO GRUNDSTUECKSVERWALTUNGS GESELLSCHAFT M.B.H.	74.80	
					UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
303	IMU IMMOBILIENENTWICKLUNG MUTHGASSE GMBH & CO KG Issued capital EUR 2,500	VIENNA	VIENNA	1	B A I BAUTRAEGER AUSTRIA IMMOBILIEN GMBH	60.00	
304	INTERRA GESELLSCHAFT FUR IMMOBILIENVERWALTUNG MBH Issued capital EUR 26,000	MUNICH	MUNICH	1	HVB IMMOBILIEN AG	93.85	
					UNICREDIT BANK AG	6.15	
305	INTRO LEASING GESELLSCHAFT M.B.H. Issued capital EUR 36,336	VIENNA	VIENNA	1	PROJEKT-LEASE GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	100.00	
306	INV TOTALUNTERNEHMER GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	B A I BAUTRAEGER AUSTRIA IMMOBILIEN GMBH	100.00	
307	ISB UNIVERSALE BAU GMBH Issued capital EUR 6,288,890	BERLIN	BERLIN	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
308	IVONA BETEILIGUNGSVERWALTUNG GMBH Issued capital EUR 18,168	VIENNA	VIENNA	1	BA IMMO GEWINNSCHEIN FONDS1	100.00	
309	JAUSERN-LEASING GESELLSCHAFT M.B.H. Issued capital EUR 2,802,537	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	100.00	

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	NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
310	JOHA GEBAEUDE- ERRICHTUNGS- UND VERMIETUNGS- GESELLSCHAFT M.B.H. Issued capital EUR 37,000	LEONDING	LEONDING	1	UNO-EINKAUFSZENTRUM-VERWALTUNGSGESELLSCHAFT M.B.H.	99.03	
311	KAISERWASSER BAU- UND ERRICHTUNGS GMBH UND CO OG	VIENNA	VIENNA	1	RAMSES-IMMOBILIENHOLDING GMBH	..	100.00
	Issued capital EUR 36,336				UNICREDIT BANK AUSTRIA AG	99.80	..
312	KLEA TERRAIN- UND BAU-GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	BA-CA MARKETS & INVESTMENT BETEILIGUNG GES.M.B.H.	..	
	Issued capital EUR 3,650,000				IMMOBILIEN HOLDING GMBH	100.00	
313	KLEA ZS-IMMOBILIENVERMIETUNG G.M.B.H.	VIENNA	VIENNA	1	PAYTRIA UNTERNEHMENSBETEILIGUNGEN GMBH	0.20	
	Issued capital EUR 36,336				UNICREDIT BANK AUSTRIA AG	99.80	
314	KLEA ZS-LIEGENSCHAFTSVERMIETUNG G.M.B.H.	VIENNA	VIENNA	1	PAYTRIA UNTERNEHMENSBETEILIGUNGEN GMBH	0.20	
	Issued capital EUR 36,336				UNICREDIT BANK AUSTRIA AG	99.80	
315	KSG KARTEN-VERRECHNUNGS- UND SERVICEGESELLSCHAFT M.B.H. Issued capital EUR 44,000	VIENNA	VIENNA	1	CARD COMPLETE SERVICE BANK AG	100.00	
316	KUNSTHAUS LEASING GMBH	VIENNA	VIENNA	1	KUTRA GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	5.00	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	95.00	
317	KUR- UND SPORTHOTEL GESELLSCHAFT M.B.H.	KITZBUHEL	KITZBUHEL	1	BA-CA MARKETS & INVESTMENT BETEILIGUNG GES.M.B.H.	..	
	Issued capital EUR 3,650,000				KLEA TERRAIN- UND BAU-GESELLSCHAFT M.B.H.	100.00	
318	KUTRA GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	CALG DELTA GRUNDSTUECKVERWALTUNG GMBH	99.80	
	Issued capital EUR 36,337				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
319	LAGERMAX LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
320	LAGEV IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
321	LARGE CORPORATE ONE SRL (CARTOLARIZZAZIONE: LARGE CORPORATE ONE)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
322	LARGO LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	1.00	
					VAPE COMMUNA LEASINGGESELLSCHAFT M.B.H.	98.80	
323	LASSALLESTRASSE BAU-, PLANUNGS-, ERRICHTUNGS- UND VERWERTUNGSGESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	PAYTRIA UNTERNEHMENSBETEILIGUNGEN GMBH	1.00	
	Issued capital EUR 36,336				UNICREDIT BANK AUSTRIA AG	99.00	
324	LEASFINANZ BANK GMBH Issued capital EUR 5,136,500	VIENNA	VIENNA	1	BACA LEASING UND BETEILIGUNGSMANAGEMENT GMBH	100.00	
325	LEASFINANZ GMBH Issued capital EUR 672,053	VIENNA	VIENNA	1	BACA LEASING UND BETEILIGUNGSMANAGEMENT GMBH	100.00	
326	LEGATO LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	74.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	25.00	

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327	LELEV IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	99.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
328	LIFE MANAGEMENT ERSTE GMBH	MUNICH	MUNICH	1	WEALTHCAP PEIA MANAGEMENT GMBH	100.00	
	Issued capital EUR 25,000						
329	LIFE MANAGEMENT ZWEITE GMBH	GRUNWALD	GRUNWALD	1	WEALTHCAP PEIA MANAGEMENT GMBH	100.00	
	Issued capital EUR 26,000						
330	LINDENGASSE BUROHAUSGESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	BA-CA MARKETS & INVESTMENT BETEILIGUNG GES.M.B.H.	0.20	
	Issued capital EUR 37,000				KLEA TERRAIN- UND BAU-GESELLSCHAFT M.B.H.	99.80	
331	LINO HOTEL-LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
332	LIPARK LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	74.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
333	LIVA IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 38,731				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
334	LLC UKROTSBUD	KIEV	KIEV	1	PUBLIC JOINT STOCK COMPANY UKRSOTSBANK	100.00	
	Issued capital UAH 150,000,000						
335	LOCAT CROATIA DOO	ZAGREB	ZAGREB	1	ZAGREBACKA BANKA D.D.	100.00	
	Issued capital HRK 39,000,000						
336	LOCAT SV SRL (CARTOLARIZZAZIONE : SERIE 2005)	CONEGLIANO	CONEGLIANO	4	UNICREDIT LEASING S.P.A.	..	(3)
337	LOCAT SV SRL (CARTOLARIZZAZIONE : SERIE 2006)	CONEGLIANO	CONEGLIANO	4	UNICREDIT LEASING S.P.A.	..	(3)
338	LOCAT SV SRL (CARTOLARIZZAZIONE : SERIE 2014)	CONEGLIANO	CONEGLIANO	4	UNICREDIT LEASING S.P.A.	..	(3)
339	LTD SI&C AMC UKRSOTS REAL ESTATE (IN LIQUIDAZIONE)	KIEV	KIEV	1	PUBLIC JOINT STOCK COMPANY UKRSOTSBANK	100.00	
	Issued capital UAH 7,000,000						
340	M. A. V. 7., BANK AUSTRIA LEASING BAUTRAEGER GMBH & CO.OG.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	1.96	
	Issued capital EUR 3,707				UNICREDIT LUNA LEASING GMBH	98.04	
341	M.A.I.L. BETEILIGUNGSMANAGEMENT GESELLSCHAFT M.B.H. & CO. MCL THETA KG	VIENNA	VIENNA	1	TREUCONSULT BETEILIGUNGSGESELLSCHAFT M.B.H.	100.00	..
	Issued capital EUR 1,000				TREUCONSULT PROPERTY BETA GMBH	..	100.00
342	MARTIANEZ COMERCIAL, SOCIEDAD ANONIMA	PUERTO DE LA CRUZ	PUERTO DE LA CRUZ	1	BF NINE HOLDING GMBH	100.00	
	Issued capital EUR 3,449,740						
343	MBC IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
344	MCL RE LJUBLJANA, POSLOVNI NAJEM NEPREMI NIN, D.O.O. Issued capital EUR 7,500	LJUBLJANA	LJUBLJANA	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
345	MENUETT GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,337				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
346	MERKURHOF GRUNDSTUCKSGESELLSCHAFT MIT BESCHRANKTER HAFTUNG	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
	Issued capital EUR 5,112,919						

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	NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
347	MIK 2012 KARLATOLT FELELOESSEGUE TARSASAG Issued capital HUF 3,000,000	BUDAPEST	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
348	MILLETERRA GESELLSCHAFT FUR IMMOBILIENVERWALTUNG MBH Issued capital EUR 25,000	MUNICH	MUNICH	1	HVB IMMOBILIEN AG	100.00	
349	MM OMEGA PROJEKTENTWICKLUNGS GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 35,000				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
350	MOBILITY CONCEPT GMBH Issued capital EUR 4,000,000	OBERHACHING	OBERHACHING	1	UNICREDIT LEASING GMBH	60.00	
351	MOC VERWALTUNGS GMBH & CO. IMMOBILIEN KG Issued capital EUR 5,112,940	MUNICH	MUNICH	4	HVB PROJEKT GMBH	23.00	(3)
352	MOEGRA LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	74.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
353	MOVIE MARKET BETEILIGUNGS GMBH Issued capital EUR 25,000	MUNICH	MUNICH	1	WEALTHCAP PEIA MANAGEMENT GMBH	100.00	
354	MY DREI HANDELS GMBH Issued capital EUR 17,500	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
355	NAGE LOKALVERMIETUNGSGESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
356	NEWSTONE MORTGAGE SECURITIES NO.1 PLC	LONDON	LONDON	4	REDSTONE MORTGAGES LIMITED	..	(3)
357	NF OBJEKT FFM GMBH Issued capital EUR 25,000	MUNICH	MUNICH	1	HVB IMMOBILIEN AG	100.00	
358	NF OBJEKT MUNCHEN GMBH Issued capital EUR 25,000	MUNICH	MUNICH	1	HVB IMMOBILIEN AG	100.00	
359	NF OBJEKTE BERLIN GMBH Issued capital EUR 25,000	MUNICH	MUNICH	1	HVB IMMOBILIEN AG	100.00	
360	NOE HYPO LEASING ASTRICTA GRUNDSTUECKVERMIETUNGS GESELLSCHAFT M.B.H. Issued capital EUR 36,337	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	95.00	
361	NORDBAHNHOF PROJEKTE HOLDING GMBH	VIENNA	VIENNA	1	BA-CA MARKETS & INVESTMENT BETEILIGUNG GES.M.B.H.	7.00	
	Issued capital EUR 35,000				UNICREDIT BANK AUSTRIA AG	93.00	
362	NUOVA COMPAGNIA DI PARTECIPAZIONI SPA Issued capital EUR 200,000	ROME	ROME	1	UNICREDIT SPA	100.00	
363	OCEAN BREEZE ASSET GMBH & CO. KG Issued capital EUR 2,000	BREMEN	BREMEN	1	OCEAN BREEZE ENERGY GMBH & CO. KG	100.00	
364	OCEAN BREEZE ENERGY GMBH & CO. KG Issued capital EUR 2,000	BREMEN	BREMEN	1	HJS 12 BETEILIGUNGSGESELLSCHAFT MBH	100.00	
365	OCEAN BREEZE FINANCE S.A. - COMPARTMENT 1	LUXEMBOURG	LUXEMBOURG	4	UNICREDIT BANK AG	..	(3)
366	OCEAN BREEZE GMBH Issued capital EUR 25,000	BREMEN	BREMEN	1	OCEAN BREEZE ENERGY GMBH & CO. KG	100.00	
367	OCT Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	

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368	OLG HANDELS- UND BETEILIGUNGSVERWALTUNGSGESELLSCHAFT M.B.H. Issued capital EUR 36,336	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	100.00	
369	OMNIA GRUNDSTUCKS-GMBH & CO. OBJEKT EGGENFELDENER STRASSE KG Issued capital EUR 26,000	MUNICH	MUNICH	1	HVB IMMOBILIEN AG	94.00	
					UNICREDIT BANK AG	6.00	
370	OMNIA GRUNDSTUCKS-GMBH & CO. OBJEKT HAIDENAUPLATZ KG Issued capital EUR 26,000	MUNICH	MUNICH	1	HVB IMMOBILIEN AG	94.00	
					UNICREDIT BANK AG	6.00	
371	OMNIA GRUNDSTUECKS-GMBH & CO. OBJEKT PERLACH KG Issued capital EUR 5,125,701	MUNICH	MUNICH	1	OMNIA GRUNDSTUCKS-GMBH	..	0.99
					ORESTOS IMMOBILIEN-VERWALTUNGS GMBH	94.78	93.87
					WEALTHCAP LEASING GMBH	5.22	5.14
372	OOO UNICREDIT LEASING Issued capital RUR 149,160,248	MOSCOW	MOSCOW	1	AO UNICREDIT BANK	100.00	
373	ORESTOS IMMOBILIEN-VERWALTUNGS GMBH Issued capital EUR 10,149,150	MUNICH	MUNICH	1	HVB PROJEKT GMBH	100.00	
374	OSI OFF-SHORE SERVICE INVEST GMBH	HAMBURG	HAMBURG	4	UNICREDIT BANK AG	..	(3)
375	OTHMARSCHEN PARK HAMBURG GMBH & CO. CENTERPARK KG Issued capital EUR 51,129	MUNICH	MUNICH	1	HVB PROJEKT GMBH	10.00	
					T & P FRANKFURT DEVELOPMENT B.V.	30.00	
					T & P VASTGOED STUTTGART B.V.	60.00	
376	OTHMARSCHEN PARK HAMBURG GMBH & CO. GEWERBEPARK KG Issued capital EUR 51,129	MUNICH	MUNICH	1	HVB PROJEKT GMBH	10.00	
					T & P FRANKFURT DEVELOPMENT B.V.	30.00	
					T & P VASTGOED STUTTGART B.V.	60.00	
377	OWS LOGISTIK GMBH Issued capital EUR 12,500	EMDEN	EMDEN	4	OSI OFF-SHORE SERVICE INVEST GMBH	..	(3)
378	OWS NATALIA BEKKER GMBH & CO. KG Issued capital EUR 1,000	EMDEN	EMDEN	4	OWS LOGISTIK GMBH	..	(3)
379	OWS OCEAN ZEPHYR GMBH & CO. KG Issued capital EUR 6,000	EMDEN	EMDEN	4	OWS OFF-SHORE WIND SOLUTIONS GMBH	..	(3)
380	OWS OFF-SHORE WIND SOLUTIONS GMBH Issued capital EUR 25,000	EMDEN	EMDEN	4	OSI OFF-SHORE SERVICE INVEST GMBH	..	(3)
381	OWS WINDLIFT 1 CHARTER GMBH & CO. KG Issued capital EUR 1,000	EMDEN	EMDEN	4	OWS LOGISTIK GMBH	..	(3)
382	PALAIS ROTHSCHILD VERMIETUNGS GMBH & CO OG Issued capital EUR 2,180,185	VIENNA	VIENNA	1	SCHOELLERBANK AKTIENGESELLSCHAFT	100.00	
383	PARZHOF-ERRICHTUNGS- UND VERWERTUNGSGESELLSCHAFT M.B.H. Issued capital EUR 36,500	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	99.60	
					UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	0.20	
384	PAYTRIA UNTERNEHMENSBETEILIGUNGEN GMBH Issued capital EUR 36,336	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
385	PEKAO BANK HIPOTECZNY S.A. Issued capital PLN 223,000,000	WARSAW	WARSAW	1	BANK PEKAO SA	100.00	
386	PEKAO FAKTORING SP. ZOO Issued capital PLN 50,587,900	LUBLIN	LUBLIN	1	BANK PEKAO SA	100.00	
387	PEKAO FINANCIAL SERVICES SP. ZOO Issued capital PLN 4,500,000	WARSAW	WARSAW	1	BANK PEKAO SA	100.00	

Part A – Accounting Policies

	NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
388	PEKAO FUNDUSZKAPITA OWY SP. Z O.O. IN LIQUIDATION Issued capital PLN 51,380,000	WARSAW	WARSAW	1	BANK PEKAO SA	100.00	
389	PEKAO INVESTMENT BANKING SA Issued capital PLN 225,141,851	WARSAW	WARSAW	1	BANK PEKAO SA	100.00	
390	PEKAO LEASING HOLDING S.A.IN LIQUIDATION	WARSAW	WARSAW	1	BANK PEKAO SA	100.00	
391	PEKAO LEASING SP ZO.O. Issued capital PLN 241,588,600	WARSAW	WARSAW	1	BANK PEKAO SA	100.00	
392	PEKAO PIONEER P.T.E. SA	WARSAW	WARSAW	1	BANK PEKAO SA	65.00	
	Issued capital PLN 20,760,000				PIONEER GLOBAL ASSET MANAGEMENT SPA	35.00	
393	PEKAO PROPERTY SA Issued capital PLN 51,346,400	WARSAW	WARSAW	1	BANK PEKAO SA	100.00	
394	PELOPS LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	EUROLEASE RAMSES IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	99.80	
	Issued capital EUR 36,337				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
395	PENSIONSKASSE DER HYPO VEREINSBANK VVAG	MUNICH	MUNICH	4	UNICREDIT BANK AG	..	(3)
396	PERIKLES 20092 VERMOGENSVERWALTUNG GMBH Issued capital EUR 25,000	BREMEN	BREMEN	1	HJS 12 BETEILIGUNGSGESELLSCHAFT MBH	100.00	
397	PIANA LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
398	PIONEER ALTERNATIVE INVESTMENT MANAGEMENT (BERMUDA) LIMITED Issued capital USD 12,000	HAMILTON	HAMILTON	1	PIONEER GLOBAL ASSET MANAGEMENT SPA	100.00	
399	PIONEER ALTERNATIVE INVESTMENT MANAGEMENT LTD Issued capital EUR 1,032,000	DUBLIN	DUBLIN	1	PIONEER GLOBAL ASSET MANAGEMENT SPA	100.00	
400	PIONEER ALTERNATIVE INVESTMENTS (ISRAEL) LTD Issued capital ILS 50,000	RAMAT GAN.	RAMAT GAN	1	PIONEER GLOBAL ASSET MANAGEMENT SPA	100.00	
401	PIONEER ALTERNATIVE INVESTMENTS (NEW YORK) LTD Issued capital USD 1	DOVER	NEW YORK	1	PIONEER GLOBAL ASSET MANAGEMENT SPA	100.00	
402	PIONEER ASSET MANAGEMENT AS Issued capital CZK 27,000,000	PRAGUE	PRAGUE	1	PIONEER GLOBAL ASSET MANAGEMENT SPA	100.00	
403	PIONEER ASSET MANAGEMENT S.A.I. S.A.	BUCHAREST	BUCHAREST	1	PIONEER GLOBAL ASSET MANAGEMENT SPA	97.42	
	Issued capital RON 3,022,000				UNICREDIT BANK S.A.	2.58	
404	PIONEER ASSET MANAGEMENT SA Issued capital EUR 10,000,000	LUXEMBOURG	LUXEMBOURG	1	PIONEER GLOBAL ASSET MANAGEMENT SPA	100.00	
405	PIONEER FUNDS DISTRIBUTOR INC Issued capital USD 2,060	BOSTON	BOSTON	1	PIONEER INVESTMENT MANAGEMENT INC	100.00	
406	PIONEER GLOBAL ASSET MANAGEMENT SPA Issued capital EUR 1,219,463,434	MILAN	MILAN	1	UNICREDIT SPA	100.00	
407	PIONEER GLOBAL FUNDS DISTRIBUTOR LTD Issued capital EUR 12,900	HAMILTON	HAMILTON	1	PIONEER GLOBAL ASSET MANAGEMENT SPA	100.00	
408	PIONEER GLOBAL INVESTMENTS (AUSTRALIA) PTY LIMITED Issued capital AUD 3,980,000	SYDNEY	SYDNEY	1	PIONEER GLOBAL ASSET MANAGEMENT SPA	100.00	
409	PIONEER GLOBAL INVESTMENTS (TAIWAN) LTD. Issued capital TWD 70,000,000	TAIPEI	TAIPEI	1	PIONEER GLOBAL ASSET MANAGEMENT SPA	100.00	
410	PIONEER GLOBAL INVESTMENTS LIMITED Issued capital EUR 752,500	DUBLIN	DUBLIN	1	PIONEER GLOBAL ASSET MANAGEMENT SPA	100.00	
411	PIONEER INSTITUTIONAL ASSET MANAGEMENT INC Issued capital USD 1,000	WILMINGTON	BOSTON	1	PIONEER INVESTMENT MANAGEMENT USA INC.	100.00	

	NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
412	PIONEER INVESTMENT COMPANY AS Issued capital CZK 61,000,000	PRAGUE	PRAGUE	1	PIONEER GLOBAL ASSET MANAGEMENT SPA	100.00	
413	PIONEER INVESTMENT FUND MANAGEMENT LIMITED Issued capital HUF 100,000,000	BUDAPEST	BUDAPEST	1	PIONEER GLOBAL ASSET MANAGEMENT SPA	100.00	
414	PIONEER INVESTMENT MANAGEMENT INC Issued capital USD 20,990	WILMINGTON	BOSTON	1	PIONEER INVESTMENT MANAGEMENT USA INC.	100.00	
415	PIONEER INVESTMENT MANAGEMENT LIMITED Issued capital EUR 1,032,912	DUBLIN	DUBLIN	1	PIONEER GLOBAL ASSET MANAGEMENT SPA	100.00	
416	PIONEER INVESTMENT MANAGEMENT SOC. DI GESTIONE DEL RISPARMIO PER AZ Issued capital EUR 51,340,995	MILAN	MILAN	1	PIONEER GLOBAL ASSET MANAGEMENT SPA	100.00	
417	PIONEER INVESTMENT MANAGEMENT USA INC. Issued capital USD 1	WILMINGTON	BOSTON	1	PIONEER GLOBAL ASSET MANAGEMENT SPA	100.00	
418	PIONEER INVESTMENTS (SCHWEIZ) GMBH Issued capital CHF 20,000	ZURICH	ZURICH	1	PIONEER GLOBAL ASSET MANAGEMENT SPA	100.00	
419	PIONEER INVESTMENTS AUSTRIA GMBH Issued capital EUR 5,000,000	VIENNA	VIENNA	1	PIONEER GLOBAL ASSET MANAGEMENT SPA	100.00	
420	PIONEER INVESTMENTS KAPITALANLAGEGESELLSCHAFT MBH Issued capital EUR 6,500,000	MUNICH	MUNICH	1	PIONEER GLOBAL ASSET MANAGEMENT SPA	100.00	
421	PIONEER PEKAO INVESTMENT FUND COMPANY SA (POLISH NAME: PIONEER PEKAO TFI SA) Issued capital PLN 37,804,000	WARSAW	WARSAW	1	PIONEER PEKAO INVESTMENT MANAGEMENT SA	100.00	
422	PIONEER PEKAO INVESTMENT MANAGEMENT SA	WARSAW	WARSAW	1	BANK PEKAO SA	49.00	
	Issued capital PLN 28,914,000				PIONEER GLOBAL ASSET MANAGEMENT SPA	51.00	
423	PIRTA VERWALTUNGS GMBH Issued capital EUR 2,067,138	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
424	POLLUX IMMOBILIEN GMBH	VIENNA	VIENNA	1	PAYTRIA UNTERNEHMENSBETEILIGUNGEN GMBH	0.20	
	Issued capital EUR 36,500				UNICREDIT BANK AUSTRIA AG	99.80	
425	POMINVEST DD Issued capital HRK 17,434,000	SPLIT	SPLIT	1	ZAGREBACKA BANKA D.D.	88.66	88.95
426	PORTIA GRUNDSTUCKS-VERWALTUNGSGESELLSCHAFT MBH & CO. OBJEKT KG Issued capital EUR 500,013,550	MUNICH	MUNICH	1	HVB GESELLSCHAFT FUR GEBAUDE MBH & CO KG	100.00	
427	PORTIA GRUNDSTUCKSVERWALTUNGS-GESELLSCHAFT MIT BESCHRANKTER HAFTUNG Issued capital EUR 25,600	MUNICH	MUNICH	1	HVB GESELLSCHAFT FUR GEBAUDE MBH & CO KG	100.00	
428	POSATO LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	74.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
429	PRELUDE GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	98.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	1.00	
430	PRIVATE JOINT STOCK COMPANY FERROTRADE INTERNATIONAL IN LIQUIDATION Issued capital UAH 130,673,000	KIEV	KIEV	1	PUBLIC JOINT STOCK COMPANY UKRSOTSBANK	100.00	

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	NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
431	PRO WOHNBAU AG	VIENNA	VIENNA	1	IMMOBILIEN HOLDING GMBH	99.69	
	Issued capital EUR 23,621,113				KLEA TERRAIN- UND BAU-GESELLSCHAFT M.B.H.	0.31	
432	PROJEKT-LEASE GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	ARNO GRUNDSTUECKSVERWALTUNGS GESELLSCHAFT M.B.H.	74.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
433	PRVA STAMBENA STEDIONICA DD ZAGREB	ZAGREB	ZAGREB	1	ZAGREBACKA BANKA D.D.	100.00	
	Issued capital HRK 80,000,000						
434	PUBLIC JOINT STOCK COMPANY UKRSOTSBANK	KIEV	KIEV	1	UNICREDIT BANK AUSTRIA AG	68.54	
	Issued capital UAH 16,673,139,688				UNICREDIT SPA	31.37	
435	PURE FUNDING NO 10 LTD	DUBLIN	DUBLIN	4	UNICREDIT BANK AG	..	(3)
436	QUADEC Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
437	QUART Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	CALG ANLAGEN LEASING GMBH	99.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
438	QUINT Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
439	RAMSES IMMOBILIEN GESELLSCHAFT M.B.H. & CO OG	VIENNA	VIENNA	1	PAYTRIA UNTERNEHMENSBETEILIGUNGEN GMBH	0.50	
	Issued capital EUR 36,500				RAMSES-IMMOBILIENHOLDING GMBH	0.20	
					UNICREDIT BANK AUSTRIA AG	99.30	
440	RANA-LIEGENSCHAFTSVERWERTUNG GMBH	VIENNA	VIENNA	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	99.90	
	Issued capital EUR 72,700						
441	REAL ESTATE MANAGEMENT POLAND SP. Z O.O.	WARSAW	WARSAW	1	UNICREDIT LEASING S.P.A.	100.00	
	Issued capital PLN 124,500						
442	REAL INVEST EUROPE D BA RI KAG	VIENNA	VIENNA	4	UNICREDIT BANK AUSTRIA AG	..	(3)
443	REAL INVEST IMMOBILIEN GMBH	VIENNA	VIENNA	1	TREUCONSULT BETEILIGUNGSGESELLSCHAFT M.B.H.	99.00	
	Issued capital EUR 36,400						
444	REAL-LEASE GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
445	REAL-RENT LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 73,000				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
446	REDSTONE MORTGAGES LIMITED	LONDON	LONDON	1	UNICREDIT BANK AG	100.00	
	Issued capital GBP 100,000						
447	REGEV REALITAETENVERWERTUNGSGESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 726,728				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
448	RHOTERRA GESELLSCHAFT FUR IMMOBILIENVERWALTUNG MBH	MUNICH	MUNICH	1	HVB IMMOBILIEN AG	93.85	
	Issued capital EUR 26,000				UNICREDIT BANK AG	6.15	

	NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
449	RIGEL IMMOBILIEN GMBH	VIENNA	VIENNA	1	PAYTRIA UNTERNEHMENSBETEILIGUNGEN GMBH	0.20	
	Issued capital EUR 36,500				UNICREDIT BANK AUSTRIA AG	99.80	
450	RONCASA IMMOBILIEN-VERWALTUNGS GMBH	MUNICH	MUNICH	1	HVB PROJEKT GMBH	100.00	
	Issued capital EUR 256,000						
451	ROSENKAVALIER 2008 GMBH	FRANKFURT	FRANKFURT	4	UNICREDIT BANK AG	..	(3)
452	ROSENKAVALIER 2015 UG	FRANKFURT	FRANKFURT	4	UNICREDIT BANK AG	..	(3)
453	RSB ANLAGENVERMIETUNG GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	CALG IMMOBILIEN LEASING GMBH	99.80	
	Issued capital EUR 36,337				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
454	RVT BAUTRAEGER GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	IMMOBILIEN HOLDING GMBH	100.00	
	Issued capital EUR 37,000						
455	SALONE SPA	ROME	ROME	1	UNICREDIT SPA	100.00	
	Issued capital EUR 100,000						
456	SALVATORPLATZ-GRUNDSTUCKSGESELLSCHAFT MBH & CO. OHG SAARLAND	MUNICH	MUNICH	1	HVB GESELLSCHAFT FUR GEBAUDE MBH & CO KG	100.00	
	Issued capital EUR 1,533,900						
457	SALVATORPLATZ-GRUNDSTUCKSGESELLSCHAFT MBH & CO. OHG VERWALTUNGSZENTRUM	MUNICH	MUNICH	1	PORTIA GRUNDSTUCKS-VERWALTUNGSGESELLSCHAFT MBH & CO. OBJEKT KG	97.78	
	Issued capital EUR 2,300,850				TIVOLI GRUNDSTUCKS-AKTIENGESELLSCHAFT	2.22	
458	SALVATORPLATZ-GRUNDSTUECKSGESELLSCHAFT MIT BESCHRAENKTER HAFTUNG	MUNICH	MUNICH	1	PORTIA GRUNDSTUCKS-VERWALTUNGSGESELLSCHAFT MBH & CO. OBJEKT KG	100.00	
	Issued capital EUR 511,300						
459	SANITA' - S.R.L. IN LIQUIDAZIONE	ROME	ROME	1	UNICREDIT SPA	99.60	
	Issued capital EUR 5,164,333						
460	SAS-REAL INGATLANUEZEMELTETOE ES KEZELOE KFT. (ENGLISH :SAS-REAL KFT)	BUDAPEST	BUDAPEST	1	UNICREDIT BANK HUNGARY ZRT.	100.00	
	Issued capital HUF 750,000,000						
461	SCHOELLERBANK AKTIENGESELLSCHAFT	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
	Issued capital EUR 20,000,000						
462	SCHOELLERBANK INVEST AG	SALZBURG	SALZBURG	1	SCHOELLERBANK AKTIENGESELLSCHAFT	100.00	
	Issued capital EUR 2,543,549						
463	SECA-LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	CALG DELTA GRUNDSTUECKVERWALTUNG GMBH	74.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
464	SEDEC Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
465	SELFOSS BETEILIGUNGSGESELLSCHAFT MBH	GRUNWALD	GRUNWALD	1	HVB PROJEKT GMBH	100.00	
	Issued capital EUR 25,000						
466	SEXT Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H	VIENNA	VIENNA	1	CALG DELTA GRUNDSTUECKVERWALTUNG GMBH	99.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
467	SIA UNICREDIT INSURANCE BROKER	RIGA	RIGA	1	SIA UNICREDIT LEASING	100.00	
	Issued capital EUR 15,080						
468	SIA UNICREDIT LEASING	RIGA	RIGA	1	UNICREDIT BANK AUSTRIA AG	100.00	
	Issued capital EUR 15,569,120						
469	SIGMA LEASING GMBH	VIENNA	VIENNA	1	CALG ANLAGEN LEASING GMBH	99.40	
	Issued capital EUR 18,286				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	0.40	

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	NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
470	SIMON VERWALTUNGS-AKTIENGESELLSCHAFT I.L. Issued capital EUR 2,556,459	MUNICH	MUNICH	1	UNICREDIT BANK AG	99.98	
471	SIRIUS IMMOBILIEN GMBH	VIENNA	VIENNA	1	PAYTRIA UNTERNEHMENSBETEILIGUNGEN GMBH	0.20	
	Issued capital EUR 36,500				UNICREDIT BANK AUSTRIA AG	99.80	
472	SIRIUS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH	MUNICH	MUNICH	1	HVB PROJEKT GMBH	5.00	
	Issued capital EUR 30,000				SOLOS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH & CO. SIRIUS BETEILIGUNGS KG	95.00	
473	SOCIETA' DI GESTIONI ESATTORIALI IN SICILIA SO.G.E.SI. S.P.A. IN LIQ. Issued capital EUR 36,151,500	PALERMO	PALERMO	1	UNICREDIT SPA	80.00	
474	SOCIETA' ITALIANA GESTIONE ED INCASSO CREDITI S.P.A. IN LIQUIDAZIONE Issued capital EUR 341,916	ROME	ROME	1	UNICREDIT SPA	100.00	
475	SOCIETA' VERONESE GESTIONE COMPRAVENDITA IMMOBILI A R.L. Issued capital EUR 108,500	ROME	ROME	1	NUOVA COMPAGNIA DI PARTECIPAZIONI SPA	100.00	
476	SOFIGERE SOCIETE PAR ACTIONS SIMPLIFIEE Issued capital EUR 40,000	PARIS	PARIS	1	UNICREDIT SPA	100.00	
477	SOLOS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH & CO. SIRIUS BETEILIGUNGS KG Issued capital EUR 35,800	MUNICH	MUNICH	1	HVB PROJEKT GMBH	100.00	
478	SONATA LEASING-GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	ARNO GRUNDSTUECKSVERWALTUNGS GESELLSCHAFT M.B.H.	1.00	
	Issued capital EUR 36,336				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	98.80	
479	SPECTRUM GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H. Issued capital EUR 36,336	VIENNA	VIENNA	1	WOEM GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	100.00	
480	SPREE GALERIE HOTELBETRIEBSGESELLSCHAFT MBH Issued capital EUR 511,300	MUNICH	MUNICH	1	ARGENTAURUS IMMOBILIEN-VERMIETUNGS- UND VERWALTUNGS GMBH	100.00	
481	STEWE GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	PROJEKT-LEASE GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	24.00	
	Issued capital EUR 36,337				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	75.80	
482	STRUCTURED INVEST SOCIETE ANONYME Issued capital EUR 125,500	LUXEMBOURG	LUXEMBOURG	1	UNICREDIT BANK AG	100.00	
483	STRUCTURED LEASE GMBH Issued capital EUR 250,000	HAMBURG	HAMBURG	1	UNICREDIT LEASING GMBH	100.00	
484	SUCCESS 2015 B.V. Issued capital EUR 1	AMSTERDAM	AMSTERDAM	4	UNICREDIT LEASING (AUSTRIA) GMBH	..	(3)
485	SUVREMENE POSLOVNE KOMUNIKACIJE D.O.O Issued capital HRK 1,110,000	ZAGREB	ZAGREB	1	ZAGREBACKA BANKA D.D.	100.00	
486	T & P FRANKFURT DEVELOPMENT B.V. Issued capital EUR 4,938,271	AMSTERDAM	AMSTERDAM	1	HVB PROJEKT GMBH	100.00	
487	T & P VASTGOED STUTTGART B.V. Issued capital EUR 10,769,773	AMSTERDAM	AMSTERDAM	1	HVB PROJEKT GMBH	87.50	
488	TERRENO GRUNDSTUCKSVERWALTUNG GMBH & CO. ENTWICKLUNGS- UND FINANZIERUNGSVERMITTLUNGS-KG Issued capital EUR 920,400	MUNICH	MUNICH	1	HVB TECTA GMBH	75.00	

					OWNERSHIP RELATIONSHIP		
	NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	HELD BY	HOLDING %	VOTING RIGHTS % (2)
489	TERRONDA DEVELOPMENT B.V. Issued capital EUR 1,252,433	AMSTERDAM	AMSTERDAM	1	HVB PROJEKT GMBH	100.00	
490	TERZ Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
491	TIVOLI GRUNDSTUCKS-AKTIENGESELLSCHAFT Issued capital EUR 6,240,000	MUNICH	MUNICH	1	PORTIA GRUNDSTUCKS-VERWALTUNGSGESELLSCHAFT MBH & CO. OBJEKT KG	99.67	
492	TRANSTERRA GESELLSCHAFT FUR IMMOBILIENVERWALTUNG MBH	MUNICH	MUNICH	1	HVB IMMOBILIEN AG	93.85	
	Issued capital EUR 26,000				UNICREDIT BANK AG	6.15	
493	TREDEC Z IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
494	TREUCONSULT BETEILIGUNGSGESELLSCHAFT M.B.H. Issued capital EUR 365,000	VIENNA	VIENNA	1	BANK AUSTRIA REAL INVEST IMMOBILIEN-MANAGEMENT GMBH	100.00	
495	TREUCONSULT BETEILIGUNGSGESELLSCHAFT M.B.H. U. CO. ARBEITERHEIM FAVORITEN REVITALISIERUNGS KG Issued capital EUR 6,983,859	VIENNA	VIENNA	1	TREUCONSULT PROPERTY EPSILON GMBH	99.84	100.00
496	TREUCONSULT PROPERTY EPSILON GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	TREUCONSULT BETEILIGUNGSGESELLSCHAFT M.B.H.	100.00	
497	TRICASA GRUNDBESITZ GESELLSCHAFT MBH & CO. 1. VERMIETUNGS KG	MUNICH	MUNICH	1	HYPO-REAL HAUS- UND GRUNDBESITZ GESELLSCHAFT MBH	..	
	Issued capital EUR 6,979,476				ORESTOS IMMOBILIEN-VERWALTUNGS GMBH	100.00	
498	TRICASA GRUNDBESITZGESELLSCHAFT DES BURGERLICHEN RECHTS NR. 1 Issued capital EUR 13,687,272	MUNICH	MUNICH	1	ORESTOS IMMOBILIEN-VERWALTUNGS GMBH	100.00	
499	TRIESTE ADRIATIC MARITIME INITIATIVES SRL Issued capital EUR 3,300,000	TRIESTE	TRIESTE	3	UNICREDIT SPA	36.86	
500	TRINITRADE VERMOGENSVERWALTUNGS-GESELLSCHAFT MIT BESCHRANKTER HAFTUNG Issued capital EUR 102,300	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
501	U2 ASPERN BAUPLATZ 1 BETEILIGUNGS-GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	B A I BAUTRAEGER AUSTRIA IMMOBILIEN GMBH	100.00	
502	U2 ASPERN BAUPLATZ 1 GMBH & CO KG	VIENNA	VIENNA	1	B A I BAUTRAEGER AUSTRIA IMMOBILIEN GMBH	90.00	
	Issued capital EUR 10,000				U2 ASPERN BAUPLATZ 1 BETEILIGUNGS-GMBH	10.00	
503	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	VIENNA	VIENNA	1	BA EUROLEASE BETEILIGUNGSGESELLSCHAFT M.B.H.	90.00	
	Issued capital EUR 10,000				BA-CA ANDANTE LEASING GMBH	10.00	
504	UCTAM BALTICS SIA Issued capital EUR 4,265,585	RIGA	RIGA	1	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00	
505	UCTAM BULGARIA EOOD Issued capital BGN 20,000	SOFIA	SOFIA	1	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00	
506	UCTAM CZECH REPUBLIC SRO	PRAGUE	PRAGUE	1	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	99.96	
	Issued capital CZK 45,500,000				UNICREDIT TURN-AROUND MANAGEMENT GMBH	0.04	
507	UCTAM D.O.O. BEOGRAD Issued capital RSD 631,564,325	BELGRADE	BELGRADE	1	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00	

Part A – Accounting Policies

					OWNERSHIP RELATIONSHIP		
	NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	HELD BY	HOLDING %	VOTING RIGHTS % (2)
508	UCTAM HUNGARY KFT	BUDAPEST	BUDAPEST	1	EUROPA BEFEKTETESI ALAPKEZELOE ZRT (EUROPA INVESTMENT FUND MANAGEMENT LTD.)	0.33	
	Issued capital HUF 10,200,000				UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	99.67	99.67
509	UCTAM RO S.R.L.	BUCHAREST	BUCHAREST	1	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00	
	Issued capital RON 30,257,830				UNICREDIT TURN-AROUND MANAGEMENT GMBH	..	
510	UCTAM RU LIMITED LIABILITY COMPANY	MOSCOW	MOSCOW	1	AO UNICREDIT BANK	..	
	Issued capital RUB 4,000,000				UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00	
511	UCTAM UKRAINE LLC Issued capital UAH 1,013,324	KIEV	KIEV	1	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	99.99	
512	UCTAM UPRAVLJANJE D.O.O. Issued capital EUR 997,500	LJUBLJANA	LJUBLJANA	1	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH	100.00	
513	UFFICIUM IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	KUTRA GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	5.00	
	Issued capital EUR 36,337				UNICREDIT LEASING (AUSTRIA) GMBH	95.00	
514	UNI IT SRL Issued capital EUR 1,000,000	TRENTO	TRENTO	1	UNICREDIT BUSINESS INTEGRATED SOLUTIONS SOCIETA CONSORTILE PER AZIONI	51.00	
515	UNICOM IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
516	UNICREDIT (CHINA) ADVISORY LIMITED (IN LIQUIDAZIONE) Issued capital CNY 826,410	BEIJING	BEIJING	1	UNICREDIT BANK AG	100.00	
517	UNICREDIT AURORA LEASING GMBH Issued capital EUR 219,000	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	100.00	
518	UNICREDIT BANK A.D. BANJA LUKA Issued capital BAM 97,055,000	BANJA LUKA	BANJA LUKA	1	UNICREDIT BANK AUSTRIA AG	98.44	
519	UNICREDIT BANK AG Issued capital EUR 2,407,151,016	MUNICH	MUNICH	1	UNICREDIT SPA	100.00	
520	UNICREDIT BANK AUSTRIA AG Issued capital EUR 1,681,033,521	VIENNA	VIENNA	1	UNICREDIT SPA	99.99	
521	UNICREDIT BANK CZECH REPUBLIC AND SLOVAKIA, A.S. Issued capital CZK 8,754,617,898	PRAGUE	PRAGUE	1	UNICREDIT BANK AUSTRIA AG	100.00	
522	UNICREDIT BANK D.D. Issued capital BAM 119,195,000	MOSTAR	MOSTAR	1	ZAGREBACKA BANKA D.D.	99.35	93.31
523	UNICREDIT BANK HUNGARY ZRT. Issued capital HUF 24,118,220,000	BUDAPEST	BUDAPEST	1	UNICREDIT BANK AUSTRIA AG	100.00	
524	UNICREDIT BANK IRELAND PLC Issued capital EUR 1,343,118,650	DUBLIN	DUBLIN	1	UNICREDIT SPA	100.00	
525	UNICREDIT BANK S.A. Issued capital RON 1,101,604,066	BUCHAREST	BUCHAREST	1	UNICREDIT BANK AUSTRIA AG	98.33	
526	UNICREDIT BANK SERBIA JSC Issued capital RSD 23,607,620,000	BELGRADE	BELGRADE	1	UNICREDIT BANK AUSTRIA AG	100.00	
527	UNICREDIT BANKA SLOVENIJA D.D. Issued capital EUR 20,383,765	LJUBLJANA	LJUBLJANA	1	UNICREDIT BANK AUSTRIA AG	100.00	
528	UNICREDIT BETEILIGUNGS GMBH Issued capital EUR 1,000,000	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
529	UNICREDIT BIZTOSITASKOEZVETITO KFT Issued capital HUF 5,000,000	BUDAPEST	BUDAPEST	1	UNICREDIT BANK HUNGARY ZRT.	100.00	
530	UNICREDIT BPC MORTAGE SRL (COVERED BONDS)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)

	NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
531	UNICREDIT BPC MORTGAGE S.R.L. Issued capital EUR 12,000	VERONA	VERONA	1	UNICREDIT SPA	60.00	
532	UNICREDIT BROKER D.O.O. SARAJEVO BROKERSKO DRUSTVO U OSIGURANJU Issued capital BAM 7,823	SARAJEVO	SARAJEVO	1	UNICREDIT BANK D.D.	49.00	
					UNICREDIT INSURANCE MANAGEMENT CEE GMBH	51.00	
533	UNICREDIT BROKER S.R.O. Issued capital EUR 8,266	BRATISLAVA	BRATISLAVA	1	UNICREDIT LEASING SLOVAKIA A.S.	100.00	
534	UNICREDIT BULBANK AD Issued capital BGN 285,776,674	SOFIA	SOFIA	1	UNICREDIT BANK AUSTRIA AG	99.45	
					UNICREDIT SPA	..	
535	UNICREDIT BUSINESS INTEGRATED SOLUTIONS AUSTRIA GMBH Issued capital EUR 1,200,000	VIENNA	VIENNA	1	UNICREDIT BUSINESS INTEGRATED SOLUTIONS SOCIETA CONSORTILE PER AZIONI	100.00	
536	UNICREDIT BUSINESS INTEGRATED SOLUTIONS SOCIETA CONSORTILE PER AZIONI Issued capital EUR 237,523,160	MILAN	MILAN	1	CORDUSIO SOCIETA' FIDUCIARIA PER AZIONI	..	
					FINECOBANK SPA	..	
					HVB - MILANO (BAYERISCHE HYPO UND VEREINSBANK A.G.)	..	
					PIONEER INVESTMENT MANAGEMENT SOC. DI GESTIONE DEL RISPARMIO PER AZ	..	
					UNICREDIT BANK AG	..	
					UNICREDIT FACTORING SPA	..	
					UNICREDIT SPA	100.00	
537	UNICREDIT CAPITAL MARKETS LLC Issued capital USD 100,100	NEW YORK	NEW YORK	1	UNICREDIT U.S. FINANCE LLC	100.00	
538	UNICREDIT CENTER AM KAISERWASSER GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
539	UNICREDIT CONSUMER FINANCING EAD Issued capital BGN 2,800,000	SOFIA	SOFIA	1	UNICREDIT BULBANK AD	100.00	
540	UNICREDIT CONSUMER FINANCING IFN S.A. Issued capital RON 103,269,200	BUCHAREST	BUCHAREST	1	UNICREDIT BANK S.A.	50.10	
					UNICREDIT SPA	49.90	
541	UNICREDIT DELAWARE INC Issued capital USD 1,000	DOVER	NEW YORK	1	UNICREDIT SPA	100.00	
542	UNICREDIT DIRECT SERVICES GMBH Issued capital EUR 767,000	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
543	UNICREDIT FACTORING CZECH REPUBLIC AND SLOVAKIA, A.S. Issued capital CZK 222,600,000	PRAGUE	PRAGUE	1	UNICREDIT BANK CZECH REPUBLIC AND SLOVAKIA, A.S.	100.00	
544	UNICREDIT FACTORING EAD Issued capital BGN 1,000,000	SOFIA	SOFIA	1	UNICREDIT BULBANK AD	100.00	
545	UNICREDIT FACTORING SPA Issued capital EUR 414,348,000	MILAN	MILAN	1	UNICREDIT SPA	100.00	
546	UNICREDIT FLEET MANAGEMENT EOOD Issued capital BGN 100,000	SOFIA	SOFIA	1	UNICREDIT BULBANK AD	100.00	
547	UNICREDIT FLEET MANAGEMENT S.R.O. Issued capital CZK 5,000,000	PRAGUE	PRAGUE	1	UNICREDIT LEASING CZ, A.S.	100.00	
548	UNICREDIT FLEET MANAGEMENT S.R.O. Issued capital EUR 6,639	BRATISLAVA	BRATISLAVA	1	UNICREDIT LEASING SLOVAKIA A.S.	100.00	
549	UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH Issued capital EUR 14,383,206	VIENNA	VIENNA	1	EUROLEASE RAMSES IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	99.80	
					UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
550	UNICREDIT GLOBAL LEASING EXPORT GMBH Issued capital EUR 11,745,607	VIENNA	VIENNA	1	UNICREDIT SPA	100.00	
551	UNICREDIT GLOBAL LEASING PARTICIPATION MANAGEMENT GMBH Issued capital EUR 7,476,432	VIENNA	VIENNA	1	UNICREDIT LEASING S.P.A.	100.00	

Part A – Accounting Policies

	NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
552	UNICREDIT INGATLANLIZING ZRT Issued capital HUF 81,000,000	BEKESCABA	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
553	UNICREDIT INSURANCE BROKER EOOD Issued capital BGN 5,000	SOFIA	SOFIA	1	UNICREDIT LEASING EAD	100.00	
554	UNICREDIT INSURANCE BROKER SRL Issued capital RON 150,000	BUCHAREST	BUCHAREST	1	UNICREDIT LEASING CORPORATION IFN S.A.	100.00	
555	UNICREDIT INSURANCE MANAGEMENT CEE GMBH Issued capital EUR 156,905	VIENNA	VIENNA	1	DV ALPHA GMBH	100.00	
556	UNICREDIT INTERNATIONAL BANK (LUXEMBOURG) SA Issued capital EUR 10,000,000	LUXEMBOURG	LUXEMBOURG	1	UNICREDIT SPA	100.00	
557	UNICREDIT JELZALOGBANK ZRT. Issued capital HUF 3,000,000,000	BUDAPEST	BUDAPEST	1	UNICREDIT BANK HUNGARY ZRT.	100.00	
558	UNICREDIT KFZ LEASING GMBH Issued capital EUR 648,265	VIENNA	VIENNA	1	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	100.00	
559	UNICREDIT LEASING (AUSTRIA) GMBH	VIENNA	VIENNA	1	BA-CA MARKETS & INVESTMENT BETEILIGUNG GES.M.B.H.	10.00	
	Issued capital EUR 93,510,420				PAYTRIA UNTERNEHMENSBETEILIGUNGEN GMBH	0.02	
					UNICREDIT BANK AUSTRIA AG	89.98	
560	UNICREDIT LEASING AVIATION GMBH Issued capital EUR 1,600,000	HAMBURG	HAMBURG	1	UNICREDIT LEASING GMBH	100.00	
561	UNICREDIT LEASING CORPORATION IFN S.A.	BUCHAREST	BUCHAREST	1	UNICREDIT BANK S.A.	99.96	
	Issued capital RON 90,989,013				UNICREDIT CONSUMER FINANCING IFN S.A.	0.04	
562	UNICREDIT LEASING CROATIA D.O.O. ZA LEASING Issued capital HRK 28,741,800	ZAGREB	ZAGREB	1	ZAGREBACKA BANKA D.D.	100.00	
563	UNICREDIT LEASING CZ, A.S. Issued capital CZK 981,452,000	PRAGUE	PRAGUE	1	UNICREDIT BANK CZECH REPUBLIC AND SLOVAKIA, A.S.	100.00	
564	UNICREDIT LEASING D.O.O. Issued capital BAM 8,479,356	SARAJEVO	SARAJEVO	1	UNICREDIT BANK D.D.	100.00	
565	UNICREDIT LEASING EAD Issued capital BGN 2,605,000	SOFIA	SOFIA	1	UNICREDIT BULBANK AD	100.00	
566	UNICREDIT LEASING FINANCE GMBH Issued capital EUR 17,580,000	HAMBURG	HAMBURG	1	UNICREDIT LEASING GMBH	100.00	
567	UNICREDIT LEASING FLEET MANAGEMENT S.R.L.	BUCHAREST	BUCHAREST	1	DV ALPHA GMBH	90.02	
	Issued capital RON 680,000				UNICREDIT LEASING CORPORATION IFN S.A.	9.98	
568	UNICREDIT LEASING FUHRPARKMANAGEMENT GMBH Issued capital EUR 364,000	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	100.00	
569	UNICREDIT LEASING GMBH Issued capital EUR 15,000,000	HAMBURG	HAMBURG	1	UNICREDIT BANK AG	100.00	
570	UNICREDIT LEASING HUNGARY ZRT Issued capital HUF 50,000,000	BUDAPEST	BUDAPEST	1	UNICREDIT BANK HUNGARY ZRT.	100.00	
571	UNICREDIT LEASING IMMOTRUCK ZRT. Issued capital HUF 50,000,000	BUDAPEST	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
572	UNICREDIT LEASING INSURANCE SERVICES S.R.O. Issued capital EUR 5,000	BRATISLAVA	BRATISLAVA	1	UNICREDIT LEASING SLOVAKIA A.S.	100.00	
573	UNICREDIT LEASING KFT Issued capital HUF 3,100,000	BUDAPEST	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
574	UNICREDIT LEASING LUNA KFT Issued capital HUF 3,000,000	BUDAPEST	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	80.00	

	NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
575	UNICREDIT LEASING MARS KFT Issued capital HUF 3,000,000	BUDAPEST	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	80.00	
576	UNICREDIT LEASING S.P.A. Issued capital EUR 900,131,062	MILAN	MILAN	1	UNICREDIT SPA	100.00	
577	UNICREDIT LEASING SLOVAKIA A.S. Issued capital EUR 26,560,000	BRATISLAVA	BRATISLAVA	1	UNICREDIT LEASING CZ, A.S.	100.00	
578	UNICREDIT LEASING SRBIJA D.O.O. BEOGRAD Issued capital RSD 1,078,133,000	BELGRADE	BELGRADE	1	UNICREDIT BANK SERBIA JSC	100.00	
579	UNICREDIT LEASING TECHNIKUM GMBH	VIENNA	VIENNA	1	LEASFINANZ GMBH	99.80	
	Issued capital EUR 1,435,000				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
580	UNICREDIT LEASING TOB Issued capital UAH 5,083,582	KIEV	KIEV	1	UNICREDIT LEASING S.P.A.	100.00	
581	UNICREDIT LEASING URANUS KFT Issued capital HUF 3,000,000	BUDAPEST	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	80.00	
582	UNICREDIT LEASING VERSICHERUNGSSERVICE GMBH & CO KG Issued capital EUR 36,500	VIENNA	VIENNA	1	UNICREDIT LEASING (AUSTRIA) GMBH	100.00	
583	UNICREDIT LEASING, LEASING, D.O.O. Issued capital EUR 25,039,658	LJUBLJANA	LJUBLJANA	1	UNICREDIT BANKA SLOVENIJA D.D.	100.00	
584	UNICREDIT LUNA LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
585	UNICREDIT LUXEMBOURG FINANCE SA Issued capital EUR 350,000	LUXEMBOURG	LUXEMBOURG	1	UNICREDIT INTERNATIONAL BANK (LUXEMBOURG) SA	100.00	
586	UNICREDIT LUXEMBOURG S.A. Issued capital EUR 238,000,000	LUXEMBOURG	LUXEMBOURG	1	UNICREDIT BANK AG	100.00	
587	UNICREDIT MOBILIEN UND KFZ LEASING GMBH	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	98.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	1.00	
588	UNICREDIT OBG S.R.L. Issued capital EUR 10,000	VERONA	VERONA	1	UNICREDIT SPA	60.00	
589	UNICREDIT OBG SRL (COVERED BONDS)	VERONA	VERONA	4	UNICREDIT SPA	..	(3)
590	UNICREDIT OPERATIV LIZING KFT Issued capital HUF 3,000,000	BUDAPEST	BUDAPEST	1	UNICREDIT BANK HUNGARY ZRT.	100.00	
591	UNICREDIT PARTNER D.O.O. BEOGRAD Issued capital RSD 2,001,875	BELGRADE	BELGRADE	1	UNICREDIT BANK SERBIA JSC	100.00	
592	UNICREDIT PARTNER D.O.O. ZA TRGOVINU I USLUGE	ZAGREB	ZAGREB	1	UNICREDIT INSURANCE MANAGEMENT CEE GMBH	20.00	
	Issued capital HRK 200,000				UNICREDIT LEASING CROATIA D.O.O. ZA LEASING	80.00	
593	UNICREDIT PARTNER LLC Issued capital UAH 53,557	KIEV	KIEV	1	UNICREDIT INSURANCE MANAGEMENT CEE GMBH	100.00	
594	UNICREDIT PEGASUS LEASING GMBH	VIENNA	VIENNA	1	CALG IMMOBILIEN LEASING GMBH	74.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
595	UNICREDIT POJISTOVACI MAKLERSKA SPOL.S R.O. Issued capital CZK 510,000	PRAGUE	PRAGUE	1	UNICREDIT LEASING CZ, A.S.	100.00	

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	NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP		VOTING RIGHTS % (2)
					HELD BY	HOLDING %	
596	UNICREDIT POLARIS LEASING GMBH	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
597	UNICREDIT RENT D.O.O. BEOGRAD Issued capital RSD 3,285,948,900	BELGRADE	BELGRADE	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
598	UNICREDIT SUBITO CASA SPA Issued capital EUR 500,000	MILAN	MILAN	1	UNICREDIT SPA	100.00	
599	UNICREDIT TECHRENT LEASING GMBH	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	99.00	
	Issued capital EUR 36,336				UNICREDIT LEASING (AUSTRIA) GMBH	1.00	
600	UNICREDIT TURN-AROUND MANAGEMENT CEE GMBH Issued capital EUR 750,000	VIENNA	VIENNA	1	UNICREDIT TURN-AROUND MANAGEMENT GMBH	100.00	
601	UNICREDIT TURN-AROUND MANAGEMENT GMBH Issued capital EUR 72,673	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
602	UNICREDIT U.S. FINANCE LLC Issued capital USD 130	WILMINGTON	NEW YORK	1	UNICREDIT BANK AG	100.00	
603	UNICREDIT ZAVAROVALNO ZASTOPNISKA DRUZBA D.O.O. Issued capital EUR 40,000	LJUBLJANA	LJUBLJANA	1	UNICREDIT INSURANCE MANAGEMENT CEE GMBH	100.00	
604	UNICREDIT ZEGA LEASING-GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	99.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
605	UNICREDIT-LEASING HOSPES KFT Issued capital HUF 1,000,000	BUDAPEST	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
606	UNICREDIT-LEASING NEPTUNUS KFT Issued capital HUF 3,010,000	BUDAPEST	BUDAPEST	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	96.35	
607	UNIVERSALE INTERNATIONAL REALITAETEN GMBH Issued capital EUR 32,715,000	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
608	UNO-EINKAUFSZENTRUM-VERWALTUNGSGESELLSCHAFT M.B.H. Issued capital EUR 37,000	LEONDING	LEONDING	1	TREUCONSULT BETEILIGUNGSGESELLSCHAFT M.B.H.	100.00	
609	UNTERNEHMENGEWINNSCHEINFOND 1	VIENNA	VIENNA	4	UNICREDIT BANK AUSTRIA AG	..	(3)
610	US PROPERTY INVESTMENTS INC. Issued capital USD 100,000	DALLAS	DALLAS	1	UNICREDIT BANK AG	100.00	
611	V.M.G. VERMIETUNGSGESELLSCHAFT MBH Issued capital EUR 25,565	MUNICH	MUNICH	1	WEALTHCAP INVESTMENT SERVICES GMBH	100.00	
612	VANDERBILT CAPITAL ADVISORS LLC Issued capital USD 1	WILMINGTON	CHICAGO	1	PIONEER INSTITUTIONAL ASSET MANAGEMENT INC	100.00	
613	VAPE COMMUNA LEASINGGESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	74.80	
	Issued capital EUR 431,630				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
					UNICREDIT LEASING (AUSTRIA) GMBH	25.00	
614	VECTIGAL IMMOBILIEN GMBH Issued capital EUR 40,000	VIENNA	VIENNA	1	B A I BETEILIGUNGSVERWALTUNGS-GMBH	100.00	
615	VECTIGAL IMMOBILIEN GMBH & CO KG Issued capital EUR 2,470,930	VIENNA	VIENNA	1	KLEA TERRAIN- UND BAU-GESELLSCHAFT M.B.H.	100.00	
616	VERBA VERWALTUNGSGESELLSCHAFT MIT BESCHRANKTER HAFTUNG Issued capital EUR 1,023,000	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	

	NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
617	VERMIETUNGSGESELLSCHAFT MBH & CO OBJEKT MOC KG	MUNICH	MUNICH	1	HVB IMMOBILIEN AG	89.28	89.23
	Issued capital EUR 48,728,161				LANDOS IMMOBILIEN- UND PROJEKTENTWICKLUNGS GMBH	..	0.06
618	VERWALTUNGSGESELLSCHAFT KATHARINENHOF MBH Issued capital EUR 511,292	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
619	VIENNA DC BAUTRAEGER GMBH Issued capital EUR 18,168	VIENNA	VIENNA	1	WED WIENER ENTWICKLUNGSGESELLSCHAFT FUER DEN DONAURAUM GMBH	100.00	
620	VIENNA DC TOWER 1 LIEGENSCHAFTSBESITZ GMBH Issued capital EUR 17,500	VIENNA	VIENNA	1	WED DONAU-CITY GESELLSCHAFT M.B.H.	100.00	
621	VIENNA DC TOWER 2 LIEGENSCHAFTSBESITZ GMBH Issued capital EUR 35,000	VIENNA	VIENNA	1	WED DONAU-CITY GESELLSCHAFT M.B.H.	100.00	
622	VILLINO PACELLI SRL Issued capital EUR 41,600	ROME	ROME	1	NUOVA COMPAGNIA DI PARTECIPAZIONI SPA	100.00	
623	VISCONTI SRL Issued capital EUR 11,000,000	MILAN	MILAN	1	UNICREDIT SPA	76.00	
624	WEALTH MANAGEMENT CAPITAL HOLDING GMBH Issued capital EUR 26,000	MUNICH	MUNICH	1	UNICREDIT BANK AG	100.00	
625	WEALTHCAP AIRCRAFT 27 GMBH & CO GESCHLOSSENE INVESTMENTKG	GRUNWALD	GRUNWALD	1	WEALTHCAP AIRCRAFT 27 KOMPLEMENTAR GMBH	49.95	33.33
	Issued capital USD 2,000				WEALTHCAP INVESTORENBETREUUNG GMBH	50.00	33.33
					WEALTHCAP KAPITALVERWALTUNGSGESELLSCHAFT MBH	0.05	33.33
626	WEALTHCAP AIRCRAFT 27 KOMPLEMENTAR GMBH Issued capital EUR 25,000	GRUNWALD	GRUNWALD	1	WEALTHCAP ENTITY SERVICE GMBH	100.00	
627	WEALTHCAP ENTITY SERVICE GMBH Issued capital EUR 25,000	MUNICH	MUNICH	1	WEALTHCAP REAL ESTATE MANAGEMENT GMBH	100.00	
628	WEALTHCAP EQUITY GMBH Issued capital EUR 500,000	MUNICH	MUNICH	1	WEALTHCAP INITIATOREN GMBH	100.00	
629	WEALTHCAP EQUITY MANAGEMENT GMBH Issued capital EUR 25,000	MUNICH	MUNICH	1	WEALTHCAP EQUITY GMBH	100.00	
630	WEALTHCAP FONDS GMBH Issued capital EUR 512,000	MUNICH	MUNICH	1	WEALTHCAP INITIATOREN GMBH	100.00	
631	WEALTHCAP INITIATOREN GMBH Issued capital EUR 1,533,876	MUNICH	MUNICH	1	WEALTH MANAGEMENT CAPITAL HOLDING GMBH	100.00	
632	WEALTHCAP INVESTMENT SERVICES GMBH	MUNICH	MUNICH	1	UNICREDIT BANK AG	10.00	
	Issued capital EUR 4,000,000				WEALTH MANAGEMENT CAPITAL HOLDING GMBH	90.00	
633	WEALTHCAP INVESTMENTS INC. Issued capital USD 312,000	WILMINGTON	ATLANTA	1	WEALTHCAP FONDS GMBH	100.00	
634	WEALTHCAP INVESTORENBETREUUNG GMBH Issued capital EUR 60,000	MUNICH	MUNICH	1	WEALTHCAP INVESTMENT SERVICES GMBH	100.00	
635	WEALTHCAP KAPITALVERWALTUNGSGESELLSCHAFT MBH Issued capital EUR 125,000	MUNICH	MUNICH	1	WEALTH MANAGEMENT CAPITAL HOLDING GMBH	100.00	
636	WEALTHCAP LEASING GMBH Issued capital EUR 25,000	GRUNWALD	MUNICH	1	WEALTH MANAGEMENT CAPITAL HOLDING GMBH	100.00	
637	WEALTHCAP MANAGEMENT SERVICES GMBH Issued capital EUR 50,000	GRUNWALD	GRUNWALD	1	WEALTHCAP PEIA MANAGEMENT GMBH	100.00	
638	WEALTHCAP PEIA KOMPLEMENTAR GMBH Issued capital EUR 26,000	GRUNWALD	GRUNWALD	1	WEALTHCAP PEIA MANAGEMENT GMBH	100.00	

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	NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
639	WEALTHCAP PEIA MANAGEMENT GMBH	MUNICH	MUNICH	1	UNICREDIT BANK AG	6.00	
	Issued capital EUR 1,023,000				WEALTH MANAGEMENT CAPITAL HOLDING GMBH	94.00	
640	WEALTHCAP REAL ESTATE MANAGEMENT GMBH	MUNICH	MUNICH	1	WEALTHCAP INVESTMENT SERVICES GMBH	100.00	
	Issued capital EUR 60,000						
641	WEALTHCAP STIFTUNGSTREUHAND GMBH	MUNICH	MUNICH	1	WEALTHCAP FONDS GMBH	100.00	
	Issued capital EUR 25,000						
642	WEALTHCAP USA IMMOBILIEN VERWALTUNGS GMBH	MUNICH	MUNICH	1	WEALTHCAP FONDS GMBH	100.00	
	Issued capital EUR 25,000						
643	WED DONAU-CITY GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	WED WIENER ENTWICKLUNGSGESELLSCHAFT FUER DEN DONAURAUM GMBH	100.00	
	Issued capital EUR 726,728						
644	WED HOLDING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
	Issued capital EUR 72,673						
645	WED WIENER ENTWICKLUNGSGESELLSCHAFT FUER DEN DONAURAUM GMBH	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	38.00	
	Issued capital EUR 3,634,368				WED HOLDING GESELLSCHAFT M.B.H.	62.00	
646	WMC AIRCRAFT 27 LEASING LIMITED	DUBLIN	DUBLIN	1	WEALTHCAP AIRCRAFT 27 GMBH & CO GESCHLOSSENE INVESTMENTKG	100.00	
	Issued capital USD 1						
647	WOEM GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 3,322,141				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
648	WOHNBAUERRICHTUNGS-UND-VERWERTUNGS-GMBH	VIENNA	VIENNA	1	BA-CA MARKETS & INVESTMENT BETEILIGUNG GES.M.B.H.	0.28	
	Issued capital EUR 6,615,700				IMMOBILIEN HOLDING GMBH	99.72	
649	WOHNPARK BRANDENBURG-GORDEN GMBH	BRANDENBURG	BRANDENBURG	1	IMMOBILIEN HOLDING GMBH	5.18	
	Issued capital EUR 51,150				KLEA TERRAIN- UND BAU-GESELLSCHAFT M.B.H.	94.82	
650	Z LEASING ALFA IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
651	Z LEASING ARKTUR IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
652	Z LEASING AURIGA IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
653	Z LEASING CORVUS IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	BA EUROLEASE BETEILIGUNGSGESELLSCHAFT M.B.H.	99.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
654	Z LEASING DORADO IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	CALG GRUNDSTUECKVERWALTUNG GMBH	99.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
655	Z LEASING DRACO IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	99.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	

	NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
656	Z LEASING GAMA IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
657	Z LEASING GEMINI IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
658	Z LEASING HEBE IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	GEBAEUDELEASING GRUNDSTUCKSVERWALTUNGSGESELLSCHAFT M.B.H.	99.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
659	Z LEASING HERCULES IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
660	Z LEASING IPSILON IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT GARAGEN ERRICHTUNG UND VERWERTUNG GMBH	99.80	
661	Z LEASING ITA IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	99.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
662	Z LEASING JANUS IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	99.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
663	Z LEASING KALLISTO IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 263,958				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
664	Z LEASING KAPA IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	99.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
665	Z LEASING LYRA IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	GALA GRUNDSTUECKVERWALTUNG GESELLSCHAFT M.B.H.	99.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
666	Z LEASING NEREIDE IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
667	Z LEASING OMEGA IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	CALG DELTA GRUNDSTUECKVERWALTUNG GMBH	99.80	
	Issued capital EUR 36,500				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
668	Z LEASING PERSEUS IMMOBILIEN LEASING GESELLSCHAFT M.B.H. Issued capital EUR 16,134,987	VIENNA	VIENNA	1	BANK AUSTRIA LEASING ARGO IMMOBILIEN LEASING GMBH	100.00	
669	Z LEASING SCORPIUS IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
670	Z LEASING TAURUS IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	BA EUROLEASE BETEILIGUNGSGESELLSCHAFT M.B.H.	99.80	
	Issued capital EUR 73,000				UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	

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	NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
671	Z LEASING VENUS IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT LEASING (AUSTRIA) GMBH	99.80	
672	Z LEASING VOLANS IMMOBILIEN LEASING GESELLSCHAFT M.B.H.	VIENNA	VIENNA	1	UCLA IMMO-BETEILIGUNGSHOLDUNG GMBH & CO KG	0.20	
	Issued capital EUR 36,500				UNICREDIT PEGASUS LEASING GMBH	99.80	
673	ZABA PARTNER DOO ZA POSREDOVANJE U OSIGURANJU I REOSIGURANJU Issued capital HRK 1,500,000	ZAGREB	ZAGREB	1	ZAGREBACKA BANKA D.D.	100.00	
674	ZAGREB NEKRETNINE DOO Issued capital HRK 5,000,000	ZAGREB	ZAGREB	1	ZAGREBACKA BANKA D.D.	100.00	
675	ZAGREBACKA BANKA D.D. Issued capital HRK 6,404,839,100	ZAGREB	ZAGREB	1	UNICREDIT BANK AUSTRIA AG	84.48	
676	ZANE BH DOO Issued capital BAM 131,529	SARAJEVO	SARAJEVO	1	ZAGREB NEKRETNINE DOO	100.00	
677	ZAO LOCAT LEASING RUSSIA Issued capital RUR 107,000,000	MOSCOW	MOSCOW	1	OOO UNICREDIT LEASING	100.00	
678	ZAPADNI TRGOVACKI CENTAR D.O.O. Issued capital HRK 20,000	RIJEKA	RIJEKA	1	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	100.00	
679	ZB INVEST DOO Issued capital HRK 4,000,000	ZAGREB	ZAGREB	1	ZAGREBACKA BANKA D.D.	100.00	
680	ZETA FUENF HANDELS GMBH Issued capital EUR 17,500	VIENNA	VIENNA	1	UNICREDIT BANK AUSTRIA AG	100.00	
681	ZM REVITALISIERUNGS-UND VERMIETUNGS-GMBH Issued capital EUR 2,056,561	VIENNA	VIENNA	1	IMMOBILIEN HOLDING GMBH	100.00	

	NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	NATURE OF RELATIONSHIP (5)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
	B.VALUED AT EQUITY METHOD							
	B.1 INVESTMENTS IN JOINT VENTURES							
1	FIDES LEASING GMBH Issued capital EUR 57,229	VIENNA	VIENNA	7	2	CALG ANLAGEN LEASING GMBH	50.00	
2	HETA BA LEASING SUED GMBH Issued capital EUR 36,500	KLAGENFURT	KLAGENFURT	7	2	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	50.00	
3	KOC FINANSAL HIZMETLER AS Issued capital TRY 3,093,741,012	ISTANBUL	ISTANBUL	7	2	UNICREDIT BANK AUSTRIA AG	50.00	
4	OBJEKT-LEASE GRUNDSTUECKSVERWALTUNGSGESELLSCHAFT M.B.H. Capitale sociale EUR 107.912	VIENNA	VIENNA	7	2	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	49.23	-
						UNICREDIT LEASING (AUSTRIA) GMBH	0.77	
5	PALATIN GRUNDSTUECKVERWALTUNGS GESELLSCHAFT M.B.H. Capitale sociale EUR 36.336	STOCKERAU	STOCKERAU	7	2	UNICREDIT LEASING (AUSTRIA) GMBH	50.00	
6	PURGE GRUNDSTUECKSVERWALTUNGS-GESELLSCHAFT M.B.H. Capitale sociale EUR 36.336	VIENNA	VIENNA	7	2	BETEILIGUNGSVERWALTUNGSGESELLSCHAFT DER BANK AUSTRIA CREDITANSTALT LEASING GMBH	50.00	
7	REMBRA LEASING GESELLSCHAFT M.B.H. Capitale sociale EUR 886.336	VIENNA	VIENNA	7	2	UNICREDIT LEASING (AUSTRIA) GMBH	50.00	
8	STICHTING CUSTODY SERVICES YKB Issued capital EUR 125,000	AMSTERDAM	AMSTERDAM	7	2	YAPI KREDI BANK NEDERLAND N.V.	40.90	
9	YAPI KREDI BANK MALTA LTD. Issued capital EUR 60,000,000	ST. JULIAN'S	ST. JULIAN'S	7	1	KOC FINANSAL HIZMETLER AS	..	-
						YAPI KREDI HOLDING BV	40.90	
10	YAPI KREDI BANK AZERBAIJAN CLOSED JOINT STOCK COMPANY Issued capital AZN 47,325,904	BAKU	BAKU	7	1	YAPI KREDI FINANSAL KIRALAMA AO	0.04	
						YAPI KREDI YATIRIM MENKUL DEGERLER AS	0.04	
						YAPI VE KREDI BANKASI AS	40.82	
11	YAPI KREDI BANK MOSCOW Issued capital USD 30,760,000	MOSCOW	MOSCOW	7	1	YAPI KREDI FINANSAL KIRALAMA AO	0.07	
						YAPI VE KREDI BANKASI AS	40.83	
12	YAPI KREDI BANK NEDERLAND N.V. Issued capital EUR 48,589,110	AMSTERDAM	AMSTERDAM	7	1	YAPI KREDI HOLDING BV	13.40	
						YAPI VE KREDI BANKASI AS	27.50	
13	YAPI KREDI DIVERSIFIED PAYMENT RIGHTS FINANCE Issued capital USD 1,000	GEORGE TOWN	GEORGE TOWN	7	2	YAPI VE KREDI BANKASI AS	40.90	(6)
14	YAPI KREDI FAKTORING AS Issued capital TRY 75,183,837	ISTANBUL	ISTANBUL	7	2	ENTERNASYONAL TURIZM YATIRIM A.S.	..	
						YAPI KREDI FINANSAL KIRALAMA AO	0.01	
						YAPI VE KREDI BANKASI AS	40.88	
15	YAPI KREDI FINANSAL KIRALAMA AO Issued capital TRY 389,927,705	ISTANBUL	ISTANBUL	7	2	YAPI VE KREDI BANKASI AS	40.90	
16	YAPI KREDI HOLDING BV Issued capital EUR 102,000,000	AMSTERDAM	AMSTERDAM	7	2	YAPI VE KREDI BANKASI AS	40.90	

Part A – Accounting Policies

	NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	NATURE OF RELATIONSHIP (5)	OWNERSHIP RELATIONSHIP HELD BY	HOLDING %	VOTING RIGHTS % (2)
17	YAPI KREDI INVEST LIMITED LIABILITY COMPANY Issued capital AZN 110,000	BAKU	BAKU	7	2	YAPI KREDI BANK AZERBAIJAN CLOSED JOINT STOCK COMPANY	40.90	
18	YAPI KREDI PORTFOEY YOENETIMI AS Issued capital TRY 5,860,131	ISTANBUL	ISTANBUL	7	2	YAPI KREDI YATIRIM MENKUL DEGERLER AS	35.71	
						YAPI VE KREDI BANKASI AS	5.17	
19	YAPI KREDI YATIRIM MENKUL DEGERLER AS Issued capital TRY 197,682,787	ISTANBUL	ISTANBUL	7	2	YAPI KREDI FINANSAL KIRALAMA AO	..	
						YAPI VE KREDI BANKASI AS	40.89	
20	YAPI VE KREDI BANKASI AS Issued capital TRY 4,298,165,828	ISTANBUL	ISTANBUL	7	1	KOC FINANSAL HIZMETLER AS	40.90	
	B.2 COMPANIES UNDER SIGNIFICANT INFLUENCE							
21	ADLER FUNDING LLC Issued capital USD 2,142,857	DOVER	NEW YORK	8	5	UNICREDIT BANK AG	32.81	
22	ALLIANZ YASAM VE EMEKLILIK AS Issued capital TRY 139,037,203	ISTANBUL	ISTANBUL	8	2	YAPI KREDI FAKTORING AS	0.04	
						YAPI KREDI FINANSAL KIRALAMA AO	19.93	
						YAPI KREDI YATIRIM MENKUL DEGERLER AS	0.04	
						YAPI VE KREDI BANKASI AS	..	
23	ALLIANZ ZB D.O.O. DRUSTVO ZA UPRAVLJANJIE DOBROVOLJNIM MIROVINSKIM FONDOM Issued capital HRK 15,000,000	ZAGREB	ZAGREB	8	5	ZAGREBACKA BANKA D.D.	49.00	
24	ALLIANZ ZB D.O.O. DRUSTVO ZA UPRAVLJANJIE OBVEZNIM MIROVINSKIM FONDOM Issued capital HRK 90,000,000	ZAGREB	ZAGREB	8	5	ZAGREBACKA BANKA D.D.	49.00	
25	ASSET BANCARI II Issued capital EUR 17,523,740	MILAN	MILAN	8	2	UNICREDIT SPA	33.78	
26	AVIVA SPA Issued capital EUR 247,000,387	MILAN	MILAN	8	4	UNICREDIT SPA	49.00	
27	BANK FUER TIROL UND VORARLBERG AKTIENGESELLSCHAFT Issued capital EUR 55,000,000	INNSBRUCK	INNSBRUCK	8	1	CABO BETEILIGUNGSGESELLSCHAFT M.B.H.	37.53	41.29
						UNICREDIT BANK AUSTRIA AG	9.85	5.42
28	BANQUE DE COMMERCE ET DE PLACEMENTS SA Issued capital CHF 75,000,000	GENEVA	GENEVA	8	1	YAPI VE KREDI BANKASI AS	30.67	
29	BARN BV Issued capital EUR 195,020,000	AMSTERDAM	AMSTERDAM	8	2	UNICREDIT BANK AUSTRIA AG	40.00	
30	BKS BANK AG Issued capital EUR 72,072,000	KLAGENFURT	KLAGENFURT	8	1	CABO BETEILIGUNGSGESELLSCHAFT M.B.H.	25.47	26.81
						UNICREDIT BANK AUSTRIA AG	7.29	6.74
31	BULKMAX HOLDING LTD Issued capital USD 3,200	LA VALLETTA	LA VALLETTA	8	5	HVB CAPITAL PARTNERS AG	45.00	
32	CASH SERVICE COMPANY AD Issued capital BGN 12,500,000	SOFIA	SOFIA	8	5	UNICREDIT BULBANK AD	20.00	
33	CBD INTERNATIONAL SP.ZO.O. Issued capital PLN 100,500	WARSAW	WARSAW	8	2	ISB UNIVERSALE BAU GMBH	49.75	
34	CNP UNICREDIT VITA S.P.A. Issued capital EUR 381,698,528	MILAN	MILAN	8	4	UNICREDIT SPA	38.80	
35	COINV S.P.A. Issued capital EUR 967,089	MILAN	MILAN	8	5	UNICREDIT SPA	12.00	
36	COMPAGNIA AEREA ITALIANA S.P.A. Issued capital EUR 358,391,437	FIUMICINO (ROME)	FIUMICINO (ROME)	8	5	UNICREDIT SPA	32.79	

	NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	NATURE OF RELATIONSHIP (5)	OWNERSHIP RELATIONSHIP HELD BY	OWNERSHIP RELATIONSHIP HOLDING %	VOTING RIGHTS % (2)
37	COMTRADE GROUP B.V. Issued capital EUR 4,522,000	AMSTERDAM	AMSTERDAM	8	5	HVB CAPITAL PARTNERS AG	21.05	
38	CONSORZIO SE.TEL. SERVIZI TELEMATICI IN LIQUIDAZIONE Issued capital EUR 4,647	NAPLES	NAPLES	8	5	UNICREDIT BUSINESS INTEGRATED SOLUTIONS SOCIETA CONSORTILE PER AZIONI	33.33	
39	CREDIFARMA SPA Issued capital EUR 10,000,000	ROME	ROME	8	2	UNICREDIT SPA	17.00	
40	CREDITRAS ASSICURAZIONI SPA Issued capital EUR 52,000,000	MILAN	MILAN	8	4	UNICREDIT SPA	50.00	
41	CREDITRAS VITA SPA Issued capital EUR 112,200,000	MILAN	MILAN	8	4	UNICREDIT SPA	50.00	
42	DA VINCI S.R.L. Issued capital EUR 100,000	ROME	ROME	8	5	FONDO SIGMA IMMOBILIARE	25.00	
43	ES SHARED SERVICE CENTER SOCIETA' PER AZIONI Issued capital EUR 120,000	CERNUSCO SUL NAVIGLIO	CERNUSCO SUL NAVIGLIO	8	5	UNICREDIT BUSINESS INTEGRATED SOLUTIONS SOCIETA CONSORTILE PER AZIONI	49.00	
44	EUROPROGETTI & FINANZA S.P.A. IN LIQUIDAZIONE Issued capital EUR 5,636,400	ROME	ROME	8	2	UNICREDIT SPA	39.79	
45	FENICE HOLDING S.P.A. IN LIQUIDAZIONE Issued capital EUR 25,682,932	CALENZANO	CALENZANO	8	5	UNICREDIT SPA	25.91	
46	FOCUS INVESTMENTS SPA Issued capital EUR 50,000	MILAN	MILAN	8	5	UNICREDIT SPA	8.33	25.00
47	INCONTRA ASSICURAZIONI S.P.A. Issued capital EUR 5,200,000	MILAN	MILAN	8	4	UNICREDIT SPA	49.00	
48	MACCORP ITALIANA SPA Issued capital EUR 1,134,020	MILAN	MILAN	8	2	UNICREDIT SPA	25.45	
49	MEDIOBANCA BANCA DI CREDITO FINANZIARIO SPA Issued capital EUR 435,510,047	MILAN	MILAN	8	1	UNICREDIT SPA	8.56	
50	MEGAPARK OOD Issued capital BGN 50,936,362	SOFIA	SOFIA	8	5	UNIVERSALE INTERNATIONAL REALITAETEN GMBH	49.24	
51	MULTIPLUS CARD D.O.O. ZA PROMIDZBU I USLUGE Issued capital HRK 5,000,000	ZAGREB	ZAGREB	8	2	SUVREMENE POSLOVNE KOMUNIKACIJE D.O.O	25.00	
52	NAUTILUS TANKERS LIMITED Issued capital USD 2,000	LA VALLETTA	LA VALLETTA	8	5	HVB CAPITAL PARTNERS AG	45.00	
53	NOTARTREUHANDBANK AG Issued capital EUR 8,030,000	VIENNA	VIENNA	8	1	UNICREDIT BANK AUSTRIA AG	25.00	
54	OBERBANK AG Issued capital EUR 95,845,925	LINZ	LINZ	8	1	CABO BETEILIGUNGSGESELLSCHAFT M.B.H.	26.02	28.69
						UNICREDIT BANK AUSTRIA AG	3.74	1.46
55	OESTERREICHISCHE HOTEL- UND TOURISMUSBANK GESELLSCHAFT M.B.H. Issued capital EUR 11,628,000	VIENNA	VIENNA	8	1	UNICREDIT BANK AUSTRIA AG	50.00	
56	OESTERREICHISCHE KONTROLLBANK AKTIENGESELLSCHAFT Issued capital EUR 130,000,000	VIENNA	VIENNA	8	1	CABET-HOLDING GMBH	24.75	
						SCHOELLERBANK AKTIENGESELLSCHAFT	8.26	
						UNICREDIT BANK AUSTRIA AG	16.14	
57	OESTERREICHISCHE WERTPAPIERDATEN SERVICE GMBH Issued capital EUR 36,336	VIENNA	VIENNA	8	2	UNICREDIT BANK AUSTRIA AG	29.30	
58	PAYDIREKT BETEILIGUNGSGESELLSCHAFT PRIVATER BANKEN MBH Issued capital EUR 104,082	BERLIN	BERLIN	8	5	UNICREDIT BANK AG	24.02	
59	PSA PAYMENT SERVICES AUSTRIA GMBH Issued capital EUR 285,000	VIENNA	VIENNA	8	2	CAFU VERMOEGENSVERWALTUNG GMBH & CO OG	4.50	4.50
						SCHOELLERBANK AKTIENGESELLSCHAFT	0.02	4.52
						UNICREDIT BANK AUSTRIA AG	19.48	

Part A – Accounting Policies

						OWNERSHIP RELATIONSHIP		
	NAME	MAIN OFFICE	ADMINISTRATIVE OFFICE	TYPE OF RELATIONSHIP (1)	NATURE OF RELATIONSHIP (5)	HELD BY	HOLDING %	VOTING RIGHTS % (2)
60	RCI FINANCIAL SERVICES S.R.O. Issued capital CZK 70,000,000	PRAGUE	PRAGUE	8	2	UNICREDIT LEASING CZ, A.S.	50.00	49.86
61	SMIA SPA Issued capital EUR 1,473,229	ROME	ROME	8	5	UNICREDIT SPA	26.43	
62	SP PROJEKTENTWICKLUNG SCHOENEFELD GMBH & CO.KG Issued capital EUR 102,258	SCHOENEFELD	STUTTGART	8	5	UNICREDIT BANK AUSTRIA AG	50.00	
63	SVILUPPO GLOBALE GEIE (IN LIQUIDAZIONE) Issued capital EUR 45,000	ROME	ROME	8	5	UNICREDIT SPA	33.33	
64	SWANCAP PARTNERS GMBH Issued capital EUR 1,010,000	MUNICH	MUNICH	8	2	UNICREDIT BANK AG	75.25	49.00
65	TORRE SGR S.P.A. Issued capital EUR 3,200,000	ROME	ROME	8	2	UNICREDIT SPA	37.50	
66	UNI GEBAEUDEMANAGEMENT GMBH Issued capital EUR 18,168	LINZ	LINZ	8	2	BA GVG-HOLDING GMBH	50.00	
67	WKBG WIENER KREDITBUERGSCHAFTS- UND BETEILIGUNGSBANK AG Issued capital EUR 15,550,309	VIENNA	VIENNA	8	2	UNICREDIT BANK AUSTRIA AG	21.54	
68	YAPI KREDI KORAY GAYRIMENKUL YATIRIM ORTAKLIGI AS Issued capital TRY 40,000,000	ISTANBUL	ISTANBUL	8	2	YAPI VE KREDI BANKASI AS	30.45	

Notes to the table showing the investments in subsidiaries and valued at equity within the scope of consolidation:

(1) Type of relationship:
1 = majority of voting rights at ordinary shareholders' meeting;
2 = dominant influence at ordinary shareholders' meeting;
3 = agreements with other shareholders;
4 = other types of control;
5 = centralised management pursuant to paragraph 1 of Art.26 of "Legislative decree 87/92";
6 = centralised management pursuant to paragraph 2 of Art.26 of "Legislative decree 87/92";
7 = joint control;
8 = associate companies.

(2) Voting rights available in general meeting. Voting rights are disclosed only if different from the percentage of ownership.
(3) Companies consolidatedline by line under IFRS10.
(4) In the consolidated financial statements the Group's stake is 100% as the trust company does not share in the profits. The voting rights are held by the grantor, a Group company.
(5) The equity investment in Cordusio SIM - Advisory & Family Office S.p.A. is consolidated at 100% by virtue of UniCredit S.p.A.'s of 67.32% and its option on minority interests representing 32.68% of the share capital and recognized in the loans to customers.
(6) SPV consolidated IFRS11.

We remind that, starting from January 1, 2014, after the endorsement of IFRS11 the option to consolidate joint controlled entities proportionally has been eliminated, imposing the net equity method for those companies that fall in the scope of the aforementioned IFRS11.

Changes in the scope of consolidation

Companies consolidated line by line, including the Parent Company, decreased by 32 entities compared with December 31, 2015 (13 inclusions and 45 exclusions as a result of disposals and mergers) from 713 as at December 31, 2015 to 681 as at September 30, 2016.

Companies consolidated at equity increased from 67 at the end of December 2015 to 68 at the end of September 2016.
This overall increase of 1 entity result from 1 inclusion.

We remind that after the application of IFRS11, starting from January 1, 2014, the option to consolidate joint controlled entities proportionally has been eliminated, imposing the net equity method for those companies that fall in the scope of the aforementioned IFRS11.

With reference to September 30, 2016, it can be noted that 203 controlled entities (of which 15 belonging to the Bankig Group) were not consolidated, of which 182 for materiality threshold and/or liquidation procedures. Based on available information, it is believed that their consolidation would not have impacted significantly the Group equity.

Among the non-consolidated remaining 21 entities can be outlined:
- 6 investment funds which quotas are entirely or partially subscribed by the Group and for which consolidation would not determine neither a significant increase in Group consolidated assets;
- 6 entities deriving from restructuring procedures which risks are measured coherently as part of the credit exposures;
- 1 SPE for which the Group is the main lender which valuation pertain to the ordinary lending activity in accordance with the performance of underlying assets.

Wholly-owned subsidiaries

The following table shows the changes in equity investments in wholly-owned subsidiaries.

Equity investments in wholly-owned subsidiaries (consolidated line by line): annual changes

	NUMBER OF COMPANIES
A. Opening balance (from previous year)	**713**
B. Increased by	**13**
B.1 Newly established companies	2
B.2 Change of the consolidation method	-
B.3 Entities consolidated for the first time in the year	11
C. Reduced by	**45**
C.1 Disposals/Liquidations	25
C.2 Change of the consolidation method	6
C.3 Absorption by other Group entities	14
D. Closing balance	**681**

The tables below analyze the other increases and decreases occurred during the three quarters of the year by company:

Increases

Newly established companies

COMPANY NAME	MAIN OFFICE
BUDDY SERVIZI MOLECOLARI SPA	MILAN
ANTHEMIS UNICREDIT STRATEGIC VENTURES LLP	LONDON

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Part A – Accounting Policies

Entities consolidated for the first time in the year

COMPANY NAME	MAIN OFFICE
WEALTHCAP AIRCRAFT 27 KOMPLEMENTAR GMBH	GRUNWALD
ELEKTRA PURCHASE NO. 43 DAC	DUBLIN
ELEKTRA PURCHASE NO. 48 DAC	DUBLIN
CONSUMER THREE SRL (CARTOLARIZZAZIONE : CONSUMER THREE)	VERONA
TREUCONSULT PROPERTY EPSILON GMBH	LONDON
UNTERNEHMENGEWINNSCHEINFOND 1	VIENNA
WEALTHCAP ENTITY SERVICE GMBH	MUNICH
ELEKTRA PURCHASE NO. 47 DAC	DUBLIN
ELEKTRA PURCHASE NO. 42 DAC	DUBLIN
ELEKTRA PURCHASE NO. 46 DAC	DUBLIN
TREUCONSULT BETEILIGUNGSGESELLSCHAFT M.B.H. U. CO. ARBEITERHEIM FAVORITEN REVITALISIERUNGS KG	VIENNA

Reductions

The above table refers to disposals and liquidations of inactive companies.

Disposals/Liquidations

COMPANY NAME	MAIN OFFICE
DONAUTURM AUSSICHTSTURM-UND RESTAURANT-	VIENNA
UNICREDITO ITALIANO FUNDING LLC III	NEW YORK
UNICREDITO ITALIANO CAPITAL TRUST III	NEWARK
ENTASI SRL IN LIQUIDAZIONE	ROME
SVIF UKRSOTSBUD	KIEV
CA-LEASING KAPPA INGATLANHASZNOSITO KORLATOLT FELELOSSEGUE TARSASAG	BUDAPEST
VUWB INVESTMENTS INC.	WILMINGTON
HVB REALTY CAPITAL INC.	NEW YORK
TREVI FINANCE N 3 SRL (CARTOLARIZZAZIONE: TREVI FINANCE 3)	CONEGLIANO
UCL NEKRETNINE D.O.O.	SARAJEVO
HVB-LEASING ATLANTIS INGATLANHASZNOSITO KORLATOLT FELELOESSEGUE TARSASAG	BUDAPEST
CORDUSIO RMBS SRL (CARTOLARIZZAZIONE: CORDUSIO RMBS)	VERONA
CALG IMMOBILIEN LEASING GMBH & CO. PROJEKT ACHT OG	VIENNA
DONAUTURM LIEGENSCHAFTSVERWALTUNGS-	VIENNA
UNICREDITO ITALIANO FUNDING LLC IV	NEW YORK
UNICREDITO ITALIANO CAPITAL TRUST IV	NEWARK
NATA IMMOBILIEN-LEASING GESELLSCHAFT M.B.H.	VIENNA
HVB-LEASING HAMLET INGATLANHASZNOSITO KORLATOLT FELELOESSEGUE TARSASAG	BUDAPEST
BACA LEASING GAMA S.R.O.	PRAGUE
BACA-LEASING OMIKRON INGATLANHASZNOSTO KORLATOLT FELELOSSEGUE TARSASAG	BUDAPEST
INTERKONZUM DOO SARAJEVO	SARAJEVO
BACAL BETA NEKRETNINE D.O.O. ZA POSLOVANJE NEKRETNINAMA	ZAGREB
BACA NEKRETNINE DRUSTVO SA OGRANICENOM ODGOVORNOSCU	BANJA LUKA
ROYSTON LEASING LIMITED	GRAND CAYMAN
LOCAT SV SRL (CARTOLARIZZAZIONE: SERIE 2011)	CONEGLIANO

Change of the consolidation method

COMPANY NAME	MAIN OFFICE
EUROPEYE SRL	ROME
TREVI FINANCE N. 3 S.R.L.	CONEGLIANO
KINABALU FINANCIAL PRODUCTS LLP (IN LIQUIDATION)	LONDON
TREVI FINANCE S.R.L.	CONEGLIANO
HVBFF PRODUKTIONSHALLE GMBH I.L.	MUNICH
KINABALU FINANCIAL SOLUTIONS LTD (IN LIQUIDATION)	LONDON

The changes in the consolidation method refer to transfers to item 100 of controlled non-consolidated subsidiaries due to immateriality.

Absorption by other Group entities

COMPANY NAME OF THE MERGERED ENTITY	MAIN OFFICE		COMPANY NAME OF THE TAKING IN ENTITY	MAIN OFFICE
INPROX POPRAD, SPOL. S.R.O.	BRATISLAVA	>>>	UNICREDIT LEASING SLOVAKIA A.S.	BRATISLAVA
INPROX SR I., SPOL. S R.O.	BRATISLAVA	>>>	UNICREDIT LEASING SLOVAKIA A.S.	BRATISLAVA
NORDBAHNHOF BAUFELD FUENF PROJEKTENTWICKLUNG GMBH	VIENNA	>>>	NORDBAHNHOF PROJEKTE HOLDING GMBH	VIENNA
NORDBAHNHOF BAUFELD ACHT PROJEKTENTWICKLUNG GMBH	VIENNA	>>>	NORDBAHNHOF PROJEKTE HOLDING GMBH	VIENNA
NORDBAHNHOF BAUFELD SIEBEN PROJEKTENTWICKLUNG GMBH	VIENNA	>>>	NORDBAHNHOF PROJEKTE HOLDING GMBH	VIENNA
UNICREDIT GLOBAL BUSINESS SERVICES GMBH	UNTERFOHING	>>>	UNICREDIT BUSINESS INTEGRATED SOLUTIONS SOCIETA CONSORTILE PER AZIONI	MILAN
SALONE N. 2 SPA	ROME	>>>	SALONE SPA	ROME
SALONE N. 3 SPA	ROME	>>>	SALONE SPA	ROME
UNICREDIT-LEASING ORION INGATLANHASZNOSITO KORLATOLT FELELOSSEGUE TARSASAG	BUDAPEST	>>>	HVB-LEASING GARO INGATLANHSZNOSITO KORLATOLT FELELOESSEGUE TARSASAG	BUDAPEST
INPROX CHOMUTOV, S.R.O.	PRAGUE	>>>	UNICREDIT LEASING CZ, A.S.	PRAGUE
INPROX KLADNO, S.R.O.	PRAGUE	>>>	UNICREDIT LEASING CZ, A.S.	PRAGUE
BA CREDITANSTALT BULUS EOOD	SOFIA	>>>	UNICREDIT LEASING EAD	SOFIA
HVB PRINCIPAL EQUITY GMBH	MUNICH	>>>	UNICREDIT BANK AG	MUNICH
UNICREDIT ZWEITE BETEILIGUNGS GMBH	MUNICH	>>>	UNICREDIT BETEILIGUNGS GMBH	MUNICH

Entities line by line which changed the company name during the the year

COMPANY NAME	MAIN OFFICE
WED WIENER ENTWICKLUNGSGESELLSCHAFT FUER DEN DONAURAUM GMBH (ex. WED WIENER ENTWICKLUNGSGESELLSCHAFT FUER DEN DONAURAUM AKTIENGESELLSCHAFT)	VIENNA
UNICREDIT BIZTOSÍTASKOEZVETÍT KFT (ex. UNICREDIT FUGGETLEN BIZTOSITASKOEZVETITOE SZOLGALTATO KFT)	BUDAPEST
SALONE SPA (ex. SALONE N. 1 SPA)	ROME
ELEKTRA PURCHASE NO. 37 DAC (ex. ELEKTRA PURCHASE NO. 37 LIMITED)	DUBLIN
ELEKTRA PURCHASE NO. 38 DAC (ex. ELEKTRA PURCHASE NO. 38 LIMITED)	DUBLIN
ARABELLA FINANCE DAC (ex. ARABELLA FINANCE LTD.)	DUBLIN
ELEKTRA PURCHASE NO. 28 DAC (ex. ELEKTRA PURCHASE NO. 28 LIMITED)	DUBLIN
ELEKTRA PURCHASE NO. 31 DAC (ex. ELEKTRA PURCHASE NO. 31 LIMITED)	DUBLIN
PEKAO FUNDUSZKAPITA OWY SP. Z O.O. IN LIQUIDATION (ex. PEKAO FUNDUSZ KAPITALOWY SP. ZOO)	WARSAW

COMPANY NAME	MAIN OFFICE
HVB-LEASING LAMOND INGATLANHASZNOSITO KFT (IN LIQUIDAZIONE) (ex. HVB-LEASING LAMOND INGATLANHASZNOSITO KFT.)	BUDAPEST
LTD SI&C AMC UKRSOTS REAL ESTATE (IN LIQUIDAZIONE) (ex. LTD SI&C AMC UKRSOTS REAL ESTATE)	KIEV
CORDUSIO SIM SPA (ex. CORDUSIO SIM - ADVISORY & FAMILY OFFICE SPA)	MILAN
ELEKTRA PURCHASE NO. 35 DAC (ex. ELEKTRA PURCHASE NO. 35 LIMITED)	DUBLIN
ELEKTRA PURCHASE NO. 36 DAC (ex. ELEKTRA PURCHASE NO. 36 LIMITED)	DUBLIN
ELEKTRA PURCHASE NO. 33 DAC (ex. ELEKTRA PURCHASE NO. 33 LIMITED)	DUBLIN
ELEKTRA PURCHASE NO. 34 DAC (ex. ELEKTRA PURCHASE NO. 34 LIMITED)	DUBLIN
ELEKTRA PURCHASE NO. 40 DAC (ex. ELEKTRA PURCHASE NO. 40 LIMITED)	DUBLIN
UNICREDIT FLEET MANAGEMENT EOOD (ex. HYPOVEREINS IMMOBILIEN EOOD)	SOFIA

Part A – Accounting Policies

Companies consolidated at net equity increased from 67 at the end of December 2015 to 68 at the end of September 2016. This overall increase of 1 entity result from 1 inclusion.

The following table shows changes in equity investments in Joint Ventures and in companies under significant influence consolidated at Net Equity.

Equity investments in joint ventures and in companies under significant influence (consolidated at net equity): annual changes

	NUMBER OF COMPANIES
A. Opening balance (from previous year)	**67**
B. Increased by	**1**
B.1 Newly established companies	-
B.2 Change of the consolidation method	-
B.3 Entities consolidated for the first time in the year	1
C. Reduced by	**-**
C.1 Disposals/Liquidations	-
C.2 Change of the consolidation method	-
C.3 Absorption by other entities	-
C.4 Other changes	-
D. Closing balance	**68**

The increase occurred during period refers to the application of the equity method accounting for the company Focus Investments S.p.A.

The following table shows the investments in Joint Ventures consolidated at Equity Method.

Investments in joint ventures consolidated with Equity Method (IFRS11)

COMPANY NAME	MAIN OFFICE
YAPI KREDI BANK NEDERLAND N.V.	AMSTERDAM
YAPI KREDI BANK AZERBAIJAN CLOSED JOINT STOCK COMPANY	BAKU
YAPI VE KREDI BANKASI AS	ISTANBUL
YAPI KREDI BANK MOSCOW	MOSCOW
KOC FINANSAL HIZMETLER AS	ISTANBUL
STICHTING CUSTODY SERVICES YKB	AMSTERDAM
YAPI KREDI DIVERSIFIED PAYMENT RIGHTS FINANCE	GEORGE TOWN
FIDES LEASING GMBH	VIENNA

COMPANY NAME	MAIN OFFICE
YAPI KREDI BANK MALTA LTD.	ST. JULIAN'S
YAPI KREDI FINANSAL KIRALAMA AO	ISTANBUL
YAPI KREDI HOLDING BV	AMSTERDAM
YAPI KREDI FAKTORING AS	ISTANBUL
YAPI KREDI YATIRIM MENKUL DEGERLER AS	ISTANBUL
YAPI KREDI INVEST LIMITED LIABILITY COMPANY	BAKU
YAPI KREDI PORTFOEY YOENETIMI AS	ISTANBUL
HETA BA LEASING SUED GMBH	KLAGENFURT

Joint ventures and the companies under significant influence that changed their names during the year

COMPANY NAME	MAIN OFFICE
FENICE HOLDING S.P.A. (IN LIQUIDAZIONE) (ex. FENICE HOLDING S.P.A.)	CALENZANO

Section 4 - 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 Consolidated Interim Report as at September 30, 2016. For further details and information please refer to the Consolidated Interim Report on Operations.

Section 5 - Other Matters

In the first nine months of 2016 the following standards, amendments or interpretations have become effective:
- Amendments to IAS27: Equity Method in Separate Financial Statements (EU Regulation 2015/2441);
- Amendments to IAS1: Disclosure Initiative (EU Regulation 2406/2015);
- Annual Improvements to IFRSs 2012 - 2014 Cycle (EU Regulation 2343/2015);
- Amendments to IAS16 and IAS38: Clarification of Acceptable Methods of Depreciation and Amortisation (EU Regulation 2231/2015);
- Amendments to IAS16 and IAS41: Bearer Plants (EU Regulation 2113/2015);
- Amendments to IFRS11: Accounting for Acquisitions of Interests in Joint Operations (EU Regulation 2173/2015).
- Amendments to IAS19 - Defined benefit plans: employee contributions (EU Regulation 29/2015);
- Annual Improvements to IFRSs 2010 - 2012 cycle (EU Regulation 28/2015);
- Amendments to IFRS10, IFRS12 and IAS28: Investment Entities - Applying the Consolidation Exception (EU Regulation 1703/2016).

Please note that the application of the principles and amendments mentioned above did not have substantial impact on balance sheet and income statement.

As of September 30, 2016 the IASB issued the following standards, amendments, interpretations or revisions:
- IFRS9 - Financial Instruments (July 2014);
- IFRS14 - Regulatory Deferral Accounts (January 2014);
- IFRS15 - Revenue from Contracts with Customers (May 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).

However, the application of these principles by the Group is subject to completion of the approval process by the competent bodies of the European Commission, which is still ongoing.

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. Nonetheless it is allowed to continue to apply IAS39 hedge accounting rules.

In addition to that IFRS9 will change also the accounting treatment of "own credit risk", 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 standards 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.
The mandatory effective date of IFRS9 will be January 1, 2018, subject to the completion of the currently ongoing endorsement process by the European Union.
Main impacts of IFRS9 on UniCredit group are expected to come from the application of the new model for impairment, that will result in an increase of loan loss provisions for Performing loans as well as the application of the new transfer logic between the different "Stages" provided for by the new standard.
Adjustments to the carrying value of financial instruments due to IFRS9 transition will be accounted for through Equity as of January 1, 2018.

Part A – Accounting Policies

IFRS15, effective starting from January 1, 2018, 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 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, confirming the actual distinction between operating and finance leases, introduces a new definition for leases which removes the current two accounting models for the lessee that distinguish between the recognition as assets and liabilities in case of finance lease and the recognition of the accrued liability in case of operating lease. The new accounting treatment will produce also for operating lease, effects similar to those foreseen by the finance lease, recognizing on the balance sheet a right-of-use of the underlying asset and on the liability reflecting the present value of the future payments of the lease contract.

The Consolidated Interim Report as at September 30, 2016 has been approved by the Board of Directors' meeting of November 10, 2016, which authorized its disclosure to the public, also pursuant to IAS10.

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

A.2 - Main Items of the Accounts

With regard to the classification and measurement criteria of the main items, please refer to Part A.2 of the Notes to the Consolidated Accounts as at December 31, 2015.

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 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 fair value as at September 30, 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 gains/losses 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 before tax that would have been recognized in the income statement as of September 30, 2016, if these assets had not been reclassified, would have been a gain of €167,369 thousand, while the impact actually recognized was a gain of €166,344 thousand.

Part A – Accounting Policies

A.3.1 Reclassified financial assets: book value, fair value and effects on comprehensive income

(€ '000)

INSTRUMENTS TYPE (1)	ACCOUNTING PORTFOLIO BEFORE RECLASSIFICATION (2)	ACCOUNTING PORTFOLIO AFTER RECLASSIFICATION (3)	BOOK VALUE AS AT 09.30.2016 (4)	FAIR VALUE AS AT 09.30.2016 (5)	INCOME/EXPENSES ABSENT RECLASSIFICATION (BEFORE TAX) FROM MEASUREMENT (6)	INCOME/EXPENSES ABSENT RECLASSIFICATION (BEFORE TAX) OTHER (7)	INCOME/EXPENSE RECOGNIZED DURING FIRST HALF (BEFORE TAX) FROM MEASUREMENT (8)	INCOME/EXPENSE RECOGNIZED DURING FIRST HALF (BEFORE TAX) OTHER (9)
A. Debt securities			**2,231,402**	**2,370,435**	**63,114**	**90,221**	**69,802**	**76,281**
	Held for trading	Available for sale	2,821	2,821	102	138	102	159
	Held for trading	Held to maturity	50,117	50,658	(1,053)	2,251	-	2,251
	Held for trading	Loans to Banks	451,005	500,459	1,766	9,205	-	11,374
	Held for trading	Loans to Customers	1,712,642	1,802,474	62,279	78,272	69,624	62,166
	Available for sale	Loans to Banks	-	-	-	-	-	-
	Available for sale	Loans to Customers	14,817	14,023	20	355	76	331
B. Equity instruments			**-**	**-**	**-**	**-**	**-**	**-**
	Held for trading	Available for sale	-	-	-	-	-	-
C. Loans			**255,269**	**264,085**	**9,580**	**4,454**	**16,698**	**3,563**
	Held for trading	Available for sale	-	-	-	-	-	-
	Held for trading	Held to maturity	-	-	-	-	-	-
	Held for trading	Loans to Banks	33,762	35,043	(730)	1,050	-	1,299
	Held for trading	Loans to Customers	221,507	229,042	10,310	3,404	16,698	2,264
	Available for sale	Loans to Banks	-	-	-	-	-	-
	Available for sale	Loans to Customers	-	-	-	-	-	-
D. Units in investment funds			**-**	**-**	**-**	**-**	**-**	**-**
	Held for trading	Available for sale	-	-	-	-	-	-
Total			**2,486,671**	**2,634,520**	**72,694**	**94,675**	**86,500**	**79,844**

Debt securities reclassified in the loan with customers portfolio include structured credit products (other than derivative contracts and financial instruments with incorporated derivatives) for an amount of €1,131,685 thousand as at September 30, 2016.

A.4 - Information on fair value

Qualitative information

For this section please refer to the last “2015 Consolidated Reports and Accounts”.

Credit and Debit valuation adjustment

As of September 30, 2016, net CVA/DVA cumulative adjustment amounts to €504 million negative. The part related to own credit spread evolution, which is filtered out from regulatory capital (accordingly to CRDIV), amounts to €250 million positive DVA and €25 million OCS.

A.4.1 Fair value levels 2 and 3: valuation techniques and inputs used

For this section please refer to the last "2015 Consolidated Reports and Accounts".

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							
		Commodities	21.17	138.38	Discounted Cash Flows	Swap Rate (% of used value)	10%	130%
					Option Pricing Model	Volatility	20%	120%
						Correlation	-95%	95%
		Equity	275.94	257.92	Option Pricing Model	Volatility	10%	120%
						Correlation	-95%	95%
					Option Pricing Model/ Discounted Cash Flows	Dividends Yield	0%	10%
		Foreign Exchange	269.42	147.48	Option Pricing Model	Volatility	1%	40%
					Discounted Cash Flows	Interest rate	-30%	20%
		Interest Rate	282.43	95.48	Discounted Cash Flows	Swap Rate (bps)	- 30 bps	1000 bps
						Inflation Swap Rate	100 bps	230 bps
					Option Pricing Model	Inflation Volatility	1%	10%
						Interest Rate	10%	100%
						Correlation	0%	100%
		Hybrid	0.88	16.52	Option Pricing Model	Volatility	10%	120%
						Correlation	-80%	80%
	Credit		18.55	27.43	Hazard Rate Model	Credit Spread	0.00%	29%
						Recovery rate	6%	61%
						Correlation	25%	85%
					Option Pricing Model	Volatility	55%	81%
Debt Securities and Loans		Corporate/ Government/Other	1,045.95	582.04	Market Approach	Price (% of used value)	0%	215%
		Mortgage & Asset Backed Securities	8.48		Discounted Cash Flows	Credit Spread (% of used value)	21bps	30%
						Recovery rate	18%	80%
						Default Rate	1%	3.0%
						Prepayment Rate	0%	30%
Equity Securities		Unlisted Equity & Holdings	429.54		Market Approach	Price (% of used value)	0%	100%
					Gordon Growth Model	Ke	2.5%	8.5%
						Growth Rate	0.5%	3.5%
Units in Investment Funds		Real Estate & Other Funds	814.10		Adjusted Nav	PD	1%	30%
						LGD	35%	60%

Part A – Accounting Policies

A.4.2 Valuations processes and sensitivities

For this section please refer to the last “2015 Consolidated Reports and Accounts”.

Fair value sensitivity to variations in unobservable input 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 Group 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
Derivatives				
	Financial			
		Commodities	+/-	2.36
		Equity	+/-	73.71
		Foreign Exchange	+/-	3.66
		Interest Rate	+/-	9.50
		Hybrid	+/-	1.58
	Credit		+/-	29.24
Debt Securities and Loans				
		Corporate/Government/Other	+/-	4.92
		Mortgage & Asset Backed Securities	+/-	0.88
Equity Securities				
		Unlisted Equity & Holdings	+/-	126.23
Units in Investment Funds				
		Real Estate & Other Funds	+/-	87.43

Within the unlisted Level 3 equity instruments, measured using a model, are classified the shares in Atlante fund (€504 million at September 30, 2016) and in the “Schema Volontario” (€51 million at September 30,2016). The quantitative disclosure presented in this section does not include the effects of changes in the unobservable parameters in the valuation of the “Schema Volontario”. For further information, please refer to see Part B - Section 4 - Available for sale.

A.4.3 Fair value hierarchy

For this section please refer to the last "2015 Consolidated Reports and Accounts".

A.4.4 Other information

For this section please refer to the last "2015 Consolidated Reports and Accounts".

Quantitative information

A.4.5 Fair value hierarchy

The following tables show 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)

FINANCIAL ASSETS/LIABILITIES MEASURED AT FAIR VALUE	AMOUNTS AS AT 09.30.2016			AMOUNTS AS AT 12.31.2015		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Financial assets held for trading	32,434,117	60,630,551	1,045,448	28,923,550	60,557,336	1,515,822
2. Financial assets at fair value through P&L	12,283,940	17,318,908	79,284	17,939,136	16,231,115	198,044
3. Available for sale financial assets	105,946,798	7,811,693	2,041,765	99,983,088	7,466,305	1,712,528
4. Hedging derivatives	-	5,361,988	-	-	5,363,265	5,099
5. Property, plant and equipment	-	-	57,675	-	-	68,860
6. Intangible assets	-	-	-	-	-	-
Total	**150,664,855**	**91,123,140**	**3,224,172**	**146,845,774**	**89,618,021**	**3,500,353**
1. Financial liabilities held for Trading	12,294,482	54,829,109	1,263,114	9,646,638	57,526,008	1,745,949
2. Financial liabilities at fair value through P&L	-	1,506,828	2,113	-	451,783	2,873
3. Hedging derivatives	79	5,701,429	-	2	6,144,990	3,637
Total	**12,294,561**	**62,037,366**	**1,265,227**	**9,646,640**	**64,122,781**	**1,752,459**

Transfers between level of fair value occurring between December 31, 2015 and September 30, 2016 mainly reflect the evolution of market of reference in the period and the enhancement of processes for fair value level attribution in some Group entities.

The sub-item 3. Available-for-sale financial assets at level 3 as of September 30, 2016 does not include €685 million measured at cost (€645 million as of December 31, 2015). It does include the investment in Atlante fund (carrying value €504 million), underwritten in the period.
See Part B - Section 4 - Available for sale for further information.

Besides the transfers related to financial assets and liabilities carried at level 3 detailed in the sections below during the year the following transfers occurred:

- from level 1 to level 2 owing to a worsening of the liquidity and price reliability indicators (based on the bid-ask spread, relative size and applicability of the published prices) collected by third parties as calculated and recorded in the context of the Global Bond IPV process:
  - of financial assets measured at fair value through Profit & Loss (financial assets held for trading and carried at fair value) for approximately €241 million;
  - of financial assets measured at fair value through reserves (financial assets available for sale) for approximately €76 million;
  - of financial liabilities measured at fair value through Profit & Loss (financial liabilities held for trading and carried at fair value) for approximately €9 million;
- from level 2 to level 1 owing to an improvement of the liquidity and price reliability indicators (based on the bid-ask spread, relative size and applicability of the published prices) collected by third parties as calculated and recorded in the context of the Global Bond IPV process:
  - of financial assets measured at fair value through Profit & Loss (financial assets held for trading and carried at fair value) for approximately €693 million;
  - of financial assets measured at fair value through reserves (financial assets available for sale) for approximately €93 million;
  - of financial liabilities measured at fair value through Profit & Loss (financial liabilities held for trading and carried at fair value) for approximately €9 million.

Part A – Accounting Policies

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 TROUGH P&L FINANCIAL ASSETS	AVAILABLE FOR SALE FINANCIAL ASSETS	HEDGING DERIVATIVES	PROPERTY, PLANT AND EQUIPMENT	INTANGIBLE ASSETS
1. Opening balances	**1,515,822**	**198,044**	**1,712,528**	**5,099**	**68,860**	**-**
2. Increases	**1,263,888**	**73,469**	**1,336,938**	**57**	**966**	**-**
2.1 Purchases	1,009,201	70,927	1,048,273	-	34	-
2.2 Profits recognized in:	170,732	1,949	157,248	-	-	-
2.2.1 Income Statement	170,732	1,949	101,557	-	-	-
- of which Unrealized gains	*56,103*	*1,940*	*731*	-	-	-
2.2.2 Equity	X	X	55,691	-	-	-
2.3 Transfers from other levels	82,575	-	109,928	-	-	-
2.4 Other increases	1,380	593	21,489	57	932	-
3. Decreases	**1,734,262**	**192,229**	**1,007,701**	**5,156**	**12,151**	**-**
3.1 Sales	913,169	56,792	512,623	5,098	10,452	-
3.2 Redemptions	8,265	4,346	60,933	-	-	-
3.3 Losses recognized in:	560,774	16,500	90,550	-	1,420	-
3.3.1 Income Statement	560,774	16,500	19,877	-	1,420	-
- of which Unrealized losses	*247,405*	*16,111*	*19,737*	-	*1,390*	-
3.3.2 Equity	X	X	70,673	-	-	-
3.4 Transfers to other levels	248,673	114,200	257,831	-	-	-
3.5 Other decreases	3,381	391	85,764	58	279	-
4. Closing balances	**1,045,448**	**79,284**	**2,041,765**	**-**	**57,675**	**-**

The sub-item 2 increases and 3 decreases in financial assets are included in the Profit and Loss in the following items:
- Item 80: Gains and losses on financial assets and liabilities held for trading;
- Item 110: Gains and losses on financial assets/liabilities at fair value through Profit or Loss;
- Item 90: Fair value adjustments in hedge accounting.

The sub-item "2.2 Profits" and the sub-item "3.3 Losses" on fair value on financial assets and liabilities available for sale are accounted in item "140. Revaluation reserves" of Shareholder's Equity – with the exception of impairment and gains and losses on exchange rates on monetary assets (liabilities) which are reported respectively within item "130. b) Impairment losses on 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. b) Gains and losses on financial assets and liabilities available for sale".

Transfers between levels of fair value occurring between December 31, 2015 and September 30, 2016 mainly reflect the evolution of market of reference in the period and the enhancement of processes for fair value level attribution in some Group entities and mostly refer to exposure held by UniCredit Bank AG.

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
1. Opening balances	**1,745,949**	**2,873**	**3,637**
2. Increases	**797,007**	**-**	**-**
2.1 Issuance	495,806	-	-
2.2 Losses recognized in:	208,099	-	-
2.2.1 Income Statement	208,099	-	-
- of which Unrealized losses	*168,908*	-	-
2.2.2 Equity	X	X	-
2.3 Transfers from other levels	86,561	-	-
2.4 Other increases	6,541	-	-
3. Decreases	**1,279,842**	**760**	**3,637**
3.1 Redemptions	586,351	-	-
3.2 Purchases	-	-	-
3.3 Profits recognized in:	278,840	-	-
3.3.1 Income Statement	278,840	-	-
- of which Unrealized gains	*199,582*	-	-
3.3.2 Equity	X	X	-
3.4 Transfers to other levels	411,209	-	-
3.5 Other decreases	3,442	760	3,637
4. Closing balances	**1,263,114**	**2,113**	**-**

The sub-item 2 increases and 3 decreases in financial assets are included in the Profit and Loss in the following items:

- Item 80: Gains and losses on financial assets and liabilities held for trading;
- Item 110: Gains and losses on financial assets/liabilities at fair value through Profit or Loss;
- Item 90: Fair value adjustments in hedge accounting.

Transfers between levels of fair value occurring between December 31, 2015 and September 30, 2016 mainly reflect the evolution of market of reference in the period and the enhancement of processes for fair value level attribution in some Group entities and mostly refer to exposure held by UniCredit Bank AG.

Part A – Accounting Policies

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 09.30.2016 BOOK VALUE	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	AMOUNTS AS AT 12.31.2015 BOOK VALUE	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3
1. Held-to-maturity investments	2,195,068	938,475	1,256,448	42,584	2,093,301	708,728	1,392,740	24,929
2. Loans and receivables with banks	76,750,331	506,933	50,345,554	27,302,474	80,073,334	403,021	51,688,503	28,336,129
3. Loans and receivables with customers	480,926,340	1,155,670	150,358,819	339,405,144	473,998,521	1,173,923	167,423,628	317,947,855
4. Property, plant and equipment held for investment	2,431,784	-	99,435	2,750,985	2,520,706	-	104,400	2,829,301
5. Non-current assets and disposal groups classified as held for sale	3,369,465	-	24,760	2,063,495	2,820,068	-	21,760	2,463,254
Total	**565,672,988**	**2,601,078**	**202,085,016**	**371,564,682**	**561,505,930**	**2,285,672**	**220,631,031**	**351,601,468**
1. Deposits from banks	114,982,552	-	67,055,723	47,527,644	111,372,678	-	59,259,162	52,817,167
2. Deposits from customers	470,295,733	-	156,755,636	314,927,433	449,790,439	10,922	144,578,797	306,703,898
3. Debt securities in issue	119,802,775	53,858,530	50,738,519	22,754,353	134,477,901	60,537,592	58,852,203	22,275,395
4. Liabilities included in disposal groups classified as held for sale	2,651,189	-	-	1,444,674	1,879,999	-	-	1,873,921
Total	**707,732,249**	**53,858,530**	**274,549,878**	**386,654,104**	**697,521,017**	**60,548,514**	**262,690,162**	**383,670,381**

Between December 31, 2015 and September 30, 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.

The book value of sub-item 5. Non-current assets and disposal groups classified as held for sale (Assets) and 4. Liabilities included in disposal groups classified as held for sale (Liabilities) includes amounts referred to assets and liabilities measured on balance sheet on the basis of their cost, respectively for €1,281 million and €1,207 million. The fair value disclosed in the table is instead referred only to items measured on the basis of their fair value and, thus, does not include the fair values related to assets and liabilities measured on the basis of their cost. For further details on these two sub-items see Part B Section 15, table 15.1.

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 paragraphs 1 and 14 of Part A.2 of the Notes to the Consolidated Accounts of 2015 Consolidated Reports and Accounts) and instruments designated at fair value (see paragraphs 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.

The balance of value adjustments to reflect model risk (amount not recognized in the Income Statement) changed from €29,900 thousand at December 31, 2015 to €36,000 thousand at September 30, 2016.

Part B – Consolidated Balance Sheet

Part B – Consolidated Balance Sheet - Assets

Assets

Section 2 - Financial assets held for trading - Item 20

2.1 Financial assets held for trading: product breakdown

(€ '000)

ITEM/VALUES	AMOUNTS AS AT 09.30.2016 LEVEL 1	LEVEL 2	LEVEL 3	AMOUNTS AS AT 12.31.2015 LEVEL 1	LEVEL 2	LEVEL 3
A) Financial assets (non-derivatives)						
1. Debt securities	**17,562,390**	**1,824,511**	**95,824**	**14,029,342**	**2,274,280**	**72,305**
1.1 Structured securities	20,692	832,515	4,151	62,944	805,698	7,940
1.2 Other debt securities	17,541,698	991,996	91,673	13,966,398	1,468,582	64,365
2. Equity instruments	**10,483,851**	**7,327**	**1,736**	**11,318,894**	**21,465**	**16,634**
3. Units in investment funds	**1,585,084**	**276,278**	**79,492**	**1,178,028**	**350,476**	**76,395**
4. Loans	**911,249**	**10,538,013**	**-**	**777,013**	**12,002,025**	**-**
4.1 Reverse Repos	-	10,512,840	-	-	11,953,666	-
4.2 Other	911,249	25,173	-	777,013	48,359	-
Total (A)	**30,542,574**	**12,646,129**	**177,052**	**27,303,277**	**14,648,246**	**165,334**
B) Derivative instruments						
1. Financial derivatives	**1,872,698**	**47,567,058**	**849,901**	**1,559,414**	**45,354,780**	**1,326,903**
1.1 Trading	1,872,698	43,743,303	849,901	1,559,405	43,047,886	1,326,838
1.2 Related to fair value option	-	10,000	-	-	172	-
1.3 Other	-	3,813,755	-	9	2,306,722	65
2. Credit derivatives	**18,845**	**417,364**	**18,495**	**60,859**	**554,310**	**23,585**
2.1 Trading	18,845	416,727	18,495	60,859	551,585	22,507
2.2 Related to fair value option	-	-	-	-	-	-
2.3 Other	-	637	-	-	2,725	1,078
Total (B)	**1,891,543**	**47,984,422**	**868,396**	**1,620,273**	**45,909,090**	**1,350,488**
Total (A+B)	**32,434,117**	**60,630,551**	**1,045,448**	**28,923,550**	**60,557,336**	**1,515,822**
Total Level 1, Level 2 and Level 3			**94,110,116**			**90,996,708**

Valuations at fair value were classified according to a hierarchy of levels reflecting the observability of the valuations input. For further information see Part A - Accounting Policies - A.4 Information on fair value.

The financial assets and liabilities relating to OTC Derivatives managed through Central Counterparty Clearing Houses (CCPs) are offset when (i) the clearing systems of CCPs guarantee the elimination or reduce to immaterial the credit and liquidity risks of these contracts and (ii) the entity intends to settle these contracts on a net basis, in accordance with IAS32 - Offsetting, in order to improve the presentation of the liquidity profile and counterparty risk connected with them.

The effect as at September 30, 2016, already included in the net presentation of these transactions, totaled €20,349,795 (€15,770,961 as at December 31, 2015).

Section 3 - Financial assets at fair value through profit or loss - Item 30

Assets are recognized in this item to reduce the accounting mismatch arising from financial instruments measured (with changes in fair value) in the income statement in order to manage the risk profile.

3.1 Financial assets at fair value through profit or loss: breakdown by product

(€ '000)

ITEM/VALUES	AMOUNTS AS AT 09.30.2016			AMOUNTS AS AT 12.31.2015		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Debt securities	**12,241,711**	**15,992,692**	**43,169**	**17,822,587**	**14,821,106**	**143,588**
1.1 Structured securities	-	1	-	-	1	-
1.2 Other debt securities	12,241,711	15,992,691	43,169	17,822,587	14,821,105	143,588
2. Equity instruments	**14**	**-**	**23,221**	**12**	**-**	**38,098**
3. Units in investment funds	**42,215**	**155,860**	**12,894**	**116,537**	**246,270**	**16,358**
4. Loans	**-**	**1,170,356**	**-**	**-**	**1,163,739**	**-**
4.1 Structured	-	-	-	-	-	-
4.2 Other	-	1,170,356	-	-	1,163,739	-
Total	**12,283,940**	**17,318,908**	**79,284**	**17,939,136**	**16,231,115**	**198,044**
Cost	**12,102,085**	**16,909,587**	**97,751**	**17,920,144**	**15,909,939**	**190,828**
Total Level 1, Level 2 and Level 3			**29,682,132**			**34,368,295**

Valuations at fair value were classified according to a hierarchy of levels reflecting the observability of the valuations input. For further information see Part A - Accounting Policies - A.4 Information on fair value.

Section 4 - Available for sale financial assets - Item 40

4.1 Available for sale financial assets:breakdown by product

(€ '000)

	AMOUNTS AS AT 09.30.2016			AMOUNTS AS AT 12.31.2015		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Debt securities	**105,671,955**	**6,352,750**	**915,460**	**99,613,105**	**5,955,345**	**1,057,959**
1.1 Structured securities	-	-	13,632	-	95,983	67,832
1.2 Other	105,671,955	6,352,750	901,828	99,613,105	5,859,362	990,127
2. Equity instruments	**61,238**	**1,432,351**	**735,300**	**109,860**	**1,483,690**	**802,281**
2.1 Measured at fair value	61,238	1,432,351	404,590	109,860	1,483,690	496,452
2.2 Carried at cost	-	-	330,710	-	-	305,829
3. Units in investment funds	**191,839**	**26,592**	**1,076,210**	**237,437**	**27,270**	**497,019**
4. Loans	**21,766**	**-**	**-**	**22,686**	**-**	**-**
Total	**105,946,798**	**7,811,693**	**2,726,970**	**99,983,088**	**7,466,305**	**2,357,259**
Total Level 1, Level 2 and Level 3			**116,485,461**			**109,806,652**

Valuations at fair value were classified according to a hierarchy of levels reflecting the observability of the valuations input. For further information see Part A - Accounting Policies - A.4 Information on fair value.

Sub-item "2.1. Equity securities at fair value" includes Banca d'Italia stake (presented among level 2 instruments) and investments in the "Schema Volontario" (presented among level 3 instruments), with a value of €1,334 million and €51 million respectively at September 30, 2016.

Sub-item "3. Units in investments fund" includes Atlante fund stake (presented among level 3 instruments) with a value of €504 million at September 30, 2016.

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. 4.3% of Banca d'Italia share capital, reducing its shareholding to 17.8% (book value of €1,334 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

Part B – Consolidated Balance Sheet - Assets

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 12.8% 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 September 30, 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 September 30, 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.

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 Questio 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:
- up to 70% of Atlante may be invested 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;
- at least 30% of Atlante will be invested 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.
UniCredit S.p.A. is committed to participate to the Atlante II fund for a total amount of €155 million.
On October 12, 2016 Quaestio SGR announced the conclusion, through Credit Foncier, of the due diligence on the portfolio of Non-Performing loans of the Monte dei Paschi di Siena ("MPS") subject to a securitization potential, on the basis of which results Quaestio SGR has confirmed the investment in tranches "mezzanine" of that potential securitization for an amount of up to €1.6 billion, subject to specific conditions.

As of September 30, 2016 UniCredit S.p.A.
- with reference to Atlante fund holds 845 shares (out of 4,249 total shares of Atlante), with a carrying value, in line with the subscription price, of €503.6 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 €341.4 million;
- with reference to Atlanta II fund, UniCredit S.p.A. has a commitment to underwrite the units of fund for an amount up to €155 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 September 30, 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 investments in the “Schema Volontario”

UniCredit 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 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 group, amounted to approximately €125 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 €280 million (commitment relating to UniCredit group amounted to €51 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 €51 million (consistent with the monetary payment), with a consequent reduction of the residual commitment to €76 million.

Section 5 - Held-to-maturity investments - Item 50

5.1 Held-to-maturity investments: breakdown by product

(€ '000)

	AMOUNTS AS AT 09.30.2016				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. Debt securities	**2,195,068**	**938,475**	**1,256,448**	**42,584**	**2,093,301**	**708,728**	**1,392,740**	**24,929**
- Structured securities	-	-	-	-	-	-	-	-
- Other securities	2,195,068	938,475	1,256,448	42,584	2,093,301	708,728	1,392,740	24,929
2. Loans	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**2,195,068**	**938,475**	**1,256,448**	**42,584**	**2,093,301**	**708,728**	**1,392,740**	**24,929**
Total Level 1, Level 2 and Level 3				**2,237,507**				**2,126,397**

Fair value measurements solely for the purpose of fulfilling financial disclosure requirements were classified according to a hierarchy of levels reflecting the significance of the valuation inputs.
For further information see Part A - Accounting Policies - A.4 Information on fair value.

Part B – Consolidated Balance Sheet - Assets

Section 6 - Loans and receivables with banks - Item 60

6.1 Loans and receivables with banks: breakdown by product

(€ '000)

	AMOUNTS AS AT 09.30.2016				AMOUNTS AS AT 12.31.2015			
	BOOK	FAIR VALUE			BOOK	FAIR VALUE		
TYPE OF TRANSACTIONS/VALUES	VALUE	LEVEL 1	LEVEL 2	LEVEL 3	VALUE	LEVEL 1	LEVEL 2	LEVEL 3
A. Loans to Central Banks	**18,871,106**	**-**	**4,718,031**	**14,150,471**	**21,121,665**	**-**	**6,543,631**	**13,998,258**
1. Time deposits	1,181,850	X	X	X	3,989,974	X	X	X
2. Compulsory reserves	14,671,847	X	X	X	15,065,331	X	X	X
3. Reverse repos	2,993,252	X	X	X	1,702,269	X	X	X
4. Other	24,157	X	X	X	364,091	X	X	X
B. Loans to banks	**57,879,225**	**506,933**	**45,627,523**	**13,152,003**	**58,951,669**	**403,021**	**45,144,872**	**14,337,871**
1. Loans	**54,763,844**	**-**	**41,902,042**	**13,138,095**	**56,524,413**	**-**	**43,119,172**	**14,225,319**
1.1 Current accounts and demand	19,088,184	X	X	X	18,589,133	X	X	X
1.2 Time deposits	5,955,682	X	X	X	6,511,822	X	X	X
1.3 Other loans	29,719,978	X	X	X	31,423,458	X	X	X
- Reverse repos	*21,806,334*	*X*	*X*	*X*	*25,193,976*	*X*	*X*	*X*
- Finance leases	*2,991*	*X*	*X*	*X*	*4,314*	*X*	*X*	*X*
- Other	*7,910,653*	*X*	*X*	*X*	*6,225,168*	*X*	*X*	*X*
2. Debt securities	**3,115,381**	**506,933**	**3,725,481**	**13,908**	**2,427,256**	**403,021**	**2,025,700**	**112,552**
2.1 Structured	*-*	*X*	*X*	*X*	*-*	*X*	*X*	*X*
2.2 Other	*3,115,381*	*X*	*X*	*X*	*2,427,256*	*X*	*X*	*X*
Total	**76,750,331**	**506,933**	**50,345,554**	**27,302,474**	**80,073,334**	**403,021**	**51,688,503**	**28,336,129**

The figure as at September 30, 2016 reflects a reduction in the Time Deposits to Central Banks and in Reverse Repos to banks, mainly attributable to UniCredit Bank Hungary ZRT. and to UniCredit Bank AG.

Loans and receivables with banks are not carried at fair value, which is presented solely for the purpose of fulfilling financial disclosure requirements. Fair value measures are classified according to a three level hierarchy that reflects the significance of the inputs used in the measurement process.
For further information see Part A - Accounting Policies - A.4 Information on fair value.

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 09.30.2016						AMOUNTS AS AT 12.31.2015					
	BOOK VALUE			FAIR VALUE			BOOK VALUE			FAIR VALUE		
		NON-PERFORMING						NON-PERFORMING				
	PERFORMING	PURCHASED	OTHERS	LEVEL 1	LEVEL 2	LEVEL 3	PERFORMING	PURCHASED	OTHERS	LEVEL 1	LEVEL 2	LEVEL 3
Loans	**432,044,345**	**37,078**	**36,201,041**	**-**	**141,706,908**	**336,341,050**	**423,436,930**	**41,621**	**38,766,304**	**-**	**159,895,420**	**314,717,134**
1. Current accounts	36,595,235	20,743	6,111,284	X	X	X	37,621,762	21,871	6,906,533	X	X	X
2. Reverse repos	26,699,135	-	-	X	X	X	28,704,594	-	10	X	X	X
3. Mortgages	160,730,166	9,963	16,161,088	X	X	X	155,231,438	11,583	16,752,503	X	X	X
4. Credit cards and personal loans, including wage assignment loans	15,555,438	4	358,445	X	X	X	15,175,958	6	474,395	X	X	X
5. Finance leases	21,307,085	-	4,007,537	X	X	X	22,310,500	-	4,156,121	X	X	X
6. Factoring	8,645,016	-	410,464	X	X	X	9,917,475	2	378,461	X	X	X
7. Other loans	162,512,270	6,368	9,152,223	X	X	X	154,475,203	8,159	10,098,281	X	X	X
Debt securities	**12,465,260**	**-**	**178,616**	**1,155,670**	**8,651,911**	**3,064,094**	**11,641,611**	**-**	**112,055**	**1,173,923**	**7,528,208**	**3,230,721**
8. Structured securities	-	-	-	X	X	X	-	-	-	X	X	X
9. Other debt securities	12,465,260	-	178,616	X	X	X	11,641,611	-	112,055	X	X	X
Total	**444,509,605**	**37,078**	**36,379,657**	**1,155,670**	**150,358,819**	**339,405,144**	**435,078,541**	**41,621**	**38,878,359**	**1,173,923**	**167,423,628**	**317,947,855**
Total carrying amount Performing and Non-Performing			**480,926,340**						**473,998,521**			

The sub-item "7. Other loans" includes:

- €57,233 million for other non-current account loans (€52,367 million as at December 31, 2015);
- €19,796 million for pooled transactions (€23,603 million as at December 31, 2015);
- €11,647 million advances to customers for import/export (€11,199 million as at December 31, 2015);
- €10,297 million for advances to ordinary customers (€10,215 million as at December 31, 2015);
- €9,697 million 'hot money' transactions (€9,997 million as at December 31, 2015).

The sub-items "2. Reverse repos" and "7. Other loans" do not include the type of securities lending transactions collateralized by securities or not collateralized. See also the section "Other information" of Part B.

Loans and receivables with customers are not managed on a fair value basis, which is presented solely for the purpose of fulfilling financial disclosure requirements. Fair value measures are classified according to a three level hierarchy that reflects the significance of the inputs used in the measurement process.
The fair value of on-demand items has been estimated to be equal to their net carrying amount using the option provided for by IFRS7.29. According to this assumption, on-demand items has been classified within level 3 in the fair value hierarchy. The fair value of impaired loans has been estimated to be equal to their net carrying amount taking their specific realizable value as the best estimate of the future expected cash flows discounted at the valuation date. According to this assumption, impaired loans has been allocated to level 3 in the fair value hierarchy.
For further information see Part A - Accounting Policies - A.4 Information on fair value.

Part B – Consolidated Balance Sheet - Assets

Section 13 - Intangible assets - Item 130

An intangible asset is an identifiable non-monetary asset without physical substance, to be used for several years. Intangible assets include goodwill and, among "other intangible assets", brands, core deposits, customer relationships and software.
Goodwill is the excess of the cost of a business combination over the net fair value of the assets and liabilities of companies or businesses at the acquisition date.
As at September 30, 2016 intangible assets amounted to €5,678 million, decreased in comparison to €5,758 million as at December 31, 2015.
The decrease is mainly related to amortizations of intangible assets with finite life and to the effects of exchange rates related to foreign currencies items.

13.1 Intangible assets: breakdown by asset type

(€'000)

ASSETS/VALUES	AMOUNTS AS AT 09.30.2016		AMOUNTS AS AT 12.31.2015	
	FINITE LIFE	INDEFINITE LIFE	FINITE LIFE	INDEFINITE LIFE
A.1 Goodwill	**X**	**3,590,676**	**X**	**3,618,345**
A.1.1 attributable to the Group	X	3,590,676	X	3,618,345
A.1.2 attributable to minorities	X	-	X	-
A.2 Other intangible assets	**1,994,261**	**92,957**	**2,047,172**	**92,957**
A.2.1 Assets carried at cost:	1,994,261	92,957	2,047,172	92,957
a) Intangible assets generated internally	*1,438,775*	*-*	*1,420,037*	*-*
b) Other assets	*555,486*	*92,957*	*627,135*	*92,957*
A.2.2 Assets valued at fair value:	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**1,994,261**	**3,683,633**	**2,047,172**	**3,711,302**
Total finite and indefinite life		**5,677,894**		**5,758,474**

The Group does not use the revaluation model (fair value) to measure intangible assets.
Intangible Assets - Other - Indefinite life include trademarks/brands (Fineco).
Intangible Assets - Other - Definite life include:

- Customer Relationships of €61 million;
- Software of €354 million;
- Licenses, patents and similar rights of €103 million.

13.2 Intangible assets: annual changes

(€'000)

	CHANGES IN 2016					
		OTHER INTANGIBLE ASSETS				
		GENERATED INTERNALLY		OTHER		
	GOODWILL	FINITE LIFE	INDEFINITE LIFE	FINITE LIFE	INDEFINITE LIFE	TOTAL
A. Gross opening balance	**20,013,850**	**2,609,495**	**-**	**7,064,043**	**994,734**	**30,682,122**
A.1 Total net reduction in value	(16,395,505)	(1,189,458)	-	(6,436,908)	(901,777)	(24,923,648)
A.2 Net opening balance	**3,618,345**	**1,420,037**	**-**	**627,135**	**92,957**	**5,758,474**
B. Increases	**-**	**287,716**	**-**	**108,833**	**-**	**396,549**
B.1 Purchases	-	17,938	-	93,965	-	111,903
B.2 Increases in intangible assets generated internally	X	245,364	-	-	-	245,364
B.3 Write-backs	X	-	-	-	-	-
B.4 Increases in fair value	X	-	-	-	-	-
- in equity	*X*	-	-	-	-	-
- through profit or loss	*X*	-	-	-	-	-
B.5 Positive exchange differences	-	4,612	-	6,169	-	10,781
B.6 Other changes	-	19,802	-	8,699	-	28,501
C. Reduction	**27,669**	**268,978**	**-**	**180,482**	**-**	**477,129**
C.1 Disposals	-	1,906	-	530	-	2,436
C.2 Write-downs	-	232,560	-	149,723	-	382,283
- amortization	X	230,699	-	149,480	-	380,179
- write-downs	-	1,861	-	243	-	2,104
+ in equity	*X*	-	-	-	-	-
+ through profit or loss	-	*1,861*	-	*243*	-	*2,104*
C.3 Reduction in fair value	X	-	-	-	-	-
- in equity	*X*	-	-	-	-	-
- through profit or loss	*X*	-	-	-	-	-
C.4 Transfer to non-current assets held for sale	-	31,625	-	976	-	32,601
C.5 Negative exchange differences	27,669	12	-	3,209	-	30,890
C.6 Other changes	-	2,875	-	26,044	-	28,919
D. Net Closing Balance	**3,590,676**	**1,438,775**	**-**	**555,486**	**92,957**	**5,677,894**
D.1 Total net write-down	(16,419,213)	(1,435,087)	-	(6,498,000)	(901,777)	(25,254,077)
E. Gross closing balance	**20,009,889**	**2,873,862**	**-**	**7,053,486**	**994,734**	**30,931,971**
F. Carried at cost	**-**	**-**	**-**	**-**	**-**	**-**

The book value of goodwill as September 30, 2016 (€3,591 million) has been affected for €28 million by the negative change, occurred in the period, of the exchange rate related to the original currencies in which the Goodwill was recognized. The negative variations mainly refer to the companies operating in Poland and in USA.

For further details of impairment test on goodwill and other intangible assets with definite and indefinite life, noted during business combinations, please refer to the following pages.

Part B – Consolidated Balance Sheet - Assets

13.3 Other information

Information on intangible assets noted during business combinations
The application of IFRS 3 to the accounting for business combinations revealed in the course of time significant amounts of intangible assets and goodwill. The following table shows the change in the values posted for the various intangible assets identified during the period, including the valuation effects described below.

(€ million)

INTANGIBLE ASSETS (EXCEPT SOFTWARE)	TOTAL 12.31.2015	AMORTIZATION	IMPAIRMENT	(*) OTHER CHANGES	TOTAL 09.30.2016
Trademarks	93	-	-	-	93
Core deposits and customer relationships	75	(13)	-	(1)	61
Goodwill	3,618	-	-	(28)	3,591
TOTAL	**3,786**	**(13)**	**-**	**(29)**	**3,745**

(*) Mainly due to fx effect related to intangible assets in foreign currency.

Any discrepancies in this table and between data given in the above table and other information in Explanatory Notes are due to the effect of rounding.

The residual value of indefinite-useful-life intangible assets (trademarks) refers to Fineco Bank in amount of €93 million.

The residual amount of Core Deposits and of the following intangible assets are equal to zero due to fully write-off as of December 2013: Asset under Management (AuM), Asset under Custody (AuC), Life Insurance, Products.
"Core deposits & customers Relationship" item include all other types of so-called customer relationships, among them, for example the including by way of example those deriving from the ability of the company to obtain placement fees on third-party bonds and from securities auctions.
The average residual useful life of Customer relationship is 11 years.

The Group does not hold intangible assets acquired through public grants or intangible assets pledged against liabilities.

Refer to 2015 Consolidated Reports and Accounts - Notes to Consolidated Accounts - Part B - Section 13 - Intangible assets for a description of such assets and their recognition criteria.

Impairment testing of intangible assets during business combinations
The carrying amount of goodwill as of September 30, 2016 was €3,591 million, in line with the figure for December 31, 2015 with the exception of a decrease of €28 million due to the exchange rate effect.

The principle IAS36.99 allows to consider the results of the latest impairment test performed as of December 30, 2015 provided all of the following criteria are met:
d) the assets and liabilities making up the various Cash Generating Units have not changed significantly in the time passed from the most recent recoverable amount calculation;
e) the recoverable amount calculated as of December 30, 2015 exceeded the carrying value of the Cash Generating Units for a significant amount;
f) based on the analysis of events that have occurred and circumstances that have changed since the most recent recoverable amount calculation, the likelihood that a current recoverable amount determination would be less than the asset's carrying amount is remote

With reference to the first two conditions required by the principle, it is noted that (i) in the current period there haven't been significant variations in the assets and liabilities composing the Cash Generating Units and (ii) as of December 31, 2015 the recoverable amount of the various CGUs exceeded their carrying value for a significant amount. For more details about the projections and underlying assumptions, results and sensitivity analyses of the recoverable amount to the main parameters used in the impairment test, please refer to the Consolidated Financial Statements as at December 31, 2015.

Regarding the third condition, it has been performed a qualitative analysis of the key assumptions underlying the calculation of goodwill impairment test as of December 30, 2015. Aforementioned analysis was focused on financial projections and main indicators.

Estimating cash flows to determine the value in use as at December 31, 2015
The impairment test at December 31, 2015 was performed on the basis of the financial projections (Net Profit and RWA) embedded in the Budget for 2016 and the Strategic Plan approved by the Board of Directors on November 11, 2015.

The net profit result does not reveal a material difference in respect to the financial projections underlying the impairment test as of December 31, 2015, both at Group level and at the level of each CGU.
Accordingly, with reference to the financial projections, it was considered that no particular circumstances occurred in the current period so as to determine a lower recoverable amount of the various Cash Generating Units than their carrying value.

Analysis of indicators as at September 30, 2016
With the aim of assessing potential variations occurred in the nine months of 2016 in the assumptions underlying latest impairment test calculation, a trigger analysis of the key indicators has been carried out.

In particular, the following considerations have been made:
- there are no substantial changes in assets and liabilities making up the CGU structure;
- at Group level and for most of the CGUs, RWA are in line with budget targets;
- Group cost of Equity updated as of September 2016 is c.a. 10%, slightly lower than December 2015 (c.a. 10.2%), trend seen also on most of the CGUs;
- there have been no changes in Common Equity Tier 1 ratio target.

In addition, the following elements of the prevailing Macro and Banking scenario have been observed:
a) Euro area GDP growth stabilized at a growth rate of 1.5% annualized (at 0.3% q/q), confirming that the pace of recovery remains moderate, but rather resilient to shocks, since this was the first quarter to fully include possible spillover from the Brexit. On the price front, inflation remains subdued, notwithstanding signs of a mild increase driven by energy, while core prices confirm lack of any upward impulse. On the investment side, sentiment indicators have been recovering the ground lost in the aftermath of the Brexit vote underpinned by a positive momentum in consumption;
b) ECB policy continued to be accommodative in 3Q 2016, following the extraordinary easing measures taken during 2016. Moreover, in case of increasing in risks concerning price dynamics and economic/ financial stability, it is expected that Governing Council might decide to extend QE further, for at least six months until September 2017.

The result of the trigger analysis and events occurred as of September 30, 2016 versus December 31, 2015 didn't reveal specific indications so as to cause a lower recoverable amount of the various Cash Generating Units than their carrying value

At last, with reference to the Cash Generating Unit "Poland" it is pointed out that in addition to the qualitative analysis of the main indicators, the recoverable amount was verified using additional, more restrictive, assumptions revealed by the sale of 10% stake of controlled Bank Pekao S.A.
In particular, the implied fair value considering the price of the latest transaction of 10% stake sale of Bank Pekao S.A, was prudentially reduced by central costs allocated to the above-mentioned Cash Generating Unit, in continuity with the methodology used for the impairment test as of December 31, 2015. The obtained recoverable amount resulted broadly in line with the carrying value of the Cash Generating Unit as of September 30, 2016.

Results of the impairment test
Based on analysis of events that have occurred and circumstances that have changed since December 2015 pursuant to IAS36.99 the results of December 2015 impairment test are confirmed also for September 2016.
It must be emphasized that the parameters and information used to verify the recoverability of goodwill (in particular the expected cash flows for the CGUs and the discount rates used) are significantly influenced by the macroeconomic and market situation, which may be subject, to currently unpredictable changes. A new multi-year plan exercise is being conducted at Group level considering the latest macro outlook (i.e. Brexit, EBA Stress Test, 2016 Banca d'Italia capital inspection and other considerations) and its underlying targets and assumptions will be the basis for the next goodwill impairment test exercise as of December 31, 2016. These new projections could determine a different outcome of the next goodwill impairment test, potentially including a write-down of the existing goodwill on Group Accounts.

Part B – Consolidated Balance Sheet - Assets

Section 15 - Non-current assets and disposal groups classified as held for sale - Item 150 (assets) and 90 (liabilities)

Non-current assets or directly connected groups of assets and liabilities, which constitute a set of cash flow generating assets, the sale of which is highly likely, are recognized under these items. They are measured at the lower value between the book value and the fair value less costs to sell.

In the Balance Sheet at September 30, 2016, compared with December 31, 2015, the company Bankhaus Neelmayer has been attributed to the non-current assets and asset disposal groups as well as the assets and liabilities related to the sale of UBIS's card processing activities in Italy, Germany and Austria.

Data at September 30, 2016 refer mainly, as regards the single assets and liabilities held for sale, to the company Bankhaus Neelmayer, to the assets and liabilities related to the sale of UBIS's card processing activities in Italy, Germany and Austria and to the tangible assets and real-estate properties held by some companies in the group.

As regards the data for asset disposal groups, and associated liabilities, the figure at September 30, 2016 refers to the following companies already listed in the consolidated accounting statement at December 31, 2015, based on accounting standard IFRS5:
- the companies of the Ukrainian Group (PUBLIC JOINT STOCK COMPANY UKRSOTSBANK, PRIVATE JOINT STOCK COMPANY FERROTRADE INTERNATIONAL, LLC UKROTSBUD, LTD SI&C AMC UKRSOTS REAL ESTATE);
- the companies of the Immobilien Holding Group.

As of September, 30 2016 the subsidiary Public Joint Stock Company Ukrsotsbank ("USB") and its subsidiaries continue to be classified as held for sale (IFRS5) and their valuation had been already been adjusted as of December 31, 2015 to reflect the estimated expected result from the disposal. This valuation is based on the fair value, internally calculated, of the disposed assets, that will be reviewed as at December 31, 2016, for consolidated financial statements purposes, based on 9.9% of ABHH stake, which represents the consideration received for the USB transaction. UniCredit group has signed a binding agreement for the disposal of USB to Alfa Group, whose main terms are disclosed in the Notes to the Consolidated Accounts included in the 2015 Consolidated Reports and Accounts - Part C - Consolidated Income Statement - Section 21 - Profit (Loss) after tax from discontinued operations. For further information related to the status of the transaction see the Consolidated interim report of operations, paragraphs "Other transactions and initiatives involving shareholdings" and "Subsequent Events". As of September 30, 2016 the Group exposure includes, in addition to the investment in USB and its subsidiaries, also intercompany loans amounting to approx. €128 million, that are eliminated in the consolidated financial reporting. The contribution of USB group held for sale to UniCredit Group consolidated result as of September 30, 2016 has been negative and amounted to €12 million and has been affected mainly by the trend of items denominated in foreign currency.

15.1 Non-current assets and disposal groups classified as held for sale: breakdown by asset type

(€'000)

	AMOUNTS AS AT	
	09.30.2016	12.31.2015
A. Individual assets		
A.1 Financial assets	885,863	8,800
A.2 Equity investments	545	547
A.3 Property, Plant and Equipment	388,022	366,518
A.4 Intangible assets	32,600	-
A.5 Other non-current assets	23,084	5,281
Total A	**1,330,114**	**381,146**
of which carried at cost	1,281,210	335,054
of which designated at fair value - level 1	-	-
of which designated at fair value - level 2	24,760	21,760
of which designated at fair value - level 3	24,144	24,332
B. Assets groups classified as held for sale		
B.1 Financial assets held for trading	10	491
B.2 Financial assets at fair value through profit or loss	-	-
B.3 Available for sale financial assets	2	4
B.4 Held to maturity investments	-	-
B.5 Loans and receivables with banks	168,563	208,252
B.6 Loans and receivables with customers	1,169,168	1,367,718
B.7 Equity investments	51,776	59,684
B.8 Property, Plant and Equipment	100,334	134,875
B.9 Intangible assets	32,370	35,809
B.10 Other assets	517,128	632,089
Total B	**2,039,351**	**2,438,922**
of which carried at cost	-	-
of which designated at fair value - level 1	-	-
of which designated at fair value - level 2	-	-
of which designated at fair value - level 3	2,039,351	2,438,922
Total A+B	**3,369,465**	**2,820,068**
C. Liabilities associated with assets classified as held for sale		
C.1 Deposits	1,161,791	2,005
C.2 Securities	-	-
C.3 Other liabilities	44,724	4,073
Total C	**1,206,515**	**6,078**
of which carried at cost	1,206,515	6,078
of which designated at fair value - level 1	-	-
of which designated at fair value - level 2	-	-
of which designated at fair value - level 3	-	-
D. Liabilities included in disposal groups classified as held for sale		
D.1 Deposits from banks	3,708	126,705
D.2 Deposits from customers	886,851	1,010,558
D.3 Debt securities in issue	-	1,917
D.4 Financial liabilities held for trading	17	315
D.5 Financial liabilities at fair value through profit or loss	-	-
D.6 Provisions	415,288	498,218
D.7 Other liabilities	138,810	236,208
Total D	**1,444,674**	**1,873,921**
of which carried at cost	-	-
of which designated at fair value - level 1	-	-
of which designated at fair value - level 2	-	-
of which designated at fair value - level 3	1,444,674	1,873,921
Total C+D	**2,651,189**	**1,879,999**

Fair value measurements, made for disclosure purposes only, are classified into a fair value hierarchy that reflects the significance of inputs used in the valuations. For further information see Part A - Accounting Policies - A.4 Information on fair value.
With reference to the fair value levels we must specify that the figures referred to companies of the Ukrainian group are presented at September 30, 2016 among level 3 assets and liabilities, reflecting their measurement using a valuation model.

Part B – Consolidated Balance Sheet - Liabilities

Liabilities

Section 1 - Deposits from banks - Item 10

1.1 Deposits from banks: product breakdown

(€ '000)

	AMOUNTS AS AT	
TYPE OF TRANSACTIONS/GROUP COMPONENTS	09.30.2016	12.31.2015
1. Deposits from central banks	**35,055,663**	**29,445,479**
2. Deposits from banks	**79,926,889**	**81,927,199**
2.1 Current accounts and demand deposits	17,693,659	16,901,680
2.2 Time deposits	7,247,095	7,308,508
2.3 Loans	53,958,328	56,784,753
2.3.1 repos	*29,433,826*	*30,353,733*
2.3.2 other	*24,524,502*	*26,431,020*
2.4 Liabilities in respect of commitments to repurchase treasury shares	-	-
2.5 Other liabilities	1,027,807	932,258
Total	**114,982,552**	**111,372,678**
Fair value - level 1	-	-
Fair value - level 2	67,055,723	59,259,162
Fair value - level 3	47,527,644	52,817,167
Total fair value	**114,583,367**	**112,076,329**

The comparative amounts have been recasted and differ from the amounts published, reflecting a reclassification from the sub-item 2.5 to the sub-item 2.3.2.

The €5,610 million increase in sub-item "1. Deposits from central banks" is mainly attributable to UniCredit S.p.A., following the growth in the advances from Banca d'Italia.

The sub-item 2.3 Loans includes repos executed using proprietary securities issued by Group companies, which were eliminated from assets on consolidation.
The same sub-item do not include the type of securities lending transactions collateralized by securities or not collateralized. See also section "Other information" of Part B.

Deposits from banks are not carried at fair value, which is presented solely for the purpose of fulfilling financial disclosure requirements. Fair value measurements are classified according to a three level hierarchy that reflects the significance of the inputs used in the measurements.
For further information see Part A - Accounting Policies - A.4 Information on fair value.

Section 2 - Deposits from customers - Item 20

2.1 Deposits from customers: breakdown by product

(€ '000)

TYPE OF TRANSACTIONS/GROUP COMPONENTS	AMOUNTS AS AT 09.30.2016	12.31.2015
1. Current accounts and demand deposits	314,456,794	296,632,086
2. Time deposits	82,479,281	86,252,931
3. Loans	68,946,451	59,341,080
3.1 repos	*54,896,525*	*51,678,235*
3.2 other	*14,049,926*	*7,662,845*
4. Liabilities in respect of commitments to repurchase treasury shares	10,200	10,200
5. Other liabilities	4,403,007	7,554,142
Total	**470,295,733**	**449,790,439**
Fair value - level 1	-	10,922
Fair value - level 2	156,755,636	144,578,797
Fair value - level 3	314,927,433	306,703,898
Total fair value	**471,683,069**	**451,293,617**

Item “3. Loans” also include liabilities relating to repos executed using proprietary securities issued by Group companies, which were eliminated from assets on consolidation.
The same item do not include the type of securities lending transactions collateralized by securities or not collateralized. See also the section “Other information” of Part B.

The €3,218 million increase in sub-item “3.1 Loans” - repos” and the €6,387 million increase in sub-item “3.2. Loans - other” is mainly attributable to UniCredit Bank AG and UniCredit Bank Austria AG.

Deposits from customers are not carried at fair value, which is presented solely for the purpose of fulfilling financial disclosure requirements. Fair value measurements are classified according to a three level hierarchy that reflects the significance of the inputs used in the measurements.
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.

Part B – Consolidated Balance Sheet - Liabilities

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 09.30.2016				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
A. Listed securities								
1. Bonds	108,038,746	53,858,530	46,007,451	15,704,986	122,403,148	60,511,948	53,583,574	15,483,067
1.1 structured	5,877,319	902,257	5,026,399	-	9,605,895	1,552,779	8,184,857	-
1.2 other	102,161,427	52,956,273	40,981,052	15,704,986	112,797,253	58,959,169	45,398,717	15,483,067
2. Other securities	11,764,029	-	4,731,068	7,049,367	12,074,753	25,644	5,268,629	6,792,328
2.1 structured	207,269	-	222,050	-	293,001	-	307,349	-
2.2 other	11,556,760	-	4,509,018	7,049,367	11,781,752	25,644	4,961,280	6,792,328
Total	**119,802,775**	**53,858,530**	**50,738,519**	**22,754,353**	**134,477,901**	**60,537,592**	**58,852,203**	**22,275,395**
Total Level 1, Level 2 and Level 3				**127,351,402**				**141,665,190**

The sum of the sub-items “1.1 Structured bonds” and “2.1 Other structured securities” was equal to €6,085 million and accounted for 5% of total debt securities. They mainly refer to interest-rate linked instruments with closely related embedded derivatives identified according to Mifid ”structured instruments” definition.

Issued bonds reduce due to joint effect of maturities and new issuances and as a consequence of buybacks realized in the period, mainly by UniCredit S.p.A. and UniCredit Bank AG.

The fair value of derivatives embedded in structured securities, presented in Line 20 of Assets and Line 40 of Liabilities and included in Trading derivatives - Others, amounted to a net balance of €54.6 million negative.

For information about fair value measurement and hierarchy see Part A. Accounting Policies - A.4. Information on fair value.

Section 4 - Financial liabilities held for trading - Item 40

Financial liabilities held for trading: product breakdown

(€ '000)

	AMOUNTS AS AT					
	09.30.2016			12.31.2015		
	FAIR VALUE			FAIR VALUE		
TYPE OF OPERATIONS/ GROUP COMPONENTS	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
A. Financial liabilities						
1. Deposits from banks	938,078	13,330	-	603,492	129,405	-
2. Deposits from customers	9,218,992	5,841,602	1,835	6,907,832	7,920,641	8,228
3. Debt securities	-	6,227,530	578,084	-	5,984,486	563,523
3.1 Bonds	-	4,313,685	411,256	-	4,257,581	384,405
3.1.1 Structured	-	*3,951,952*	*411,256*	-	*3,946,728*	*384,405*
3.1.2 Other	-	*361,733*	-	-	*310,853*	-
3.2 Other securities	-	1,913,845	166,828	-	1,726,905	179,118
3.2.1 Structured	-	*1,913,845*	*166,828*	-	*1,726,905*	*179,118*
3.2.2 Other	-	-	-	-	-	-
Total A	**10,157,070**	**12,082,462**	**579,919**	**7,511,324**	**14,034,532**	**571,751**
B. Derivatives instruments						
1. Financial derivatives	2,117,411	42,298,711	655,635	2,058,975	42,927,805	1,129,534
1.1 Trading	2,117,411	41,909,232	598,124	2,058,948	42,594,405	1,055,952
1.2 Related to fair value option	-	223,420	-	-	147,130	-
1.3 Other	-	166,059	57,511	27	186,270	73,582
2. Credit derivatives	20,001	447,936	27,560	76,339	563,671	44,664
2.1 Trading derivatives	20,001	444,275	27,560	76,339	559,765	44,469
2.2 Related to fair value option	-	-	-	-	-	-
2.3 Other	-	3,661	-	-	3,906	195
Total B	**2,137,412**	**42,746,647**	**683,195**	**2,135,314**	**43,491,476**	**1,174,198**
Total A+B	**12,294,482**	**54,829,109**	**1,263,114**	**9,646,638**	**57,526,008**	**1,745,949**

Total Level 1, Level 2 and Level 3	**68,386,705**	**68,918,595**

Valuations at fair value were classified according to a hierarchy of levels reflecting the observability of the valuations input. For further information see Part A - Accounting Policies - A.4 Information on fair value.

The financial assets and liabilities relating to OTC Derivatives managed through Central Counterparty Clearing Houses (CCPs) are offset when (i) the clearing systems of CCPs guarantee the elimination or reduce to immaterial the credit and liquidity risks of these contracts and (ii) the entity intends to settle these contracts on a net basis, in accordance with IAS32 – Offsetting, in order to better present the liquidity profile and counterparty risk connected with them.

The effect as at September 30, 2016, already included in the net presentation of these transactions, totaled €22,186,293 (€17,222,039 as at December 31, 2015).

Part B – Consolidated Balance Sheet - Liabilities

Section 5 - Financial liabilities at fair value through profit or loss - Item 50

Liabilities are recognized in this item to reduce the accounting mismatch arising from financial instruments measured (with changes in fair value) in the income statement in order to manage the risk profile.

5.1 Financial liabilities at fair value through profit or loss: breakdown by product

(€ '000)

TYPE OF OPERATIONS/GROUP COMPONENT	AMOUNTS AS AT 09.30.2016					AMOUNTS AS AT 12.31.2015				
		FAIR VALUE					FAIR VALUE			
	NOMINAL VALUE	LEVEL 1	LEVEL 2	LEVEL 3	FAIR VALUE*	NOMINAL VALUE	LEVEL 1	LEVEL 2	LEVEL 3	FAIR VALUE*
1. Deposits from banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Structured	-	-	-	-	X	-	-	-	-	X
1.2 Other	-	-	-	-	X	-	-	-	-	X
2. Deposits from customers	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Structured	-	-	-	-	X	-	-	-	-	X
2.2 Other	-	-	-	-	X	-	-	-	-	X
3. Debt securities	**1,495,637**	**-**	**1,506,828**	**2,113**	**1,531,124**	**403,289**	**-**	**451,783**	**2,873**	**462,659**
3.1 Structured	1,493,524	-	1,506,828	-	X	400,416	-	451,783	-	X
3.2 Other	2,113	-	-	2,113	X	2,873	-	-	2,873	X
Total	**1,495,637**	**-**	**1,506,828**	**2,113**	**1,531,124**	**403,289**	**-**	**451,783**	**2,873**	**462,659**
Total Level 1, Level 2 and Level 3			**1,508,941**					**454,656**		

*Fair value: calcolato escludendo le variazioni di valore dovute al cambiamento del merito creditizio dell'emittente rispetto alla data di emissione.

Valuations at fair value were classified according to a hierarchy of levels reflecting the observability of the valuations input. For further information see Part A - Accounting Policies - A.4 Information on fair value.

The increase of item "3.1 Structured debt securities" reflects the issuance by UniCredit S.p.A., starting from the first quarter of 2016, of "Certificates", structured debt securities. These securities are classified as measured at fair value through profit or loss and their embedded derivative component has not been separated.

Section 12 - Provisions for risks and charges - Item 120

As at September 30, 2016 Provision for risks and charges amounted to €9,850 million, a slightly decrease over end 2015 (€9,855 million).
The sub-item "2. Other provisions for risks and charges", which amounted to €3,531 million as at September 30, 2016, consists of:

- legal disputes: provisions for legal disputes, cases in which the Group is a defendant, and post-insolvency clawback petitions. (See Part E - Section 4 "Operational Risk" - item B - "Legal risk" for further information concerning legal disputes);
- staff expenses: sundry HR costs;
- other: provisions for risks and charges not attributable to the above items. See the table 12.4 below for details.

12.1 Provisions for risks and charges: breakdown

(€ '000)

ITEMS/COMPONENTS	AMOUNTS AS AT 09.30.2016	12.31.2015
1. Pensions and other post-retirement benefit obligations	**6,317,663**	**5,198,039**
2. Other provisions for risks and charges	**3,531,469**	**4,656,577**
2.1 Legal disputes	620,679	691,994
2.2 Staff expenses	1,196,086	2,258,103
2.3 Other	1,714,704	1,706,480
Total	**9,849,132**	**9,854,616**

PENSIONS AND OTHER POST RETIREMENT BENEFIT OBLIGATIONS

There are several defined-benefit plans within the Group, i.e., plans whose benefit is linked to salary and employee length of service both in Italy and abroad. The Austrian, German and Italian plans account for over 90% of the Group's pension obligations.
Group's plans are not financed with segregated assets except for to the defined-benefits plans in Germany, among other the "Direct Pension Plan" (an external fund managed by independent trustees), the "HVB Trust Pensionfonds AG" and the Pensionskasse der "HypoVereinsbank WaG", all set up by UCB AG, and the defined-benefit plans set up in United Kingdom and in Luxembourg by UniCredit S.p.A. and UCB AG.
The Group's defined-benefit plans are mainly closed to new recruits (for example in Germany and Italy, where most new recruits join defined-contribution plans instead and the related contributions are charged to the income statement).

The obligations arising from defined-benefit plans are determined using the "projected unit credit method". The assets of financed plans are measured at fair value at the balance sheet date. The balance sheet is the result of the deficit or surplus (i.e., the difference between obligations and assets) net of any impacts of the limit on assets. Actuarial gains and losses are recognized in Shareholders' Equity and shown in a specific item of Revaluation reserves in the financial year in which they are recorded.
The actuarial assumptions used to determine obligations vary from country to country and from plan to plan in accordance with IAS19. 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, UCG refined its Discount Rate setting methodology by limiting the number of "investment grade" bonds whose rating is lower than AA (i.e. No.14 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 segments of the curve to the Euribor implied-forward rate).
The discount rate used as of September 30, 2016 for pensions and post-retirement benefits drop by 75 to 80 bps (depending on different plan duration), compared to December 31, 2015 (90 bps the reduction for "Trattamento di fine rapporto del personale" presented to liability item 110-Provisions for employee severance pay) reflecting the yields evolution of the basket of selected securities.

The remeasurement at September 30, 2016 of such commitments (including employee severance pay for so called "Trattamento di fine rapporto del personale") leads to an increase in the negative balance of the revaluation reserve referred to actuarial gains/losses on defined benefit plans of €856 million, net of tax (balance moves from €2,256 million at December 31, 2015 to €3,112 million at September 30, 2016).
For additional information on amount, timing and uncertainty of cash flows (sensitivities) see Consolidated Reports and Accounts as at December 31, 2015.

The Austrian Parliament approved an ordinary law (published on April 13, 2016) and confirmed by an order issued by the Government on September 20, 2016 on the transfer of pension obligations regarding active employees of subsidiary UniCredit Bank Austria AG ("UCBA") to the Austrian national pension system. The new law confirms the effectiveness of this kind of agreements, whose nature and features are the same of the Agreement reached between UCBA and the Central Works Council on December 14, 2015. The agreement is effective retroactively, in particular increasing the amount to be paid towards the transfers occurring from February 1, 2016 from 7% to 22.8% of the latest wage paid to the employee. Despite UCBA believes that the new law is unconstitutional in light of its retroactive effect and the significant increase in the percentage to be applied for the transfer of pension obligations, UCBA made provisions for the higher costs related to the new law and at the same time revised the HR charges related to the restructuring plan, reflecting the developments of the plan itself. The net increase of restructuring charges, equal to €204 million before taxes, has been included in 1Q 2016 financials.

12.4 Provisions for risks and charges - other provisions

(€ '000)

	AMOUNTS AS AT	
	09.30.2016	12.31.2015
2.3 Other provisions for risks and charges - other		
- Real estate risks and costs	74,922	123,976
- Restructuring costs	113,952	124,229
- Out-of-court settlements and legal costs	11,706	11,706
- Allowances payable to agents	139,039	142,516
- Disputes regarding financial instruments and derivatives	130,036	148,175
- Tax Disputes	117,712	120,470
- Costs for liabilities arising from equity investment disposals	118,721	118,882
- Other	1,008,616	916,526
Total	**1,714,704**	**1,706,480**

The sub-item "Real estate risks and costs" decreases following utilizations by the subsidiary UniCredit Business Integrated Solutions.
The sub-item "Disputes regarding financial instruments and derivatives" decreases mainly due to utilizations made by the subsidiaries UniCredit Bank AG and Unicredit Bank Austria.

Part B – Consolidated Balance Sheet - Liabilities

Section 15 - Group Shareholders' Equity - Items 140, 160, 170, 180, 190, 200 and 220

At September 30, 2016 the **Group Shareholders' Equity**, including the profit for the period of €1,768 million, amounted to €51,237 million, against €50,087 million at the end of 2015.
The table below shows a breakdown of Group Equity and the changes over the previous year:

Group capital: breakdown (€ '000)

	AMOUNTS AS AT		CHANGES	
	09.30.2016	12.31.2015	AMOUNT	%
1. Share capital	20,846,893	20,257,668	589,225	2.9%
2. Share premium reserve	14,384,918	15,976,604	-1,591,686	-10.0%
3. Reserves	17,296,451	14,254,879	3,041,572	21.3%
4. Treasury shares	(4,975)	(8,171)	3,196	39.1%
a. Parent Company	(2,440)	(2,440)	-	-
b. Subsidiaries	(2,535)	(5,731)	3,196	55.8%
5. Revaluation reserve	(4,943,605)	(3,976,940)	-966,665	-24.3%
6. Equity instruments	1,888,463	1,888,463	-	-
7. Net profit (loss)	1,768,359	1,694,240	74,119	4.4%
Total	**51,236,504**	**50,086,743**	**1,149,761**	**2.3%**

The €1,150 million increase in Group Equity resulted from:

A free capital increase as resolved: • by the Board of Directors of April 9, 2016 and carried out taking €41 million from the specifically established reserve, for the issue of shares connected with the medium-term incentive plan for the Group's personnel; • by the Shareholders' Meeting of April 14, 2016 and connected with the payment of the "Scrip dividend" relating to financial year 2015, carried out taking the pre-existing "reserves" for €549 million.	589 million
• Coverage of the Holding loss of the financial year 2015 (€1,441 million) and increase in the "legal reserve" (€150 million) through use of "Share premium reserve".	(1,592) million
An increase in the reserves, including the change in treasury shares owing to:	
• attribution to the reserve of the result of the previous year for €1,692 million and coverage of the Holding loss of the financial year 2015 for €1,441 million taking from "Share premium reserve";	3,133 million
• increase of "legal reserve with use of "Share premium reserve";	150 million
• a decrease deriving from the use of reserves for the purpose of increasing the free capital and from the use of the reserve set aside specifically for the purpose of the issue of performance shares associated with the personnel incentive plan;	(589) million
• allocation to the reserve of the coupon paid to subscribers of the issue of Additional Tier 1 instruments, net of the related taxes;	(83) million
• use of the reserve for the usufruct fee associated with the "Cashes";	(96) million
• a decrease in the reserve for the extraordinary distribution of dividends;	(158) million
• an increase in the reserve connected with Share-Based Payments;	49 million
• other increases mainly represented by the effects of the sale of 10% of Pekao S.A. and 10% of FinecoBank S.p.A.; UniCredit still has a controlling interest in both the companies.	639 million
A change in valuation reserves owing to:	
• decrease in the value of financial assets available for sale;	(88) million
• decrease in the value of the reserve on actuarial gains (losses) on defined-benefit plans;	(855) million
• decrease in the value of hedging for financial risks and of assets held for sale;	(83) million
• increase in exchange rate differences;	253 million
• decrease in the value of the valuation reserve of companies carried at equity.	(193) million
An incease in the profit for the period compared with that of December 31, 2015.	74 million

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

During the first nine months of 2016 Share Capital - which at December 31, 2015 was represented by 5,967,177,811 ordinary shares and 2,480,677 savings shares, both categories with no per-share face value - changed due to the reasons illustrated in the paragraph "Capital Strengthening and other transactions concerning share capital" of the "Report on Operations".

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 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 for allocating profits to shareholders through the issuance of new free shares".

The Shareholders' meeting held to approve UniCredit S.p.A.'s financial statements as at December 31, 2015 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 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 198,646,706 new ordinary shares and 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 €2.76.

As a result, at September 30, 2016, the share capital is represented by 6,177,818,177 ordinary shares and 2,524,896 savings shares.

At the end of September 2016, the number of treasury shares outstanding was 47,600 ordinary shares, unchanged compared to the end of 2015 as no transactions in respect of treasury shares were carried out during the first nine months of 2016.

15.4 Reserves from allocation of profit: other information

(€ '000)

	AMOUNTS AS AT	
	09.30.2016	12.31.2015
Legal Reserve (*)	1,517,514	1,517,514
Statutory Reserve	840,018	1,217,304
Other Reserves	9,418,297	6,011,063
Total	**11,775,829**	**8,745,881**

(*) The Legal Reserve of UniCredit S.p.A. also includes €2,683,390 thousand deriving from usage of resources, as resolved by the Shareholders' Meeting of May 11, 2013 - May 13, 2014 and April 13,2016 from the Share premium reserve and therefore not classified among reserves from allocation of profit from previous year.

Part B – Consolidated Balance Sheet - Liabilities

15.5 Other Information

Revaluation reserve: breakdown

(€ '000)

ITEM/TYPES	AMOUNTS AS AT 09.30.2016	12.31.2015
1. Available-for-sale financial assets	1,785,742	1,873,921
2. Property, plant and equipment	-	-
3. Intangible assets	-	-
4. Hedges of foreign investments	-	-
5. Cash-flow hedges	382,771	459,826
6. Exchange differences	(3,007,559)	(3,260,329)
7. Non-current assets classified as held for sale	(6,385)	-
8. Actuarial gains (losses) on defined benefit plans	(3,111,575)	(2,256,366)
9. Revaluation reserves of investments valued at net equity	(1,263,619)	(1,071,012)
10. Special revaluation laws	277,020	277,020
Total	**(4,943,605)**	**(3,976,940)**

The FX currency reserves as at September 30, 2016 mainly refer to the following currencies:

- Turkish Lira: 1,403 million (negative), included in the share of the revaluation reserves of the investments valued at equity in accordance with IFRS11;
- Ruble: 1,785 million (negative);
- UAH (Krivna): 692 million (negative).

With reference to the exchange fluctuations reserve relative to the Ukrainian currency, and related to the equity investment in Public Joint Stock Company Ukrsotsbank and their subsidiaries, negative for 750 million, in respect of the process to dispose of the subsidiaries stated in accordance with IFRS5, it is noted that IAS21 requires that net equity is reclassified to the income statement as part of the future final result of the sale. With reference to UAH exchange rate (Ukraine) the negative reserve existing as of September 30, 2016 does not include the negative exchange rate differences already recycled to profit or loss in 2013 (€380 million).

Other information

1. Guarantees given and commitments

(€ '000)

TRANSACTIONS	AMOUNTS AS AT 09.30.2016	12.31.2015
1) Financial guarantees given to	**21,963,426**	**23,055,867**
a) Banks	9,106,268	9,671,295
b) Customers	12,857,158	13,384,572
2) Commercial guarantees given to	**50,720,087**	**48,846,589**
a) Banks	9,256,860	10,193,733
b) Customers	41,463,227	38,652,856
3) Other irrevocable commitments to disburse funds	**103,769,851**	**107,721,461**
a) banks:	4,666,139	8,080,801
i) usage certain	*2,915,392*	*3,942,963*
ii) usage uncertain	*1,750,747*	*4,137,838*
b) customers:	99,103,712	99,640,660
i) usage certain	*25,549,571*	*23,375,364*
ii) usage uncertain	*73,554,141*	*76,265,296*
4) Underlying obligations for credit derivatives: sales of protection	**-**	**-**
5) Assets used to guarantee others' obligations	**54,221**	**13,325**
6) Other commitments	**1,520,248**	**2,675,865**
Total	**178,027,833**	**182,313,107**

2. Assets used to guarantee own liabilities and commitments

(€ '000)

PORTFOLIOS	AMOUNTS AS AT 09.30.2016	12.31.2015
1. Financial assets held for trading	20,564,627	20,424,477
2. Financial assets designated at fair value	17,098,856	15,515,132
3. Financial assets available for sale	57,678,363	56,178,606
4. Financial assets held to maturity	1,550,274	1,420,988
5. Loans and receivables with banks	1,809,868	1,588,278
6. Loans and receivables with customers	91,905,979	76,384,603
7. Property, plant and equipment	6,637	-

Deposits from Banks include €33,823 million related to Central Banks' refinancing operations collateralized by securities and loans respectively amounting to nominal €26,360 million and €18,416 million.
Regarding collateral securities, those not recognized on balance-sheet - since they represent repurchased or retained Group's financial liabilities - amount to nominal €12,941 million.

Security borrowing transactions collateralized by securities or not collateralized

(€ '000)

	AMOUNTS AS AT 09.30.2016			
	AMOUNTS OF THE SECURITIES BORROWED/TRANSACTION PURPOSE			
LENDER BREAKDOWN	GIVEN AS COLLATERAL IN OWN FUNDING TRANSACTIONS	SOLD	SOLD IN REPO TRANSACTIONS	OTHER PURPOSES
A. Banks	222,409	1,452,660	6,985,329	1,497,749
B. Financial companies	-	567,194	1,333,249	292,928
C. Insurance companies	-	31,128	94,095	18,667
D. Non-Financial companies	-	103,609	648,166	263,050
E. Others	-	576	1,117,982	1,070
Total	**222,409**	**2,155,167**	**10,178,821**	**2,073,464**

Part C – Consolidated Income Statement

Part C – Consolidated Income Statement

Section 1 - Interests - Items 10 and 20

1.1 Interest income and similar revenues: breakdown

(€ '000)

ITEMS/TYPE	AS AT 09.30.2016 DEBT SECURITIES	LOANS	OTHER TRANSACTIONS	TOTAL	AS AT 09.30.2015 TOTAL
1. Financial assets held for trading	142,111	(24,176)	330,201	448,136	669,262
2. Financial assets at fair value through profit or loss	206,572	27,534	-	234,106	279,029
3. Available-for-sale financial assets	1,323,179	-	-	1,323,179	1,548,382
4. Held-to-maturity investments	41,756	-	-	41,756	28,849
5. Loans and receivables with banks	41,167	209,640	-	250,807	378,766
6. Loans and receivables with customers	189,583	9,437,103	-	9,626,686	10,377,009
7. Hedging derivatives	X	X	1,123,367	1,123,367	1,265,904
8. Other assets	X	X	92,210	92,210	106,282
Total	**1,944,368**	**9,650,101**	**1,545,778**	**13,140,247**	**14,653,483**

The "Debt securities" and "Loans" columns include interest income from Non-Performing assets, other than the interest income recognized in item "Write-backs", amounting to €1 million and €686 million, respectively.

1.4 Interest expense and similar charges: breakdown

(€ '000)

ITEMS/TYPE	AS AT 09.30.2016 DEBTS	SECURITIES	OTHER TRANSACTIONS	TOTAL	AS AT 09.30.2015 TOTAL
1. Deposits from Central banks	(41,688)	X	-	(41,688)	(113,096)
2. Deposits from banks	(244,832)	X	-	(244,832)	(375,098)
3. Deposits from customers	(938,501)	X	-	(938,501)	(1,468,144)
4. Debt securities in issue	X	(2,517,969)	-	(2,517,969)	(3,175,403)
5. Financial liabilities held for trading	9,492	(73,791)	(591,287)	(655,586)	(774,384)
6. Financial liabilities at fair value through profit or loss	-	(1,968)	-	(1,968)	(2,702)
7. Other liabilities and funds	X	X	(96,114)	(96,114)	(94,155)
8. Hedging derivatives	X	X	-	-	-
TOTAL	**(1,215,529)**	**(2,593,728)**	**(687,401)**	**(4,496,658)**	**(6,002,982)**

The negative interest components on financial assets and financial liabilities, contributing to net interest margin, amount respectively to €310 million and €275 million.

Section 2 - Fees and commissions - Items 40 and 50

2.1 Fee and commission income: breakdown

(€ '000)

TYPE OF SERVICES/VALUES	AS AT 09.30.2016	AS AT 09.30.2015
a) guarantees given	**392,465**	**410,543**
b) credit derivatives	**-**	**-**
c) management, brokerage and consultancy services:	**3,556,608**	**3,574,059**
1. securities trading	183,793	192,818
2. currency trading	77,871	83,865
3. portfolio management	1,509,080	1,517,989
3.1 individual	*163,302*	*155,360*
3.2 collective	*1,345,778*	*1,362,629*
4. custody and administration of securities	165,186	153,000
5. custodian bank	25,870	27,552
6. placement of securities	547,876	581,908
7. reception and transmission of orders	111,592	136,042
8. advisory services	87,342	71,664
8.1 related to investments	*46,516*	*39,821*
8.2 related to financial structure	*40,826*	*31,843*
9. distribution of third party services	847,998	809,221
9.1 portfolio management	246,220	233,571
9.1.1 individual	*720*	*1,057*
9.1.2 collective	*245,500*	*232,514*
9.2 insurance products	574,179	534,797
9.3 other products	27,599	40,853
d) collection and payment services	**1,220,834**	**1,232,532**
e) securitization servicing	**4,922**	**9,266**
f) factoring	**59,971**	**64,533**
g) tax collection services	**-**	**-**
h) management of multilateral trading facilities	**-**	**-**
i) management of current accounts	**957,546**	**1,008,579**
j) other services	**775,989**	**757,729**
k) security lending	**16,606**	**12,585**
Total	**6,984,941**	**7,069,826**

Item "j) other services" mainly comprise:

- fees on loans granted: €515 million in 2016, €452 million in 2015 (+14%);
- fees for foreign transactions and services of €69 million in 2016, €70 million in 2015;
- fees for various services provided to customers (e.g. treasury, merchant banking, etc.) of €33 million in 2016, €47 million in 2015 (-30%);
- fees for ATM and credit card services not included in collection and payment services, amounting to €52 million in 2016, €45 million in 2015 (+16%).

Part C – Consolidated Income Statement

2.2 Fee and commission expense: breakdown

(€ '000)

SERVICES/VALUES	AS AT 09.30.2016	AS AT 09.30.2015
a) guarantees received	**(88,819)**	**(63,834)**
b) credit derivatives	**-**	**(2,529)**
c) management, brokerage and consultancy services:	**(630,616)**	**(667,631)**
1. trading financial instruments	(44,403)	(47,598)
2. currency trading	(11,580)	(15,111)
3. portfolio management	(154,117)	(158,381)
3.1 own portfolio	*(141,423)*	*(144,713)*
3.2 third party portfolio	*(12,694)*	*(13,668)*
4. custody and administration of securities	(123,729)	(134,845)
5. placement of financial instruments	(105,721)	(104,948)
6. off-site distribution of financial instruments, products and services	(191,066)	(206,748)
d) collection and payment services	**(319,553)**	**(353,077)**
e) other services	**(117,024)**	**(92,358)**
f) security borrowing	**(20,588)**	**(19,171)**
Total	**(1,176,600)**	**(1,198,600)**

Section 3 - Dividend income and similar revenue - Item 70

In 2016 dividend income, which is recognized in the accounts in the year in which their distribution is approved, totaled €362 million, or €382 million if income from units in investment funds is also considered, as against €390 million in the same period in 2015.

3.1 Dividend income and similar revenue: breakdown

(€ '000)

	AS AT 09.30.2016		AS AT 09.30.2015	
ITEMS/REVENUES	DIVIDENDS	INCOME FROM UNITS IN INVESTMENT FUNDS	DIVIDENDS	INCOME FROM UNITS IN INVESTMENT FUNDS
A. Financial assets held for trading	237,673	8,693	222,785	7,335
B. Available for sale financial assets	123,558	10,993	135,771	21,548
C. Financial assets at fair value through profit or loss	6	101	351	302
D. Investments	558	X	1,417	X
Total	**361,795**	**19,787**	**360,324**	**29,185**
Total dividends and income from units in investment funds		**381,582**		**389,509**

Sub-item "B. Available for sale financial assets" includes €61 million in dividends received relating to the shareholding in Banca d'Italia (€75 million in 2015), €21 million in dividends received relating to the shareholding in Bayerische Immobilien-Leasing Gmbh & Co. Verwaltungs-KG and €19 million in dividends received relating to the shareholding in Kartensysteme Gesellschaft mit Beschraenkter Haftung.

Section 4 - Gains and losses on financial assets and liabilities held for trading - Item 80

The table below shows a breakdown of item 80.

Gains and losses on financial assets and liabilities held for trading (€ million)

TRANSACTIONS/P&L ITEMS	AS AT 09.30.2016	AS AT 09.30.2015	CHANGE
Financial assets held for trading	(650)	(210)	-440
Financial liabilities held for trading	(151)	249	-400
Financial assets and liabilities in currency: exchange differences	174	1,023	-849
Financial and credit derivatives	1,502	(203)	1,705
Total	**875**	**859**	**16**

4.1 Gains and losses on financial assets and liabilities held for trading: breakdown (€ '000)

	AS AT 09.30.2016				
TRANSACTIONS/P&L ITEMS	UNREALIZED PROFITS	REALIZED PROFITS	UNREALIZED LOSSES	REALIZED LOSSES	NET PROFIT
1. Financial assets held for trading	**1,311,320**	**1,790,210**	**(1,166,536)**	**(2,584,710)**	**(649,716)**
1.1 Debt securities	239,084	808,617	(170,031)	(425,590)	452,080
1.2 Equity instruments	351,761	662,537	(443,252)	(1,406,943)	(835,897)
1.3 Units in investment funds	68,690	227,794	(34,581)	(208,391)	53,512
1.4 Loans	513,040	67,255	(514,492)	(380,491)	(314,688)
1.5 Other	138,745	24,007	(4,180)	(163,295)	(4,723)
2. Financial liabilities held for trading	**419,185**	**402,091**	**(351,675)**	**(620,779)**	**(151,178)**
2.1 Debt securities	344,647	236,831	(251,403)	(416,165)	(86,090)
2.2 Deposits	-	5	-	(3,335)	(3,330)
2.3 Other	74,538	165,255	(100,272)	(201,279)	(61,758)
3. Financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**174,370**
4. Derivatives	**76,274,418**	**38,185,462**	**(74,853,808)**	**(38,495,897)**	**1,502,297**
4.1 Financial derivatives:	74,861,639	37,521,458	(73,446,932)	(37,844,334)	1,483,953
- on debt securities and interest rates	*65,993,254*	*32,876,575*	*(64,964,393)*	*(33,531,680)*	*373,756*
- on equity securities and share indices	*7,754,429*	*3,594,910*	*(7,643,322)*	*(3,358,056)*	*347,961*
- on currency and gold	*X*	*X*	*X*	*X*	*392,122*
- other	*1,113,956*	*1,049,973*	*(839,217)*	*(954,598)*	*370,114*
4.2 Credit derivatives	1,412,779	664,004	(1,406,876)	(651,563)	18,344
Total	**78,004,923**	**40,377,763**	**(76,372,019)**	**(41,701,386)**	**875,773**

Part C – Consolidated Income Statement

Section 5 - Fair value adjustments in hedge accounting - Item 90

5.1 Fair value adjustments in hedge accounting: breakdown

(€ '000)

P&L COMPONENT/VALUES	AS AT 09.30.2016	AS AT 09.30.2015
A. Gains on:		
A.1 Fair value hedging instruments	13,118,748	9,703,925
A.2 Hedged asset items (in fair value hedge relationship)	1,869,767	617,616
A.3 Hedged liability items (in fair value hedge relationship)	963,541	1,101,600
A.4 Cash-flow hedging derivatives	2,528	470
A.5 Assets and liabilities denominated in currency	-	-
Total gains on hedging activities	**15,954,584**	**11,423,611**
B. Losses on:		
B.1 Fair value hedging instruments	(12,649,826)	(10,097,737)
B.2 Hedged asset items (in fair value hedge relationship)	(941,516)	(709,598)
B.3 Hedged liability items (in fair value hedge relationship)	(2,388,849)	(629,588)
B.4 Cash-flow hedging derivatives	(7,530)	(19,287)
B.5 Assets and liabilities denominated in currency	(51)	(108)
Total losses on hedging activities	**(15,987,772)**	**(11,456,318)**
C. Net hedging result	**(33,188)**	**(32,707)**

Section 6 - Gains (losses) on disposals/repurchases - Item 100

As at September 30, 2016 the disposal/repurchase of financial assets/liabilities generated net gains in the amount of +€733 million (+€274 million in 2015), of which +€732 million on assets and +€2 million on liabilities.
In the nine months 2016 net result recognized under sub-item "3. Available-for-sale financial assets – 3.1 Debt securities" was +€363 million and comprised gains on disposal of Trevi 3 (+€132 million on BTP disposal), UniCredit S.p.A. (+€187 million, mainly due to disposal of Italian Government securities), UniCredit Bank S.A. (+€11 million, mainly due to disposal of Romanian Government securities), FinecoBank S.p.A. (+€5 million, mainly due to disposal of Italian and Spanish Government securities), UniCredit Bank Hungary Zrt. (+€6 million, mainly due to disposal of Hungarian Government securities).
Net results of sub-item "3. Available-for-sale financial assets - 3.2 Equity Instruments" equal to +€339 million mainly includes gain on disposal of equity investment in Visa Europe Ltd for +€306 million, Cisalfa Sport S.p.A. for +€15 million and Util Industries S.p.A. for +€7 million.
The net profit on repurchase of financial liabilities (+€2 million) principally relates to deposits with banks.
In 2015 the net result on repurchase of financial liabilities (-€61 million) relates for -€56 million to debt securities in issue, of which mainly related to the offer for the partial repurchase of Subordinated Notes issued by UniCredit S.p.A.

6.1 Gains and losses on disposals/repurchases: breakdown

(€ '000)

	AS AT 09.30.2016			AS AT 09.30.2015		
ITEMS/P&L ITEMS	GAINS	LOSSES	NET PROFIT	GAINS	LOSSES	NET PROFIT
Financial assets						
1. Loans and receivables with banks	**-**	**-**	**-**	**9,346**	**(17)**	**9,329**
2. Loans and receivables with customers	**181,580**	**(152,568)**	**29,012**	**104,415**	**(89,084)**	**15,331**
3. Available-for-sale financial assets	**1,014,858**	**(312,613)**	**702,245**	**492,346**	**(181,766)**	**310,580**
3.1 Debt securities	674,626	(311,443)	363,183	449,324	(179,768)	269,556
3.2 Equity instruments	338,575	(40)	338,535	38,545	(1,816)	36,729
3.3 Units in Investment funds	1,657	(1,130)	527	4,477	(145)	4,332
3.4 Loans	-	-	-	-	(37)	(37)
4. Held-to-maturity investments	**485**	**-**	**485**	**79**	**-**	**79**
Total assets	**1,196,923**	**(465,181)**	**731,742**	**606,186**	**(270,867)**	**335,319**
Financial liabilities						
1. Deposits with banks	**29,909**	**(24,073)**	**5,836**	**48,662**	**(44,771)**	**3,891**
2. Deposits with customers	**2,980**	**(8,599)**	**(5,619)**	**52**	**(9,013)**	**(8,961)**
3. Debt securities in issue	**93,001**	**(91,696)**	**1,305**	**35,852**	**(91,725)**	**(55,873)**
Total liabilities	**125,890**	**(124,368)**	**1,522**	**84,566**	**(145,509)**	**(60,943)**
Total financial assets and liabilities			**733,264**			**274,376**

Section 7 - Gains and losses on financial assets/liabilities at fair value through profit or loss - Item 110

Gains and losses on financial assets/liabilities at fair value comprise net gains arising from the valuation of financial assets and liabilities recognized in the accounts, as well as credit and financial derivatives economically associated with them and already recognized under Financial assets/liabilities held for trading (Sub-Items: “1. Financial derivatives - 1.1 Associated with the fair value option” e “2. Credit derivatives - 2.1 Associated with the fair value option”).

This table summarizes the net result of assets and liabilities valued at fair value for the related periods, as well as the related changes.

Gains and losses in financial assets and liabilities at fair value through profit or loss: breakdown (€ million)

TRANSACTIONS/P&L ITEMS	AS AT 09.30.2016	AS AT 09.30.2015	CHANGE
Financial assets	177	(130)	307
Financial liabilities	31	1	30
Financial assets and liabilities in currency: exchange differences	-	-	-
Financial and credit derivatives	(181)	164	(345)
Total	**27**	**35**	**(8)**

7.1 Net change in financial assets and liabilities at fair value through profit or loss: breakdown (€ '000)

	AS AT 09.30.2016				
TRANSACTIONS/P&L ITEMS	UNREALIZED PROFITS	REALIZED PROFITS	UNREALIZED LOSSES	REALIZED LOSSES	NET PROFIT
1. Financial assets	**406,803**	**66,354**	**(167,430)**	**(128,368)**	**177,359**
1.1 Debt securities	306,438	65,813	(119,180)	(123,671)	129,400
1.2 Equity securities	2	3	(12,679)	(389)	(13,063)
1.3 Units in investment funds	2,762	538	(28,244)	(3,314)	(28,258)
1.4 Loans	97,601	-	(7,327)	(994)	89,280
2. Financial liabilities	**31,716**	**2,354**	**(3,247)**	**-**	**30,823**
2.1 Debt securities	31,716	2,354	(3,247)	-	30,823
2.2 Deposits from banks	-	-	-	-	-
2.3 Deposits from customers	-	-	-	-	-
3. Financial assets and liabilities in foreign currency: exchange differences	**X**	**X**	**X**	**X**	**-**
4. Credit and financial derivatives	**409,131**	**5,851**	**(579,257)**	**(16,820)**	**(181,095)**
Total	**847,650**	**74,559**	**(749,934)**	**(145,188)**	**27,087**

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Section 8 - Impairment losses - Item 130

8.1 Impairment losses on loans and receivables: breakdown

(€ '000)

	AS AT 09.30.2016								AS AT 09.30.2015
	WRITE-DOWNS			WRITE-BACKS					
	SPECIFIC			SPECIFIC		PORTFOLIO			
TRANSACTIONS/P&L ITEMS	WRITE-OFFS	OTHER	PORTFOLIO	INTEREST	OTHER	INTEREST	OTHER	TOTAL	TOTAL
A. Loans and receivables with banks	**-**	**(10,016)**	**(6,378)**	**26**	**20,982**	**-**	**4,855**	**9,469**	**(7,357)**
- Loans	-	(10,016)	(6,279)	26	20,982	-	4,855	9,568	(8,438)
- Debt securities	-	-	(99)	-	-	-	-	(99)	1,081
B. Loans and receivables with customers	**(281,374)**	**(5,219,136)**	**(624,367)**	**584,830**	**2,119,460**	**118**	**665,478**	**(2,754,991)**	**(2,902,779)**
Impaired related to purchase agreements	**(1,414)**	**(4,726)**	**-**	**1,210**	**201**	**-**	**-**	**(4,729)**	**2,785**
- Loans	(1,414)	(4,726)	X	1,210	201	X	X	(4,729)	2,785
- Debt securities	-	-	X	-	-	X	X	-	-
Other loans	**(279,960)**	**(5,214,410)**	**(624,367)**	**583,620**	**2,119,259**	**118**	**665,478**	**(2,750,262)**	**(2,905,564)**
- Loans	(279,960)	(5,214,007)	(621,805)	582,289	2,049,823	118	654,775	(2,828,767)	(2,884,658)
- Debt securities	-	(403)	(2,562)	1,331	69,436	-	10,703	78,505	(20,906)
C. Total	**(281,374)**	**(5,229,152)**	**(630,745)**	**584,856**	**2,140,442**	**118**	**670,333**	**(2,745,522)**	**(2,910,136)**

Section 11 - Administrative costs - Item 180

11.1 Payroll: breakdown

(€ '000)

TYPE OF EXPENSES/SECTORS	AS AT 09.30.2016	AS AT 09.30.2015
1) Employees	**(6,331,521)**	**(6,239,253)**
a) wages and salaries	(4,314,683)	(4,392,431)
b) social charges	(1,002,653)	(1,009,552)
c) severance pay	(39,699)	(31,375)
d) social security costs	-	-
e) allocation to employee severance pay provision	(16,676)	(17,313)
f) provision for retirements and similar provisions:	(745,447)	(248,739)
- defined contribution	*(1,010)*	*(1,606)*
- defined benefit	*(744,437)*	*(247,133)*
g) payments to external pension funds:	(207,761)	(226,970)
- defined contribution	*(206,897)*	*(226,001)*
- defined benefit	*(864)*	*(969)*
h) costs related to share-based payments	(47,408)	(100,397)
i) other employee benefits	23,097	(233,152)
l) recovery payments seconded employees	19,709	20,676
2) Other staff	**(46,435)**	**(49,405)**
3) Directors and Statutory Auditors	**(8,974)**	**(9,659)**
4) Early retirement costs	**-**	**-**
Total	**(6,386,930)**	**(6,298,317)**

The increase of the charges to the provision for retirement payments included in sub-item f) is mainly due to the effects of a law approved by the Austrian Parliament in April, aimed to increase - with retroactive effect - the contributions to be paid following the transfer of pension obligations regarding to the employees of UniCredit Bank Austria ("UCBA") to the national public system. For further details please refer to Part B - Section 12 - Provisions for risks and charges.

See Part I of Explanatory Notes for details of sub-item "h) costs related to share-based payments".

The net credit balance reported in sub-item i) was determined by the reduction of the estimations regarding the charges linked to the restructuring plans of UCBA. For further details please refer to Part B - Section 12 - Provisions for risks and charges.

11.5 Other administrative expenses: breakdown

(€ '000)

TYPE OF EXPENSES/SECTORS	AS AT 09.30.2016	AS AT 09.30.2015
1) Indirect taxes and duties	**(706,007)**	**(703,253)**
1a. Settled	(704,915)	(701,661)
1b. Unsettled	(1,092)	(1,592)
2) Contributions to Resolution Funds and Deposit Guarantee Schemes (DGS)	**(497,038)**	**(359,607)**
3) Guarantee fee for DTA conversion	**(220,825)**	**-**
4) Miscellaneous costs and expenses	**(3,207,213)**	**(3,280,491)**
a) advertising marketing and communication	**(226,000)**	**(241,969)**
b) expenses related to credit risk	**(254,118)**	**(177,604)**
c) indirect expenses related to personnel	**(142,622)**	**(171,847)**
d) Information & Communication Technology expenses	**(983,702)**	**(1,004,581)**
lease of ICT equipment and software	(92,176)	(79,513)
software expenses: lease and maintenance	(173,928)	(181,255)
ICT communication systems	(65,588)	(62,897)
services ICT in outsourcing	(527,476)	(557,090)
financial information providers	(124,534)	(123,826)
e) consulting and professionals services	**(267,147)**	**(275,956)**
consulting	(173,783)	(191,761)
legal expenses	(93,364)	(84,195)
f) real estate expenses	**(741,340)**	**(806,785)**
premises rentals	(422,085)	(444,862)
utilities	(133,957)	(149,633)
other real estate expenses	(185,298)	(212,290)
g) operative costs	**(592,284)**	**(601,749)**
surveillance and security services	(43,111)	(43,637)
money counting services and transport	(56,998)	(53,763)
printing and stationery	(43,370)	(43,581)
postage and transport of documents	(73,803)	(79,756)
administrative and logistic services	(200,968)	(197,929)
insurance	(68,979)	(64,856)
association dues and fees and Contributions to the administrative expenses Deposit Guarantee	(57,192)	(61,389)
other administrative expenses - Other	(47,863)	(56,838)
Total (1+2+3)	**(4,631,083)**	**(4,343,351)**

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, harmonised and non harmonised, connected to the contribution schemes relating to Deposit Guarantee Schemes (DGS), for €244.6 million, and in resolution funds, equal to €252.5 million.

With reference to the harmonised 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

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national compartments of the SRF and a progressive mutualisation 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 harmonisation of the related national legislation. The Directive provides for the launch of a mandatory national contribution mechanism that will allow a target level of 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 and by the German subsidiary UniCredit Bank AG for an amount equal to 15% of full contributions paid in May 2016, resulting in the payment of guarantees in the form of cash, 16 million and 12 million respectively. The cash collateral has been recognized in the balance sheet as an asset and its contractual characteristics have been taken into account in its measurement.

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 59, established at the maximum rate of three times the ordinary contribution due for 2015. Therefore, 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 September 30, 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 insufficiency of the fund on the date the loan matures.

It should be noted that with reference to the financing of the resolution of the four banks mentioned above, Italian Legislative Decree 183/2015 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.

Guarantee fees for DTA conversion

The fee has been recognized in the nine months of 2016 reporting for an amount of €220.8 million, on the basis of an estimate, which includes the fee due for the year 2015 - paid in July 2016 - and an estimated nine-months quote of the fee due for year 2016.
See Consolidated Interim Report on Operations - Other information for further details.

Section 12 - Net provisions for risks and charges - Item 190

In September 2016 **net provisions for risks and charges**, of -€325 million (-€287 million at June 2015), are referable to revocatory action, claims for compensation, and legal and other disputes, and are updated on the basis of the evolution of cases in progress and to the assessment of their foreseen outcomes.

12.1 Net provisions for risks and charges: breakdown

(€ '000)

ASSETS/P&L ITEMS	AS AT 09.30.2016 PROVISIONS	AS AT 09.30.2016 REALLOCATION SURPLUS	AS AT 09.30.2016 TOTAL	AS AT 09.30.2015 TOTAL
1. Other provisions				
1.1 legal disputes	(150,408)	87,753	(62,655)	(94,043)
1.2 staff costs	(9)	-	(9)	326
1.3 other	(383,456)	121,213	(262,243)	(193,526)
Total	**(533,873)**	**208,966**	**(324,907)**	**(287,243)**

The item “Net provisions for risks and charges” includes, where applicable, variations in “time value” due to the passing of time and consequent approach of the maturity of the expected liability.

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Section 15 - Other net operating income - Item 220

Other net operating income is a residual item comprising sundry gains and expenses not attributable to other income statement items.

Other net operating income: breakdown

(€ '000)

P&L ITEMS/VALUE	AS AT 09.30.2016	AS AT 09.30.2015
Total other operating expense	(577,498)	(574,091)
Total other operating revenues	1,429,598	1,371,485
Other net operating income	**852,100**	**797,394**

15.1 Other operating expense: breakdown

(€ '000)

TYPE OF EXPENSE/VALUE	AS AT 09.30.2016	AS AT 09.30.2015
Costs for operating leases	(3,842)	(3,826)
Non-deductible tax and other fiscal charges	(1,753)	(2,057)
Write-downs on leasehold improvements	(52,873)	(52,354)
Costs related to the specific service of financial leasing	(91,426)	(97,830)
Other	(427,604)	(418,024)
Total other operating expenses	**(577,498)**	**(574,091)**

The sub-item "Other" includes:
- various settlements and indemnities of €125 million, €109 million in 2015;
- additional costs for the leasing business of €29 million, €20 million in 2015;
- non-banking business costs €99 million, €66 million in 2015;
- charges relating to Group property of €31 million, €55 million in 2015;
- various payments relating to prior years of €1 million in 2016, €3 million in 2015;
- additional costs relating to customer accounts of €12 million, €10 million in 2015.

15.2 Other operating revenues: breakdown

(€ '000)

TYPE OF REVENUE/VALUES	AS AT 09.30.2016	AS AT 09.30.2015
A) Recovery of costs	**528,460**	**560,646**
B) Other Revenues	**901,138**	**810,839**
Revenues from administrative services	55,137	54,088
Revenues on rentals Real Estate investments (net of operating direct costs)	86,299	94,942
Revenues from operating leases	134,657	108,014
Recovery of miscellaneous costs paid in previous years	4,928	7,767
Revenues on Financial Leases activities	99,061	109,870
Others	521,056	436,158
Total operating revenues (A+B)	**1,429,598**	**1,371,485**

The sub-item "Other" includes:
- additional income received from leasing business of €27 million, €26 million in 2015;
- income from non-banking business of €234 million, €146 million in 2015;
- various income from Group property of €21 million, €20 million in 2015;
- payments of indemnities and compensation of €21 million, €59 million in 2015.

Section 24 - Earnings per share

24.1 and 24.2 Average number of diluted shares and other information

	AS AT 09.30.2016	AS AT 09.30.2015
Net profit for the period attributable to the Group (thousands of €)	1,671,974	1,474,440
Average number of outstanding shares	5,990,137,569	5,815,318,749
Average number of potential dilutive shares	19,572,702	22,734,089
Average number of diluted shares	6,009,710,271	5,838,052,838
Earnings per share (€)	**0.279**	**0.254**
Diluted earnings per share (€)	**0.278**	**0.253**

€96,385 thousand has been deducted from 3Q 2016 net profit of €1,768,359 thousand due to disbursements charged to equity made in connection with the contract of usufruct on treasury shares agreed under the Cashes transaction (€66,808 thousands was deducted from 3Q 2015 net profits).

Net of the average number of treasury shares and of further 96,756,406 shares held under a contract of usufruct.

Part E – Information on risks and related risk management policies

Note:
The document “Disclosure by Institutions” (Pillar III of Basel 3) is published on UniCredit group’s website (https://www.unicreditgroup.eu/it/investors/third-pillar-basel-two-and-threehtml) according to the deadline defined in the relevant regulations.

Part E – Information on risks and related risk management policies

The information provided in Part E in this report refers to IFRS 10 Scope of Consolidation.

Risk Management in UniCredit group

UniCredit group monitors and manages its risks through tight methodologies and procedures proving to be effective through all phases of the economic cycle.
The control and steering of the Group's risks is performed by the Parent Company's Risk Management function, which pursues its steering, coordination and control role in particular through the "Portfolio Risk Managers" which are responsible for the relevant risks from a Group perspective. Furthermore, the model considers a specific point of reference for Italy through the "CRO Italy" function, to which the responsibilities related to credit, operational and reputational risks of the Italian perimeter as well as the managerial coordination of Risk Management functions in the Italian Legal Entities have been assigned.

In particular, the Risk Management function is responsible for the following tasks:
- optimizing the quality of the Group's assets and minimizing the cost of risk in accordance with the risk/profitability goals set for the business areas;
- ensuring the strategic steering and the definition of the Group's risk management policies;
- defining and issuing to the Legal Entities the guidelines and rules for assessing, managing, measuring, monitoring and reporting risk. It also ensures that the procedures and systems designed to control risk at Group and individual Legal Entity level are coherent;
- strengthening a risk culture across the Group by risk training initiatives and developing highly qualified staff, in cooperation with the competent COO functions;
- helping to find ways to rectify asset imbalances, where needed in cooperation with Planning, Finance and Administration;
- supporting the Business Functions to achieve their goals, including by assisting in the development of products and business initiatives (e.g. innovation of credit products, competitive business opportunities);
- supporting the CEO in defining the Group Risk Appetite proposal, to be shared in the Group Risk & Internal Control Committee and submitted for approval to the Board of Directors, as preliminary and preparatory step for the annual and multi-year budget plan pertaining to the CFO. Furthermore, the Group CRO is responsible for ensuring the CEO and the Board of Directors the coherence of the Group Risk Appetite with the Group strategic guidelines, as well as the coherence of the budget goals with the Group Risk Appetite setting and the periodical monitoring of the Risk Appetite Framework (RAF). The CFO remains responsible for monitoring the performances of the Group and of the business functions, in order to identify possible underperforming areas and the related corrective measures.

Consistently with the Risk Management function architecture and in order to strengthen the capacity of independent steering, coordination and control of Group risks, to improve the efficiency and the flexibility on the risk decision process and to address the interaction among the relevant risk stakeholders, four distinct levels of Risk Committees are in place:
- the "Group Risk & Internal Control Committee" responsible for the Group strategic risk decisions: establishing policies, guidelines, operational limits and the methodologies for the measurement, management and control of risks. It is, moreover, supporting the Group CEO in the management and oversight of the Internal Control System ("ICS");
- the "Group Portfolio Risks Committees", tasked with addressing, controlling and managing the different portfolio's risks;
- the "Group Credit Risk Governance Committee", responsible for ensuring steering, coordination and control on the Group credit risk topics, with focus on Credit Risks Pillar 1, Pillar 2 (limited to Credit Portfolio Model/CPM) and on managerial models, ensuring consistency among the Holding Company and the different Group Legal Entities;
- the "Transactional Committees" in charge of evaluating and approving the single counterparties/transactions impacting the overall portfolio risk profile.

The Board of Directors, pursuant to the provisions of the Self-Regulatory Code, and under Banca d'Italia supervisory provisions, is supported by the Internal Control & Risk Committee, established among Board members, in order to foster an efficient information and advisory system that enables it to better assess risk related topics for which it is responsible.
Further information on corporate governance, including on the Internal Control & Risk Committee and the number of times this committee has met, is included in the document "Corporate Governance Report", published on the Group Internet site in the section: Governance » Governance system & policies » Corporate Governance report (https://www.unicreditgroup.eu/en/governance/governance-system-and-policies.html).

Internal Capital Adequacy Assessment Process (ICAAP) and Risk Appetite
Measuring the risk profile is a fundamental element of the Internal Capital Adequacy Assessment Process under Basel Pillar II.

The Group's approach to ICAAP relies on the definition of the "Risk Governance", as a preliminary requirement, while the process consists of the following phases:
- perimeter definition, risk identification and mapping;
- risk profile measurement and stress testing;
- risk appetite setting and capital allocation;
- monitoring and reporting.

Capital adequacy is assessed considering the balance between the assumed risks, both Pillar I and Pillar II, and the available capital. With respect to Pillar II, the relevant metric is the Risk Taking Capacity, which is the ratio between available capital (Available Financial Resources, AFR) and Internal Capital.
A milestone of the ICAAP is the Risk Appetite, which in UniCredit group is defined as the level of risk that the Group is willing to take in pursuit of its strategic objectives and business plan, taking into account the interest of its stakeholders (e.g. customers, policymakers, regulators, shareholders) as well as capital and other regulatory and law requirements. The Group Risk Appetite is approved on an annual basis by the Board of Directors and is regularly monitored and reported, at least quarterly, to the relevant committees, with the aim to ensure that the Group develops within the desired risk-return profile set by the Board. At local level, the risk appetite is set for the main Legal Entities and Subgroups and approved by the local competent functions.

The main goals of UniCredit group's Risk Appetite are:
- to assess explicitly the risks, and their interconnections, UniCredit group is willing to accept or should avoid in a forward looking view;
- to specify the types of risk UniCredit group intends to assume by setting the targets, triggers and limits, under both normal and stressed operating conditions;
- to ensure an "ex ante" risk-return profile consistent with long term sustainability, in coherence with multi-year strategic plan/budget;
- to ensure that the business develops within the risk tolerance set by the Holding Company Board of Directors, also in respect of national and international regulations;
- to support the evaluation of future strategic options with reference to risk profile;
- to address internal and external stakeholders' view on risk profile coherent with strategic positioning;
- to provide qualitative statements concerning not quantifiable risks (e.g. strategic, reputational, compliance) in order to strategically guide the relevant processes and the internal control system.

The Group Risk Appetite is defined consistently with UniCredit group business model. For this purpose, Group Risk Appetite is integrated in the budget process, in order to guide the selection of the desired risk-return profile in alignment with the Strategic Plan guidelines and at inception of the budget process. UniCredit Compensation Policy is consistent with Group Risk Appetite to allow the effective implementation of risk reward remuneration for bonus definition and payments.

The structure of the Risk Appetite in UniCredit group includes the Group Risk Appetite Statement and the Group Risk Appetite KPIs Dashboard. The Risk Appetite Statement defines the positioning of the bank in terms of strategic targets and related risk profiles to address internal and external stakeholders expectations and includes:
- a guidance on the overall key boundaries for the Group in terms of focus of activity;
- a definition of the desired risk-return profile, in coherence with Group's overall strategy;
- the risks the bank is willing to accept or should avoid both in normal and in stressed conditions;
- an indication on strategies to manage key risks within the perimeter of the Group;
- qualitative statements for not quantifiable risks (e.g. strategic, reputational, compliance) in order to ensure prevention/early intervention on emerging risks;
- a description of the key roles and responsibilities in the approval, cascading, monitoring, reporting and escalation processes related to Risk Appetite.

The quantitative elements of the risk appetite framework instead are represented by a Dashboard, composed by a set of KPIs, based on the analysis of the expectations of UniCredit Group internal and external stakeholders, which addresses the following dimensions, including material risks to which the Group is exposed to:
- **Risk ownership and positioning:** in order to explicitly indicate main focus activities of UniCredit Group and overall risk positioning (e.g. target rating);
- **Regulatory requirements:** to guarantee at any time the fulfilment of the KPIs requested by Regulators (e.g. Common Equity Tier 1 Ratio, Risk Taking Capacity, Liquidity Coverage Ratio);
- **Profitability and Risk:** to ensure economically sustainable risk taking attitude of the Group (e.g. Net Operating Profit/RWA);
- **Control on specific risk types** to ensure steering of all key risks (e.g. Credit Risk, Market Risk, Operational Risk, Liquidity Risk, Interest Rate Risk, Shadow Banking, Risk Culture).

For each of the above dimensions, one or more KPIs are identified, in order to quantitatively measure the position of the Group in different ways: absolute values, ratios, sensitivities to defined parameters.

Part E – Information on risks and related risk management policies

Various levels of thresholds are defined such to act as early warning indicators anticipating potential risk situations that will be promptly escalated at relevant organizational level. In the event that the Risk Appetite thresholds are met, the necessary management measures have to be adopted for effectively adjusting the risk profile. The following thresholds are identified (on certain KPIs, not all the thresholds may be meaningful):

- **Targets** represent the amount of risk the Group is willing to take on in normal conditions in coherence with Group Ambition. They are the reference thresholds for the development and steering of the business;
- **Triggers** represent, from a managerial standpoint, the maximum acceptable level of deviation from the defined target thresholds, or more generally a warning level, and are set consistently to assure that the Group can operate, even under stress conditions;
- **Limits** are hard points that represent, from a statutory standpoint, the maximum acceptable level of risk for the Group.

Thresholds setting is evaluated case by case, also through managerial decision by the Board of Directors, respecting regulatory and supervisory requirements, and also taking into account stakeholders' expectations and positioning versus peers.

In addition, the Group has set a series of transversal operative limits and metrics that cover the main risk profiles in order to supplement the Risk Appetite Framework. Moreover, an annual consolidated report on capital adequacy is prepared in accordance with Banca d'Italia guidelines, including an overview of the main Group companies, and is sent to the Regulator. The Board of Directors that authorizes the sending of this report to the Authorities, also acknowledges that the risk governance of the Group is deemed adequate, guaranteeing that the risk management system in place is in line with the risk profile and strategy of the Group.

Section 1 - Credit Risk

Qualitative information

1. General Aspects

With reference to the Group's risk management model, the risk governance has two levels of control: the Group Risk Governance functions and the Risk functions by Countries. The Group Risks Governance functions perform a managerial coordination with respect to the relevant Group Legal Entities' functions, which perform the control and the management of the risk portfolios at country level.

The UniCredit Board of Directors approves the "Credit Risk Strategies" in the context of the Risk Appetite Framework approval.

Since March 2008 Banca d'Italia authorized UniCredit Group to use the Advanced approach for calculating the capital requirement for credit and operational risks. With reference to credit risk, the Group has been authorized to use internal PD, LGD and EAD calculations for groupwide credit portfolios (Sovereign, Banks, Multinationals and Global Project Finance) and for credit portfolios of the relevant subsidiaries as illustrated below (corporate and retail). With reference to the Italian mid-corporate and small business portfolios, the EAD foundation values are currently used.

In the first stage, the Advanced Method has been adopted for the relevant portfolios by the Parent Company and by some Italian subsidiaries, subsequently merged in UniCredit S.p.A. (UCI) in 2010, by UniCredit Bank AG (UCB AG) and UniCredit Bank Austria (BA AG). According to the roll-out plan for progressive extension of the IRB rating system, approved by the Group and shared with the Regulator, starting from 2008 these methods have been extended to UniCredit Bank Luxembourg S.A., UniCredit Leasing Finance GmbH (and its subsidiaries) and UniCredit Bank Czech Republic and Slovakia a.s. (portfolio in Czech Republic), as well as, through the adoption of the IRB Foundation method, to UniCredit Bank Ireland p.l.c, UniCredit Banka Slovenija dd, UniCredit Bulbank AD, UniCredit Bank Czech Republic and Slovakia a.s. (portfolio in Slovakia), UniCredit Bank Hungary, UniCredit Bank a.s. in Romania and ZAO UniCredit Bank in Russia.

Credit economic capital estimation is available on a unique technological platform ("CPM") and with a common methodology for Holding functions and several Legal Entities of UniCredit Group. The roll-out of CPM across CEE Legal Entities allows to cover most of the relevant geographies.

2. Credit Risk Management Policies

2.1 Organizational Aspects

The credit risk organization in Parent Company breaks down into two levels:
- functions with responsibilities at Group level;
- functions with responsibilities at Country level.

Functions with responsibilities at Group level include:
- the "Group Credit & Integrated Risks" department, responsible, at Group level, for credit risk strategies definition, monitoring and controlling the credit risk of the Group portfolio as well as ensuring an integrated view across Pillar I and II risks to Top Management. The department has the following structures:
  - "Group Risk Strategies & Pillar 2" department, responsible for 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;
  - "Group Credit Risk Initiatives, Standards & Reporting" department, responsible for 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 key initiatives of the "Group Risk Management" department;
  - "Group Risk Monitoring & Credit Rules" department, responsible for 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 credit portfolio and the integrated risk assessment. Furthermore, it is responsible for defining the Global Credit Rules.
- The "Group Credit Risk Governance" department, responsible for guaranteeing at Group level the coordination and steering of Pillar I Credit Risk models and architectual framework/information flow and processes, also ensuring their integration and alignment.

Part E – Information on risks and related risk management policies

Furthermore, it is 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 department is organized as follows:
- "Group Credit Risk Modeling" department, responsible for developing and maintaining methodologies and group models for Pillar 1 (credit) and providing guidelines, coordinating, interacting with and supporting local development functions in order to guarantee an homogenous methodology implementation at Group level;
- "Group Credit Risk Processes and Information Flow" department, responsible for 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. Finally, cooperating with "Group Data Office" department and "Group ICT & Security Office" department, it is responsible for defining and maintaining the methodology to be applied to credit risk end-to-end data processes and related architectures across the whole credit risk perimeter for all Legal Entities of the Group;
- "Group Internal Validation" department, responsible for validating, at Group level, the risk measurement methodologies and pricing of the financial instruments, 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;
- "RWA Quality and Analysis" unit, responsible for 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;
- "Group Credit Risk Coordination and Planning" unit, responsible, within "Group Credit Risk Governance" department, for managing the communication to Governance Bodies and Supervisory Authorities, coordinating key projects, monitoring performance KPIs and planning the activities related to IRB systems, processes and information flow.

- The "Group Credit Transactions" department, responsible for the assessment, monitoring and oversight of large credit transactions, is composed by the following structures:
  - the "Group Credit Committee Secretariat" unit, responsible for supporting, as a central group-wide reference point for credit transactions above defined thresholds or according to other current regulations, the arrangement and coordination of the various procedural phases and information flows to facilitate the functioning of the approval and reporting processes involving the Committees under its remit or upper Bodies;
  - "FIBS Credit Transactions" department, responsible for the management and the monitoring of the counterparties, single and economic groups, belonging to the client segments Financial Institutions, Banks and Sovereigns ("FIBS") within the perimeter in its remit;
  - "CIB & Large Credit Transactions" unit, responsible for transactions above defined thresholds for Corporate counterparties, Structured Finance (including Special Products) transactions as well as Restructuring/Workout cases and Debt-to-Equity positions generated in the course of Restructuring activities;
  - "Country Risks Analysis & Monitoring" team, responsible for the assessment, approval anddaily management of Country Risks and Cross-Border credit risk-taking.

At Country level, steering and credit risk control activities, as well as the conducting of "operational" activities (e.g. loans disbursement, monitoring, etc.) fall under the responsibility of controlled subsidiaries CRO function.

In UniCredit S.p.A. with reference to Italian perimeter ("Country Chairman Italy" and "CIB Italy"), these functions are performed by organizational structures of "CRO Italy" department, reporting to the "Group CRO" and responsible for the governance and control of credit, operational and reputational risks, the coordination and management of credit underwriting activities for UniCredit S.p.A. customers, as well as the overseeing of the post-decision phases of the credit process as well as the coordination and management of restructuring and workout files of the Italian perimeter of UniCredit S.p.A.. The department comprises the following structures:

- the "Risk Management Italy" department, responsible for governance and control of credit risk and the operational and reputational risk for UniCredit S.p.A., as well as the consolidation of the Italian Legal Entities risk managers' analysis. The department with respect to credit risk, breaks down into the following structures:
  - "Credit Risk Portfolio Analytics" department responsible for monitoring loan portfolio risk composition in terms of credit quality, cost of risk, RWAs and capital absorption for the UniCredit S.p.A. perimeter, with the exception of positions held by "FIBS" counterparties, preparing the required reporting;
  - "Credit Policies & Products Italy" department responsible for assuring that products, services and commercial initiatives are coherent with global rules and credit strategies defining process and product credit rules;
  - "Credit Risk Planning, Regulation And Controls" unit, responsible for planning and control of provisions, RWAs and capital absorption for Performing and problem loans, and making proposals in terms of credit risk appetite for the portfolios of competence;
  - "Rating Desk Italy" unit responsible, for the Italy perimeter, for correcting any discrepancies between the rating assigned by the internal automatic system and the actual risk level of corporate counterparties of UniCredit S.p.A. through overrides, and ensuring the communication of their creditworthiness assessment to all UniCredit S.p.A. functions concerned;
- the "Credit Underwriting" department responsible for credit underwriting activities in relation to the "Central Credit Risk Underwriting Italy", to the "Territorial Credit Risk Underwriting Italy" department and to the "Individual Credit Underwriting" department, within the perimeter of competence. The department is also responsible for the administrative management of the Credit Committee's activities within the Italy perimeter.

- the “Loan Administration” department, responsible for the post-sales credit activities, for providing assistance for technical legal problems and for the operative credit risk control related to medium/long term activities, guarantees, contracts and also for managing activities relating to subsidized loans. The department is furthermore responsible for the supporting activities with regards to SACE agreements and for the legal advice and consultancy on credit issues within the Italian perimeter, for both the Performing and Non-Performing portfolios.
- the “Special Credit” department responsible for coordinating and guiding the management of positions undergoing non-revoked doubtful (i.e.doubtful loan with active overdaft) and for workout activities for the Italian perimeter of UniCredit S.p.A. under its perimeter of responsibility, identifying and controlling the implementation of the interventions aimed to the cost of risk reduction, in particular:
  - managing the collection of delinquent and overdue unpaid credits and the related activities, as the classification as doubtful or Non-Performing credits, according to the delegated powers, ensuring the enforcement and implementations of collection strategies and activities;
  - managing activities aimed to the cost of risk reduction regarding irregular and problematic credit;
  - deliberating, within its delegated powers, on workout positions.
- the “Restructuring Italy” department, responsible for coordinating and guiding the management of positions (assessing and making decisions within the limits of its assigned powers - or formulating the related proposal to the competent decision-making Bodies) undergoing restructuring, with reference to customers in the Italian perimeter of UniCredit S.p.A., also monitoring compliance with the agreements set forth in the restructuring plan and any covenants established.
- the “Credit Monitoring” department responsible for coordinating, steering and managing the monitoring activities for all customers within the Italian perimeter ofUniCredit S.p.A.

The department is split in the following structures:
  - “Credit Monitoring Operations & Support” unit responsible for the coordination and oversight of the activities within the monitoring operating model, and for defining the guidelines for maximizing the efficiency and the effectiveness of the monitoring operating model, in line with the strategic guidelines and credit policies;
  - “Central Credit Risk Monitoring Italy” responsible for coordinating and guiding the monitoring activities conducted by the local structures, making decisions based on applicable legislation;
  - “Territorial Credit Risk Monitoring” responsible for coordinating and managing credit monitoring through the performance monitoring of positions, defining corrective measures in coordination with the “Central Credit Risk Monitoring Italy” department;
  - “Customer Recovery” (Cu. Re.) department, responsible for managing and supporting processes and strategies of monitoring, credit collection and classification of customers to impaired loans portfolio for Individuals and Enterprises customers, as identified by the current regulation, including all the assessments and decisions concerning possible settlements or renegotiations and/or rehabilitation solutions (e.g. suspension of the installment), ensuring their operational effectiveness and efficiency. Furthermore the department is responsible to manage the relations with external credit collections servicers and with credit protection Associations (e.g. Unirec, Ebitec), as well as to promote the operative commercial relations aimed to ensure the collection results.

Furthermore, with respect to credit risk, the following Transactional Committees are active:
- the “Group Credit Committee”, in charge of discussing and approving competent credit proposals referring to all files, including restructuring/workout ones, status classification of files, relevant strategies and corrective actions to be taken for watchlist files, specific limits for transactions related to Debt Capital Markets on Trading Book, single issuer exposures limits on Trading Book, Debt to Equity transactions and transactions related to Equity participations deriving from Debt to Equity transactions;
- the "Group Transactional Credit Committee", with approval function, within the delegated powers (decision-making and/or issuing of non-binding opinions to the Group Legal Entities) and/or consulting function for files to be approved by upper Bodies, for credit proposals referring to all files, including restructuring/workout ones, status classification of files relevant strategies and corrective actions to be taken for watch-list files, single issuer exposure limits on Trading Book, Debt to Equity transactions and/or actions/rights-execution related to equity participations resulting from Debt to Equity transactions, Debt to Assets transactions and/or actions/rights execution related to asset resulting from Debt to Asset transactions; proposal of distressed asset disposal, in accordance with the regulated specifications and limitations;
- the “Italian Transactional Credit Committee” has the responsibility - within its assigned sub-delegations of powers for credit activities and the related thresholds - to evaluate and approve the underwriting and the review of the credit lines and to evaluate and approve the loan loss provisions, asset value adjustments and releases of capital and/or capitalized interests related to counterparts UniCredit S.p.A .The “Italian Transactionl Credit Committee” carries out, moreover, consulting function for files to be approved by upper Bodies;
- the “Italian Special & Transactional Credit Committee” has the responsibility - within its assigned credit decision making powers and the related thresholds - to evaluate and approve the underwriting and the review of the credit lines and to evaluate and approve the loan loss provisions, asset value adjustments and releases of capital and/or capitalized interests related to counterparts UniCredit S.p.A.;
- the “Group Rating Committee” responsible, within its perimeter of competence and its delegated powers, for approving rating overrides.

2.2 Factors that generate Credit Risk

In the course of its credit business activities the Group is exposed to the risk that an unexpected change in a counterparty's creditworthiness may generate a corresponding unexpected change in the value of the associated credit exposure and may thus result in a partial or full write-off. This risk is always inherent in traditional lending operations regardless of the form of the credit facility (whether cash or credit commitments, secured or unsecured, etc.).

Part E – Information on risks and related risk management policies

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 affecting the debtor's operating and financial condition, such as Country risk or the impact of operational risk. Other banking operations, in addition to traditional lending and deposit activities, can expose the Group to other credit risks.
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 Group Legal Entities could default as a result of insolvency, political and economic events, lack of liquidity, operating problems or other reasons. Defaults of a large number of transactions, or one or more large transactions, could have a material adverse impact on the Group's operations, financial condition and operating results.The Group therefore monitors and manages the specific risk of each counterparty as well as 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's principles and best practice, also aimed to extend their effectiveness to all phases of the economic cycle.

2.2.1 Country risk
Country risk is the risk of losses caused by events identified at Country level and not at level of specific transaction, counterparty or counterparty group . It is therefore a collection of risks that mainly includes sovereign risk, transfer and convertibility risk, delivery risk, risk related business environment and jurisdiction, political and geopolitical risk, and economic risk.
Country risk is primarily managed by determining the appropriate Group-wide maximum risk levels (Country limits), that can be assumed by the Legal Entities belonging to the Group towards 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 Entity providing the loan).

Country risk management processes are mainly concentrated at Holding Company 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 risk concentration.

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 impacting the country creditworthiness becomes available.

Groupwide cross-border Country risk limits are calculated at single Country level, in a top-down / bottom-up process considering, among other factors, the risk of the Country (rating), the size of the country, actual exposure, demand of the bank's export customers and other business opportunities. Cross-border Country Plafonds are set, managed and monitored at Holding Company level and they are renewed at least on a yearly basis.

The evolution of the macroeconomic and political scenario is constantly monitored in order to be consistently reflected within the internal Country ratings. Internal ratings may therefore be revised more than on a yearly basis.

With specific reference to the sovereign risk, direct counterparty risk to sovereigns (and central administrations) is managed through the normal counterparty approval process. Limits and exposures to sovereigns - in both the Trading and Banking Books - are managed in a prudent way to ensure such limits/exposures are sized primarily by both regulatory and liquidity requirements of the Group.

2.3 Credit Risk Management, Measurement and Control

2.3.1 Reporting and Monitoring Activities
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, portfolio mix, asset quality, cost of risk, shortfall, etc.) in order to promptly initiate any countermeasures on portfolios, sub-portfolios or individual counterparties. The reporting provides a managerial tool for supporting decision-making process in the management and mitigation of risks. Group Risk Management function performs credit risk reporting at portfolio level, producing reports at Group level, both recurring and specific (on demand of Top Management, Regulators or external entities, e.g. 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, regions, industrial sectors, and impaired credits performance and relevant coverage.

Portfolio reporting activities are performed at Group level in close collaboration with the Chief Risk Officers at Legal Entities level and Credit Risk Portfolio Managers who, within their respective perimeters, implement specific reporting activities.

At Group level, the Reporting and Monitoring activities are assigned to two different functions within the "Group Credit and Integrated Risks" Department.

The "Group Credit Risk Data Initiatives, Standards and Reporting" unit is responsible for defining the requirements of data analysis systems used for reporting purposes and the Group credit risk reporting framework, producing standard reports on credit risk as well as defining the reporting taxonomy. Furthermore, it is one of the interfaces with "Group Regulatory Reporting" department for second level controls on supervisory reports.

The "Risks Assessment & Monitoring" unit, instead, is responsible for analyzing and monitoring the Credit Portfolio composition and riskiness in terms of main risk drivers at Group/Legal Entities/ Division level, by providing to the competent Planning & Finance structures the useful information to highlight delta versus budget/forecast. It is also in charge of producing regular analyses in order to provide to Top Management an integrated view on Group Risks, as well as documents for Rating Agencies, Investors and "ad hoc" requests coming from external organizations.

Already starting from 2011 and 2012 reporting activities had been additionally refined through the intensive fine-tuning activity of data collection and consolidation processes. This led to a significant improvement in terms of quality of the information reported in consolidated reports such as, for example, the "ERM - Enterprise Risk Management Report", as well as the "Risk Assessment" addressed to Top Management. Furthermore, portfolio and business segment reporting units also helped to monitor credit risk exposure within their areas of responsibility. In 2014 and 2015 activities started aiming to improve the qualitative information at disposal in terms of completeness, reconciliation, granularity and timeliness of the information in order to optimize the reporting already existing. Such activities will continue in next months according to provisions issued by Basel Committee on Banking Supervision (Paper BCBS No.239) requiring to Global Systemically Important Financial Institutions (G-SIFIs) the adoption of principles to assure a proper risk data aggregation and an efficient reporting process.

In the framework of a dedicated project ("PERDAR"), deployed in 2014, with the aim to guarantee the compliance to these principles, selected activities have been implemented in order to strengthen the Group Governance of Risk Reporting. Among these activities, it is worth mentioning the issuance of internal regulations that define the risk reporting production process as well as the Group risks' taxonomies.

All monitoring activities that aim at identifying and reacting in a timely manner to possible deterioration in the asset quality of the Group's counterparties were further enhanced with dedicated functions of the Group Risk Management that deal with the reporting activities aimed at analyzing the main components of this risk and their temporal evolution, in order to be able to detect promptly any symptoms of deterioration and take appropriate corrective actions.

2.3.2 Governance and policies

Specific credit governance rules define the allocation of responsibilities and mechanisms of interaction between the Holding Company and the Group Legal Entities with respect to credit risk management topics and ensure compliance of the overall Group Credit Risk Management framework with the regulatory framework to which the Holding Company is subject to. In this context, the Holding Company is assigned with the role of guidance, support and control for the following areas: credit rules (principles, policies, and processes), credit strategies and credit risk limits, models development, rating systems validation, large exposures management, issuance of credit products, monitoring and reporting portfolio credit risk.

In particular, Group Legal Entities are required to request the Group Risk Management function's opinion before granting new or reviewing existing credit lines to individual borrowers or economic groups, whenever they exceed defined thresholds, also with reference to compliance with the credit risk concentration limits being measured with respect to the regulatory capital.

According to the role assigned to the Holding Company, specifically to the Group Risk Management function under Group governance, "General Group Credit Policies" define group-wide rules and principles for guiding, governing and standardizing the 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 (e.g. business areas, segment activities, type of counterpart/transaction). Such policies are divided into two categories:

- policies on groupwide topics, drafted and issued by the Holding Company and sent to all the Legal Entities. Some examples are the policies on FIBS counterparts (Financial Institutions, Banks and Sovereigns), on Country Risk Limits, on Project Finance and Acquisition & Leveraged Finance transactions, on Underwriting Risk Limits for Syndicated Loan Portfolio , on "Commercial Real Estate Financing (CREF)" and on "Structured Trade and Export Finance (STEF)";
- policies developed locally by single Legal Entities. Such documents provide detailed credit rules for specific regions, subsidiaries, etc., if required by local market peculiarities, and are applicable only within the specific Legal Entity perimeter.

Part E – Information on risks and related risk management policies

At both Legal Entity and Holding Company level, the policies (if necessary) are further detailed through operative instructions, describing specific rules and instructions for the management of day-by-day activities.
Credit Policies have generally a static approach and are revised when necessary. Therefore, they are supplemented with Credit Risk Strategies that are updated at least annually and define customers/products, industry segments and geographical areas that will form the target of the Legal Entity/the Group's relevant credit business.

2.3.3 Management and Measurement Methods
Credit Risk generally 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 can be defined as the risk of incurring losses arising from the possibility that a counterparty, 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 of market value of financial obligation due to a deterioration in its credit quality. Since December 2015, UniCredit Group has been introducing migration risk as a component of Economic Capital measured in the Credit Portfolio Model; the perimeter of migration risk covers the most material and liquid assets: Sovereign, non-SME Corporates including Financials, securitizations and project finance. The remaining assets are covered by default risk as usual: the selection reflects more reliably the business model by applying migration risk where value changes impact the P/L or are factored in business strategies (i.e., applicable for instruments such as bonds, loans and derivatives belonging to corporates, financials and sovereign counterparties). For AfS/FVO [(4)] positions in the Banking Book, migration risk is already covered by spread VaR in market risk and to avoid double counting these assets are excluded from migration risk assessment in Group Credit Portfolio Model.

Credit risk is measured both 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 Legal Entity and 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.

Regular monitoring focuses on the borrower's performance, using all available internal and external information in order to arrive at a score representing a synthetic assessment of the risk associated to each monitored customer. This score is obtained by 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.

The internal rating, or risk level assigned to the customer/transaction, forms a part of the lending decision calculation. In other words, at a constant credit amount the approval powers granted to the competent Bodies are gradually reduced in proportion to an increased borrower-related risk level. The organizational model also includes 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. change requests to the automatic rating calculated by the model.

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, as a general rule, taking into account the calculated maximum risk for the entire economic group. In addition to one-year horizon risk parameters, multi-period risk parameters are estimated according to a Point In Time and Forward Looking perspective allowing for compliance with the recent updates of accounting principles and a more robust risk adjusted performance evaluation.

Besides the methodologies summarized in the rating systems, the 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.

(4) AfS/FVO: Available for Sale/Fair Value Option

There are three fundamental portfolio credit risk measures that are calculated and evaluated on a one-year time horizon:
- Expected Loss (EL);
- Credit Value at Risk (Credit VaR);
- Expected Shortfall (ES).

In order to derive the Credit VaR of the portfolio, the portfolio loss distribution is specified; it is represented by the probabilities of getting different values of the portfolio loss on the given time horizon ("discrete loss case"). The loss associated to a specific probability is the product of the percentage of losses given default (LGD) and exposures at default (EAD) of the single obligors considering the correlations among the defaults.

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 x LGD x EAD for the assets included in default risk, while it is defined as the mismatch between the expected forward price and the forward price at the current obligor credit rating for the assets included in the migration risk parameters. EL is independent from the default correlations in the portfolio and is typically charged as a cost component.
Value at Risk (VaR) represents the threshold monetary loss overcome only with a given probability level (VaR at 1-α confidence level). 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 unexpected losses from all risk factors.

VaR is a widely used measure of portfolio risk but it does not provide information on potential losses in case the VaR limit has been exceeded. Such information is provided by the Expected Shortfall (ES) that represents the expected value of losses that exceed the VaR threshold. Portfolio Credit VaR and ES strongly depend on default correlation and can be reduced by proper portfolio diversification.

The credit portfolio models produce also measures of economic capital reallocated by individual borrowers within each portfolio and are the basis for risk-adjusted performance measures.

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 one of the tools used for the analysis of stress tests of the credit portfolio, starting from macroeconomic variables that affect the various customer segments, by country, size, etc.

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 systems 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 2 validation.

Credit economic capital estimation is available on a unique technological platform ("CPM") and a common methodology for holding functions and several Legal Entities of UniCredit Group. The roll out of CPM across CEE Legal Entities allows to cover most of the relevant geographies.

To evaluate the effectiveness of securitizations in transferring credit risk, a new tool (Structured Credit Risk Analyzer) has been developed. It allows to simulate credit losses in collateral portfolios and allocate the resulting losses to the tranches which characterize the liability side of the securitization, both for cash and synthetic structure types (where credit risk is transferred via credit derivatives).

2.3.4 Credit Risk Strategies
Group Credit Risk Strategies are an effective instrument for governing credit risk, contributing to the setting of the Group ambitions within the Budget process in coherence with the Group Risk Appetite, of which they are an integral part. Being the concrete deployment of the Group Risk Appetite metrics, Credit Risk Strategies constitute also an operational tool.

Starting from the macroeconomic and credit scenario, the outlook at industry level and the business strategy initiatives, Credit Risk Strategies define a set of guidelines and operative targets for all the Group countries and business lines. The aim is to identify their risk profile and to steer the Group growth coherent with that.

Part E – Information on risks and related risk management policies

Portfolio risk management pays special attention to credit risk concentration, defined as any single exposure or group of exposures with the potential to generate losses large enough (relative to a bank's capital, total assets or overall risk level) to threaten a bank's health or ability to maintain its core operations and requires that banks have in place effective internal policies, systems and controls to identify, measure, monitor and control their credit concentration risk.

UniCredit, in coherence with the regulatory framework, manages credit concentration risk through dedicated limits, which represent the maximum risk the Group is willing to accept towards:
- individual counterparties or a group of related counterparties (Single Name Bulk Risk);
- counterparties in the same economic sector (Industry Concentration Risk).

Stress test simulations are a comprehensive part of credit risk strategies definition. With the stress test procedure it is possible to estimate credit risk parameters like Probability of Default, Expected Loss, Economic Capital and Risk Weighted Asset under the assumption of an adverse macroeconomic and financial scenario. Stressed parameters are used not only for regulatory purposes, but also as managerial indicators about the portfolio vulnerability of a single Legal Entity, business line, industry/regional area, customer group and other relevant cluster, conditioned by the downturn of the economic cycle.

In compliance with regulatory requirements, stress tests are performed on an on-going basis on updated stressed scenarios and are communicated to the senior management as well as to the Supervisory Authority. In addition to the regular stress test, ad hoc stress test simulations are performed on specific request by the Supervisory Authority.

2.4 Credit Risk Mitigation Techniques

UniCredit Group uses various credit risk mitigation techniques to reduce potential credit losses in case of the obligor default. Consistently with the "Regulation (EU) No.575/2013 of the European Parliament and of the Council of June 26, 2013 on prudential requirements for credit institutions and investment firms (CRR) and amending Regulation (EU) No.648/2012, the Group 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 purpose of calculating the credit risk capital requirement.

With specific reference to Credit Risk Mitigation, general guidelines are in force, issued by the Parent Company, defining Group-wide rules and principles with the aim to 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.

Following the General Group Credit Risk Mitigation Guidelines, all Legal Entities have adopted internal regulations, specifying processes, strategies and procedures for collateral management. In particular, such internal regulations detail collateral eligibility, valuation and monitoring rules and ensure the soundness, legal enforceability and timely liquidation of valuable collateral according to each Country's local legal system.

Collateral management assessments and Credit Risk Mitigation compliance verification have been performed by the Legal Entities, specifically as part of Internal Rating System applications, in order to assess the presence of adequate documentation and procedure concerning the Credit Risk Mitigation instruments used for supervisory capital.

According to the credit policy, collaterals or guarantees can be accepted only to support loans but cannot serve as a substitute for the borrower's ability to meet its 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 granted by the Group's Legal Entities, 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. The Group also makes use of bilateral netting agreements for OTC derivatives (by means of ISDA and CSA agreements), Repos and securities lending.

The management 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. Furthermore, processes are implemented to control that all the relevant information regarding the identification and evaluation of the credit protection are correctly registered in the system.

When accepting a credit risk mitigation technique, UniCredit group emphasizes the importance of 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 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.

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.

2.5 Non-Performing Exposures

The Group’s approach to the *“Non-Performing”* portfolio is based on the following fundamental aspects:

- prompt action. With a solid and effective monitoring and reporting process, the early identification of possible credit quality deterioration allows the Group to perform the necessary restrictive management measures aimed at risk reduction in the early phases prior to the potential default;
- proper assessment of the Non-Performing loans, in order to define the strategies/actions to be taken and the applicable default classification;
- initiating focused recovery procedures on basis of the type and amount of exposure and the specific characteristics of the borrower;
- appropriate provisioning through profit and loss in line with the relevant recovery strategies and plans as well as the type of exposure. Provisioning is carried out in line with the principles of IAS39 and Basel rules;
- accurate and regular reporting in order to monitor aggregate portfolio risk over time.

UniCredit, in its role as Holding Company, has issued a global policy to provide groupwide guidelines on principles for the categorization of loans, with the aim to:

- acknowledge the new loans categorization introduced by the European Banking Association (EBA);
- harmonize different local practices on loans categorization where not deriving from specific requirements of the local Regulator;
- provide rules to cluster the local loans categories into the ones required for regulatory reporting and financial statements disclosure at UniCredit group consolidated level, in line with Banca d’Italia regulation [(5)].

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. UniCredit also adopts alternative recovery strategies, such as restructuring joint ventures focusing on specific sectors, as well as other outsourcing or benchmarking measures to leverage market expertise as promptly as possible. 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. The Distressed Asset Management structure has a coordinating role within the Group's Risk Management and with respect to the Italian Legal Entities it implements strategies and finalises asset sales, according to what was approved by the relevant governing bodies.

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 harmonised supervisory reporting (FINREP) as of September 30, 2014.

The new classification process:

- allocates impaired loans into the categories of bad 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.

(5) Circular 272, 7th update and following amendments.

Part E – Information on risks and related risk management policies

With specific reference to the categories making up the "impaired" loans classes:
- the classification made by the subsidiaries in the different "impaired" classes, must be done in accordance with legal and regulatory provisions issued by the local Supervisory Authorities. In light of the fact that the Parent Company is required to comply with the instructions issued by the Italian supervisory authorities, appropriate measures were adopted with reference to the Group's Foreign Entities, with the aim to reconcile “impaired” classes, otherwise not perfectly mutually homogeneous;
- at Group level, the volume of impaired assets according to the IFRS definition is substantially equivalent to the one for Non-Performing assets referred to in the EBA standards; potential misalignments might refer especially to the Group's non-Italian Entities, for example with reference to fully collateralised loans.

Despite no significant effect on overall volume of impaired loans resulted from the initial application of the new Circular 272 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.

With reference to the implementation of forbearance definition, it is worth mentioning that:
- the approach adopted by UniCredit Group 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 loan is renegotiated through a specific bank’s initiatives, in order to support specific debtor’s needs;
- during 2016, the refinement process of the IT platform and of the management system has continued, in order to optimize the detection and management of the forborne exposures;
- in order for these concessions to be included within the forborne perimeter, it’s 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). The intrinsic characteristics of each local system entailed in this phase a number of differences in terms of the type of concessions considered and ways of recognizing the state of financial difficulty, even though consistently with the EBA definition;
- in consideration of the use of an approach based on the best estimates possible applicable in each case and the emergence of a reference implementation method, the volumes of exposures identified in this phase as forborne could differ from those corresponding to a precise application of the new definition when fully implemented.

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.

Quantitative information

A. Credit quality

A.1 Non-Performing and Performing credit exposure: amounts, writedowns, changes, distribution by business activity/region
These tables exclude amounts from companies consolidated using the Equity Method, according to the requirements of IFRS11 (including the companies of the Koc/Yapi Kredi Group subject to joint control).

A.1.1 Breakdown of financial assets by portfolio and credit quality (carrying value) (€ '000)

PORTFOLIOS/QUALITY	BAD EXPOSURES	UNLIKELY TO PAY	NON-PERFORMING PAST-DUE EXPOSURES	OTHER NON-PERFORMING EXPOSURES	PERFORMING EXPOSURES	TOTAL
1. Available-for-sale financial assets	5,733	4,613	-	-	112,951,585	112,961,931
2. Held-to-maturity financial instruments	-	7,751	-	-	2,187,317	2,195,068
3. Loans and receivables with banks	9,112	6,160	-	-	76,735,059	76,750,331
4. Loans and receivables with customers	19,553,867	15,350,672	1,503,443	8,753	444,509,605	480,926,340
5. Financial assets at fair value	-	23,500	-	-	29,424,428	29,447,928
6. Financial instruments classified as held for sale	745,860	189,575	6,057	-	1,282,117	2,223,609
Total 09.30.2016	**20,314,572**	**15,582,271**	**1,509,500**	**8,753**	**667,090,111**	**704,505,207**
Total 12.31.2015	**20,524,216**	**17,485,871**	**1,952,652**	**9,725**	**658,378,076**	**698,350,540**

The item "Other Non-Performing exposure" includes Non-Performing loans of companies which are in the scope of the accounting consolidation but are not belonging to the banking group.

Breakdown of financial assets by portfolio and credit quality - Forborne exposures (carrying value) (€ '000)

PORTFOLIOS/QUALITY	BAD EXPOSURES	UNLIKELY TO PAY	NON-PERFORMING PAST-DUE EXPOSURES	OTHER NON-PERFORMING EXPOSURES	PERFORMING EXPOSURES	TOTAL
1. Available-for-sale financial assets	-	-	-	-	-	-
2. Held-to-maturity financial instruments	-	-	-	-	-	-
3. Loans and receivables with banks	8,038	-	-	-	-	8,038
4. Loans and receivables with customers	2,355,543	8,390,505	297,298	656	6,477,132	17,521,134
5. Financial assets at fair value	-	23,500	-	-	-	23,500
6. Financial instruments classified as held for sale	306,339	152,062	1,157	-	63,464	523,022
Total 09.30.2016	**2,669,920**	**8,566,067**	**298,455**	**656**	**6,540,596**	**18,075,694**
Total 12.31.2015	**2,430,789**	**7,781,114**	**303,821**	**655**	**5,828,479**	**16,344,858**

The increase in the period of the forborne loans is affected by the broader scope of renegotiation types that are identified for the purposes of forborne reporting, supported by the gradual enhancements of the dedicated management processes.

Breakdown of performing past-due financial assets by portfolio and past-due bucket (gross value) (€ '000)

PORTFOLIOS/QUALITY	NOT PAST-DUE ASSETS 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	31,029	91	69	68	31,257
4. Loans and receivables with customers	4,238,657	1,250,673	1,341,860	3,009,355	9,840,545
5. Financial assets at fair value	-	-	-	-	-
6. Financial instruments classified as held for sale	-	-	-	-	-
Total 09.30.2016	**4,269,686**	**1,250,764**	**1,341,929**	**3,009,423**	**9,871,802**
Total 12.31.2015	**4,119,083**	**1,525,952**	**826,662**	**3,322,043**	**9,793,740**

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).

Part E – Information on risks and related risk management policies

A.1.2 Breakdown of credit exposures by portfolio and credit quality (gross and net values)

(€ '000)

PORTFOLIOS/QUALITY	NON-PERFORMING ASSETS GROSS EXPOSURE	NON-PERFORMING ASSETS SPECIFIC WRITEDOWNS	NON-PERFORMING ASSETS NET EXPOSURE	PERFORMING GROSS EXPOSURE	PERFORMING PORTFOLIO ADJUSTMENTS	PERFORMING NET EXPOSURE	09.30.2016 TOTAL (NET EXPOSURE)
1. Available-for-sale financial assets	64,647	54,301	10,346	112,951,585	-	112,951,585	112,961,931
2. Held-to-maturity financial instruments	17,119	9,368	7,751	2,187,317	-	2,187,317	2,195,068
3. Loans and receivables with banks	82,588	67,316	15,272	76,786,872	51,813	76,735,059	76,750,331
4. Loans and receivables with customers	76,783,527	40,366,792	36,416,735	446,642,572	2,132,967	444,509,605	480,926,340
5. Financial assets at fair value	23,500	-	23,500	X	X	29,424,428	29,447,928
6. Financial instruments classified as held	1,673,470	731,978	941,492	1,291,438	9,321	1,282,117	2,223,609
Total 09.30.2016	**78,644,851**	**41,229,755**	**37,415,096**	**639,859,784**	**2,194,101**	**667,090,111**	**704,505,207**
Total 12.31.2015	**81,703,286**	**41,730,822**	**39,972,464**	**626,915,064**	**2,478,541**	**658,378,076**	**698,350,540**

.

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 CUMULATED LOSSES	LOW CREDIT QUALITY ASSETS NET EXPOSURE	OTHER ASSETS NET EXPOSURE
1. Financial assets held for trading	289,483	461,437	81,214,911
2. Hedging derivatives	-	-	5,361,988
Total 09.30.2016	**289,483**	**461,437**	**86,576,899**
Total 12.31.2015	**202,145**	**112,157**	**83,291,023**

On Balance Sheet credit exposure with banks: gross and net values and past-due buckets

(€ '000)

	AMOUNT AS AT 09.30.2016							
	GROSS EXPOSURE							
	NON-PERFORMING ASSETS							
EXPOSURE TYPES/AMOUNTS	PAST-DUE LESS THAN 90 DAYS	PAST-DUE BETWEEN 90 AND 180 DAYS	PAST-DUE BETWEEN 180 DAYS AND 1 YEAR	PAST-DUE OVER 1 YEAR	PERFORMING ASSETS	SPECIFIC WRITEDOWNS	PORTFOLIO ADJUSTMENTS	NET EXPOSURE
On-Balance Sheet								
a) Bad exposures	54,817	-	-	20,137	X	65,840	X	9,114
- of which: forborne exposures	12,451	-	-	-	X	4,413	X	8,038
b) Unlikely to pay	3,805	-	2	3,804	X	1,451	X	6,160
- of which: forborne exposures	-	-	-	-	X	-	X	-
c) Non-Performing past due	-	-	-	26	X	26	X	-
- of which: forborne exposures	-	-	-	-	X	-	X	-
d) Performing past-due	X	X	X	X	31,257	X	234	31,023
- of which: forborne exposures	X	X	X	X	-	X	-	-
e) Other performing exposures	X	X	X	X	95,333,266	X	51,667	95,281,599
- of which: forborne exposures	X	X	X	X	-	X	-	-
Total	**58,622**	**-**	**2**	**23,967**	**95,364,523**	**67,317**	**51,901**	**95,327,896**

On Balance sheet credit exposure with customers: gross and net values and past-due buckets

(€ '000)

	AMOUNT AS AT 09.30.2016							
	GROSS EXPOSURE							
	NON-PERFORMING ASSETS							
EXPOSURE TYPES/AMOUNTS	PAST DUE LESS THAN 90 DAYS	PAST-DUE BETWEEN 90 AND 180 DAYS	PAST-DUE BETWEEN 180 DAYS AND 1 YEAR	PAST-DUE OVER 1 YEAR	PERFORMING ASSETS	SPECIFIC WRITEDOWNS	PORTFOLIO ADJUSTMENTS	NET EXPOSURE
On-Balance Sheet exposure	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Bad exposures	3,189,464	309,522	1,493,404	47,670,657	X	32,354,036	X	20,309,011
- of which: forborne exposures	1,827,312	120,116	387,072	2,474,686	X	2,452,987	X	2,356,199
b) Unlikely to pay	5,062,885	966,573	1,625,781	16,137,408	X	8,216,135	X	15,576,512
- of which: forborne exposures	2,901,717	565,019	907,032	8,307,535	X	4,267,298	X	8,414,005
c) Non-Performing past-due	159,412	817,669	528,707	600,783	X	592,272	X	1,514,299
- of which: forborne exposures	58,049	148,724	108,109	88,715	X	106,299	X	297,298
d) Performing past-due	X	X	X	X	9,840,551	X	263,947	9,576,604
- of which: forborne exposures	X	X	X	X	2,093,913	X	91,452	2,002,461
e) Other performing exposures	X	X	X	X	595,011,152	X	1,878,250	593,132,902
- of which: forborne exposures	X	X	X	X	4,571,863	X	97,192	4,474,671
Total	**8,411,761**	**2,093,764**	**3,647,892**	**64,408,848**	**604,851,703**	**41,162,443**	**2,142,197**	**640,109,328**

Part E – Information on risks and related risk management policies

B. Distribution and concentration of credit exposures

B.4 Large exposures

	09.30.2016
a) Amount book value (€ million)	222,611
b) Amount weighted value (€ million)	11,773
c) Number	10

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. Securitization transactions

C.1 Securitization transactions

Qualitative information
In securitisation transactions the Group plays, as the case may be, the role of originator, sponsor or investor.

The Group as originator
For this section please refer to the last “2015 Consolidated Reports and Accounts” (except for what is reported in paragraph “Developments of the period”).

Developments of the period
During first nine months of 2016 UniCredit S.p.A. carried out two new traditional securitization transactions (of which one self-securitization) and five new synthetic transactions:
- Consumer Three (traditional - self-securitization);
- Pillarstone Italy - Premuda (traditional);
- Agribond1 (synthetic);
- Bond Italia3 Investimenti (synthetic);
- Bond Italia3 Misto (synthetic);
- ARTS MidCap4 (synthetic);
- Sardafidi (synthetic).

It should also be noted that in first nine months of 2016 Cordusio RMBS, Trevi Finance 3, Locat SV - Serie 2005 and Locat SV - Serie 2011, all traditional transactions, of which the latter self-securitization, were closed.

Eventually it should be noted that “self-securitizations” are not included in the quantitative tables, as required by regulations.

For sections “The Group as sponsor” and “The Group as investor” please refer to the last “2015 Consolidated Reports and Accounts”.

Part E – Information on risks and related risk management policies

C.4 Banking Group – Non consolidated Securitization Vehicles

As mentioned before in the context of securitization transactions the Group may operate as originator, sponsor and investor.

The following table provides indication on assets and off-balance sheet exposures of the Group towards consolidated securitization vehicles broken down by role of the Group.

Exposures to Securitization SPVs not subject to consolidation

(€ '000)

BALANCE SHEET ITEM/SPV TYPE	AMOUNTS AS AT 09.30.2016						
	ACCOUNTING PORTFOLIO (ASSETS)	TOTAL ASSETS (A)	ACCOUNTING PORTFOLIO (LIABILITIES)	TOTAL LIABILITIES (B)	NET ACCOUNTING VALUE (C=A-B)	MAXIMUM EXPOSURE TO LOSS (D)	DIFFERENCE BETWEEN MAXIMUM EXPOSURE TO LOSS AND ACCOUNTING VALUE (E=D-C)
ABS Issuing vehicles		**6,963,910**		**86,661**	**6,877,249**	**7,258,490**	**381,241**
	HFT	52,127	Deposits	80,338			
	FVO	15,456	Securities	-			
	AFS	50,359	HFT	6,323			
	HTM	74,344	FVO	-			
	LAR	6,771,624		-			
Commercial Paper Conduits (Sponsor)		**-**		**5,497**	**-5,497**	**705,754**	**711,251**
	HFT	-	Deposits	5,497			
	FVO	-	Securities	-			
	AFS	-	HFT	-			
	HTM	-	FVO	-			
	LAR	-		-			
Own securitizations		**203,054**		**13,271**	**189,783**	**189,783**	**-**
	HFT	-	Deposits	13,271			
	FVO	-	Securities	-			
	AFS	-	HFT	-			
	HTM	-	FVO	-			
	LAR	203,054		-			
Total		**7,166,964**		**105,429**	**7,061,535**	**8,154,027**	**1,092,492**

HFT = Financial assets held for trading
FVO = Financial assets at fair value through profit or loss
HTM = Held to maturity Investments
AFS = Available for Sale Financial assets
LAR = Loans to Customers

Deposits = Deposits from Customers
Securities = Debt securities in issue
HFT = Financial liabilities held for trading
FVO = Financial liabilities at fair value through profit or loss

Exposures toward ABS Issuing vehicles are constituted for the most part, €6,914,391 thousand, by exposures in Asset Backed Securities.
The remaining part is constituted by loans exposures.
The good credit quality of this portfolio is borne out by the fact that over 89% of these instruments are rated A or better and over 56% of the portfolio is triple-A rated.
As at December 31, 2015 over 88% of these exposures were rated equal to or better than A (over 51% of the portfolio was rated triple-A).
Over 84% of the exposure was toward countries belonging to European Union.
Exposure to Greece, Ireland, Portugal and Spain accounted for 16.81%, most of which concerns exposures to Spanish underlying assets (11.77%).

Structured credit product exposures broken down by rating class

EXPOSURE TYPE	AAA	AA	A	BBB	BB	B	CCC	CC	C	NR
RMBS	36.79%	44.98%	8.81%	6.52%	2.20%	0.70%	0.00%	0.00%	0.00%	0.00%
CMBS	26.41%	0.00%	21.15%	36.94%	14.19%	0.00%	1.31%	0.00%	0.00%	0.00%
CDO	0.00%	0.00%	84.20%	11.88%	0.00%	3.92%	0.00%	0.00%	0.00%	0.00%
CLO/CBO	91.36%	8.09%	0.41%	0.14%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other ABS	56.55%	21.34%	1.38%	1.06%	0.25%	0.09%	0.00%	0.00%	0.00%	19.33%
Total	**56.58%**	**27.03%**	**5.57%**	**4.21%**	**1.39%**	**0.36%**	**0.04%**	**0.00%**	**0.00%**	**4.82%**

Structured credit product exposures broken down by geographical area

EXPOSURE TYPE	ITALY	OTHER UE COUNTRIES	OTHER EUROPEAN COUNTRIES (NON UE)	ASIA	USA	REST OF THE WORLD
RMBS	21.56%	77.98%	0.00%	0.00%	0.05%	0.41%
CMBS	12.45%	75.82%	0.00%	0.00%	11.73%	0.00%
CDO	0.00%	9.10%	0.00%	0.00%	55.37%	35.53%
CLO/CBO	0.00%	51.72%	0.00%	0.00%	39.64%	8.64%
Other ABS	19.82%	76.54%	0.00%	0.00%	0.28%	3.36%
Total	**14.58%**	**69.52%**	**0.00%**	**0.00%**	**12.13%**	**3.77%**

Exposure to US Subprime and Alt-A mortgages amounts to €1,596 thousand with a reduction from December 31, 2015 when this figure amounted to €1,898 thousand.

Exposures toward Commercial Paper Conduit comprise non revocable credit line provided to the purchase companies that acquires the receivables from the originators. These credit line are granted by credit enhancements (deferred purchase price and credit insurance) so that the Group does not bear the variability of the underlying portfolio.

Exposures toward own securitization comprise securities and off balance sheet exposure toward Pillarstone Italy and Caesar finance.
These SPV are not consolidated as the conditions required by IFRS10 are not fulfilled. For Pillarstone Italy, the securitized loans have not been derecognized from the balance sheet of the originator in the absence of the conditions requested by IAS39.

Part E – Information on risks and related risk management policies

D. Structured entities (other than entities for securitization transactions)

D.1 Consolidated structured entities

The Group has involvements in Structured entities that are consolidated because it has both power on the underlying assets and exposure to variability of returns arising from the structured entities activities as a result of the financial instruments subscribed.

The consolidated structured entities of the Group belong to one of the following categories:

- **Leasing:** These structured entities are set-up by the Group in order to meet the needs of customers interested into entering into finance leasing. The Group provides funding to these Structured entities, both in form of equity and in form of loans. Such funding is used to buy assets (real estate, equipment, etc.) that are leased to a customer under a finance leasing contract.
- **Project finance:** These structured entities are set - up in order to finance capital intensive projects according to the need of specific customers. Typically the funds needed to develop the project are provided by the customer, in form of equity and by the Group in form of loans. The Group consolidates such Structured entities as a result of deterioration of the credit worthiness of the customer and subsequent acquisition of the right to manage the project.
- **Real estate:** These structured entities have been set-up in order to fund real estate project used in the business by the Group.
- **Funding:** These structured entities are set-up by the Group so to gather funding in specific markets that is guaranteed by a Group Legal entity. This funding is then transferred to the group legal entity that guarantees it.
- **Investment funds:** These structured entities are open ended and closed ended investment funds in which the Group acquired control.
- **Warehousing:** These structured entities are set-up in order to subsequently perform securitization transactions. In particular they purchase mortgages in specific markets and from different originators until a "critical mass" that allow to perform securitization is reached. The purchases of mortgages are funded through loans provided by the Group.

The following table provides on balance sheet and off balance sheet, non-revocable credit line and financial guarantees, provided by Group companies to consolidated structured entities.
These exposures are eliminated in the consolidation process.

(€ '000)

BALANCE SHEET ITEM/SPV TYPE	TOTAL ASSETS	OFF BALANCE SHEET EXPOSURES
Leasing SPV	2,510,687	-
Project Finance SPV	1,609,163	28,420
Real Estate SPV	27,682	10,050
Funding SPV	268,269	-
Investment funds	1,083,028	-
Warehousing SPV	696,346	23,228
Total	**6,195,175**	**61,698**

D.2 Non-consolidated for accounting purposes structured entities

D.2.1 Consolidated for regulatory purposes structured entities
The Group has not exposure toward structured entities consolidated for regulatory purpose but that are not consolidated for accounting purposes.

D.2.2 Other structured entities

Qualitative information
The Group has exposure toward unconsolidated structured entities either as a result of its lending activities or through the investments in quotas issued by funds that are structured entities under IFRS12 definition.

In particular, unconsolidated structured entities in which the Group is exposed to belong to the following categories:

- **Acquisition and Leveraged Finance structured entities** are set up for providing funding for the acquisition of a target business, where Sponsors participate with equity contribution and lenders structure their facilities according to the cash flow profile of the target. The Group provides funding to these Structured entities according to the applicable internal credit policies described in Part E - Section 1 that also define the level of equity that has to be provided by the sponsor.
  The Group has no control over these Structured Entities because it neither manages the company whose acquisition is being financed nor is significantly exposed to the associated variability.
- **Leasing structured entities** are set-up to buy an asset and rent it to customers (based on a financial leasing contract). The funding is provided through loans - and the structured entities are the owner of the asset. At the end of the contract the asset is usually sold to the customer at a price usually equal to the residual value.
  The Group provides funding to these Structured entities according to the applicable internal credit policies described in Part E - Section 1. In particular, the contracts ruling such transactions and associated guarantees ensure that the Group has no control over these Structured Entities because it neither manages the activities of the structured entities nor is significantly exposed to variability of returns of the leased assets.
- **Market Related structured entities** are set-up in order to allow customers to invest into financial instruments having features, in term of currency of denomination or interest rate, different from those offered in the market. In this context the Group maintains exposure against these vehicles through that do not transfer the main risks of the underlying.
- **Notes issuing structured entities** are structured entities that issue security different from ABS that are backed up by certain type of assets These include covered bonds issued by third parties. The Group does not control these structured entities as it has neither the ability to manage the underlying assets or retaining significant exposures to its variability of return.
- **Project Finance structured entities** are structured entities set up for the financing capital intensive business initiatives, where customers participate with equity contribution. The Group provides funding to these Structured entities according to the applicable internal credit policies described in Part E - Section 1 that also define the level of equity that has to be provided by the sponsor.
  The Group has no control over these Structured Entities because it neither manages the assets being financed nor is significantly exposed to the resulting variability.
- **Real Estate structured entities** are set-up for the financing of specific real estate initiatives. In these structures the customers, typically commercial and residential development companies, institutional investors and housing companies set up the structured entities set up the SPV and provides the equity while the Group provides funding according to the applicable internal credit policies described in Part E - Section 1 that also define the level of equity that has to be provided by the sponsor.
  The Group has no control over these Structured Entities because it neither manages the assets being financed nor is significantly exposed to the resulting variability.
- **Shipping and Aircraft structured entities** are set up for the building or the acquisition of a ship or an aircraft that is then used by the customer in the context of its business activities. The Group provides funding to these Structured entities according to the applicable internal credit policies described in Part E - Section 1 that also define the level of equity that has to be provided by the sponsor.
  The Group has no control over these Structured Entities because it neither manages the assets being financed nor is significantly exposed to the resulting variability.
- **Investments funds** comprise open ended and closed ended investment funds in which the Group has subscribed quotas or provided loans.

Part E – Information on risks and related risk management policies

Quantitative information

The following table provides indication on assets, liabilities and off-balance sheet exposures recognized in the balance sheet of the Group.
The maximum exposure to loss has been calculating by grossing up the difference between assets and liabilities with off balance sheet positions, credit lines and financial guarantees, held toward the mentioned structured entities.

Exposure to structured entites different from Securitization SPV not consolidated for accounting purposes

(€ '000)

BALANCE SHEET ITEM/SPV TYPE	AMOUNTS AS AT 09.30.2016 ACCOUNTING PORTFOLIO (ASSETS)	TOTAL ASSETS (A)	ACCOUNTING PORTFOLIO (LIABILITIES)	TOTAL LIABILITIES (B)	NET ACCOUNTING VALUE (C=A-B)	MAXIMUM EXPOSURE TO LOSS (D)	DIFFERENCE BETWEEN MAXIMUM EXPOSURE TO LOSS AND ACCOUNTING VALUE (E=D-C)
Acquisition and Leverage Finance SPV		**188,813**		**6,146**	**182,667**	**260,853**	**78,186**
	HFT		Deposits	6,146			
	FVO		Securities				
	AFS		HFT				
	HTM		FVO				
	LAR	188,813					
Leasing SPV		**287,775**		**2,641**	**285,134**	**287,613**	**2,479**
	HFT		Deposits	2,641			
	FVO		Securities				
	AFS	630	HFT				
	HTM		FVO				
	LAR	287,145					
Market Related SPV		**273,890**		**11,067**	**262,823**	**317,979**	**55,156**
	HFT	19,680	Deposits	11,067			
	FVO		Securities				
	AFS		HFT				
	HTM		FVO				
	LAR	254,210					
Notes Issuing Vehicles		**506,651**		**4,321**	**502,330**	**502,330**	**-**
	HFT	12,912	Deposits				
	FVO		Securities				
	AFS		HFT	4,321			
	HTM		FVO				
	LAR	493,739					
Project Finance SPV		**167,684**		**61,158**	**106,526**	**106,753**	**227**
	HFT		Deposits	61,158			
	FVO		Securities				
	AFS		HFT				
	HTM		FVO				
	LAR	167,684					
Real Estate SPV		**391,356**		**20,517**	**370,839**	**388,551**	**17,712**
	HFT		Deposits	20,517			
	FVO		Securities				
	AFS		HFT				
	HTM		FVO				
	LAR	391,356					
Shipping Aircraft SPV		**155,959**		**3**	**155,956**	**211,473**	**55,517**
	HFT		Deposits	3			
	FVO		Securities				
	AFS		HFT				
	HTM		FVO				
	LAR	155,959					
Investment funds		**7,273,210**		**5,054,228**	**2,218,982**	**3,499,854**	**1,280,872**
	HFT	1,940,854	Deposits	5,048,022			
	FVO	210,969	Securities	6,206			
	AFS	1,294,641	HFT				
	HTM		FVO				
	LAR	3,826,746					
Total		**9,245,338**		**5,160,081**	**4,085,257**	**5,575,406**	**1,490,149**

HFT = Financial assets held for trading
FVO = Financial assets at fair value through profit or loss
HTM = Held to maturity Investments
AFS = Available for Sale Financial assets
LAR = Loans to Customers

Deposits = Deposits from Customers
Securities = Debt securities in issue
HFT = Financial liabilities held for trading
FVO = Financial liabilities at fair value through profit or loss

Information on Sovereign Exposures

With reference to the Group's sovereign exposures [6], the book value of sovereign debt securities as at September 30, 2016 amounted to €134,972 million, of which about 90% concentrated in eight countries; Italy, with €56,482 million, represents about 42% of the total. For each of the eight countries, the table below shows the nominal value, the book value and the fair value of the exposures broken down by portfolio as at September 30, 2016.

Breakdown of Sovereign Debt Securities by Country and Portfolio

(€ '000)

	AMOUNTS AS AT 09.30.2016		
COUNTRY/PORTFOLIO	NOMINAL VALUE	BOOK VALUE	FAIR VALUE
- Italy	**51,469,678**	**56,482,361**	**56,505,232**
financial assets/liabilities held for trading (net exposures *)	2,174,075	2,298,076	2,298,076
financial assets at fair value through profit or loss	1,037	1,039	1,039
available for sale financial assets	48,345,829	53,244,794	53,244,794
loans and receivables	183,243	183,915	188,399
held to maturity investments	765,494	754,537	772,924
- Germany	**21,123,484**	**21,739,017**	**21,739,017**
financial assets/liabilities held for trading (net exposures *)	2,981,707	3,119,725	3,119,725
financial assets at fair value through profit or loss	16,184,177	16,534,297	16,534,297
available for sale financial assets	922,600	1,048,911	1,048,911
loans and receivables	1,035,000	1,036,084	1,036,084
held to maturity investments	-	-	-
- Spain	**14,301,773**	**15,917,389**	**15,917,389**
financial assets/liabilities held for trading (net exposures *)	21,142	9,353	9,353
financial assets at fair value through profit or loss	112,517	118,586	118,586
available for sale financial assets	14,160,000	15,783,020	15,783,020
loans and receivables	-	-	-
held to maturity investments	8,114	6,430	6,430
- Austria	**8,338,064**	**9,629,163**	**9,642,804**
financial assets/liabilities held for trading (net exposures *)	127,528	174,692	174,692
financial assets at fair value through profit or loss	296,094	409,381	409,381
available for sale financial assets	7,649,966	8,796,173	8,796,173
loans and receivables	157,649	140,887	140,887
held to maturity investments	106,827	108,030	121,671
- Poland	**8,219,519**	**8,663,505**	**8,696,577**
financial assets/liabilities held for trading (net exposures *)	164,645	204,876	204,876
financial assets at fair value through profit or loss	-	-	-
available for sale financial assets	6,188,740	6,582,195	6,582,195
loans and receivables	1,177,299	1,188,978	1,220,573
held to maturity investments	688,835	687,456	688,933
- France	**4,085,453**	**4,219,280**	**4,219,280**
financial assets/liabilities held for trading (net exposures *)	-123,547	-324,908	-324,908
financial assets at fair value through profit or loss	464,000	481,200	481,200
available for sale financial assets	3,745,000	4,062,988	4,062,988
loans and receivables	-	-	-
held to maturity investments	-	-	-
- Czech Republic	**1,996,009**	**2,294,345**	**2,294,345**
financial assets/liabilities held for trading (net exposures *)	47,077	59,177	59,177
financial assets at fair value through profit or loss	-	-	-
available for sale financial assets	1,948,932	2,235,168	2,235,168
loans and receivables	-	-	-
held to maturity investments	-	-	-
- Hungary	**1,559,886**	**1,874,040**	**1,874,040**
financial assets/liabilities held for trading (net exposures *)	67,111	80,782	80,782
financial assets at fair value through profit or loss	-	-	-
available for sale financial assets	1,492,775	1,793,258	1,793,258
loans and receivables	-	-	-
held to maturity investments	-	-	-
Total on-balance sheet exposures	**111,093,866**	**120,819,100**	**120,888,684**

(*) Including exposures in Credit Derivatives

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

Part E – Information on risks and related risk management policies

The weighted duration of the sovereign bonds shown in the table above, divided by the *Banking* (7) and *Trading Book*, is the following:

Weighted duration (years)

	BANKING BOOK	TRADING BOOK
- Italy	2.75	3.35
- Germany	2.61	3.75
- Spain	2.80	33.17
- Austria	4.38	4.48
- Poland	3.65	4.14
- France	3.60	9.22
- Czech Republic	4.74	-1,27 (*)
- Hungary	3.76	2.77

(*) sale positions with weighted duration longer than purchase positions.

The remaining 10% of the total of sovereign debt securities, amounting to €14,153 million with reference to the book values as at September 30, 2016, is divided into 47 countries, including Russia (€1,386 million), Slovenia (€482 million), the US (€462 million), Portugal (€106 million), Ireland (€36 million) and Argentina (€7 million). The sovereign exposure to Greece, Cyprus and Ukraine is immaterial.
With respect to these exposures, as at September 30, 2016 there were no indications that impairment may have occurred.

It should moreover be noted that among the aforementioned remaining part of sovereign debt securities as at September 30, 2016 there are also debt securities towards Supranational Organizations such as the European Union, the European Financial Stability Facility and the European Stability Mechanism amounting to €3,941 million.

The table below shows the classification of bonds belonging to the Banking Book and their percentage proportion of the total of the portfolio under which they are classified.

Breakdown of Sovereign Debt Securities by Portfolio (€ '000)

	AMOUNTS AS AT 09.30.2016				
	FINANCIAL ASSETS AT FAIR VALUE	AVAILABLE FOR SALE FINANCIAL ASSETS	LOANS	HELD TO MATURITY INVESTMENTS	TOTAL
Book value	20,232,252	103,253,874	2,578,206	2,012,155	128,076,487
% Portfolio	68.16%	88.64%	0.46%	91.67%	18.14%

In addition to the exposures to sovereign debt securities, loans (8) given to central and local governments and governmental bodies must be taken into account.
The table below shows the total amount as at September 30, 2016 of loans given to countries towards which the overall exposure exceeds €140 million, representing about 94% of the total.

Breakdown of Sovereign Loans by Country (€ '000)

COUNTRY	AMOUNTS AS AT 09.30.2016 BOOK VALUE
- Germany (*)	7,265,245
- Italy	5,583,287
- Austria (**)	5,518,905
- Croatia	2,551,359
- Poland	1,290,348
- Serbia	290,887
- Indonesia	289,280
- Slovenia	204,050
- Gabon	202,436
- Bosnia and Herzegovina	187,444
- Bulgaria	166,047
- Turkey	160,741
Total on-balance sheet exposures	**23,710,029**

(*) of which 1.045.371 thousands in financial assets held for trading and those at fair value through profit or loss.
(**) of which 293.726 thousands in financial assets at fair value through profit or loss.

(7) The Banking Book includes assets at fair value through profit or loss, available-for-sale assets, held to maturity assets and loans.
(8) Tax items are not included.

Lastly, it should be noted that derivatives are traded within the ISDA master agreement and accompanied by Credit Support Annexes, which provide for the use of cash collaterals or low-risk eligible securities.

For more details on the sensitivity analysis of credit spreads and on the results of stress tests see the Widespread Contagion, the China Hard Landing and the Interest Rate Shock scenarios in chapters 2.7 and 2.8. of the Section 2 - Market risk below, and for liquidity management policies see Section 3 - Liquidity risk below.

Other transactions

In accordance with Banca d'Italia/Consob/IVASS document No.6 of March 8, 2013 - Booking of "long-term structured repos", the available-for-sale financial assets portfolio includes investments in Italian and Spanish government bonds held by the Irish subsidiary UniCredit Bank Ireland Plc and financed with repos with the same maturity (so-called term structured repos) entirely matured as at September 30, 2016.

The accounting treatment of these transactions, with respect to their individual contractual components (an investment in securities shown under item "Available-for-sale financial assets" of assets, a series of repos classified under item "Deposits from banks" of liabilities and derivative contracts shown under "Hedging derivatives"), is in line with the economic purpose, represented by the will to:

- assume a sovereign risk exposure;
- optimize the absorption of liquidity through a maturity match funding;
- create a positive carry for the duration of the transaction as difference between bond yield and repo funding cost, maximizing the return on net interest margin;
- maintain the right to change the funding structure of the position on sovereign risk according to any changes in market conditions or in the bank's liquidity position.

With respect to this type of transactions, please note that in 2016:

- outstanding contracts amounting to nominal €1.94 billion matured;
- no new transactions has been completed.

The aggregate market value of the transactions described above, if considered collectively as a synthetic derivative, would have been positive for approximately €24 million at December,31 2015. The cumulated valuation reserve (before tax) for the above mentioned investments totaled about €7 million positive at December 31, 2015.

The changes in market values are not representative of the economic result that would be generated if all the individual contracts were analyzed in terms of synthetic derivative, also in line with the business model that, providing for the dynamic and separate management of the individual components does not consider trading choices based on these variables.

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 €738 million including accrued interest at September 30, 2016 (classified into 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 (liability) of €753 million at September 30, 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 €753 million at September 30, 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.

Part E – Information on risks and related risk management policies

Information on Structured Trading Derivatives with customers and exposures in the renewable energy sector

1. 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 underlyings, 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.

This 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.

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 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" of the consolidated accounts with regard to derivative contracts totaled €50,744 million (with a notional value of €1,047,879 million) including €25,056 million with customers. The notional value of derivatives with customers amounted to €633,477 million including €626,986 million in plain vanilla (with a fair value of €24,663 million) and €6,491 million in structured derivatives (with a fair value of €393 million). The notional value of derivatives with banking counterparties totaled €414,402 million (fair value of €25,356 million) including €20,518 million related to structured derivatives (fair value of €332 million).

The balance of item 40 "Financial liabilities held for trading" of the consolidated accounts with regard to derivative contracts totaled €45,567 million (with a notional value of €1,101,790 million) including €17,001million with customers. The notional value of derivatives with customers amounted to €668,024 million including €662,609 million in plain vanilla (with a fair value of €16,736 million) and €5,415 million in structured derivatives (with a fair value of €265 million). The notional value of derivatives with banking counterparties totaled €433,766 million (fair value of €28,070 million) including €21,831 million related to structured derivatives (fair value of €495 million).

2. Exposures in the renewable energy sector

The Group owns through Ocean Breeze Energy GmbH & Co. KG, a fully consolidated company of UniCredit Bank AG, a wind park named BARD Offshore 1 (BO1) with following characteristics:

GEOGRAPHICAL LOCATION	OWNER	PERCENTAGE OF OWNERSHIP	DATE WHEN THE PLANT STARTED TO PRODUCE ENERGY	PERCENTAGE OF COMPLETION	INSTALLED CAPACITY	TOTAL VALUE OF THE ASSET
German EEZ[(1)], 100 km before the island of Borkum	Ocean Breeze Energy GmbH & Co. KG	100%	December 2010, final taking into operation August 2013	100%	400 MW	€1.4 billion

(1) Exclusive economic zone.

This power plant has been developed by the BARD Group on behalf of Ocean Breeze Energy GmbH & Co. KG ("OBKG") and has been classified as tangible asset since December 31, 2013 in OBKG's balance sheet.
The BARD Group itself has been fully financed by UniCredit Bank AG and, starting from December 31, 2013, fully consolidated in UniCredit Bank AG.
The total value of the wind farm amounts to €1.4 billion and includes the grants of €42 million provided by the European Union that have been classified as government grants in accordance with IAS20 and, in compliance with IAS20.24, have been deducted from the initial cost of the power plant on the assets side of the balance sheet.
The current book value of the wind farm has been confirmed by an appraisal exercise performed by an independent expert by year end.
With year-end 2013 the wind farm was finalized and transferred to Ocean Breeze Energy GmbH & Co. KG. After the handover some remedial works need to be completed in order to ensure that the wind farm can be operated sustainably for at least 25 years and enhance the technical availability and performance of the 80 installed turbines: this optimization of the turbines will take a period of 36 to 48 months.
Bard Holding GmBH does not have other power plants under construction. A ramp down process to close all open items has been set in January 2014 and will take until July 2019/20.
To cover the risks regarding dismantlement/refurbishing of the power plants it has been posted a provision of about €22 million.
After outage experienced in 2014, grid connection is available and stable; wind farm availability has been improved steadily since Q2 2015 with about 70-75 WECs on average available feeding-in by the end of September 2016.

Final settlement of 2014 outage from grid operator (TenneT) according to relevant compensation regime is still pending and subject to court decision; all compensation payments revenues have been recognized only to the extent they have been accepted by TenneT (net of an invoice issued by grid operator to adjust wake-factor calculation). All additional amount has been invoiced to TenneT but neither recognized in income nor shown as receivables in the balance sheet.

Part E – Information on risks and related risk management policies

Section 2 - Market Risk

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.

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 Regional Liquidity Centers, 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.

Trading Book

The Trading Book includes the positions in financial instruments and commodities held either with trading intent or in order to hedge other elements of the Trading Book itself. To be eligible for Trading Book capital treatment, in accordance with the current policy "Eligibility Criteria for the Regulatory Trading Book assignment", financial instruments must either be free of any restrictive covenants on their tradability or able to be hedged completely. In addition, positions should be frequently and accurately valued, and the portfolio should be actively managed.

The risk that the value of a financial instrument (an asset or a liability, cash or derivative) changes over time is determined by the following five standard market risk factors:

- Credit risk: the risk that the value of the instrument decreases due to credit spreads changes;
- Equity risk: the risk that the value of the instrument decreases due to stock or index prices changes;
- Interest rate risk: the risk that the value of the instrument decreases due to interest rates changes;
- Currency risk: the risk that the value of the instrument decreases due to foreign exchange rates changes;
- Commodity risk: the risk that the value of the instrument decreases due to commodity prices (e.g. gold, crude oil) changes.

UniCredit group manages and monitors market risk through two sets of measures:
- Broad Market Risk measures:
  - Value at Risk (VaR), which represents the potential loss in value of a portfolio over a defined period for a given confidence interval;
  - Stressed VaR (SVaR), which represents the potential VaR of a portfolio subject to a continuous 12-month period of significant financial stress;
  - Incremental Risk Charge (IRC), which represents the amount of regulatory capital aimed at addressing the credit shortcomings (rating migration and default risks) that can affect a portfolio in a defined time period for a given confidence interval;
  - Loss Warning Level (LWL), which is defined as the 60 calendar days rolling period accumulated economic P&L of a risk taker;
  - Stress Test Warning Level (STWL), which represents the potential loss in value of a portfolio calculated on the basis of a distressed scenario.
- Granular Market Risk measures:
  - Sensitivities, which represent the change in the market value of a financial instrument due to moves of the relevant market risk factors.

On the basis of these measures, two sets of limits are defined:
- Broad Market Risk limits (Loss Warning Levels, Stress Test Warning Level, VaR, SVaR, IRC): which are meant to establish a boundary to the economic capital absorption and to the economic loss accepted for activities under trading activities regime; these limits have to be consistent with the assigned budget of revenues and the defined risk taking capacity;
- Granular Market Risk limits (Sensitivity limits, Stress scenario limits, Nominal limits): which exist independently of, but act in concert with Broad Market Risk limits and operate in a consolidated fashion across the Legal Entities (if applicable); in order to control more effectively and more specifically different risk types, desks and products, these limits are generally granular sensitivity or stress-related limits. The levels set for Granular Market Risk measures aim at limiting the concentration in individual risk factors and the excessive exposure in risk factors which are not sufficiently covered under VaR.

Banking Book
The main components of market risk in the Banking Book are credit spread risk, pure interest rate risk and FX risk.

Credit spread risk originates mainly from government bond portfolios held for liquidity purposes. The market risk of the bond portfolio is restricted based on notional, sensitivity measures and Value at Risk. The main credit spread exposure is related to Italian sovereign risk in the Italian perimeter.

The second risk type is the interest rate risk. The exposure is measured in terms of economic value sensitivity and the net interest income sensitivity. On a daily basis the treasury functions manages the interest rate risk from commercial transactions within operational limits set by the relevant risk committees. The exposure is measured and monitored on a daily basis by the risk management functions. The Asset & Liability Committee is responsible for the interest rate strategy for the strategic position. This includes the decision of investing the net position of non interest earning assets and non-interest bearing liabilities. The management of Banking Book interest rate risk aims to optimize, in an on-going scenario, the risk/return profile and long term value creation while reducing adverse impacts on bank's earnings and regulatory capital coming from interest rates volatility. The strategy does not imply any intended directional or discretional positioning to generate additional earnings, unless approved by relevant bodies and separately monitored. The only exceptions is for those functions authorized to carry interest rates positions within an approved level of limitations. The management strategy on the structural mismatch involving non-interest earning assets and non-interest bearing liabilities (free funds), aims to balance the trade-off between a stable flow of earnings in a multiyear horizon and the opportunity cost of having a fixed rate investment. The Asset and Liability management committees decide on the maturity profile that is deemed most appropriate to protect the bank's net interest income. The maturity profile for sight items, as well as the investment strategies, vary per regional centers, as they takes into account local specificities.

The interest rate management strategy takes into account the main impact from prepayments. Based on historical prepayment data as well as trend analysis the prepayment behavior is estimated. In Italy the prepayment expected profile is implicitly taken into account by treasury while hedging for commercial assets interest risk. The prepayment risk in the German mortgage portfolio is marginal due to the fees in case of early prepayment. However the prepayment exposure in specific contracts is separately hedged by swaptions. The prepayment risk in the Austrian and Polish loan portfolio is deemed residual therefore no prepayment hedging strategy is applied.

The overall interest risk exposure on Banking Book perimeter is periodically reported, at least on a monthly basis, to the Group ALCO. The committee's involvement in interest rate risk management includes:
- the definition of granular interest rate Banking Book limits;
- the initial approval and fundamental modifications for the measurement and control system of Banking Book interest rate risks with the support of internal validation function (where necessary);
- optimizing the Group profile for Banking Book interest rate risk;
- the definition of the operative strategies of balance sheet (e.g. replicating portfolio) and application of the internal transfer prices within the Regional Center Italy;
- consulting and suggestion functions to Group Risk & Internal Control Committee with respect to the contribution to Risk Appetite framework, Global Policy for Interest Rate Banking Book definition and changes of behavioral models for Interest Rate Banking Book and other critical/important issues with potential impact on Banking Book interest rate.

Part E – Information on risks and related risk management policies

A third risk type is FX risk. The sources of this exposure refer mainly to capital investment in foreign currency. The current strategy is not to hedge the capital. The general policy is to hedge the foreign currency exposure related to dividends and P&L taking into account hedging cost and market circumstances. The exposure is most relevant for Pekao and the CEE subsidiaries. The FX exposure is hedged using forwards and options that are classified as Trading Book. This general rule is valid for the Parent Company and Sub-holdings. The hedge strategy is reviewed by the relevant risk committees on a periodic basis.

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[9]" 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 FINANCIAL RISK

- **"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"** unit, 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

[9] Group Managerial Golden Rules.

Risk measurement and reporting systems

Trading Book

During 2016, UniCredit group continued to improve and consolidate market risk models in order to properly measure, represent and control the Group risk profile, reflecting these changes in the reporting activity. As regards market risk measurement, more details can be find in the paragraph "Internal Model for Price, Interest Rate and Exchange Rate Risk of the Regulatory Trading Book", while for both monthly and daily reporting process, Global Operational Instruction are periodically updated. The monitoring of the risk profiles is made even more effective with the individual granular risk limits, in addition to Broad limits, in relation to primary investment banking operations.

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.

The Group Financial Risk department is specifically required to ensure that principles, rules and processes are in line with industry best practice and consistent with standards and uses in the various countries in which they are applied.
The main tool used by the UniCredit Group to measure market risk on trading positions is Value at Risk (VaR), calculated using the historical simulation method. Further details on risk valuation models are included in the following chapter.

Group Financial Risk defines market risk reporting standards, both in terms of contents and recurrence, and provides timely information to Top Management and regulators regarding the market risk profile on a consolidated level.

In addition to VaR and Basel II risk measures, 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.

Banking Book

The primary responsibility of the monitoring and control of the risk management for market risk in the Banking Book lies in the Bank's competent Bodies. For instance, the Parent Company is in charge of monitoring market risks for the Banking Book at the consolidated level. As such, it defines structure, data and frequency of the necessary Group reporting.
The Banking Book interest rate risk measures cover both the value and net interest income risk aspects.
More precisely, the different and complementary perspectives involve:

- Economic value perspective: variation in interest rates can affect the economic value of assets and liabilities. The economic value of the bank can be viewed as the present value of the bank's expected net cash flows, defined as the expected cash flows on assets minus the expected cash flows on liabilities; a relevant risk measure from this perspective is the economic value sensitivity per time bucket for a 1bp rate shock. This measure is reported to the relevant committees to assess the economic value impact of various changes in the yield curve. In addition the economic value sensitivity for a 200bps parallel shock is included.
- Earnings at Risk perspective: the focus of the analysis is the impact of changes of interest rates on Net Interest Income that is the difference between revenues generated by interest sensitive assets and the cost related to interest sensitive liabilities. An example of a measure of risks used is Net Interest Income sensitivity for a 100bp parallel shock of rates. It provides an indication of the impact on the net interest income over the next 12 months if such shock should occur. Additional stress test scenarios are performed on a regular basis to estimate the basis risk and non-parallel shocks.

Next to the set of limits and warning levels for interest rate risk, restrictions and exposure measures are in place for other market risk types such foreign exchange risk, equity risk, value risk due to credit spread fluctuations. Besides through economic value sensitivity measures and other granular indicators, these risk types are captured in a value at risk measure that includes all market risk factors. These values at risk measures are based on a historical simulation.

Hedging policies and risk mitigation

Trading Book

On a quarterly basis a set of risk indicators is provided to the Group Risk Committee through the Enterprise Risk Management Report and, on a monthly basis, to the Group Market Risk Committee through the Market Risk Overview report; these include VaR, Stressed-VaR and IRC usages, Sensitivities, Sovereign Exposure and Stress Test results.

At the same time limit breaches are reported both to the Group Market Risk Committee and to the Group Risk Committee, the escalation process being ruled by the Global Policy "Market Risk Limits" which defines the nature of the various thresholds/limits applied, as well as the relevant bodies to involve to establish the most appropriate course of action to restore exposure within the approved limits.

Part E – Information on risks and related risk management policies

If required, focus is provided from time to time on the activity of a specific business line/desk in order to ensure the highest level of comprehension and discussion of the risks in certain areas which are deemed to deserve particular attention.

Banking Book

The ALCO evaluates the main market risk drivers on a monthly basis. Group Risk Management reports to the committee on the Banking Book risk measures both from a value and income perspective. It proposes and monitors limits and warning levels that have been approved by the relevant competent bodies.

Breaches of limits and warning levels are reported, upon occurrence, to the relevant bodies. Consequently the escalation process is activated in line with the procedures set in the Policy, to establish the most appropriate course of action to restore exposure within the approved limits.

Execution of structural hedges to mitigate the interest rate risk exposure on client business is responsibility of the treasury functions. Strategic transactions in the Banking Book is managed by the Asset and Liability Management department-ALM.

Internal Model for Price, Interest Rate and Exchange Rate Risk of the Regulatory Trading Book

The policy implemented by UniCredit group within the scope of market risk management is aimed at the adoption and use of best practice principles, rules and processes in terms of risk appetite, model development and risk model scrutiny.

Group Financial Risk department is required to ensure that principles, rules and processes are in line with industry best practice and consistent with standards and uses in the various countries in which they are applied.

The Directive 2010/76/EU (CRD III) introduced several improvements to the capital regime for Trading Book positions fully incorporating the proposal from the Basel Committee. CRD III enhanced the consolidated Value-at-Risk (VaR)-based framework with other risk measures: an incremental risk capital charge (IRC) and a stressed Value-at-Risk (sVaR) aimed at reducing the pro-cyclicality of the minimum capital requirements for market risk.

All the regulatory requirements in the market risk arena have been addressed via internal development of the necessary model and IT infrastructure as oppose to the external acquisition of ready-made solutions.

This enabled UniCredit to craft solutions that in many aspects can be considered on the sophisticated end of the spectrum of practices that can be found in the Industry. In this respect one distinctive feature of the market (and counterparty) risk frameworks implemented in UniCredit group is the full revaluation approach employing the same pricing libraries used in the Front Office.

UniCredit group calculates both VaR and sVaR for market risk on trading positions using the historical simulation method. Under the historical simulation method positions are revaluated (in full revaluation approach) on the basis of trends in market prices over an appropriate observation period. The empirical distribution of profits/losses deriving therefrom is analyzed to determine the effect of extreme market movements on the portfolios.

For a given portfolio, probability and time horizon, VaR is defined as a threshold value such that the probability that the mark-to-market loss on the portfolio, over the given time horizon, not exceeding this value (assuming no trading in the portfolio) has the given confidence level.

Current configuration of the internal model defines VaR at a 99% confidence level on the 1 day P&L distribution obtained from historical scenarios covering the most recent 500 days. The model is recalibrated on a daily basis. The use of a 1-day time-horizon makes the immediate comparison with realized profits/losses possible and such comparison is at the heart of the back-testing exercise.

The VaR measure identifies a consistent measure across all of our portfolio and products, since it:
- allows a comparison of risk among different businesses;
- provides a means of aggregating and netting position within a portfolio to reflect correlation and offsets between different assets classes;
- facilitates comparisons of our market risk both over time and against daily results.

Although a valuable guide to risk, VaR should always be viewed within its limitations:
- historical simulation relies on past occurrences to forecast potential losses. In case of regime shifts this might not be appropriate;
- the length of the time window used to generate the forecasted distribution will necessarily embed a trade-off between the responsiveness of the metric to recent market evolutions (short window) and the spectrum of scenarios that will embed (long window);
- assuming a constant one/ten day horizon there is no discrimination between different risk-factor liquidity.

Analogously stressed VaR is calculated with 99% confidence level and 1 day time horizon on a weekly basis, but over a stressed observation period of 250 days. The chosen historical period identifies the 1-year observation window which produces the highest resulting measure for the current portfolio.
Stress windows are recalibrated on a quarterly basis and are tailored to the portfolio of each Legal Entitiy of the Group, plus the Group itself (relevant for RWA calculation on a consolidated level).
The SVAR window at Group level and for UniCredit S.p.A. has been set to the "Sovereign Debt Crisis" window (2012). For UCB AG and UCBA AG the stressed window corresponds instead to the "Lehman crisis" (2008/09).
The 10-day capital requirement is however obtained via a convolution approach that turns the one-day distribution into a 10-day distribution for both the VaR and the Stressed VaR. The 1-day measures are instead actively used for market risk management.

The IRC capital charge captures default risk as well as migration risk for un-securitized credit products held in Trading Book. The internally developed model simulates – via multivariate version of a Merton-type model – the rating migration events of all the issuers relevant to the Group trading positions over a capital horizon of one year. Simulated migration events are turned into credit spread scenarios while default events are associated to a simulated recovery rate. In so doing a constant position assumption is employed and products are conservatively all attributed a common liquidity horizon of 1Y.
In each scenario all the relevant product inventory is revaluated under such spread and default events producing a simulated Profit or Loss (P&L) that fully reflects convexity, basis risk, portfolio effects and portfolio concentration risks.
In this way a high-number of paths Monte Carlo simulation generates a P&L distribution for the Group (and each leaf of its portfolio tree). IRC is defined as the 99.9% percentile of such loss distribution.

Additional capital charge for securitizations and credit products not covered by IRC is evaluated through the standardized approach.

The following table summarizes the main characteristics of the different measures that define the Capital requirement for market risk in UniCredit.

Measure	Risk Type	Horizon	Quantile	Simulation	Calibration
VaR	All Market Risk Factors	1d	99%	Historical	2Y window, equally weighted
SVaR	All Market Risk Factors	1d	99%	Historical	1Y window, equally weighted
IRC	Rating Migration & Default	1Y	99.9%	Monte Carlo	Through-the-cycle (min 8Y)

Group Internal Validation performed its analyses in order to evaluate the conceptual soundness of the IRC model, to supplement the available analyses on that topic and to ensure the compliance of the resulting risk management environment with all the relevant regulatory requirements and internal standards.
As already remarked by the regulation, traditional back-testing procedures, regarding the 99.9% one-year soundness standard for IRC, are simply not applicable. Consequently, while validation of the IRC model relied heavily on indirect methods (including stress tests, sensitivity analysis and scenario analysis) in order to assess the qualitative and quantitative reasonableness of the model, special focus has indeed been given to the specific situation of the UniCredit portfolios.
Group Internal Validation kept the scope of their analyses as wide as possible in order to comprise the many diverse issues that are acting concurrently in such a model (general model design, regulatory compliance, numerical implementation, outcomes explanation).
In particular, among the topics Group Internal Validation addressed, we should mention model parameterization (sensitivities analysis with regard to the most relevant model parameters, stability analysis with regard to potentially hard-to-estimate model inputs), model design, model replication, portfolio structure, processes and model outputs.

While IRC has a unique view with UniCredit group, for VaR and Stressed VaR the bank differentiates between regulatory and managerial views. The Managerial measures including VaR, SVaR and IRC, are used for Risk monitoring and Business steering purposes as prescribed by Market Risk Framework: in particular VaR limits represent the main metric translating the Risk Appetite into the Market Risk framework.
The Managerial VaR has a wider scope: it is used to monitor both Trading Book and Overall perimeter (Trading Book + Banking Book), in order to have a complete picture of risk.

The major differences between Regulatory and Managerial VaR and SVaR, as far as Trading Book is concern, are:
- inclusion of the FX risk of the Banking Book for Regulatory purposes as for the approved legal entities (UniCredit Bank AG and UniCredit BankAustria AG); for those where it is not approved yet it is instead being activated in the managerial run;
- inclusion in the managerial run of UniCredit BankAustria AG of those positions held in sub Legal Entities (in particular the CEE ones) not subject to the Internal Model for regulatory purposes.

Part E – Information on risks and related risk management policies

Measure	View	UniCredit Bank AG	UniCredit BankAustria AG	UniCredit Spa
FX Risk BB	Reg	YES	YES	NO
	Mng	NO	YES	NO
Non IMA Legal Entities	Reg	NO	NO	NO
	Mng	YES	YES	YES

Banca d'Italia authorized UniCredit group to the use of internal models for the calculation of capital requirements for market risk. As of today UCI Ireland and Bank Pekao are the main companies of the Group that are still using the standardized approach for calculating capital requirements related to trading positions. As part of the progressive extension of the internal models approach to all Group companies, however, the VaR is already used for the management of market risk in these latter companies. Starting from second quarter of 2014, the contribution to the market risk capital requirement of the subsidiaries registered outside the European Union, has been quantified according to the approach approved by the competent national authorities.

The standardized measurement method is also applied to the calculation of capital covering the risk of holding Banking Book exposure in foreign currencies for the subsidiaries that do not perform trading activities.

In order to validate the coherence of VaR internal models used in calculating capital requirements on market risks, back-testing is performed by comparing the internal model risk estimates with the portfolio profit and loss, in order to check if the 99% of the trading outcomes is covered by the 99th percentile of the risk measures. The test is based on the last twelve months data (i.e. 250 daily observations). In case that the number of exceptions in the previous year exceeds what forecasted by the confidence level assumed, a careful revision of model parameters and assumptions is initiated. Group Internal Validation performed the periodic validation of the VaR/SVaR framework to assess the compliance with regulatory requirements including an independent back-testing analysis complemented with different parameterization (e.g different time horizon, percentile).

Finally Trading portfolios are subject to Stress tests according to a wide range of scenarios for managerial reporting, which are described in a dedicated paragraph below. According to national regulations, some relevant scenarios are also a matter of regulatory reporting on a quarterly basis. Moreover, substitute risk measures, i.e. sensitivities, defined stress scenarios or the indication of nominal amounts, are considered and included in the regulatory reporting for the estimation of risks that are not covered by the VaR simulation of the internal model.

As for internal scenario analysis, policies and procedures (i.e. "stress testing"), stress tests results for IMOD perimeter are calculated in the Group engine UGRM, thus ensuring a common methodological approach. For non-IMOD portfolio, 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. Stress Test's results and effects are discussed on monthly basis, during a Market Risk Stress Test Open Forum, where the Market Risk function' s representatives of the different Group's companies and Business' representatives take part.

All details about policies and procedures for the overall management of the Trading Book and the prudent valuation of their Trading Book positions are defined in section A.4 - information on fair value.

Risk measures

VaR data
Shown below are the VaR data for the Trading Book.

In aggregating the various risk profiles of the different risk taking units of the Group, the diversification arising from positions taken by different companies has been considered when calculating the overall risk for I-mod perimeter (Diversified VaR); while for the risk taking units of subsidiaries having legal residence out of European Union, the relative VaR and the Group VaR, calculated including them, are reported for informative purpose (without considering Diversification Benefit).

Risk on trading book

Daily VaR on Trading Book — € millions

I-MOD PERIMETER	End of September 2016	AVERAGE LAST 60 DAYS	2016 AVERAGE	2016 MAX	2016 MIN	2015 AVERAGE
Diversified UniCredit Group VaR	**14.8**	**14.3**	**14.8**	**38.0**	**0.3**	**12.7**

Daily VaR on Trading Book — € millions

STANDARDIZED APPROACH PERIMETER	End of September 2016	AVERAGE LAST 60 DAYS	2016 AVERAGE	2016 MAX	2016 MIN	2015 AVERAGE
UCBA AG NoN EU Countries(1)	2.9	2.9	4.3	6.4	2.2	4.9
Bank Pekao SA	0.3	0.3	0.3	0.5	0.2	0.3
Fineco SpA	0.2	0.2	0.2	0.5	0.0	0.1
Undiversified Unicredit Group VaR	**23.4**	**23.4**	**26.5**	**55.1**	**9.2**	**24.0**

(1) Including Turkey, Russia, Serbia, Bosnia

First quarter 2016 VaR figures do not reflect the methodological enhancements to the interest rates scenario generator that were eventually approved by ECB during the second quarter. The VaR figures for the second and third quarters are based on such enhanced model.

SVaR data
Shown below are the SVaR data for the Trading Book.

In aggregating the various risk profiles of the different risk taking units of the Group, the diversification arising from positions taken by different companies has been considered when calculating the overall risk for I-mod perimeter (Diversified SVaR); while for the risk taking units of subsidiaries having legal residence out of European Union, the relative SVaR and the Group SVaR, calculated including them, are reported for informative purpose (without considering Diversification Benefit).

Risk on trading book

SVaR on Trading Book — € millions

I-MOD PERIMETER	End of September 2016	AVERAGE LAST 12 WEEKS	2016 AVERAGE	2016 MAX	2016 MIN	2015 AVERAGE
Diversified UniCredit Group	**28.9**	**27.2**	**24.5**	**52.2**	**0.1**	**30.7**

SVaR on Trading Book — € millions

STANDARDIZED APPROACH PERIMETER	End of September 2016	AVERAGE LAST 12 WEEKS	2016 AVERAGE	2016 MAX	2016 MIN	2015 AVERAGE
UCBA AG Non EU Countries (*)	7.0	8.2	11.4	16.3	6.7	10.3
Undiversified UniCredit Group	**61.3**	**58.6**	**62.4**	**88.3**	**51.1**	**61.7**

(*) Including Turkey, Russia, Serbia, Bosnia

First quarter 2016 Stressed VaR figures do not reflect the methodological enhancement to the interest rates scenario generator that were eventually approved by ECB for use during the second quarter. The SVaR figures for the second and third quarters are based on such enhanced model.
SVaR measure reduced after a June spike, due to a reduction in credit exposures.

Part E – Information on risks and related risk management policies

IRC data
Shown below are the IRC data for the Trading Book.

In aggregating the various risk profiles of the different risk taking units of the Group, the diversification arising from positions taken by different companies has been considered when calculating the overall risk for I-mod perimeter (Diversified IRC); while for the risk taking units of subsidiaries having legal residence out of European Union, the relative IRC and the Group IRC, calculated including them, are reported for informative purpose (without considering Diversification Benefit).

Risk on trading book

IRC on Trading Book

€ millions

I-MOD PERIMETER	End of September 2016	AVERAGE LAST 12 WEEKS	2016 AVERAGE	2016 MAX	2016 MIN	2015 AVERAGE
Diversified UniCredit Group	358.2	371.9	394.3	481.9	276.7	395.7

IRC Portafoglio di Negoziazione

€ millions

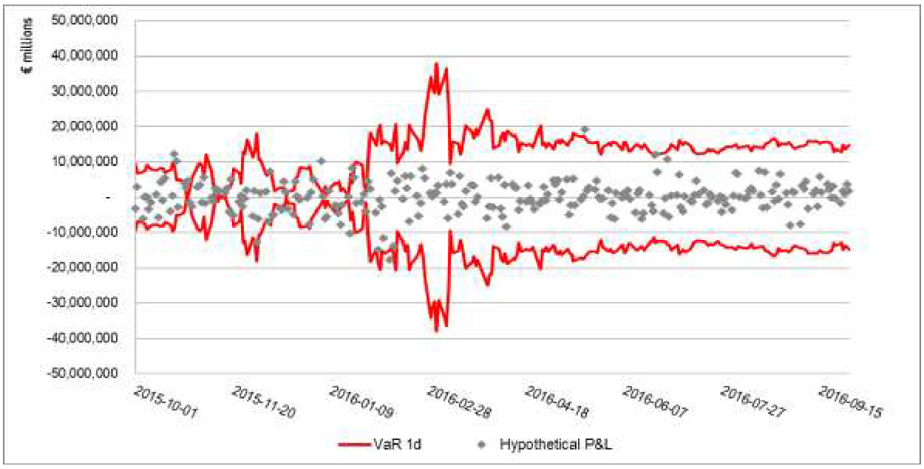
STANDARDIZED APPROACH PERIMETER	End of September 2016	AVERAGE LAST 12 WEEKS	2016 AVERAGE	2016 MAX	2016 MIN	2015 AVERAGE
UCBA AG Non EU Countries(*)	18.2	15.3	18.8	26.7	6.1	23.6
Undiversified UniCredit Group	540.5	550.5	547.5	626.2	383.0	526.7

(*) Including Turkey, Russia, Serbia, Bosnia

On average terms the IRC 2015 is aligned to IRC 2016 (first nine months).
The Minimum value for I-mod perimeter has been measured in May 2016 due to UCI S.p.A. reduced long position on Republic of Italy.
The Minimum value for UCBA AG Non EU countries has been measured at the end of first half 2016, driven by Serbia and Russia reduced long positions on domestic public debt.

VaR back-testing
The following graph analyze the back-testing results referred to the market risk on the Trading Book, in which VaR results for the last twelve months are compared to the hypothetical "profit and loss" results for Group (I-Mod Perimeter):

Group (I-Mod Perimeter)



The negative overdrafts occurred in December 2015 and in the first quarter 2016 were all caused by the fact that scenario generator was not yet embedding the enhancements that were later approved by the ECB only in Q2 (negative rates flooring). The VaR levels for the second and third quarters shown in the graph above are based on such enhanced model.

Managerial VaR

Below a picture of Managerial Diversified and Undiversified Trading Book VaR at the end of September 2016 by Legal Entity.

End of September 2016	€ milions
TRADIN BOOK	**VAR**
Diversified Unicredit Group as per internal model	**31.49**
UCB AG Group	6.17
UCBA AG Group	34.88
UCI Group	6.11
Bank Pekao SA	**0.28**
Undiversified Unicredit Group	**47.45**

Difference with Regulatory Trading Book has been described above, other contributions from other countries mainly raised from Ukraine subsidiaries:

End of September 2016	€ milions
TRADIN BOOK	**VAR**
UCBA AG Group	**34.88**
RC Austria	0.64
RC CEE	34.89
Bosnia	0.00
Bulgaria	0.14
Croatia	0.19
Czech Republic	0.46
Hungary	0.69
Latvia	0.00
Romania	0.48
Russia	1.83
Serbia	0.11
Slovenia	0.07
Turkey	0.91
Ukraine	35.81

CVA

Shown below are the CVA charge data values for the Trading Book for the Group (as sum of the individual Legal Entities charges since diversification benefit is not considered).

The charge accounts for the credit-spread volatility affecting regulatory CVA. It consists of a VaR figure computed over the current window (CVA VaR) and a VaR figure computed over a stressed window (CVA SVAR).

For exposures not covered by the CCR Internal model (used to calculate CVA exposure profiles) the standardized approach (SA) is used.

Risk on trading book

CVA trading book

€ millions

	2016			2015
	Q1	Q2	Q3	Q4
CVA	**382.3**	**336.7**	**305.4**	**390.5**
CVA VaR	**48.6**	**51.2**	**54.3**	**44.8**
CVA SVaR	**221.5**	**204.1**	**189.8**	**231.6**
CVA SA	**112.2**	**81.4**	**61.3**	**114.1**

The reduction in CVA charge in the third quarter 2016 is mostly driven by the UniCredit Bank AG charge and can be evenly attributed to business dynamics and some refinements to the inputs of the SA calculation.

Part E – Information on risks and related risk management 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 Group specialist centers 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 in the Group 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 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.
In addition to the monitoring of Granular Market Limits, Group Market Risk functions conduct sensitivity analysis at least on monthly basis, in order to determine the effect on the income statement of changes in the value of individual risk factors or several risk factors of the same type. Results are reported to top management on a monthly basis. In addition to the sensitivity of financial instruments to changes in the underlying risk factor, it also calculated sensitivity to the volatility of interest rates assuming a positive or negative shift of 30% in volatility curves or matrices.

Quantitative information
Sensitivity to changes in interest rates is determined using both parallel shifts of interest-rate curves and changes in the curve itself.

The curves are analyzed using parallel shifts of ±1bp, ±10bps and ±100bps.
For each 1bp shift, sensitivity is calculated for a series of time-buckets. Sensitivity for changes in the steepness of the rate curve is analyzed by clockwise turning (Turn CW), i.e. an increase in short-term rates and a simultaneous fall in long-term rates and by counter-clockwise turning (Turn CCW), whereby short-term rates fall and long-term rates rise.
Currently, clockwise and counter-clockwise turning use the following increases/decreases:
- +50bps/-50bps for the one-day bucket;
- 0bps for the one-year bucket;
- -50bps/+50bps for the 30-year plus bucket;
- for buckets between the above ones, the change to be set is found by linear interpolation.

The tables below show Trading Book sensitivities.

€ millions

Interest Rates	+1BP less than 1 month	+1BP 1 month to 6 months	+1BP 6 months to 1 year	+1BP 1 year to 2 years	+1BP 2 years to 5 years	+1BP 5 years to 10 years	+1BP over 10 years	+1 BP Totale	-10 BPS	+10 BPS	-100 BPS	+100 BPS	CW	CCW
Total	**0.0**	**0.0**	**0.0**	**0.2**	**-0.2**	**0.4**	**-0.3**	**0.0**	**4.1**	**-2.4**	**49.7**	**-5.6**	**2.2**	**7.5**
of which: EUR	0.0	0.0	-0.2	0.1	-0.1	0.2	-0.6	**-0.6**	11.0	-9.4	122.4	-75.9	12.7	-3.1
USD	-0.1	0.1	0.3	0.1	-0.1	0.2	-0.2	**0.3**	-3.2	3.4	-28.7	38.8	6.9	-5.0
GBP	0.0	0.0	-0.1	0.0	0.1	0.0	0.5	**0.4**	-3.9	3.8	-45.5	34.5	-17.8	16.2
CHF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**	0.3	-0.3	2.5	-2.9	-0.7	0.6
JPY	0.0	0.0	0.0	0.0	-0.1	0.0	0.0	**0.0**	0.0	-0.1	0.5	-0.4	2.8	-2.8

€ millions

	-30%	+30%
Interest Rates	**4.78**	**-4.37**
EUR	6.01	-5.97
USD	-1.31	1.73

2.2 Interest Rate Risk and Price Risk - Banking Book

Qualitative information

A. General aspects, operational processes and methods for measuring interest rate risk and price risk

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 September 30, 2016, the sensitivity of interest income to an immediate and parallel shift of +100bps was +€681 million.
The sensitivity of the economic value of Shareholders' Equity to an immediate and parallel change in interest rates ("parallel shift") of +200bps was -€2.065 million at September 30, 2016 [10].

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.

(10) The figures include modeled sensitivity estimates for assets and liabilities with not well-defined maturities, such as sight and savings deposits.

Part E – Information on risks and related risk management policies

Limits and threshold are defined in terms Sensitivity for each Group Bank or Company. The set of metrics is defined depending on the level of sophistication of the Company's business.

Each of the Group's banks or companies assumes responsibility for managing exposure to interest rate risk within its specified limits. At consolidated level, the Group Asset Liability Management Unit and the functions of Group Risk Management are in charge of interest rate risk measurement.
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.

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 +200bp 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".

2.3 Price Risk – Regulatory Trading Book

Qualitative information

A. General Information

As described above, price risk relating to equities, commodities, investment funds and related derivative products included in the Trading Book originates from positions taken by Group specialist centers holding assigned market risk limits within certain levels of discretion.
Price risk deriving from own trading of these instruments is managed using both directional and relative value strategies via direct sale and purchase of securities, regulated derivatives and OTCs and recourse to security lending. Volatility trading strategies are implemented using options and complex derivatives.

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.

Quantitative information

Share-price sensitivity is expressed in two ways:
- as a “Delta cash-equivalent”, i.e. the euro equivalent of the quantity of the underlying that would expose the bank to the same risk arising from its actual portfolio;
- as the economic result of a rise or fall in spot prices of 1%, 10% and 20%.

The Delta cash-equivalent and the Delta 1% (i.e. the economic impact of a 1% rise in spot prices) are calculated both for each geographical region (assuming that all stock markets in the region are perfectly correlated) and on the total (assuming therefore that all stock markets are perfectly correlated). The sensitivity arising from changes of 10% and 20% is calculated solely on the total.
The Group also calculates sensitivity to the volatility of equities assuming a positive or negative shift of 30% in volatility curves or matrices.
In addition, sensitivity to commodity price changes is calculated according to the above criteria. Given its secondary importance as compared to other risk exposures, this is calculated as a single class.

The tables below show Trading Book sensitivities.

€ millions

Equities All Markets	Delta Cash-Equivalent	-20%	-10%	-1%	1%	10%	20%
Europe	67.16	-	-	-	0.67	-	-
USA	2.31	-	-	-	0.02	-	-
Japan	12.14	-	-	-	0.12	-	-
Asia ex-Japan	-0.99	-	-	-	-0.01	-	-
Latin America	-1.67	-	-	-	-0.02	-	-
Other	-1.48	-	-	-	-0.01	-	-
Total	**77.47**	**-53.95**	**-17.28**	**-0.58**	**0.77**	**-13.78**	**-20.08**
Commodity	**16.11**	**0.99**	**0.49**	**0.07**	**0.16**	**0.51**	**1.53**

€ millions

	-30%	30%
Equities	**-21.05**	**9.86**

Part E – Information on risks and related risk management policies

2.4 Price Risk – Banking Book

Qualitative information

A. General Aspects, Price Risk Management Processes and Measurement Methods
Banking Book price risk primarily originates from equity interests held by the Parent Company and its subsidiaries as stable investments, as well as units in mutual investment funds not included in the Trading Book as they are also held as stable investments. The assessment of the whole Banking Book also takes account of this type of risk.

2.5 Exchange Rate Risk – Regulatory Trading Book

Qualitative information

A. General Information, Exchange Rate Risk Management Processes and Measurement Methods
As described above, risk relating to exchange rates and related derivative products included in the Trading Book, originates from positions taken by Group specialist centers holding assigned market risk limits within certain levels of discretion.
Risk deriving from own trading of these instruments is managed using both directional and relative value strategies via direct sale and purchase of securities, regulated derivatives and OTC. Volatility trading strategies are implemented using options.
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.

Quantitative information
Exchange-Rate Sensitivity assesses the economic impact of the appreciation or depreciation by 1%, 5% and 10% of each currency against all the others. Exposure to the various currencies is expressed as the “Delta cash equivalent” in euros: this is the euro equivalent of the currency amount which would expose the bank to the same exchange-rate risk arising in its actual portfolio.

The Group also calculates sensitivity to the volatility of exchange rates assuming a positive or negative shift of 30% in volatility curves or matrices.

The tables below show Trading Book sensitivities.

€ millions

Exchange rates	Delta Cash-Equivalent	-10%	-5%	-1%	1%	5%	10%
USD	408.1	11.4	-2.7	-4.1	4.1	23.4	63.8
GBP	-278.8	42.9	17.3	2.8	-2.8	-11.9	-24.0
CHF	6.6	-2.3	-1.1	-0.1	0.1	2.0	5.8
JPY	34.6	2.1	0.2	-0.4	0.4	4.2	13.0

€ millions

	-30%	+30%
Exchange Rates	**0.41**	**1.90**

Main contributors are EUR/USD and EUR/GBP.

2.6 Exchange Rate Risk – Banking Book

Qualitative information

A. General Aspects, Exchange Rate Risk Management Processes and Measurement Methods
Exchange rate risk originates both from banks in the Group operating in currency areas other than the Eurozone and from positions taken by specialist centers holding the Group's market risk within the limits assigned.
In the latter case, exchange risk originates from currency trading activities performed through the negotiation of the various market instruments and it is constantly monitored and measured by using internal models developed by group companies. These models are, in addition, used to calculate capital requirements on market risks due to the exposure to such risk.

B. Hedging Exchange Rate Risk
The Group adopts hedge strategies for profits and dividends arising from its subsidiaries not belonging to the euro zone. The hedging strategies takes into account market circumstances.

The management policy regarding currency risk related to the early repayment option on AT1 capital instruments denominated in a foreign currency already recognized as items of shareholders' equity (anyway subject to prior authorization by the regulator) provides for the maintenance of a long position in foreign currency.

Part E – Information on risks and related risk management policies

2.7 Credit Spread Risk – Regulatory Trading Book

Qualitative information

A. General Information
As described above, risk relating to credit spreads and related credit derivative products included in Trading Book originates from positions taken by Group specialist centers holding assigned market risk limits within certain levels of discretion.
Risk deriving from own trading of these instruments is managed using both directional and relative value strategies via direct sale and purchase of securities, regulated derivatives and OTC.

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.

Quantitative information
Credit spread sensitivity is calculated by assuming a worsening of creditworthiness seen in a parallel shift of +1bp/+10bp/+100bps 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.

The table below shows Trading Book sensitivities.

€ millions

	+1BP less than 1 month	+1BP 1 month to 6 months	+1BP 6 months to 1 year	+1BP 1 year to 2 years	+1BP 2 years to 5 years	+1BP 5 years to 10 years	+1BP over 10 years	+1 BP Total	+10BPS	+100BPS
Total	**0.0**	**0.0**	**-0.1**	**-0.2**	**-0.3**	**0.1**	**-0.2**	**-0.8**	**-9.1**	**-81.5**
Rating										
AAA	0.0	0.0	0.0	0.0	-0.1	0.6	0.0	0.5	4.6	39.4
AA	0.0	0.0	0.0	0.0	-0.1	0.0	-0.1	-0.3	-2.4	-21.1
A	0.0	0.0	0.0	0.0	-0.2	-0.2	0.0	-0.3	-3.1	-28.0
BBB	0.0	0.0	-0.1	-0.2	0.1	-0.4	-0.1	-0.6	-6.9	-62.8
BB	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	-1.0	-9.3
B	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	-0.9
CCC and NR	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.3	-3.1
Sector										
Sovereigns & Related	0.0	0.0	-0.1	-0.2	0.1	0.2	-0.1	-0.2	-1.4	-17.2
ABS and MBS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.2	-1.7
Financial Services	0.0	0.0	0.0	-0.1	-0.2	-0.1	0.0	-0.4	-5.2	-49.5
All Corporates	0.0	0.0	0.0	0.0	-0.2	0.0	0.0	-0.3	-2.5	-15.8
Basic Materials	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.5	-4.4
Communications	0.0	0.0	0.0	0.0	-0.1	0.0	0.0	-0.1	-0.5	-4.5
Consumer Cyclical	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.4	-3.2
Consumer Non cyclical	0.0	0.0	0.0	0.0	-0.1	0.0	0.0	-0.1	-0.5	-3.6
Energy	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	-1.1
Technology	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2
Industrial	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.2	-1.7
Utilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	-0.5	-4.6
All other Corporates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1

2.8 Stress Tests

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). Stress test exercise is run under static balance sheet assumption.

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.

Part E – Information on risks and related risk management policies

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.

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
Scenario

€ millions

End of September 2016	WIDESPREAD CONTAGION	CHINA HARD LANDING	IR SHOCK
UniCredit S.p.A.	-87	-83	-102
Bank Pekao SA	-4	-5	0
UCBA AG Group	116	90	184
UCB AG Group	22	-80	183
UniCredit Group Total	**46**	**-78**	**265**

The Widespread Contagion is a recurrent stress test scenario which is kept updated to market and macroeconomic dynamics every six months. The China hard landing and the Interest Rate Shock have been introduced at the end of 2015 to deep dive the magnitude of the contagion effects stemming from an unexpected China slowdown and from exogenously driven increase of interest rates respectively.

Most of conditional losses in Trading Book are in UniCredit S.p.A. perimeter, mainly Rates business line in CIB perimeter. Additional relevant contributions come from Credit Trading, Rates and FX G10 portfolios in UCB AG Group perimeter.

The results of stress test scenarios in UCBA AG evidenced conditional profits during the year due to the US dollar and Ukraine Hryvnia position stemming from the debt to capital swap in Ukrsotsbank.

Part E – Information on risks and related risk management policies

Section 3 - Liquidity Risk

Qualitative information

General aspects, operational processes and methods for measuring liquidity risk
Liquidity risk is defined as the risk that the Group may find itself unable to fulfill 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 Centres
The Group aims to maintain liquidity at a level that enables to conduct safe operations, 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, the Group 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.

In addition to local legal and regulatory requirements, the Group, the Parent Company, under the responsibility of the Group Risk Management, defines policies and metrics to be applied at the Group-wide level, to ensure that liquidity position of any Entity meets the requirements of the Group.

For these reasons, the Group 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.

A particularly important role is played by the Parent Company, as a "supervisory and overarching liquidity reference bank" with its role of steering, coordinating, and controlling all the aspects regarding liquidity for the whole Group. The Parent Company has the responsibility to set the overall Group Risk Appetite and sub-allocate the limits, in agreement with the Liquidity Reference Banks and/or Legal Entities. The Parent Company, moreover, acts as the Liquidity Reference Bank for Italy.

The principle of "self-sufficiency"
This organization model allows self-sufficiency of the group by accessing the local and global markets for liquidity in a controlled and coordinated way. According to Group Policies, structural liquidity surpluses can be up-streamed to the Holding Company, unless legal requirements prevent it. The liquidity available at country level could be subject to restrictions due to legal, regulatory and political constraints. The so called "Large Exposure Regime", applied throughout Europe, along with specific national laws like the "German Stock Corporation Act", are examples of legal constraints to the free circulation of funds within a cross-border banking Group [11].

As a general rule, the Large Exposure Regime, which came into force on December 31, 2010, limits interbank exposures to a maximum of 25% of own funds: this rule is also applicable to intra-group exposures.

However, there are significant differences in the way in which this EU regulation has been implemented in the various countries. In many CEE countries the limit of 25% of free funds is valid, with some countries showing even stricter rules; in Austria, according to the National law, the "25% of own funds limit" is not applied to exposures towards the parent company, if located in the European Economic Area; finally, in Germany the national Regulator has set up a process to apply for a waiver, exempting intra-group exposures from the large exposure limitation.

In the absence of official limits valid at National level, Austrian and German Regulators reserve the right to judge the exposure level on a case-by-case basis. In the current economic environment, in many of the territories in which the Group operates, Banking Regulatory Authorities are adopting measures aimed at reducing the exposure of their National banking system towards foreign jurisdictions with potential negative impacts on the ability of the Group to finance its activities.

(11) Also Banca d'Italia Rules, Circolare 263, foresees that the liquidity reserves are placed in each Legal Entity in order to minimize the transfers of cash reserves (Titolo V, capitolo 2, Sezione III. 7 before last paragraph).

For these reasons, the “Liquidity Management & Control Group Policy” provides for a further principle in order to enhance a sound liquidity risk management; that is, each Legal Entity with market access has to increase its liquidity self-sufficiency, fostering in this way the exploitation of its strengths. In addition to this, the Group rule state that each LE (including the Liquidity Reference Bank) should be self-sufficient in terms of liquidity on its own local currency, either on its own or by leveraging on the relevant Liquidity Reference Bank. This self-sufficiency principle is reflected in a specific “limit structure”: limits are set both at Group and at individual level, with the purpose of avoiding/controlling significant imbalances among legal entities.

This type of organization promotes the self-sufficiency of the Legal Entities, by allowing them to access the local and global markets for liquidity in a controlled and coordinated way, whilst optimizing: i) the liquidity surpluses and deficits within the Group’s legal entities ii) the overall costs of funding across the Group.

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, Planning & Capital Management” 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.

Finance, Planning & Capital Management 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 Group’s 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.

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).

Part E – Information on risks and related risk management policies

Liquidity risk, for its particular nature, is addressed by means of gap analyses, liquidity stress testing, and complementary measures (minly through a set of indicators: e.g. loan to deposit 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.

The Group's liquidity framework

The Group'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 the Group's liquidity position from 1 day up to one year. The primary objective is to maintain the Group'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 the Group'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 hereof.

In this context, the mismatch model takes into account all assets, liabilities, off-balance sheet positions and also both present and future events which generate certain or potential cash flows for the Group, thereby protecting the Group Banks/Companies from risks related to the transformation of maturity.

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 loan-to-deposit gap), which is calculated on a quarterly basis and which measures to what extent the commercial loan portfolio is financed through commercial liabilities.

Short-term liquidity management

Short-term liquidity management aims at ensuring that the Group 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 Center 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 a 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.

The Group 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

The Group'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 the Group's assets;
- provide support to the development of the liquidity contingency plan.

In order to execute Stress tests that are consistent across the Liquidity Reference Banks, the Group has a centralised approach to stress testing, requiring each local Liquidity Reference Bank to run the same scenario set under the coordination of the Group Risk Management. The Group 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.

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 worsen 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 the first nine months of 2016 the Group liquidity stress test result on the combined scenario was always positive.

Part E – Information on risks and related risk management policies

Regulatory metrics
The Group 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 became effective, in September 2016, the ratio for UniCredit Group was above 100%.

Monitoring and reporting
In the Group 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 its 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.

The Group 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 at Group Level, the Group 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 the Group.
The main liquidity mitigation factors for UniCredit group 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 market 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 the Group 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 Parent Company accesses the market for Group capital instruments.
The Parent 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 the Group.
Finance, Planning & Capital Management function is responsible for the elaboration of the Funding Plan. Risk Management is responsible for providing an independent assessment of the Funding Plan.

Group 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.

The Group 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 the Group 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 the Group 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 the Group'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 related risk management policies

Section 4 - Operational Risk

Qualitative information

A. General aspects, operational processes and methods for measuring operational risk

Operational risk
Operational risk is the risk of losses 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
For this section please refer to the last "2015 Consolidated Reports and Accounts".

Organizational structure
For this section please refer to the last "2015 Consolidated Reports and Accounts".

Internal validation process
For this section please refer to the last "2015 Consolidated Reports and Accounts" (except for what is reported in paragraph "Developments of the period").

Developments of the period
The responsibility of this process has been assigned now to the "Market, Operational and Pillar II Risks Validation" unit.

Reporting
For this section please refer to the last "2015 Consolidated Reports and Accounts".

Operational risk management and mitigation
For this section please refer to the last "2015 Consolidated Reports and Accounts".

Risk capital measurement and allocation mechanism
For this section please refer to the last "2015 Consolidated Reports and Accounts" (except for what is reported in paragraph "Developments of the period").

Developments of the period
Capital at risk is calculated at a confidence level of 99.9%, instead of 99.93%, on the overall loss distribution for economic capital purposes.

B. Legal Risks

UniCredit S.p.A. and other UniCredit group companies are defendant in about 26.000 legal proceedings (excluding labour law, tax cases and credit recovery actions). From time to time, past and present directors, officers and employees may be involved in civil and/or criminal proceedings, the details of which the UniCredit group may not lawfully know about or communicate.

The Group is also required to deal appropriately with various legal and regulatory requirements in relation to issues 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, and in certain instances has led, to additional litigation and investigations and subjects the Group to damages claims, regulatory fines, other penalties and/or reputational damage. In addition, one or more Group companies and/or their current and/or former directors is subject to investigations by the relevant supervisory or prosecutorial authority in a number of countries in which it operates. These include investigations relating to aspects of systems and controls and instances of actual and potential regulatory infringement by the relevant Group companies and/or its clients. Given the nature of the Group's business and the reorganization of the Group over time there is a risk that claims or matters that initially involve one Group company may affect or involve other Group entities.

In many cases, there is substantial uncertainty regarding the outcome 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 claims in which the petitioner has not specifically quantified the penalties requested (for example, in lawsuits in the United States). In such cases, given the impossibility of predicting possible outcomes and estimating losses (if any) in a reliable manner, no provisions have been 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 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 labour law, tax cases and credit recovery actions), the UniCredit group has set aside a provision for risks and charges of €601 million as at September 30, 2016. The estimate for reasonably possible liabilities and this provision are based upon currently available information but, given the numerous uncertainties inherent in legal proceedings, involve significant elements of judgment. 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, it is possible that this provision may not be sufficient to entirely meet the legal costs and the fines and penalties that may result from pending legal actions, and the actual costs of resolving pending matters may prove to be substantially higher.

Consequently it cannot be excluded that an unfavourable outcome of such legal proceedings or such investigations may have a negative impact on the results of the UniCredit group and/or its financial situation.

Set out below is a summary of information, including, if material and/or indicated, the single requests of the plaintiffs, relating to matters involving the UniCredit group which are not considered groundless or in the ordinary course.

This section also describes pending proceedings against UniCredit S.p.A. and/or other companies of the UniCredit group and/or employees (even former employees) that UniCredit 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, tax and credit recovery claims are excluded from this section and are described elsewhere in the notes. In accordance with IAS37 information which would seriously prejudice the relevant company's position in the dispute may be omitted.

Madoff

Background

UniCredit S.p.A. and various of its direct and indirect subsidiaries have been sued 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 of 2010, the bankruptcy administrator (the "SIPA Trustee") for the liquidation of BLMIS filed as one of a number of cases, a case in a United States Federal Court against several dozen defendants, including HSBC, UniCredit S.p.A. and certain of its affiliates (the "HSBC" case).

In the HSBC case, the SIPA Trustee sought to recover several billion dollars for common law claims and avoidance claims (also known as "claw back" claims).

The common law claims were dismissed in 2011 and no further appeals from that decision are pending.

Part E – Information on risks and related risk management policies

In 2015, the SIPA Trustee voluntarily dismissed with prejudice the avoidance claims made in the HSBC case against UniCredit S.p.A. and the Alternative Investments Division of Pioneer ("PAI"), and without prejudice against UniCredit Bank Austria AG ("BA"), each respectively a UniCredit S.p.A. affiliate, all following certain settlements, not involving UniCredit S.p.A., PAI and BA, which the SIPA Trustee regarded as having satisfied the relevant claims. The avoidance claims against BA Worldwide Fund Management Ltd ("BAWFM"), an affiliate of UniCredit S.p.A remain pending. They are currently subject to a request that they be dismissed because the relevant provisions of United States law do not apply extra-territorially. Certain current or formerly affiliated persons named as defendants in the HSBC case may have rights to indemnification from UniCredit S.p.A. and its affiliated entities.

Claim by SPV OSUS Ltd.
UniCredit S.p.A. and certain of its affiliates – BA, BAWFM, 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 in connection with the Madoff Ponzi scheme, principally that defendants aided and abetted and/or knowingly participated in Madoff's 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 Madoff feeder funds have brought numerous civil proceedings in Austria, of which 78 with a claimed amount totaling €26.1 million plus interest remain pending. The claims in these proceedings are either that BA breached certain duties regarding its function as prospectus controller (i.e. regarding the review of prospectuses for accuracy and completeness), or that BA 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 has issued 15 final decisions with respect to prospectus liability claims asserted in the legal proceedings. With respect to claims related to the Primeo feeder funds, all nine final Austrian Supreme Court decisions have been in favour of BA. With respect to the Herald feeder funds, the Austrian Supreme Court has ruled five times with respect to prospectus liability, twice in favour of BA and three times in favour of the claimant. In a prospectus liability case with Primeo and Herald investments the Austrian Supreme Court recently ruled in favour of BA.
While the impact of these decisions on the remaining Herald cases cannot be predicted with certainty, future rulings may be adverse to BA.
In respect of the Austrian civil proceedings pending as against BA related to Madoff's matter, BA has made provisions for an amount considered appropriate to the current risk.
BA has been named as a defendant in criminal proceedings in Austria which concern the Madoff case on allegations that BA breached provisions of the Austrian Investment Fund Act as prospectus controller of the Primeo fund. The criminal proceedings are still at the pre-trial stage. Moreover, there were certain tax matters that were dismissed in September 2016, upon confirmation by the tax authorities that all taxes had been correctly paid.

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, 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 and 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 S.p.A. group of companies.
UniCredit S.p.A. and its affiliates intend to defend themselves vigorously against the Madoff-related claims and charges.
Save as described above, for the time being it is not possible to estimate reliably the timing and results of the various proceedings, nor determine the level of responsibility, if any responsibility exists. Presently, and 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.

Alpine Holding GmbH
Alpine Holding GmbH (a limited liability company) undertook a bond offering in every year from 2010 to 2012. In 2010 and 2011, UniCredit Bank Austria AG acted as Joint Lead Manager, together with another bank. In June/July 2013, Alpine Holding GmbH and Alpine Bau GmbH became insolvent and insolvency proceedings began. Numerous bondholders then started to send letters to the banks involved in issuing the bonds, setting out their claims. Insofar as UniCredit Bank Austria AG is concerned, bondholders based their claims primarily on prospectus liability of the Joint Lead Managers; only in a minority of cases did they also claim misselling due to bad investment advice by the banks which sold the bonds to their customers. At this time, UniCredit Bank Austria AG, among other banks, has been named as defendant in civil proceedings initiated by investors including three class actions filed by the Federal Chamber of Labour (with the claimed amount totalling about €20.5 million). The principal claim is prospectus liability. These civil proceedings are mainly pending in the first instance. No final decisions have been issued so far against UniCredit Bank Austria AG. In addition to the foregoing proceedings against UniCredit Bank Austria AG stemming from the Alpine insolvency, additional Alpine-related actions have been threatened and may be filed in the future. The pending or future actions may have negative consequences for UniCredit Bank Austria AG. UniCredit Bank Austria AG intends to defend itself vigorously against these claims. At this stage, it is not possible to estimate reliably the timing and results of the various actions, nor determine the level of liability, if any.

Proceedings arising out of the purchase of UCB AG by UniCredit S.p.A. and the related group reorganization

Squeeze-out of UCB AG minority shareholders (Appraisal Proceedings)

Approximately 300 former minority shareholders of UCB AG filed a request to have a review of the price paid to them when they were squeezed out (Appraisal Proceedings). The dispute mainly concerns the valuation of UCB AG.
The first hearing took place on April 15, 2010. The proceeding is still pending in Germany and, at this stage, it is not possible to estimate its duration which might last for a number of years.

Squeeze-out of Bank Austria's minority shareholders

Certain former minority shareholders in Bank Austria initiated proceedings before the Commercial Court of Vienna claiming that the squeeze-out price paid to them was inadequate, and asking the Court to review the adequacy of the amount paid (Appraisal Proceedings).
The Commercial Court of Vienna has 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, considering the nature of the valuation methods employed, continues to believe that the amount paid to the minority shareholders was adequate.
Should the parties fail to settle the matter, the Commercial Court will issue a decision (which is appealable), which could result in UniCredit S.p.A. having to pay additional cash compensation to the former shareholders.

Financial Sanctions matters

In the past several years, violations of U.S. sanctions and certain US dollar payments practices have resulted in certain financial institutions entering into settlements and paying substantial fines and penalties to various U.S. 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"), depending on the individual circumstances of each case. Certain companies in the UniCredit Group are cooperating with various U.S. authorities and are updating other relevant non U.S. authorities as appropriate. More specifically, in March 2011 UCB AG received a subpoena from the NYDA relating to historic 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 US dollar payments practices and its historic compliance with applicable U.S. financial sanctions, in the course of which certain historic non-transparent practices have been identified. UniCredit Bank Austria AG has independently initiated a voluntary investigation of its historic compliance with applicable U.S. financial sanctions and similarly has identified certain historic non-transparent practices, UniCredit S.p.A. is also in the process of conducting a voluntary review of its historic compliance with applicable U.S. financial sanctions. Each Bank is cooperating with various U.S. authorities and remediation activities are ongoing.
It is possible that investigations into historic compliance practices may be extended to one or more of the other companies within the UniCredit Group. The scope, duration and outcome of each review or investigation will depend on facts specific to the individual case. Although we cannot at this time determine the form, extent or the timing of any resolution with any relevant authorities, the investigation costs, remediation required and/or payment or other legal liability incurred could lead to cash outflows and could potentially have a material adverse effect on the net assets and net results of UniCredit S.p.A. (on a stand-alone and consolidated basis) and one or more individual Group entities in any particular period.

Proceedings related to claims for Withholding Tax Credits

In July 31, 2014, the Supervisory Board of UCB AG concluded its internal investigation into the so-called "cum-ex" transactions (the trading of equities around dividend dates and claims for withholding tax credits) at UCB AG. The findings of the Supervisory Board's investigation indicated that the Bank sustained losses due to certain past acts/omissions of individuals, and such Board has taken appropriate action. UniCredit S.p.A., UCB AG's parent company, supports the decisions taken by the Supervisory Board. UCB AG has also taken action to defend its interests. In addition, UCB AG has been cooperating with prosecutors in Frankfurt, Cologne and Munich who have been investigating offences that include possible tax evasion in connection with cum-ex transactions both for UCB AG's own book as well as for a former customer of UCB AG. Proceedings in Cologne against UCBAG and its former employees were closed in November 2015 by the payment by UCB AG of a fine of €9.8 million. The investigations by the Frankfurt prosecutor against UCBAG under section 30 of the Administrative Offences Act (the "Ordnungswidrigkeitengesetz") were closed by the payment of a fine of €5 million. The investigation by the Munich prosecutor is ongoing, and UCB AG will continue to cooperate with the prosecutor. In relation to these matters, UCB AG could be subject to tax and interest claims, as well as further penalties, administrative fines and profit or revenue claw backs. UCB AG is in communication with its relevant regulators regarding these matters. UCB AG has made provisions that, at present, UCB AG deems appropriate.

Compound interest

In the first three quarters of 2016, compared to 2015, the number of claims for refunds/compensation for compound interest decreased slightly. Specific appropriate provisions have been made for the risks associated with these claims.

Part E – Information on risks and related risk management policies

Certain legal developments in CEE arising out of disputes relating to foreign currency loans

In Central and Eastern Europe, in the last decade, a significant number of customers took out loans and mortgages denominated in a foreign currency ("FX"). In a number of instances customers - or consumer associations acting on their behalf - have sought to renegotiate the terms of such FX loans and mortgages, including having the loan principal and associated interest payments redenominated in the local currency at the time the loan was taken out, and floating rates retrospectively changed to fixed rates. In addition, politicians in a number of countries are proposing or have implemented legislation that impacts FX loans. These developments have resulted in litigation against subsidiaries of UniCredit in a number of countries including Croatia, Hungary, Poland, Romania, Slovenia and Serbia. More specifically, in Croatia, Zagrebačka banka ("Zaba") successfully defended a challenge brought by a consumer association against the validity of FX loans, with the Supreme Court finding in April 2015 that FX loans, and the related currency clause were lawful. As the Court held that the variable interest rate clause was however in principle unfair, this has resulted in individual customers bringing lawsuits to challenge the validity of the interest charged. Following the implementation of a new law in Croatia in September 2015 which purported to rewrite the terms of FX loan contracts, a number of these lawsuits were withdrawn as customers took advantage of the benefits of the new law. Zaba is of the view that the law is unlawful and has challenged it before the Croatian Constitutional Court. The outcome of that challenge is awaited. In September 2016, UniCredit Bank Austria AG and Zaba have also initiated a claim against the Republic of Croatia under the Agreement between the Republic of Austria and the Republic of Croatia for the Promotion and Protection of Investments in order to recover the losses suffered as a result of last year's amendments to the Consumer Lending Act and Credit Institutions Act mandating the conversion of Swiss franc-linked loans into EURO-linked. In the interim, Zaba has complied with the provisions of the new law and adjusted accordingly all the respective contracts where the customers requested so.

In Hungary, there was comprehensive legislation in 2014 requiring the compulsory conversion of foreign currency based retail home loans into forint based ones, as well as on the compensation banks had to pay to clients, with which the bank has complied. Some legacy litigation remains pending.

At this time, it is not possible to reliably assess the ultimate impact of these developments, the timing of any final court decisions, how successful any litigation may ultimately be or what financial impact it or any associated legislative or regulatory initiatives, might ultimately have on the individual subsidiaries or the consolidated UniCredit group.

Derivatives Litigation

In Germany and Italy, companies of the Group are defendants in litigations related to derivatives contracts filed by Institutional and non-institutional clients. The tendency to file such litigations affect the financial sector generally and is not specific to UniCredit S.p.A. and its group companies.

At this stage it is impossible to assess the full impact of such legal challenges on the Group.

Medienfonds/closed end funds

Various UCB AG customers bought shares in a fund known as VIP Medienfonds 4 Gmbh & Co. KG ("Medienfonds").

UCB AG did not sell shares in the fund, but granted loans to all private investors for a part of the amount invested in the fund; moreover, to collateralize the fund, UCB AG assumed specific payment obligations of certain film distributors with respect to the fund.

The investors in the Medienfonds fund initially enjoyed certain tax benefits, which were later revoked by the tax authorities. An outstanding final decision with respect to the question of HVB's liability for the prospectus in the proceeding pursuant to the Capital Markets Test Case Act (Kapitalanleger-Musterverfahrensgesetz), which was referred back to the Higher Regional Court of Munich by the German Federal Court of Justice (Bundesgerichtshof), will affect only a few pending cases since a general settlement has already been reached with the vast majority of the investors.

In a fiscal proceeding that the fund brought concerning the tax declaration of the fund for the fiscal year 2004, no final decision has been issued as to whether the tax benefits were rightfully revoked in the first place.

In addition to the above matter, UCB AG is defending lawsuits concerning other closed-end funds. The economic background of these lawsuits is often but not always linked to a modified view of the tax authorities with regard to tax benefits originally envisaged. Plaintiffs claim from UCB AG repayment of their capital investment in exchange for the respective shares in the fund.

With regard to a mutual fund investing in heating plants, a test case proceeding has been filed against UCB AG pursuant to the Kapitalanleger-Musterverfahrensgesetz (the Capital Markets Test Case Act). The Munich Higher Regional Court (Oberlandesgericht) has ordered that several court expert opinions be obtained in order to assess the question of an alleged prospectus liability.

UCB AG has made provisions which are, at present, deemed appropriate.

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"). The purpose of VF was to invest in the equity tranche of various collateralized 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, including by private parties who claimed a right to sue in a representative capacity. The suits 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 allege fraud and kickback practices. Damages claimed in the filed lawsuits 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 all claims brought or threatened by or on behalf of the state of New Mexico or any of its agencies or funds. 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 question 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 question 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 hearings on the matter in April 2016 and a decision is expected in the late 2016.

Other litigation
In November 2011, Bruce Malott, the former chairman of the ERB, brought suit in New Mexico state court against persons 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 Mallot 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 failed and was placed into rehabilitation proceedings by the Indiana State Insurance Commissioner ("ISIC"). In 2010, ISIC filed a lawsuit in 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. The case is still at first instance. 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.

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 (including those on 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 petition 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. (then UniCredit Corporate Banking S.p.A. and now UniCredit S.p.A.) pay the claimant a total of €276.6 million as well as legal fees and interest. It also seeks the nullification of a settlement the parties reached in 2005 under which Divania S.r.l had agreed to waive any claims in respect of the transactions.
UniCredit S.p.A. rejects Divania S.r.l.'s demands. Without prejudice to its rejection of liability, it 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 claimant's demands.
In 2010 the report of the Court named expert witness submitted a report which broadly confirms UniCredit's position stating that there was a loss on derivatives amounting to about €6,400,000 (which would increase to about €10,884,000 should the out-of-court settlement, challenged by the claimant, 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 September 29, 2014 the judges reserved their decision. A new Expert's Report was then ordered, which essentially confirmed the conclusions of the previous Expert Report. At the hearing held on June 6, 2016 the judges reserved again their decision.
Another two lawsuits have also been filed by Divania, one for €68.9 million (which was subsequently increased up to €80.5 million ex Art.183 c.p.c.) and the second for €1.6 million. As for the first one the Court in May 2016 ordered UniCredit S.p.A. to pay approximately €12.6 million plus costs. UniCredit appealed against the decision and at the first hearing the case was adjourned to June 22, 2018. In respect of the second case, on November 26, 2015, the Court of Bari rejected the original claim of Divania.
UniCredit S.p.A. has made a provision for an amount consistent with the risk of the lawsuit.

Valauret S.A.
In 2004, Valauret S.A. and Hughes de Lasteyrie du Saillant filed a civil claim for losses resulting from the drop in the Rhodia S.A. share price between 2002 and 2003, allegedly caused by earlier fraudulent actions by members of the company's board of directors and others.
BA (as successor to Creditanstalt) was joined as the fourteenth defendant in 2007 on the basis that Creditanstalt was banker to one of the defendants. Valauret S.A. is seeking damages of €129.8 million in addition to legal costs and Hughes de Lasteyrie du Saillant damages of €4.39 million.
In 2006, before the action was extended to UniCredit Bank Austria AG, the civil proceedings were stayed following the opening of criminal proceedings by the French State that are ongoing. In December 2008, the civil proceedings were also stayed against BA.
In BA's opinion, the claim is groundless and no provisions have been made.

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I Viaggi del Ventaglio Group ("IVV")
In 2011 a lawsuit was filed with the Court of Milan against UniCredit S.p.A. by I Viaggi del Ventaglio de Mexico SA, SA Tonle and the bankruptcy trustee of I Viaggi del Ventaglio International SA ("IVVISA") for approximately €68 million. In 2014 two further lawsuits were filed with the Court of Milan by the bankruptcy trustee of IVV Holding S.r.l. and by the bankruptcy trustee of I Viaggi del Ventaglio S.p.A. 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.
UniCredit won in first instance the first lawsuit and in July 2016 the plaintiffs filed an appeal against the decision.

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 €2 million for compound interest (including alleged usury component) and €400 million for damages. Conclusions are being heard.
The company then went bankrupt. UniCredit S.p.A.'s initial view is that no provisions are to be made.

Mazza Group
The lawsuit comes from a criminal proceedings before the Court of Rome for illicit lending transactions of disloyal employees of the Bank in favor of certain clients for €84 million.
The unexpected acquittal of May 2013 (no case to answer) was appealed by the Prosecutor and by the Bank.
Currently two damage claims are pending against UniCredit S.p.A.: the first filed in June 2014 by Notary Mazza for approximately €15 million, the second filed in March 2016 by Como S.r.l. and Camillo Colella for approximately €379 million. At this stage UniCredit S.p.A. considers these lawsuits to be groundless.
UniCredit S.p.A. has made provisions for an amount consistent with the risk arising from the illicit lending transactions.

Gruppo Di Mario
Nine lawsuits against the Bank were filed: one claw back action and eight damage claims for, in total, €157 million (the latest claim for approximately €78 million was filed in April 2016) which allege that UniCredit S.p.A. (together with other banks) facilitated debt restructuring agreements aimed to sterilize the risk of possible claw back actions and to obtain privileges.
At this stage, UniCredit S.p.A. considers these damage claims to be groundless.
In September 2016 two decisions, in two damage claims, in favor of the Bank became final, there are still seven lawsuits pending for, in total, €128 million.
UniCredit S.p.A. has made a provision for an amount consistent with the risk of claw back action.

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. ("NCP") of the business "oil" closed on November 28, 2014, the buyer Ludoil Energy S.r.l. ("Ludoil") had raised some claims about:
- 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 recognized before the disposal and objecting the legal effectiveness of the agreements.

With reference to such claims, the legal advisor that had assisted in the disposal transaction confirmed to NCP that, to date, there are no elements that make the potential liability pertaining to Ludoil's challenges to the contract's validity and the "refund of the investments made" probable or possible.
In addition, during 2015, in agreement with its legal advisor, NCP has appointed a group of expert on environmental matters and an independent accountant, in order to express an advice on the appropriateness of the financial statements of the related provisions, including their quantification. Both advices have confirmed that the requests are unfounded. Finally, Ludoil has sent a letter dated February 1, 2016 asking for the cancellation of the original disposal contract. On this last request, the legal advisor of NCP has released an advice confirming that it is reasonable to consider unfounded the requests of cancellation of the disposal contract.
In this context, in March 2016, SO.DE.CO Srl, currently controlled by Ludoil filed a damage claim for approximately €94 million against its former directors, NCP, UniCredit S.p.A. and others. The former directors for having allegedly breached their duties in the preparation and revision of the annual accounts between 2010 and 2013, NCP and UniCredit S.p.A, as controlling entity and managing and coordinating entity respectively, for having allegedly breached the principles of sound corporate management.

C. Risks arising from employment law cases

UniCredit is involved in employment law disputes. In general, all employment law disputes are supported by provisions made to meet any disbursements incurred and in any case UniCredit 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 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 service 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 charges of approximately €40 million, and on the service of a tax audit report relating to the same issue also for 2010, for an additional estimated amount of €40 million. The dispute relating to 2009 was settled on May 18, 2015, by paying only the claimed taxes and interest, for a total amount of €17.7 million, without applying the penalties as the Italian Revenue Agency expressly recognized the company's actions in good faith. Also for 2010 the litigation has been settled, according to the same criteria used for 2009, by paying €17.8 million.
With reference to the fiscal years 2011-2014, on April 6, 2016, the Tax Authorities have served an 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 for higher tax and €1 million for interest. Also in this case no administrative penalty has been applied due to the express recognition of the company's actions in good faith.

New pending cases

In the first half of 2016 UniCredit S.p.A. was served several notices of assessment totaling over €13 million. 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", totaling €6.3 million. The company has promptly submitted appeal also against the last notice of assessment. Therefore, the total amount of all the notices of assessment notified with respect to the aforementioned issue which, as of December 31, 2015, amounted to €23.3 million, as of June 30, 2016, amounts to €29.6 million. At the end of the first instance trials the total amount canceled, though not definitively, is equal to €15 million. For all the notices of assessment served the litigation is 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.

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. The total amount of the higher taxes challenged is equal to €11.8 million. With reference to such challenges, the company has booked a provision of €7.9 million.
On September 29, 2016, the Revenue Agency has served to UniCredit Leasing S.p.A. a tax audit report regarding the fiscal years 2011 and 2012. The document is being analyzed in order to estimate reliably the higher taxes.
On October 10, 2016, the Italian Tax Authorities have served to UniCredit Bank A.G. – Milan branch a tax audit report regarding allegedly omitted withholding taxes on income from capital for €0.2 million. The document is being analyzed in order to estimate reliably the higher taxes.

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 September 30, 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:

- all the litigations 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, with respect to IRES tax, Pioneer Investment Management SGR S.p.A. has paid, for all the years indicated, a total amount of €39.7 million, of which €32.9 for higher tax and €6.8 million for interest. The outcome of the negotiations is in line with the criteria adopted for previous fiscal years settlements (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, referred only to higher IRES tax, plus interest. Also in this case the Tax Authorities did not apply any administrative penalties having expressly recognized the company's actions in good

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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 the 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 e interest);
- 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 to UniCredit S.p.A. and to 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.

Finally, 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.

As of June 30, 2016 the total amount of provisions for tax risks booked by UniCredit S.p.A. amounted to €108 million. As of September 30, 2016, after the movements of the quarter, the provisions amount to €105.9 million.

Tax proceedings in Germany
See paragraph “Legal Risks”.

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;
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.

Based on the third amendment agreement on the moratorium on debt payments, in the third quarter of 2016 the fifth adjustment of SFP was concluded, following which UniCredit S.p.A. reached overall 32,184,744, each with a face value of €1.00.

UniCredit S.p.A. credit exposure at September 30, 2016 amounted approximately to €68 million, which was a significant reduction compared to the €91 million at the end of 2015, against which impairment losses amounting to €28 million were recognized (€13 million as at December 31, 2015).

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, a provision for risk has been recognized to cope with possible costs also whereas the complaints increase in the litigiousness.

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 the light of such complexity, the contracts with clients are subject to monitoring and, in order to face potential payments due to the clients, a provision for risks has been recognized according to the likelihood of disbursement.

Part E – Information on risks and related risk management policies

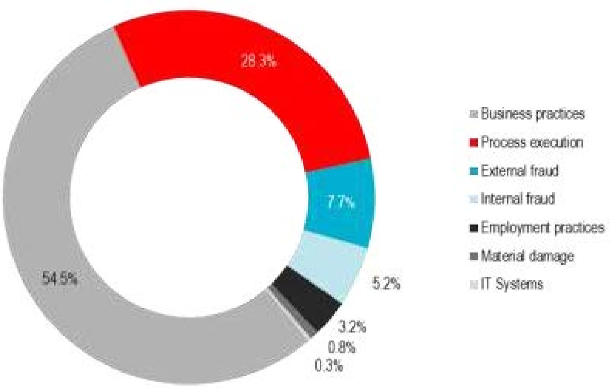
Quantitative information

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 2013 (Circular No.285/2013 and in following 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 business 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.

Operational losses as of 30th September 2016 divided by risk category



In the first nine months of 2016, the main source of operational risk was "Clients, products and business 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, as well as any sanctions for violating regulations. The second largest contribution to losses came from errors in process management, execution and delivery due to operational or process management shortfalls. There were also, in decreasing order, losses stemming from external fraud, internal fraud and employment practices. The residual risk categories were damage to physical assets from external events and IT systems related problems.

Section 5 - Other Risks

The so-called Pillar 1 risk types (credit risk, market risk, operational risk, as described in dedicated chapters) are considered as primary risks, but there are others the Group considers to be significant which include:
- business risk;
- real estate risk;
- financial investment risk;
- strategic risk;
- reputational risk.

For further details on the risks above mentioned (Risk measurement methods), please refer to the "Consolidated First Half Financial Report as at December 31, 2015", Notes to the Consolidated Accounts, Part E, Section 5 "Other Risks".

Developments of the period

With respect to December 31st 2015, regarding business risk measurement, it is to be noticed that the resulting economic capital absorbs mainly the risks due to missing budgeted NII and Costs targets. This method differs from the previous one that was assuming a normal distribution of the risk drivers.

In order to refresh the methodologies of reputational risk assessment, reflecting the best practices already managed by the Group, in September 2016 the Governance Guidelines have been replaced by the Group Reputational Risk management policy.

Top and emerging risks

In UniCredit, the management and monitoring of risks is based on a dynamic approach; Top Management is promptly informed on top risks and/or emerging risks through a strict monitoring process embedded in the risk assessment process.
The Risk Management identifies and estimates these risks and submits them regularly to senior/top management and Board of Directors which take the appropriate to manage and mitigate risks.

Until September 2016, the Group paid particular attention to following kind of risks :
1. **Geopolitical Risks** existing in the areas where Unicredit operates, especially in **Turkey** and **Russia**
2. **Economic Consequences coming from "Brexit" event**
3. Risks stemming from **current Regulatory environment** and in particular regarding Regulatory developments that could affect Group profitability

1) Geopolitical Risks

In **Turkey**, the near-term outlook has deteriorated, hit by the fallout from the failed coup attempt, the collapse in tourism, and the recent downgrade to sub-investment grade. Activity should recover later this year and in 2017, but Brexit-related headwinds, rising oil prices and ongoing political tensions will limit growth to 3%, less than potential. The main short-term risk for the country is related to the US presidential election, since, following the Republican win, there was an impact in Turkish financial market influencing its known fragility.
To tackle these potential turbulence, at the end of September 2016, Government announced a new package of economic measures aimed at boosting domestic consumption and restoring household confidence in the country's economic stability (slightly decreasing after the failed military coup of July 15).
This move also comes from abovementioned credit rating agency Moody's decision to downgrade Turkey's credit rating to Junk level. Moody's decision followed a reduction to two notches below investment grade (to BB Negative) by S&P in the immediate outcome of the coup in July.
The exposure at Group level to Turkish Sovereign is very small (notional at ~2.5 billion/Euro) while the capital position and Asset Quality of Bank in Turkey remain sound and under control.

In **Russia**, the near-term outlook has improved in recent months, thanks to the recovery in oil prices and an upward revision in projections going forward. We expect the economy to bottom out in 3Q16 and growth to resume in 4Q, prompting to upgrade the consensus growth projections to -0.8% this year and +1.4% next year.
From a political point of view, the parliamentary elections held on September 18, confirmed the dominant position of the ruling and pro-Putin party United Russia: no push towards the structural reforms needed to boost investments and help the country moving away from its dependence on commodities is now expected.
At the end of September, Central Bank of Russia (CBR) published the list of systemically important credit institutions (D-Sibs, accounts for over 60% of the banking sector assets) among them also Unicredit, and per Basel III, they have to comply with tighter capital and liquidity norms.
UniCredit Bank keeps on showing a acceptable NPE ratio (below 10%) coupled with a sound coverage ratio (well above 50%) and robust liquidity and capital positions.

Part E – Information on risks and related risk management policies

2) UniCredit Group updates regarding "Brexit" event

In the UK, the Prime Minister Theresa May stated that Article 50 will be triggered by the end of March next year and hinted at a "hard Brexit". This event coupled by a deterioration of the UK economic picture have led to an acceleration, widely expected, of the GBP depreciation.

Overall current Unicredit Group direct exposure to UK is limited and does not show major concerns while credit exposure to obligors resident in UK are mostly Financial Institutions and Clearing Houses.

Also from liquidity risk there is no major issue on the GBP given the limited exposures in UK instruments.

3) Current Regulatory environments

The key sources of uncertainty, in terms of regulatory developments impacting the financial industry, pertain the following aspects:

a) Regulatory developments about CHF exposure in CEE Region

In the mid-2000s, Central and Eastern Europe was attracted by the low interest rates on loans denominated in Swiss Francs. These circumstances and lower monthly instalments made a number of consumers eligible for the granting of CHF loans rather than granting EUR or own currency.

Following the changes in the financial markets in 2008, the CHF exchange rate started to soar: this significant appreciation was followed by an increase in interest rates together with loan instalments higher than their initial value, left borrowers faced with considerable difficulties in repaying their loans.

It has emerged in various countries in Central and South-eastern Europe as well, where after legislators attempted to solve the potential problem but the proposed solutions varied from country to country with no unified approach.

The countries where Unicredit group operates and the CHF exchange rate could be a risk factor are:

Croatia

On September 28, the outgoing cabinet has sent the required reply to European Committee's warning letter sent in June, about the legislation imposing the conversion of CHF-denominated loans into Euro, the deadline for which expired by end-September, after being extended due to early parliamentary elections.

A potential solution to ease up banks' losses would also avoid arbitrations with banks; talks have already been held in May/June, but ended without a concrete solution.

Poland

Early August, Government announced the bill on refunding spreads banks charged on FX loans, after having put on hold for a year a more controversial bill to force banks to convert FX loans into Polish zloty.

Romania

On early October, the Parliament's Permanent Commission discussed the topic of FX loans conversion in local currency. There are currently two Draft Laws both approved by the Senate in 2014:

- The first refers to any FX loans (regardless of the currency) conversion at market exchange rate. Notwithstanding positive opinion on the original draft issued by the Government, politicians introduced some amendments
- The second envisages the reimburse of FX loans either in national or foreign currency at an average exchange rate (from the date when the loan was contracted), it has received negative opinion by the Government.

b) Evolution of the regulatory framework

Over the last few years the regulatory framework in which financial institutions act has become increasingly complex and stricter. This complexity, which is going to increase in the coming year, has been fed by the introduction of new financial regulations, some of them being still under discussion, and by the ECB central role in the supervision of a large portion of the European banking system. All these changes might significantly affect our Group and introduce additional challenges for the general banking sector profitability and capital requirements.

The most relevant changes are the following:

- *Revision to the Basel III framework for the calculation of risk weighted assets* for credit, operational and market risk. Although these new rules (known as Basel IV) have not been defined in detail, the regulator's ultimate goal is to restrict the usage of internal models for measuring credit risk on some specific portfolios and the return to a more stringent standardized approach, to eliminate internal models for operational risks, and last but not least to introduce more stringent and sophisticated internal models and standardized approaches for measuring market risk in the trading portfolios.
- *Entry into force of the leverage ratio*, an additional regulatory requirement compared to the risk based indicators envisaged in the Basel III package. The leverage ratio aims to constrain the building up of financial leverage in the banking industry, as well as to reinforce the capital requirements with a supplementary measure not based on risk parameters. The final regulation for the European Union is expected for the second half of 2017.
- *Entry into force of the liquidity requirements* envisaged in Basel III. These requirements are basically two: a short term indicator (liquidity coverage ratio, "LCR"), with the goal to have banks to maintain a liquidity buffer to survive a 30-days period of stress (which is being phased in since October 2015), and a structural liquidity indicator (the net stable funding ratio, "NSFR") referring to a time horizon over one year, introduced to ensure that assets and liabilities have a sustainable structure in terms of maturity (which is being phased in since January 2018). The NSFR will be introduced un the European Union through the regulatory proposals named "CRD V", which will be published in November 2016 and the entry into force will depend on the related legislative process, currently deemed likely to finish in the first half of 2018.
- *Adoption of IFRS9 accounting standard*, which envisages a new framework for provisioning computation based on expected loss rather than on incurred loss (as in the current accounting standard IAS39). The quantification of the expected loss is based on forward looking indicators and macroeconomic factors, which will ultimately lead to increased provisions as a first time adoption effect.
- *Entry into force of the Bank Recovery and Resolution Directive ("BRRD")* which implies the implementation of a framework where, in case of severe crises, the losses of the banks are to be transferred to the shareholders, holders of subordinated debt, of non-subordinated and non-guaranteed debt, and finally to the depositors for the part exceeding the deposit guarantee (Euro 100,000), known as "bail-in". In this context, the same BRRD introduces a requisite for bail-inable liabilities, the Minimum Requirement for Own Funds and Eligible Liabilities ("MREL"), in order to ensure that the bank, in case bail-in is applied, has enough liabilities to absorb the losses and to guarantee compliance with primary capital requirements applicable for the authorisation of banking activities, as well as to produce sufficient confidence in the bank. At a global regulatory level instead, the Financial Stability Board has finalized an international standard that determines the minimum amount of liabilities and own funds subject to bail-in for systemically important banks (like UniCredit): the Total Loss Absorbency Capacity ("TLAC"). A proposal by the European Commission is expected before the end of 2016 for the implementation of TLAC in the European Union, taking into account also the above mentioned MREL.
- *Likely eliminations of preferential treatment of sovereign exposure in banks' banking book:* banks 'exposures to home sovereign currently benefit of a zero risk weight. There is no concrete proposal yet, but policy makers and regulators are currently discussing which approach to adopt to remove this preferential treatment, whether to introduce a concentration limit or to apply a risk weight to these exposures.

Part F – Consolidated Shareholders' Equity

Notes:
The document "Disclosure by Institutions" (Pillar III of Basel 3) is published on UniCredit group's website (https://www.unicreditgroup.eu/it/investors/third-pillar-basel-two-and-three.html) according to the deadline defined in the relevant regulations.

Please note that the disclosures to be provided by the systemically important banks were published on the UniCredit group's website according to the deadline defined in the relevant regulations (www.unicreditgroup.eu).

Part F – Consolidated Shareholders' Equity

Section 1 - Consolidated Shareholders' Equity

A. Qualitative information

The UniCredit group has made a priority of capital management and allocation on the basis of the risk assumed in order to expand the Group's operations and create value. These activities are part of the Group planning and monitoring process and comprise:

- planning and budgeting processes:
  - proposals as to risk propensity and capitalization 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 equity 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 has set itself the goal of generating income in excess of that necessary to remunerate risk (cost of equity), and thus of creating value for its shareholders by allocating capital to the various business areas and business units on the basis of specific risk profiles. In support of planning and monitoring processes, the Group has adopted a methodology based on risk-adjusted performance measurement (Rapm) which provides a number of indicators that combine and summarize the operating, financial and risk variables to be considered.
Capital and its allocation are therefore extremely important in defining strategies, since on the one hand it represents the shareholders' investment in the Group which must be adequately remunerated, on the other hand it is a scarce resource on which there are external limitations imposed by regulatory provisions.

The definitions of capital used in the allocation process are as follows:

- Risk or employed capital: This is the equity component provided by shareholders (employed capital) for which a return that is greater than or equal to expectations (cost of equity) must be provided;
- Capital at risk: This is the portion of capital and reserves that is used (the budgeted amount or allocated capital) or was used to cover (at period-end - absorbed capital) risks assumed to pursue the objective of creating value.

If capital at risk is measured using risk management methods, it is defined as economic capital, if it is measured using regulatory provisions, it is defined as regulatory capital.
Economic capital and regulatory capital differ in terms of their definition and the categories of risk covered. The former is based on the actual measurement of exposure assumed, while the latter is based on schedules specified in regulatory provisions.
Economic capital is set at a level that will cover adverse events with a high level of probability, while regulatory capital is quantified on the basis of a CET1 target ratio in line with that of major international banking groups and taking into account the impacts of the supervisory regulations in force or that will be adopted (CRR, Global Systemically Important Financial Institutions: G-SIFIs, etc.).

The purpose of the capital management function performed by the Capital Management unit of Planning and Capital Management is to define the target level of capitalization for the Group and its companies in line with supervisory regulations and the propensity for risk. UniCredit group has identified a Fully Loaded Common Equity Tier 1 Ratio Target equal to 11.50% as of 2018, as communicated in November 2015 within the Strategic Plan 2018. The Strategic Plan defines the referring macroeconomic scenario, the Group strategic guidelines and the main economic and financial targets as well as dividend payout assumptions coherent with the Common Equity Tier 1 Ratio Target.

The outcome of the strategic review will be presented on December 13, 2016. Reference documents will be available in the Group site adequate section
Capital is managed dynamically: the Capital Management unit prepares the equity plan and monitors capital ratios for regulatory purposes. On the one hand, monitoring is carried out in relation to shareholders' equity, for both accounting and regulatory purposes (Common Equity Tier 1, Additional Tier 1 and Tier 2 Capital), and on the other hand, in relation to the planning and performance of riskweighted assets (RWAs).
The dynamic management approach is aimed at identifying the investment and capital-raising instruments (ordinary shares and other equity instruments) that are most suitable for achieving the Group's goals. If there is a capital shortfall, the gaps to be filled and capital generation measures are indicated, and their cost and efficiency are measured using Rapm. In this context, value analysis is enhanced by the joint role played by the Capital Management unit in the areas of regulatory, accounting, financial, taxrelated, risk management and other aspects and the changing regulations affecting these aspects so that an assessment and all necessary instructions can be given to other Group HQ areas or the companies asked to perform these tasks.

Section 2 - Own funds and banking regulatory ratios

2.1 Regulatory framework

Banca d'Italia Circular No.285 of December 17, 2013, as amended, states that the asset and liability items to be included in the regulatory scope of consolidation are to be calculated according to the consolidation methods provided for by the regulations governing the preparation of financial statements (Banca d'Italia Circular No.262).
It should be noted that the scope of consolidation is determined according to the prudential regulations and, even if maintaining a general alignment, may differ from the scope of the consolidated financial statements, determined under IAS/IFRS.
In more detail, the following consolidation methods are applied:
- the line-by-line consolidation method, to banking, financial and instrumental companies belonging to the banking group;
- the proportionate consolidation method, to banking, financial and instrumental companies in which the banking group or the bank holds a stake of at least 20 per cent, when they are owned by the banking group or the bank jointly with other parties and in accordance with agreements signed with them;
- the equity method: a) to the other banking and financial companies in which the banking group or the bank holds a stake (provided that the bank also holds stakes of at least 20 per cent subject to joint control) of at least 20 per cent or subject to significant influence; b) to businesses, other than banking, financial and instrumental companies, owned exclusively or jointly by the banking group (or the bank) or subject to significant influence.

For more information regarding exclusion and exemption from consolidation see the general instructions contained in Banca d'Italia Circular No.115.

2.2 Banking Own funds

A. Qualitative information

Starting from January 1, 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 1Capital (AT1);
- Tier 2 Capital (T2);
- the sum of T1 and T2 generates the Total Own Funds (Total Capital).

Capital requirements and capital buffers
- The minimum capital requirements for the UniCredit group as of September 30, 2016 are equal to the following capital ratios (which also includes the capital conservation buffer set at 2.5% to be fulfilled through CET1, required by Banca d'Italia starting January 1, 2014):
  - CET1: 7%;
  - Tier 1 Capital: 8.5%;
  - Total Capital: 10.5%.
- Following the results of the Supervisory Review and Evaluation Process (SREP) performed by European Central Bank (ECB), UniCredit is required to meet on a consolidated basis a CET1 ratio transitional of 9.75% starting from January 1, 2016.
- The G-SIB buffer required by the Financial Stability Board (FSB) to be applied on top of SREP ratio is equal - for UniCredit - to 0.25% on a phase-in basis from January 1, 2016; it will be increased by 0.25% per annum thereafter until reaching 1% on fully loaded basis in 2019.
- The countercyclical capital buffer, to be considered in addition to the SREP requirement, applies starting from January 1, 2016. According to the statement reported by the CRDIV Article 160 (paragraphs from 1 to 4) in coherence with the transitional regime granted by Banca d'Italia, for the period from January 1, 2016 until December 31, 2016, institution-specific countercyclical capital buffer shall consist of Common Equity Tier 1 capital and shall be no more than 0.625 % of the total of the risk-weighted exposure amounts of the institution.
  With reference to September 30, 2016:
  - countercyclical capital rates have generally been set at 0%, except for the following countries[12]: Sweden (1.50%), Norway (1.50%) and Hong Kong (0.625%);
  - at the consolidated level, the specific countercyclical rate of UniCredit amounts to 0.005%.
- On January 22, 2016, Banca d'Italia has identified UniCredit group as an "Other Systemically Important Institution" (O-SII); Banca d'Italia has also decided to apply to the Group an additional capital buffer (O-SII buffer) equal to 0% for 2016.

(12) With reference to the exposures towards Italian counterparties as of September 30, 2016 - Banca d'Italia has set the rate equal to 0%.

Part F – Consolidated Shareholders' Equity

Transitional consolidated Own Funds
Regarding the amount of transitional adjustments as of September 30, 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);
- 60% for the amount of actuarial losses calculated according to CRR Article 473 (80% for 2015).

Profit of the period
The net profit of the first half of 2016, for €1,321 million, is fully recognized in Own Funds in line with the permission from the competent Authority according to CRR article 26(2). The net profit of the first half of 2016 is recognized without any foreseeable dividends deduction in line with the decision taken by the Board of Directors on August 3, 2016. The dividend policy for 2016 and for the subsequent years will be re-discussed while reviewing the strategic plan.
The net profit of third quarter 2016 is not included in consolidated Own Funds as UniCredit Group has not requested the prior permission from the competent Authority according to CRR Article 26(2).

Stake in Banca d'Italia's capital
With reference to the regulatory treatment of UniCredit's stake in Banca d'Italia, it is worth mentioning that: (I) the carrying value as of September 30, 2016, equal to €1,334 million, is risk weighted at 100% (according to the CRR Article 133 "Equity exposure"); (II) 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 I is based on the application of the look-through method to the underlying investments, in particular 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 of EU Regulation 2015/923.
With reference to the commitment held by UniCredit towards the Atlante Funds I and II, the regulatory treatment foresees - as of September 30, 2016 - the application of a Credit Conversion Factor equal to 100% ("*full risk*" according to the Annex I of CRR).

Voluntary Scheme
With reference to the regulatory treatment of the Voluntary Scheme, according to the application of the article 15.c of the Delegated Regulation (EU) 2015/923, the default approach was applied in coherence the article 15.d of the aforementioned Regulation (i.e. look-through).
As a consequence, and for the purposes of CET1 deductions (CRR article 36), the investments (underlying) of the Voluntary Scheme are treated as CET1 indirect holdings in not significant financial sector entities (given the application of the article 15.g of the aforementioned Regulation 2015/923).
With reference to the commitment held by UniCredit towards the Voluntary Scheme, the regulatory treatment foresees - as of September 30, 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
With reference to the contents of Banca d'Italia 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 Banca d'Italia 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.

Financial conglomerate
With reference to December 31, 2015 reporting date, UniCredit is no more classified as financial conglomerate; such indication was published by Consob (Italian Market Authority) on September 9, 2016.

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; Common Equity Tier 1 Capital items also include minority interest for the computable amount recognized by CRR.
- 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 September 30, 2016 Common Equity Tier 1 includes ordinary shares issued by UniCredit S.p.A, equal to €20,196 million.
The item includes neither the amount related to Cashes[13] (€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).

(13) 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.

Part F – Consolidated Shareholders' Equity

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).

Financial instruments included in Additional Tier 1 Capital

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	XS0527624059	211	500	EUR	No maturity	07.21.2020	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	06.03.2024	Fixed	8% p.a. until 06.03.2024; therafter 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	09.10.2021	Fixed	6.75% p.a until 10/09/2021; therafter fixed every 5 years for 5-Year Mid-Swap Rate + 610bps	Non convertible	yes	Tier 2
yes	UNICREDIT INTERNATIONAL BANK (LUXEMBOURG) SA	XS0372556299	136	350	GBP	No maturity	06.27.2018	Fixed to Floating	8.5925% from issue date to 06.27.2018 payable semi-annually, equivalent to MS + 2.95%; Libor 3M + 3.95% from 06.27.2018	Non convertible	yes	Tier 2
yes	UNICREDIT INTERNATIONAL BANK (LUXEMBOURG) SA	XS0470937243	393	750	EUR	No maturity	12.10.2019	Fixed to Floating	8.125% from issue date to 12/10/2019; Euribor 3M + 6.650%	Non convertible	yes	Tier 2
yes	HVB FUNDING TRUST II	XS0102826673	16	100	GBP	10.13.2036	10.13.2034	Fixed	7.76% p.a	Non convertible	yes	Tier 2
yes	ALPINE CAYMAN ISLANDS LTD.	DE000A0DD4K8	95	250	EUR	No maturity	10.28.2011	Fixed to Floating	1Y 6.00%, max between 8.00% and CMS euro 10y + 0.10% from 10.28.2005. Payable semi-annually	Non convertible	no	Tier 2
yes	ALPINE CAYMAN ISLANDS LTD.	DE000A0DYW70	50	150	EUR	No maturity	03.22.2012	Fixed to Floating	1Y 7.5% payable in arrear, max between 8.00% and euro CMS 10 y + 0.15% from second year to maturity.	Non convertible	no	Tier 2
yes	HVB FUNDING TRUST	US404398AA77	19	300	USD	06.30.2031	06.30.2029	Fixed	8.741% p.a.	Non convertible	yes	Tier 2
yes	HVB FUNDING TRUST III	US404399AA50	18	200	USD	10.22.2031	10.22.2029	Fixed	9% payable semi-annually	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) In case of instruments issued by Group's subsidiaries, the value represents the computable amount of the instrument, that is the basis for the calculation of minority interests.
In case of Additional Tier 1 instruments in the transitional rules, the value represents the total computable amount (including both the quota in Additional Tier 1 and the quota reclassified in Tier 2 when exceeding the grandfathering limit calculated according to regulation).

(3) 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.

The ordinary shares underlying to the "Cashes" transaction, equal to €609 million, are included in Additional Tier 1 Capital.

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).
Consolidated Own Funds as of September 30, 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.

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.

Financial instruments included in Tier 2 Capital

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)
no	UNICREDIT SPA	XS0322918565	188	1,000	EUR	09.26.2017	-	Fixed	5.75% p.a.	Non Convertible	no	Senior
no	UNICREDIT SPA	XS0332831485	40	171	EUR	12.04.2017	-	Floating	Max between 5.14% and 100% of swap Euro 10 y	Non Convertible	no	Senior
no	UNICREDIT SPA	XS0334815601	24	100	EUR	12.11.2017	-	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	5	15	EUR	04.10.2018	-	Floating	Max between 5.535% and 10 y Euro CMS	Non Convertible	no	Senior
no	UNICREDIT SPA	XS0356629369	31	100	EUR	04.24.2018	-	Floating	Max between 5% and 10 y Euro CMS + 0.67%	Non Convertible	no	Senior
no	UNICREDIT SPA	XS0367777884	235	1,000	EUR	06.05.2018	-	Fixed	6.70% p.a.	Non Convertible	yes	Lower Tier 2
no	UNICREDIT SPA	XS0372227982	43	125	EUR	06.25.2018	-	Floating	Euribor 6M + 1.7%	Non Convertible	yes	Lower Tier 2
no	UNICREDIT SPA	XS0503612250	46	50	EUR	04.21.2021	-	Fixed	5% p.a.	Non Convertible	no	Senior
no	UNICREDIT SPA	XS0504566414	50	50	EUR	04.25.2022	-	Fixed	5.05% p.a.	Non Convertible	no	Senior
no	UNICREDIT SPA	XS0503708280	36	50	EUR	04.26.2020	-	Fixed	4.75% p.a.	Non Convertible	no	Senior
yes	UNICREDIT SPA	IT0004605074	235	333	EUR	05.31.2020	-	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	37	50	EUR	06.14.2020	-	Fixed	5.16% p.a.	Non Convertible	no	Senior
yes	UNICREDIT SPA	IT0004615305	46	327	EUR	06.14.2017	-	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

Part F – Consolidated Shareholders' Equity

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	134	464	EUR	03.31.2018	-	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	226	759	EUR	03.31.2018	-	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	550	750	EUR	04.19.2021	-	Fixed	6.125% p.a.	Non Convertible	no	Senior
yes	UNICREDIT SPA	IT0004723927	133	394	EUR	06.30.2018	-	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	7	20	EUR	07.05.2018	-	Floating	Euribor 3M + 2.50% p.a.	Non Convertible	no	Senior
no	UNICREDIT SPA	XS0849517650	1,494	1,500	EUR	10.31.2022	-	Fixed	6.95% p.a	Non Convertible	no	Senior
yes	UNICREDIT SPA	IT0004747330	58	157	EUR	08.19.2018	-	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	4	10	EUR	07.21.2018	-	Floating	Euribor 3M + 2.637% p.a.	Non Convertible	no	Senior
yes	UNICREDIT SPA	IT0004764004	172	414	EUR	10.31.2018	-	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	237	518	EUR	01.31.2019	-	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	07.30.2023	07.30.2018	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	667	750	USD	05.02.2023	05.02.2018	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	10.28.2025	10.28.2020	Fixed	5.75% p.a.. after the call. 5Y Swap + 410 bps	Non Convertible	no	Senior
no	UNICREDIT SPA	135_SL0001	2	10	EUR	10.30.2017	-	Fixed	5.45% p.a.	Non Convertible	no	Senior
no	UNICREDIT SPA	135_SL0002	2	10	EUR	10.30.2017	-	Fixed	5.45% p.a.	Non Convertible	no	Senior
no	UNICREDIT SPA	135_SL0003	2	10	EUR	11.13.2017	-	Fixed	5.54% p.a.	Non Convertible	no	Senior
no	UNICREDIT SPA	135_SL0004	1	5	EUR	11.27.2017	-	Fixed	5.7% p.a.	Non Convertible	no	Senior
no	UNICREDIT SPA	135_SL0005	1	5	EUR	11.27.2017	-	Fixed	5.7% p.a.	Non Convertible	no	Senior
no	UNICREDIT SPA	135_SL0006	5	20	EUR	11.27.2017	-	Fixed	5.7% p.a.	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]
no	UNICREDIT SPA	135_SL0007	5	20	EUR	11.27.2017	-	Fixed	5.7% p.a.	Non Convertible	no	Senior
no	UNICREDIT SPA	135_SL0008	0	1	EUR	11.27.2017	-	Fixed	5.7% p.a.	Non Convertible	no	Senior
no	UNICREDIT SPA	135_SL0009	9	40	EUR	11.27.2017	-	Fixed	5.7% p.a.	Non Convertible	no	Senior
no	UNICREDIT SPA	135_SL0010	1	5	EUR	11.27.2017	-	Fixed	5.7% p.a.	Non Convertible	no	Senior
no	UNICREDIT SPA	135_SL0011	5	20	EUR	11.27.2017	-	Fixed	5.7% p.a.	Non Convertible	no	Senior
no	UNICREDIT SPA	135_SL0012	1	5	EUR	11.27.2017	-	Fixed	5.7% p.a.	Non Convertible	no	Senior
no	UNICREDIT SPA	135_SL0013	3	10	EUR	01.30.2018	-	Fixed	5.74% p.a.	Non Convertible	no	Senior
no	UNICREDIT SPA	135_SL0014	3	10	EUR	01.30.2018	-	Fixed	5.74% p.a.	Non Convertible	no	Senior
no	UNICREDIT SPA	XS1070428732	184	185	EUR	05.21.2024	05.21.2019	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 BANK AUSTRIA AG	XS0062981500	57	10,000	JPY	03.12.2021	-	Fixed	6.3% p.a.	Non Convertible	no	Senior
no	UNICREDIT BANK AUSTRIA AG	XS0070770333	1	5,000	JPY	10.31.2016	-	Fixed	5.39% p.a.	Non Convertible	no	Senior
no	UNICREDIT BANK AUSTRIA AG	XS0071432222	1	5,000	JPY	11.28.2016	-	Fixed	5.2% p.a.	Non Convertible	no	Senior
no	UNICREDIT BANK AUSTRIA AG	US060587AB85	47	700	USD	02.15.2017	-	Fixed	7.25% p.a.	Non Convertible	no	Senior
no	UNICREDIT BANK AUSTRIA AG	AT0000541719	16	20	EUR	10.06.2020	-	Fixed	6.5% p.a.	Non Convertible	no	Senior
no	UNICREDIT BANK AUSTRIA AG	AT0000541669	4	5	EUR	08.01.2020	-	Fixed to Floating	7.1% payable until 07.31.2005, thereafter 1.8 x 10yJPYCMS. floor: 3.25%, cap: 8.25%	Non Convertible	no	Senior
no	UNICREDIT BANK AUSTRIA AG	XS0122710188	20	20	EUR	01.24.2031	-	Floating	Euribor 3M + 0.39% p.a.	Non Convertible	no	Senior
no	UNICREDIT BANK AUSTRIA AG	XS0123313636	30	30	EUR	01.25.2031	-	Floating	Euribor 6M + 0.3925% payable semi-annually	Non Convertible	no	Senior
no	UNICREDIT BANK AUSTRIA AG	XS0123117292	46	46	EUR	01.25.2031	-	Floating	Euribor 3M + 0.35% payable quarterly	Non Convertible	no	Senior
no	UNICREDIT BANK AUSTRIA AG	AT0000539606	9	9	EUR	12.21.2026	12.21.2017	Fixed	6% p.a.	Non Convertible	no	Senior
no	UNICREDIT BANK AUSTRIA AG	XS0134061893	55	55	EUR	08.20.2033	-	Floating	Euribor 3M + 0.52% payable quarterly	Non Convertible	no	Senior
no	UNICREDIT BANK AUSTRIA AG	XS0136314415	35	35	EUR	10.31.2031	-	Floating	Euribor 3M + 0.49% payable quarterly	Non Convertible	no	Senior
no	UNICREDIT BANK AUSTRIA AG	AT0000539531	0	5	EUR	12.06.2016	-	Fixed to Floating	7% from 12.06.2001 to 12.05.2006; thereafter 9.90% minus Euribor 12M. floor: 0%	Non Convertible	no	Senior
no	UNICREDIT BANK AUSTRIA AG	XS0137905153	12	12	EUR	10.30.2031	-	Fixed	5.935% p.a.	Non Convertible	no	Senior
no	UNICREDIT BANK AUSTRIA AG	XS0138428684	60	60	EUR	12.31.2031	-	Floating	Euribor 3M + 0.50% payable quarterly	Non Convertible	no	Senior
no	UNICREDIT BANK AUSTRIA AG	XS0138355515	0	10	USD	11.14.2016	-	Fixed	6.00% p.a.	Non Convertible	no	Senior
no	UNICREDIT BANK AUSTRIA AG	XS0138294201	1	30	USD	11.14.2016	-	Fixed	6.00% p.a.	Non Convertible	no	Senior
no	UNICREDIT BANK AUSTRIA AG	XS0139264682	36	40	USD	12.05.2031	-	Fixed	6.21% p.a.	Non Convertible	no	Senior
no	UNICREDIT BANK AUSTRIA AG	A111_SL0040	25	28	USD	12.15.2046	-	Fixed	USD 130.000 per month/ 5.673% p.a.	Non Convertible	no	Senior
no	UNICREDIT BANK AUSTRIA AG	XS0140394817	94	95	EUR	12.27.2031	-	Floating	Euribor 3M + 0.48% payable quarterly	Non Convertible	no	Senior

Part F – Consolidated Shareholders' Equity

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)
no	UNICREDIT BANK AUSTRIA AG	XS0140907626	50	50	EUR	12.27.2021	-	Floating	Euribor 3M + 0.48% payable quarterly	Non Convertible	no	Senior
no	UNICREDIT BANK AUSTRIA AG	XS0140691865	50	50	EUR	12.27.2026	-	Floating	Euribor 6M + 0.5% payable semi-annually	Non Convertible	no	Senior
no	UNICREDIT BANK AUSTRIA AG	XS0140608398	63	63	EUR	12.27.2021	-	Fixed	5.80% p.a.	Non Convertible	no	Senior
no	UNICREDIT BANK AUSTRIA AG	XS0140838474	125	125	EUR	12.27.2029	-	Floating	Euribor 6M + 0.52% payable semi-annually	Non Convertible	no	Senior
no	UNICREDIT BANK AUSTRIA AG	XS0141069442	100	100	EUR	12.28.2021	-	Floating	Euribor 6M +0.48% payable semi-annually	Non Convertible	no	Senior
no	UNICREDIT BANK AUSTRIA AG	AT0000539481	40	40	EUR	11.29.2021	-	Fixed	6% p.a.	Non Convertible	no	Senior
no	UNICREDIT BANK AUSTRIA AG	A111_SL0050	25	25	EUR	10.19.2021	-	Fixed	6.01% p.a.	Non Convertible	no	Senior
no	UNICREDIT BANK AUSTRIA AG	A111_SL0053	20	20	EUR	12.02.2021	-	Fixed	5.51% p.a.	Non Convertible	no	Senior
no	UNICREDIT BANK AUSTRIA AG	AT0000246814	2	15	EUR	02.26.2021	02.26.2016	Floating	Euribor 6M + 0.20% payable semi-annually	Non Convertible	no	Senior
no	UNICREDIT BANK AUSTRIA AG	AT0000245790	0	27	EUR	10.25.2019	-	Fixed to Floating	7.25% for first five years, thereafter arithmetic average Secondary Market Yield of Banking Bonds according to ONB minus 0.25%	Non Convertible	no	Senior
no	UNICREDIT BANK AG	XS0093266939	14	60	DEM	12.21.2018	-	Fixed	5.43% p.a.	Non Convertible	no	Senior
no	UNICREDIT BANK AG	XS0097425226	18	40	EUR	05.14.2019	-	Fixed to Floating	5.00% from issue date to 05.14.2009; 5.00% + 16% of Euro CMS 10y from 05.14.2009.	Non Convertible	no	Senior
no	UNICREDIT BANK AG	XS0097950900	2	3	EUR	05.28.2019	-	Fixed to Floating	4.50% from issue date to 05.28.2004; max between 4.50% and 90% of Euro CMS 10y from 05.28.2004.	Non Convertible	no	Senior
no	UNICREDIT BANK AG	XS0098170003	20	43	EUR	06.01.2019	-	Fixed to Floating	4.70% from issue date to 06.01.2009; max between 4.70% and 102% of Euro CMS 10y from 06.01.2009	Non Convertible	no	Senior
no	UNICREDIT BANK AG	XS0098907693	12	25	EUR	06.25.2019	06.25.2009	Fixed	7.00% p.a.	Non Convertible	no	Senior
no	UNICREDIT BANK AG	XS0104764377	39	39	EUR	11.19.2029	-	Floating	Euribor 6M + 0.62%	Non Convertible	no	Senior
no	UNICREDIT BANK AG	DE0002298890	11	20	EUR	06.07.2019	-	Fixed	5.5% p.a.	Non Convertible	no	Senior
no	UNICREDIT BANK AG	XS0105174352	12	12	EUR	12.13.2024	-	Fixed	2.00% p.a. from issue date to 12.13.2004; 9.00% p.a. from 12.13.2004.	Non Convertible	no	Senior
no	UNICREDIT BANK AG	XS0105656267	12	15	EUR	12.21.2029	-	Fixed	5.00% p.a.	Non Convertible	no	Senior
no	UNICREDIT BANK AG	XS0114878233	6	8	EUR	08.03.2020	-	Floating	Euribor 6M + 0.65%	Non Convertible	no	Senior
no	UNICREDIT BANK AG	XS0119485885	11	14	EUR	10.23.2020	-	Floating	Euribor 3M + 0.70%	Non Convertible	no	Senior
no	UNICREDIT BANK AG	XS0120851174	8	10	EUR	12.22.2020	-	Floating	67% of Euro CMS 10y, with a min. of 4.85% and a max of 5.85%	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)]
no	UNICREDIT BANK AG	A1982_SL0068	2	10	EUR	11.27.2017	-	Fixed	5.85% p.a.	Non Convertible	no	Senior
no	UNICREDIT BANK AG	XS0150812872	2	10	EUR	07.08.2017	-	Fixed	1.00% from 07.08.2003 to 07.08.2007; 3.00% from 07.08.2008 to 07.08.2012; 4.00% from 07.08.2013 to 07.08.2017	Non Convertible	no	Senior
no	UNICREDIT BANK AG	XS0154897317	5	25	EUR	09.24.2017	-	Floating	Max between 6.50% and 94% of Euro CMS 10y from issue date to 09.24.2007; 94% of Euro CMS 10Y 09.24.2007.	Non Convertible	no	Senior
no	BANK AUSTRIA WOHNBAUBANK AG	AT0000347695	0	12	EUR	11.02.2016	11.03.2013	Fixed	4.875% p.a.	Convertible - AT1	yes	Senior
no	BANK AUSTRIA WOHNBAUBANK AG	AT000B074141	1	8	EUR	10.22.2017	-	Fixed	4.625% p.a.	Convertible - AT1	no	Senior
no	UNICREDIT LUXEMBOURG FINANCE SA	US90466GAC69	144	750	USD	10.31.2017	-	Fixed	6.00% p.a.	Non Convertible	no	Senior
no	UNICREDIT SPA	IT0005087116	2,495	2,500	EUR	05.03.2025	05.03.2020	Floating	Euribor 3M + 2.75%	Non Convertible	no	Senior
no	UNICREDIT SPA	XS1426039696	747	750	EUR	01.03.2027	01.03.2022	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) state 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). In case of instruments issued by Group's subsidiaries, the value represents the computable amount of the instrument, that is the basis for the calculation of minority interests.

(3). 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.

Saving shares and related share premium are included in Tier 2 Capital for a total amount of €17 million.

Part F – Consolidated Shareholders' Equity

B. Quantitative information

(€ '000)

OWN FUNDS	09.30.2016	12.31.2015
A. Common Equity Tier 1 Capital (CET1) before prudential filters	**49,770,545**	**48,145,784**
of/w grandfathered CET1 instruments	-	-
B. CET1 Prudential Filters (+/-)	**(1,152,923)**	**(1,270,500)**
C. CET1 gross of deductions and transitional adjustments (A +/- B)	**48,617,622**	**46,875,284**
D. Items to be deducted from CET1	**6,334,325**	**6,330,745**
E. Transitional adjustments – Effect on CET1 (+/-), including minority interests subject to transitional adjustments	**696,675**	**830,619**
F. Common Equity Tier 1 Capital (C – D +/-E)	**42,979,972**	**41,375,158**
G. Additional Tier 1 Capital (AT1) gross of deductions and transitional adjustments	**3,236,624**	**3,601,536**
of/w grandfathered AT1 instruments	1,348,161	1,713,073
H. Items to be deducted from AT1	**72,582**	**71,078**
I. Transitional adjustments – Effect on AT1 (+/-), including qualifying instruments issued by subsidiaries and computable in AT1 due to transitional provisions	**8,363**	**14,448**
L. Additional Tier 1 Capital (G - H +/- I)	**3,172,405**	**3,544,906**
M. Tier 2 (T2) Capital gross of deductions and transitional adjustments	**10,824,507**	**10,654,380**
of/w grandfathered T2 instruments	1,251,624	1,789,267
N. Items to be deducted from T2	**847,240**	**791,726**
O. Transitional adjustments – Effect on T2 (+/-), including qualifying instruments issued by subsidiaries and computable in T2 due to transitional provisions	**537,272**	**795,962**
P. Tier 2 Capital (M - N +/- O)	**10,514,539**	**10,658,616**
Q. Total Own Funds (F + L + P)	**56,666,916**	**55,578,680**

The changes in the Own Funds as at September 30, 2016 compared to the previous year, are also shown in the Disclosure by Institutions as at September 30, 2016, in the "Own Funds" chapter, on the Group website to the link https://www.unicreditgroup.eu/it/investors/third-pillar-basel-two-and-three.html.

Description of main capital items as of September 30, 2016

Regarding the amount of transitional adjustments as of September 30, 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; here follows the main items:

- 40% for the items to be deducted from Common Equity Tier 1 (60% for 2015);
- 40% for unrealized gains on AFS securities other than exposures towards EU Central Administration (60% for 2015);
- 60% for the amount of actuarial losses calculated according to CRR Article 473 (80% for 2015).

A. Common Equity Tier 1 Capital (CET1) before prudential filters

The item includes:

- paid up instruments for €20,196 million: compared to 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 €14,353 million;
- other reserves included retained earnings for €18,618 million. Such amount includes, among the others, the positive effects related to the disposal of the 10% of Fineco S.p.A and Bank Pekao. Moreover, such item includes the net profit of the first half of 2016 attributable to the Parent Company, for €1,321 million, fully recognized in Own Funds in line with the permission from the competent Authority according to CRR article 26(2). The net profit of the first half of 2016 is recognized without any foreseeable dividends deduction in line with the decision taken by the Board of Directors on August 3, 2016 (the dividend policy for 2016 and for the subsequent years will be re-discussed while reviewing the strategic plan). The net profit of third quarter 2016 is not included in consolidated Own Funds as UniCredit Group has not requested the prior permission from the competent Authority according to CRR Article 26(2);
- minority interest given recognition in CET1 capital for €1,547 million which reflect the increase in Fineco S.p.A and Bank Pekao minorities as resulting from the disposal of 10% of these entities;
- accumulated other comprehensive income, negative for €4,944 million; such item includes - among the others - the following items whose regulatory treatment is outlined below:
  - reserves for actuarial losses (IAS19)[14]:
    - amount of the negative reserve: €3,118 million;
    - amount of the positive transitional filter included in section "*E. Transitional adjustments - Effect on CET1 (+/-), including minority interests subject to transitional adjustments*": €1,429 million;
  - reserves on available for sale (AFS) securities:
    - amount of the positive reserve: €2,004 million;
    - amount of the negative transitional adjustment for unrealized gains on fair value items included in section "*E. Transitional adjustments - Effect on CET1 (+/-), including minority interests subject to transitional adjustments*": €1,649 million, of/w €1,412 million referred to securities issued by UE Central Administrations;
  - revaluation reserve on exchange differences: amount of the negative reserve included in this item for €4,439 million.

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 related share premium reserves (€17 million) reclassified in the Item "*M. Tier 2 (T2) Capital gross of deductions and transitional adjustments*".

(14) As of January 1, 2013, following the entry into force of the amendments to IAS19 (IAS19R), the elimination of the corridor method - requiring recognition of present value of defined benefit obligations - will result in an impact on the Group's net equity related to the recognition in the revaluation reserves of actuarial net losses not previously recognized in line with such method.

Part F – Consolidated 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 €331 million;
  - negative filter on gains on liabilities of the institutions related to changes in own credit standing (CRR Art.33), equal to €240 million;
  - additional value adjustments (CRR Art.34), equal to €143 million;
- national filters as required by Banca d'Italia Circular n.285, referred to:
  - multiple goodwill redemption ("affrancamenti mutipli"), equal to € 410 million[15];
  - gain on sale of properties mainly used in operations ("cessione in blocco"), equal to €29 million.

D. Items to be deducted from CET1

The item includes the following main elements:

- goodwill and other intangible assets, for €5,737 million;
- deferred tax assets that rely on future profitability and do not arise from temporary differences, for €302 million;
- deductions for securitizations, for €230 million.

E. Transitional adjustments - Effect on CET1, including minority interests subject to transitional adjustments

The item includes the following main elements:

- exclusion of 100% of unrealized gains related to exposures towards EU Central Administrations classified in the portfolio "Available For Sale - AFS", equal to €1,412 million;
- exclusion of 40% of both unrealized gains related to debt instruments other than those issued by EU Central Administration, and capital instruments classified in the portfolio "Available For Sale - AFS", for an overall amount of €237 million;
- positive filter on negative actuarial reserves (IAS19) equal to 60% of the amount calculated according to CRR Article 473, for €1,429 million;
- positive filter for the 40% of the deduction related to deferred tax assets that rely on future profitability and do not arise from temporary differences, for €121 million;
- positive filter due to the inclusion of minority interests subject to transitional adjustments, for €794 million.

I. Transitional adjustments - Effect on AT1, including qualifying instruments issued by subsidiaries and computable in AT1 due to transitional provisions

The item mainly includes the positive transitional adjustments for €8 million equal to:

- 40% (€18 million) of the amount of the deduction (€45 million) related to direct, indirect and synthetic positions in AT1 instruments issued by financial sector entities (FSE) in which a significant investment is held,
- net of 50% of the residual amount of the deduction related to direct positions (€9 million).

M. Tier 2 (T2) Capital gross of deductions and transitional adjustments

The present item includes, among the other elements, the excess of credit risk adjustments compared to expected losses on positions under IRB approach for €812 million, included in Tier 2 Capital in accordance with CRR article 62.

O. Transitional adjustments - Effect on T2, including qualifying instruments issued by subsidiaries and computable in T2 due to transitional provisions

The item includes the following main transitional adjustments:

- deduction of 50% of the residual amount referred to direct positions held in AT1 instruments issued by FSE in which a significant investment is held, for €9 million;
- positive filter due to the inclusion of instruments issued by subsidiaries and included in Tier 2 Capital according to transitional provisions, equal to €429 million;
- national positive filter as regulated by Banca d'Italia Circular n.285, equal to 40% of 50% of unrealized gains on AFS, equal to €119 million.

(15) 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").

2.3 Capital adequacy

A. Qualitative information

See the "Section 1 – Consolidated Shareholders' Equity" for qualitative information on the procedures adopted by the Banking Group to assess the adequacy of own funds supporting current and future activities.

B. Quantitative information

Capital Adequacy

(€ '000)

ITEMS/VALUES	UNWEIGHTED ASSETS		WEIGHTED ASSETS/EQUIREMENTS	
	09.30.2016	12.31.2015	09.30.2016	12.31.2015
A. RISK ASSETS				
A.1 CREDIT AND COUNTERPARTY RISK	**882,616,541**	**893,409,844**	**333,132,708**	**333,598,220**
1. Standardized approach [1]	407,948,524	407,955,532	183,889,853	184,884,012
2. IRB approaches	454,217,149	466,172,785	146,466,677	145,833,652
2.1 Foundation	*17,553,379*	*20,527,719*	*12,079,275*	*13,968,643*
2.2 Advanced	*436,663,770*	*445,645,066*	*134,387,402*	*131,865,009*
3. Securitizations	20,450,868	19,281,527	2,776,178	2,880,556
B. CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			**26,650,617**	**26,687,858**
B.2 Credit valuation adjustment risk			**305,393**	**390,513**
B.3 Settlement risk			**2,257**	**1,981**
B.4 Market Risk			**1,148,914**	**877,142**
1. Standard approach			147,704	178,037
2. Internal Models			1,001,210	699,105
3. Concentration Risk			-	-
B.5 Operational Risk			**3,164,920**	**3,290,415**
1. Basic indicator approach			190,368	225,086
2. Traditional standardized approach			287,056	300,729
3. Advanced measurement approach			2,687,496	2,764,601
B.6 Other calculation elements			-	-
B.7 Total capital requirements			**31,272,100**	**31,247,909**
C. RISK ASSETS AND CAPITAL RATIOS				
C.1 Risk Weighted Assets			**390,901,249**	**390,598,859**
C.2 Common Equity Tier 1 Capital/Risk weighted assets (CET1 capital ratio)			**11.00%**	**10.59%**
C.3 Tier 1 Capital/Risk weighted assets (Tier 1 capital ratio)			**11.81%**	**11.50%**
C.4 Total Own Funds/Risk weighted assets (Total capital ratio)			**14.50%**	**14.23%**

Note:
(1) The weighted amounts include the "Exposures with or central counterparties as pre-funded contributions to the default fund".

Part H – Related-Party Transactions

Part H – Related-Party Transactions

Related-Party Transactions

For the purposes of financial disclosure, in accordance with the Commission Regulation (EU) No.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 [16];
- 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 No.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 Banca d'Italia Circular No.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), 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 first nine month of 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 "Certifications and other communications" in Consolidated Interim Report on Operations of this document.

Details of related-party transactions carried out pursuant to IAS24 are given below.

(16) For the purposes of this Consolidated Interim Report as at September 30, 2016 transactions and outstanding balances between consolidated companies were written off as described in Part A.

The following table sets out the assets, liabilities, guarantees and commitments as at September 30, 2016, for each group of related parties, pursuant to IAS24:

Related party transactions: balance sheet items

(€ '000)

	AMOUNT AS AT 09.30.2016								
	NON-CONSOLIDATED SUBSIDIARIES	JOINT VENTURE	ASSOCIATES	KEY MANAGEMENT PERSONNEL	OTHER RELATED PARTIES	TOTAL	% ON CONSOLIDATED	SHAREHOLDERS (*)	% ON CONSOLIDATED
Financial asset held for trading	-	13,212	651,637	-	7,091	671,940	0.71%	92,656	0.10%
Financial asset designated at fair value	-	-	-	-	23,219	23,219	0.08%	-	-
Available for sale financial asset	6,512	-	141,592	-	5,579	153,683	0.13%	19,000	0.02%
Held to maturity investments	-	-	-	-	-	-	-	-	-
Loans and receivables with banks	-	2,718,071	1,567,191	-	-	4,285,262	5.58%	4	-
Loans and receivables with customers	136,343	1,170,520	1,092,077	2,383	124,344	2,525,667	0.53%	886,909	0.18%
Other assets	1,291	2,185	419,893	-	23	423,392	4.66%	132	-
Total Assets	**144,146**	**3,903,988**	**3,872,390**	**2,383**	**160,256**	**8,083,163**	**1.00%**	**998,701**	**0.12%**
Deposits from banks	26	66,820	7,540,660	-	-	7,607,506	6.62%	135,513	0.12%
Deposits from customers	15,849	23,045	528,055	10,447	154,878	732,274	0.16%	279,803	0.06%
Debt securities in issue	-	13,859	133,367	20	-	147,246	0.08%	524,592	0.28%
Other liabilities	127	443	55,105	-	2	55,677	0.32%	182	-
Total Liabilities	**16,002**	**104,167**	**8,257,187**	**10,467**	**154,880**	**8,542,703**	**1.08%**	**940,090**	**0.12%**
Guarantees given and commitments	38,073	3,957,984	1,734,071	5	46,357	5,776,490	3.24%	174,761	0.10%

(*) Shareholders and related companies holding a stake with voting right in the Bank's share capital exceeding 2%.

The following table sets out, for each group of related parties, the impact of transactions with related parties on the main Income Statement items.

Related party transactions: profit and loss items

(€ '000)

	AMOUNT AS AT 09.30.2016								
	NON-CONSOLIDATED SUBSIDIARIES	JOINT VENTURE	ASSOCIATES	KEY MANAGEMET PERSONNEL	OTHER RELATED PARTIES	TOTAL	% ON CONSOLIDATED	SHAREHOLDERS (*)	% ON CONSOLIDATED
Interest income and similar revenues	3,160	85,249	56,162	22	2,252	146,845	1.12%	8,578	0.07%
Interest expense and similar charges	(3)	(10,316)	(25,340)	(10)	(511)	(36,180)	0.80%	(6,497)	0.14%
Fee and commission income	158	3,865	511,446	21	7,232	522,722	7.48%	8,073	0.12%
Fee and commission expense	(64)	(70)	(51,422)	-	-	(51,556)	4.38%	(875)	0.07%
Impairment losses on:	(2,565)	(9)	(16,197)	(6)	1,347	(17,430)	0.64%	(159)	0.01%
a) loans	(2,565)	(4)	(16,197)	(6)	1,351	(17,421)	0.63%	(160)	0.01%
b) available for sale assets	-	-	-	-	-	-	-	-	-
c) held-to-maturity assets	-	-	-	-	-	-	-	-	-
d) other financial assets	-	(5)	-	-	(4)	(9)	-0.01%	1	-
Operating costs	356	2,353	(418,002)	9	(23,269)	(438,553)	3.84%	74	-

(*) Shareholders and related companies holding more than 2% of voting shares in UniCredit.

Part H – Related-Party Transactions

The "other related parties" category includes:
- close family members of key management personnel (i.e. those family members who, as is expected, may influence – or be influenced by – the person in question);
- companies controlled (or jointly controlled) by key management personnel or their close family members;
- Group employee post-employment benefit plans.

Specifically, below are illustrated the major related-party transactions that have had economic or financial impacts in the period:
- 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 "income and expense cycle" (issuance, receipt, verification, recording and payment of invoices). In relation to this, UBIS - with effect from April 1, 2013 - transferred its "income and expense cycle" business unit to the company formed by Accenture, called "Accenture Back Office and Administration Services S.p.A.", and sold Accenture some of the shares resulting from the transfer. As a result of the transaction, UBIS holds 49% of the share capital of Accenture Back Office and Administration Services S.p.A.'s; 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, with effect from September 1, 2013, transferred 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. As a result of the transaction, UBIS holds 49% of V-TServices's share capital; the remaining 51% is held by IBM (which is the controlling shareholder).

  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 first nine month of 2016, given the conditions envisaged by the contract, the last installment referred to the 2014 result and the first two installments referred to the 2015 result amounting to €96 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, conciliatory definitive transactions with such investors were defined in order to consistently compose the recourses.
- At September 30, 2016 the Group's exposure to Nuova Compagnia di Partecipazioni (formerly Gruppo Italpetroli), 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, Gavio 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.

- 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 Ukrsotsbank 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

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, for the second category, 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;
- **FinecoBank Stock granting to employees** that offer to eligible FinecoBank 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 FinecoBank ordinary shares, subject to malus and claw back conditions (as legally enforceable) as defined in Plan Rules.

The second category includes the following:

- **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;
- synthetic "Share Appreciation Rights" linked to the share-value and performance results of some Group-Companies(17) and other equity instruments (Phantom Shares) used for Group Incentive System 2015 of FinecoBank Personal Financial Advisors, subject to malus and claw back conditions (as legally enforceable) as defined in Plan Rules.

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.

(17) Pioneer Global Asset Management.

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 economic value of Performance Shares is measured considering the share market price at the grant date less the present value of the future dividends during the vesting period.

The plan is divided into clusters, 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
Performance Shares' Fair Value per unit @ Grant Date [€](*)	**3.150**	**2.919**	**2.597**	**2.236**

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

Group Executive Incentive System 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 2016

	FREE SHARES
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 [€]	**2.058**

Part I – Share-Based Payments

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 UniCredit free ordinary shares assigned in plan rules applications had been acquired on the market.

1.2.5. FinecoBank Stock granting to employees and personal financial advisor (PFA)
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.

1.2.6. 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.

B. Quantitative information

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

Financial statement presentation related to share based payments (€ '000)

	AS AT 09.30.2016		AS AT 09.30.2015	
	TOTAL	VESTED PLANS	TOTAL	VESTED PLANS
(Costs)/Revenues(1)	**(48,073)**		**(101,433)**	
- connected to Equity Settled Plans(2)	*(51,193)*		*(75,929)*	
- connected to Cash Settled Plans(3)	*3,120*		*(25,504)*	
Debts for Cash Settled Plans	**80,353**	**-**	**66,737**	**-**

(1) Includes costs/revenues and debts for Plans referred to equity instruments of other Group's entities (e.g. Pioneer Global Asset Management and FinecoBank).
(2) Includes costs for €9.5 million related to golden parachute.
(3) The positive economic effect of costs for Cash Settled Plans is connected to the restoring of the original vesting period end of Pioneer Global Asset Management incentive plans, subject to acceleration in Q4 2015.

Part L – Segment Reporting

Part L – Segment Reporting

Organizational Structure

The format for segment information reflects the organizational structure currently used in management reporting for monitoring the Group's results, which is broken down into the following business segments: Commercial Banking Italy, Commercial Banking Germany, Commercial Banking Austria, Poland, Corporate & Investment Banking ("CIB"), Asset Management, Central and Eastern Europe ("CEE"), Asset Gathering, Group Corporate Center and Non-Core.

Commercial Banking Italy

Commercial Banking Italy is composed by UniCredit S.p.A. commercial network related to Core clients (excluding Large Corporate and Multinational clients, supported by Corporate and Investment Banking Division), Leasing (excluding Non-Core clients), Factoring and local Corporate Center with supporting functions for the Italian business.
In relation to individual clients (Households and clients of specialized network Private Banking), Commercial Banking Italy' s goal is to offer a full range of products and services to fulfill transactional, investments and credit needs, relying on about 3,450 branches and multichannel services provided by new technologies.
In relation to corporate customers, Commercial Banking Italy operates trying to guarantee both the support to the economic and entrepreneurial system and the profitability and quality of its portfolio. The current Corporate channel is organized on the territory with about 747 Managers divided in 131 Corporate Centers.
The territorial organization promotes a bank closer to customers and faster decision-making processes, while the belonging to UniCredit Group allows to support companies in developing International attitudes.

Commercial Banking Germany

Commercial Banking Germany provides all German customers (excluding Large Corporate and Multinational clients, supported by Corporate and Investment Banking Division) with a complete range of banking products and services through a network of 573 branch offices.
Commercial Banking Germany holds large market shares and a strategic market position in retail banking, in private banking and especially in business with local corporate customers (including factoring and leasing).
Different service models are applied in line with the needs of its various customer groups: retail customers, private banking customers, small business and corporate customers, commercial real estate customers, and Wealth Management customers. In detail the corporates segment employs a different "Mittelstand" bank model to its competitors in that it serves both business and personal needs across the whole bandwidth of German enterprises and firms operating in Germany. The private clients segment serves retail customers and private banking customers with banking and insurance solutions across all areas of demand. The specific, all-round advisory offering reflects the individual and differentiated needs of these customer groups in terms of relationship model and product offering.
The Segment also includes the local Corporate Center, which performs tasks as sub-holding towards other Subgroup legal entities.

Commercial Banking Austria

Commercial Banking Austria provides all Austrian customers (excluding Large Corporate and Multinational clients, supported by Corporate and Investment Banking Division) with a complete range of banking products and services. It is composed of: Retail, Corporate (excluding CIB clients), Private Banking (with its two well-known brands Bank Austria Private Banking and Schoellerbank AG), the product factories Factoring and Leasing and the local Corporate Center Retail covers business with private individuals, ranging from mass-market to affluent customers and business customers. Corporates covers the entire range of SMEs and medium-sized and large companies which do not access capital markets (including Real Estate and Public Sector).
A broad coverage of the Retail and Corporate business lines is ensured through a network of about 170 branches.
The goal of Commercial banking Austria is to strengthen regional responsibility, to increase synergies, effectiveness and to improve time-to-market; therefore customer service teams can now adjust more quickly to local market changes.
Commercial Banking Austria holds significant market shares and a strategic market position in retail banking, private banking and especially in business with local corporate customers and is one of the leading providers of banking services in Austria.
In response to changing customer needs and behaviors, Commercial Banking Austria has launched Smart Banking Solutions, an integrated new service model, allowing clients to decide when, where and how they contact UniCredit Bank Austria. This approach combines classic branches, new formats of advisory service centres and modern self-service branches, internet solutions, Mobile Banking with innovative apps and video-telephony.

Poland

The segment Poland manages the UniCredit Group's operations within the Bank Pekao S.A. Group in Poland.
Bank Pekao S.A. Group includes financial institutions operating in banking, asset management, pension funds, brokerage services, transactional advisory, leasing and factoring markets.
Bank Pekao S.A. operates for over 85 years and is one of the largest financial institutions in Central and Eastern Europe. In particular, Bank Pekao is a universal commercial bank providing a full range of banking services to individual and institutional clients.
The Bank offers to its clients a broad distribution network with 1,754 ATMs and 942 branches conveniently located throughout Poland. In relation to individual customers, the Bank is focused on the strengthening the position on consumer goods financing market and mortgage loans market while maintaining a prudent credit risk policy.
The Bank continues activities focused on strengthening its market position in the area of small and micro enterprises, including also agro sector, enrichment and promotion of products offer and acquisition of new customers.
In relation to corporate and institutional clients, Bank Pekao S.A. is the leader in servicing large and medium-sized companies and has one of the widest product offer for corporate clients on the market. Bank Pekao S.A. is a leading organizer of investment project financing, mergers and acquisitions and debt securities issues. The Bank constantly develops and actively promotes innovative solutions and provides clients with state-of-the art and user-friendly solutions in the area of mobile banking. In 2016 Bank's activities continuously focused on acquisition of new customers and strengthening of relationships with existing customers which results in a further growth in number of customers.

Corporate & Investment Banking ("CIB")

The CIB Division targets mainly Large Corporate and Multinational clients with highly sophisticated financial profile and needs for investment banking services, as well as institutional clients of UniCredit Group. CIB serves UniCredit Group's clients across 35 countries with a wide range of specialized products and services, combining geographical proximity with an high expertise in all segments in which it is active.
The organizational structure of CIB is based on a matrix that integrates (i) market coverage (carried out through an extensive network in Western, Central and Eastern Europe and an international network of branches and representative offices) and (ii) product offering (divided into three Product Lines that consolidate the breadth of the Group's CIB know-how).
The dedicated country-specific commercial networks (CIB Network Italy, CIB Network Germany, CIB Network Austria, CIB Network France, International Network) are responsible for the relationships with corporate clients, banks and financial institutions as well as the sale of a broad range of financial products and services, ranging from traditional lending and merchant banking operations to more sophisticated services with high added value, such as project finance, acquisition finance and other investment banking services and operations in international financial markets.
The three following Product Lines supplement and add value to the activities of the commercial networks and the marketing of the relevant products:

Financing and Advisory ("F&A")

F&A is the expertise center for all business operations related to credit and advisory services for corporate and institutional clients. It is responsible for providing a wide variety of products and services ranging from plain vanilla and standardized products, extending to more sophisticated products such as Capital Markets (Equity and Debt Capital Markets), Corporate Finance and Advisory, Syndications, Leverage Buy-Out, Project and Commodity Finance, Real Estate Finance, Structured Trade and Export Finance.

Markets

Markets is the centre specialized for all financial markets activities and serves as the Group's access point to the capital markets. This results in a highly complementary international platform with a strong presence in emerging European financial markets. As a centralized "product line", it is responsible for the coordination of financial markets-related activities, including the structuring of products such as FX, Rates, Equities and credit related activities.

Global Transaction Banking ("GTB")

GTB is the centre for Cash Management and e-banking products, Supply Chain Finance and Trade Finance products and global securities services.

In the light of a more integrated client offering, Joint Venture between Commercial Banking and CIB division have been set up in Italy and Germany, with the objective to increase cross selling of Investment Banking products such as M&A, Capital Markets and Derivatives to Commercial Banking clients.

Part L – Segment Reporting

Asset Management

Asset Management business segment operates through Pioneer Investments, the company within the UniCredit Group specializing in the management of customer investments worldwide.
The business segment acts as a centralized product factory and, in addition, directs, supports and supervises the development of local business at regional level.
Leveraging on different investment partnerships with third-party financial institutions at international level, Asset Management offers a wide range of financial solutions, including mutual funds, asset administration services and portfolios for institutional investors.

Central and Eastern Europe ("CEE")

The Group operates, through the CEE business segment, in 13 Central and Eastern Europe countries: Azerbaijan, Bosnia & Herzegovina, Bulgaria, Croatia, the Czech Republic, Hungary, Romania, Russia, Serbia, Slovakia, Slovenia, Turkey and Ukraine; having, in addition, Leasing activities in the 3 Baltic countries. The CEE business segment operates through approximately 2,300 branches (including more than 1,000 branches of the Turkish subsidiaries which are consolidated at equity) and offers a wide range of products and services to retail, corporate and institutional clients in these countries. UniCredit Bank Austria manages this segment and acts as sub-holding for the banking operations in the CEE countries through its CEE Division.
UniCredit Group is able to offer its retail customers in the CEE countries a broad portfolio of products and services similar to those offered to its Italian, German, Austrian and Polish customers.
With respect to corporate clients, UniCredit Group is constantly engaged in standardizing the customer segments and range of products. The Group shares its business models on an international level in order to ensure access to its network in any country where the Group is present. This approach is vital due to the variety of global products offered, particularly cash management and trade finance solutions, to corporate customers operating in more than one CEE country.

Asset Gathering

Asset Gathering is a business segment specialized in wealth management through the direct channel and the financial advisors network, mainly focused on the retail customer segment.
Asset Gathering operates through FinecoBank, UniCredit Group's direct multichannel bank. It is one of the largest advisory networks in Italy and is the leading bank in Italy for equity trades in terms of volume of orders and the top online broker in Europe for number of order executed.
FinecoBank offers an integrated business model combining direct banking and financial advice, with a full range of banking, credit, trading and investment services which are also available through mobile applications. With its fully integrated platform, FinecoBank is the benchmark for modern investors.

Group Corporate Center

The Group Corporate Center's objective is to lead, control and support the management of the assets and related risks of the Group as a whole and of the single Group companies in their respective areas of competence. In this framework, an important objective is to optimize costs and internal processes guaranteeing operating excellence and supporting the sustainable growth of the Business Lines.

Non-Core

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

A - Primary Segment

Segment Reporting by Business Segment 2016

A.1 - Breakdown by business segment: income statement

(€ '000)

	COMMERCIAL BANKING ITALY	COMMERCIAL BANKING GERMANY	COMMERCIAL BANKING AUSTRIA	POLAND	CENTRAL EASTERN EUROPE	CORPORATE & INVESTMENT BANKING	ASSET MANAGEMENT	ASSET GATHERING	GROUP CORPORATE CENTER1	NON CORE	CONSOLIDATED GROUP TOTAL 09.30.2016
Net interest	2,968,544	1,133,674	527,492	750,220	1,802,892	1,706,920	1,423	185,976	(310,883)	(121,822)	8,644,436
Dividends and other income from equity investments	68,940	44,626	96,911	10,246	333,726	55,676	265	-	89,304	-	699,694
Net fees and commissions	2,677,323	550,651	441,342	338,816	557,342	495,500	627,799	176,892	(103,140)	(26,763)	5,735,762
Net trading, hedging and fair value income	69,811	21,894	82,761	145,861	328,461	964,158	(293)	57,711	128,260	21,665	1,820,289
Net other expenses/income	(30,332)	99,471	18,228	5,811	49,686	492	1,331	(34)	51,866	(26,182)	170,337
OPERATING INCOME	**5,754,286**	**1,850,316**	**1,166,734**	**1,250,954**	**3,072,107**	**3,222,746**	**630,525**	**420,545**	**(144,593)**	**(153,102)**	**17,070,518**
Payroll costs	(2,011,456)	(814,881)	(527,234)	(326,144)	(533,745)	(489,515)	(230,411)	(57,065)	(985,654)	(36,845)	(6,012,950)
Other administrative expenses	(1,577,552)	(581,914)	(382,211)	(173,158)	(508,645)	(800,541)	(128,826)	(170,851)	951,992	(256,606)	(3,628,312)
Recovery of expenses	327,276	1,527	-	404	149	1,200	278	64,084	79,445	87,164	561,527
Amortisation, depreciation and impairment losses on tangible and intangible assets	(47,094)	(37,105)	(17,175)	(59,067)	(81,555)	(2,046)	(8,311)	(7,233)	(467,138)	(1,186)	(727,910)
Operating expenses	**(3,308,826)**	**(1,432,373)**	**(926,620)**	**(557,965)**	**(1,123,796)**	**(1,290,902)**	**(367,270)**	**(171,065)**	**(421,355)**	**(207,473)**	**(9,807,645)**
OPERATING PROFIT	**2,445,460**	**417,943**	**240,114**	**692,989**	**1,948,311**	**1,931,844**	**263,255**	**249,480**	**(565,948)**	**(360,575)**	**7,262,873**
Net writedowns of loans and provisions for guarantees and commitments	(711,818)	7,906	27,723	(56,164)	(479,090)	(157,986)	-	(3,521)	(15,044)	(1,288,742)	(2,676,736)
OPERATING NET PROFIT	**1,733,642**	**425,849**	**267,837**	**636,825**	**1,469,221**	**1,773,858**	**263,255**	**245,959**	**(580,992)**	**(1,649,317)**	**4,586,137**
Provision for risks and charges	(293,827)	(44,367)	(131,540)	(121,155)	(104,609)	(135,908)	(5,590)	(13,896)	(332,219)	(48,191)	(1,231,302)
Integration costs	(80,732)	43	(207,983)	-	(9,930)	(11,189)	(37,268)	(10)	(47,618)	(3,368)	(398,055)
Net income from investments	(8,116)	21,247	8,181	1,201	7,019	(65,046)	(33)	-	21,226	(9,902)	(24,223)
PROFIT BEFORE TAX	**1,350,967**	**402,772**	**(63,505)**	**516,871**	**1,361,701**	**1,561,715**	**220,364**	**232,053**	**(939,603)**	**(1,710,778)**	**2,932,557**

A.2 - Breakdown by business segment: balance sheet amounts and RWA

(€ '000)

BALANCE SHEET AMOUNTS	COMMERCIAL BANKING ITALY	COMMERCIAL BANKING GERMANY	COMMERCIAL BANKING AUSTRIA	POLAND	CENTRAL EASTERN EUROPE	CORPORATE & INVESTMENT BANKING	ASSET MANAGEMENT	ASSET GATHERING	GROUP CORPORATE CENTER	NON CORE	CONSOLIDATED GROUP TOTAL 09.30.2016
LOANS AND RECEIVABLES WITH CUSTOMERS	137,128,479	80,971,753	48,435,186	28,082,283	59,868,449	101,390,020	2	971,888	(5,427,180)	29,505,460	**480,926,340**
DEPOSITS FROM CUSTOMERS	128,979,072	87,616,133	47,547,090	29,326,894	57,925,097	93,022,217	-	17,249,624	7,552,181	1,077,425	**470,295,733**
DEBT CERTIFICATES	14,401,699	21,327,869	16,813,047	376,479	2,684,210	10,104,219	-	194,750	53,881,184	19,318	**119,802,775**
TOTAL RISK WEIGHTED ASSETS (BASEL 3)	78,868,106	35,015,325	23,536,491	25,648,928	93,527,556	73,077,143	1,668,081	1,777,782	31,529,929	26,251,911	**390,901,249**

A.3 - Staff

	COMMERCIAL BANKING ITALY	COMMERCIAL BANKING GERMANY	COMMERCIAL BANKING AUSTRIA	POLAND	CENTRAL EASTERN EUROPE	CORPORATE & INVESTMENT BANKING	ASSET MANAGEMENT	ASSET GATHERING	GROUP CORPORATE CENTER	NON CORE	CONSOLIDATED GROUP TOTAL 09.30.2016
STAFF (KFS group on a proportional basis)											
Employees (FTE)	35,620	11,074	5,933	17,240	24,460	3,493	1,945	1,033	17,037	533	**118,368**
STAFF (KFS group fully considered)											
Employees (FTE)	35,620	11,074	6,118	17,240	28,601	3,789	1,945	1,033	17,037	533	**122,990**

Part L – Segment Reporting

Segment Reporting by Business Segment 2015

A.1 - Breakdown by business segment: income statement

(€ '000)

	COMMERCIAL BANKING ITALY	COMMERCIAL BANKING GERMANY	COMMERCIAL BANKING AUSTRIA	POLAND	CENTRAL EASTERN EUROPE	CORPORATE & INVESTMENT BANKING	ASSET MANAGEMENT	ASSET GATHERING	GROUP CORPORATE CENTER	NON CORE	CONSOLIDATED GROUP TOTAL 09.30.2015
Net interest	3,100,539	1,257,035	541,538	744,626	1,799,242	1,680,965	2,385	178,620	(441,334)	23,657	8,887,273
Dividends and other income from equity investments	45,504	46,094	109,211	12,837	232,148	18,610	651	-	113,922	-	578,977
Net fees and commissions	2,670,480	561,170	460,579	364,640	529,892	467,229	664,476	188,795	(44,872)	51,400	5,913,789
Net trading, hedging and fair value income	21,327	55,494	26,303	115,521	242,674	782,254	2,531	41,280	41,418	13,142	1,341,944
Net other expenses/income	(31,481)	82,350	8,311	35,409	14,013	17,042	7,807	(1,488)	(10,032)	(28,165)	93,766
OPERATING INCOME	**5,806,369**	**2,002,143**	**1,145,942**	**1,273,033**	**2,817,969**	**2,966,100**	**677,850**	**407,207**	**(340,898)**	**60,034**	**16,815,749**
Payroll costs	(2,019,281)	(869,626)	(579,507)	(347,458)	(524,151)	(511,480)	(278,512)	(56,165)	(997,213)	(103,182)	(6,286,575)
Other administrative expenses	(1,479,769)	(611,137)	(403,886)	(179,463)	(489,798)	(832,917)	(137,386)	(173,631)	782,814	(344,261)	(3,869,434)
Recovery of expenses	341,062	1,241	58	468	426	1,444	334	62,619	97,667	93,181	598,500
Amortisation, depreciation and impairment losses on tangible and intangible assets	(44,565)	(34,329)	(17,621)	(59,478)	(75,644)	(1,994)	(8,764)	(6,402)	(428,754)	(642)	(678,193)
Operating expenses	**(3,202,553)**	**(1,513,851)**	**(1,000,956)**	**(585,931)**	**(1,089,167)**	**(1,344,947)**	**(424,328)**	**(173,579)**	**(545,486)**	**(354,904)**	**(10,235,702)**
OPERATING PROFIT	**2,603,816**	**488,292**	**144,986**	**687,102**	**1,728,802**	**1,621,153**	**253,522**	**233,628**	**(886,384)**	**(294,870)**	**6,580,047**
Net writedowns of loans and provisions for guarantees and commitments	(783,703)	(43,104)	(3,018)	(94,349)	(754,272)	(33,960)	(8)	(4,130)	238	(1,182,150)	(2,898,456)
OPERATING NET PROFIT	**1,820,113**	**445,188**	**141,968**	**592,753**	**974,530**	**1,587,193**	**253,514**	**229,498**	**(886,146)**	**(1,477,020)**	**3,681,591**
Provision for risks and charges	(87,593)	(126,420)	(143,167)	(56,836)	(116,209)	(141,744)	(3,174)	(5,240)	(36,380)	(60,405)	(777,168)
Integration costs	(435)	(28)	(397)	-	(4,630)	325	(8,328)	(1)	1,644	-	(11,850)
Net income from investments	(8,595)	17,079	(789)	14,988	(856)	(2,416)	24	-	15,530	(2,327)	32,638
PROFIT BEFORE TAX	**1,723,490**	**335,819**	**(2,385)**	**550,905**	**852,835**	**1,443,358**	**242,036**	**224,257**	**(905,352)**	**(1,539,752)**	**2,925,211**

A.2 - Breakdown by business segment: balance sheet amounts and RWA

(€ '000)

BALANCE SHEET AMOUNTS	COMMERCIAL BANKING ITALY	COMMERCIAL BANKING GERMANY	COMMERCIAL BANKING AUSTRIA	POLAND	CENTRAL EASTERN EUROPE	CORPORATE & INVESTMENT BANKING	ASSET MANAGEMENT	ASSET GATHERING	GROUP CORPORATE CENTER	NON CORE	CONSOLIDATED GROUP TOTAL 12.31.2015
LOANS AND RECEIVABLES WITH CUSTOMERS	131,558,129	80,431,006	49,119,111	28,621,445	57,352,705	97,743,220	2	922,774	(7,555,902)	35,806,031	**473,998,521**
DEPOSITS FROM CUSTOMERS	122,136,313	82,686,701	45,882,391	30,181,276	55,780,235	87,175,647	-	15,822,459	8,487,182	1,638,235	**449,790,439**
DEBT CERTIFICATES	23,121,005	23,701,893	17,448,904	680,887	2,911,554	9,383,377	-	261,506	56,911,764	57,011	**134,477,901**
TOTAL RISK WEIGHTED ASSETS (BASEL 3)	77,008,148	34,029,693	24,969,079	26,354,022	93,055,055	68,248,538	1,919,756	1,804,193	32,036,363	31,174,131	**390,598,976**

A.3 - Staff

	COMMERCIAL BANKING ITALY	COMMERCIAL BANKING GERMANY	COMMERCIAL BANKING AUSTRIA	POLAND	CENTRAL EASTERN EUROPE	CORPORATE & INVESTMENT BANKING	ASSET MANAGEMENT	ASSET GATHERING	GROUP CORPORATE CENTER	NON CORE	CONSOLIDATED GROUP TOTAL 12.31.2015
STAFF (KFS group on a proportional basis)											
Employees (FTE)	36,582	11,542	6,164	17,606	24,142	3,600	1,986	1,019	17,187	717	**120,545**
STAFF (KFS group fully considered)											
Employees (FTE)	36,582	11,542	6,440	17,606	28,485	3,946	1,986	1,019	17,187	717	**125,510**

Annexes

Reconciliation of Condensed Accounts to Mandatory Reporting Schedule

Consolidated Balance Sheet

(€ million)

ASSETS	AMOUNTS AS AT 09.30.2016	AMOUNTS AS AT 12.31.2015	SEE THE NOTES PART B - ASSETS
Cash and cash balances = item 10	16,153	10,303	Section 1
Financial assets held for trading = item 20	94,110	90,997	Section 2
Loans and receivables with banks = item 60	76,750	80,073	Section 6
Loans and receivables with customers = item 70	480,926	473,999	Section 7
Financial investments	155,336	152,845	
Item 30. Financial assets at fair value through profit or loss	*29,682*	*34,368*	*Section 3*
Item 40. Available-for-sale financial assets	*116,485*	*109,807*	*Section 4*
Item 50. Held-to-maturity investments	*2,195*	*2,093*	*Section 5*
Item 100. Equity Investments	*6,974*	*6,577*	*Section 10*
Hedging instruments	8,094	8,010	
Item 80. Hedging derivatives	*5,362*	*5,368*	*Section 8*
Item 90. Changes in fair value of portfolio hedged items	*2,732*	*2,641*	*Section 9*
Property, plant and equipment = item 120	9,555	10,031	Section 12
Goodwill = item 130 - Intangible assets of which: goodwill	3,591	3,618	Section 13
Other intangible assets = item 130 - Intangible assets net of goodwill	2,087	2,140	Section 13
Tax assets = item 140	15,469	15,726	Section 14
Non-current assets and disposal groups classified as held for sale = item 150	3,369	2,820	Section 15
Other assets	9,085	9,872	
Item 160. Other assets	*9,085*	*9,872*	*Section 16*
Total assets	**874,527**	**860,433**	

Continued: Consolidated Balance Sheet

(€ million)

LIABILITIES AND SHAREHOLDERS' EQUITY	AMOUNTS AS AT 09.30.2016	AMOUNTS AS AT 12.31.2015	SEE THE NOTES PART B - LIABILITIES
Deposits from banks = item 10	114,983	111,373	Section 1
Deposits from customers = item 20	470,296	449,790	Section 2
Debt securities in issue = item 30	119,803	134,478	Section 3
Financial liabilities held for trading = item 40	68,387	68,919	Section 4
Financial liabilities at fair value through profit or loss = item 50	1,509	455	Section 5
Hedging instruments	11,797	11,254	
Item 60. Hedging derivatives	*5,702*	*6,149*	*Section 6*
Item 70. Changes in fair value of portfolio hedged items	*6,096*	*5,105*	*Section 7*
Provisions for risks and charges = item 120	9,849	9,855	Section 12
Tax liabilities = item 80	1,495	1,529	Section 8
Liabilities included in disposal groups classified as held for sale = item 90	2,651	1,880	Section 9
Other liabilities	18,615	17,416	
Item 100. Other liabilities	*17,431*	*16,282*	*Section 10*
Item 110. Provision for employee severance pay	*1,184*	*1,135*	*Section 11*
Item 130. Insurance reserves	-	-	*Section 13*
Minorities = item 210	3,906	3,399	Section 16
Shareholders' Equity, of which:	51,237	50,087	
- Capital and reserves	50,411	48,315	
Item 140. Revaluation reserves, of which: Special revaluation laws	*277*	*277*	*Section 15*
Item 140. Revaluation reserves, of which: Exchange differences	*(3,008)*	*(3,260)*	*Section 15*
Item 140. Revaluation reserves, of which: equity investments valued at equity method	*(1,264)*	*(1,071)*	*Section 15*
Item 140. Revaluation reserves, of which: non current assets classified held for sale	*(6)*	-	*Section 15*
Item 160. Equity instruments	*1,888*	*1,888*	*Section 15*
Item 170. Reserves	*17,296*	*14,255*	*Section 15*
Item 180. Share premium	*14,385*	*15,977*	*Section 15*
Item 190. Issued capital	*20,847*	*20,258*	*Section 15*
Item 200. Treasury shares	*(5)*	*(8)*	*Section 15*
- AfS assets fair value reserve, Cash-flow hedging reserve and Defined benefits plans reserve	(943)	77	
Item 140. Revaluation reserves, of which: Available-for-sale financial assets	*1,786*	*1,874*	*Section 15*
Item 140. Revaluation reserves: actuarial gains (losses) on defined benefits plans	*(3,112)*	*(2,256)*	*Section 15*
Item 140. Revaluation reserves, of which: Cash-flow hedges	*383*	*460*	*Section 15*
- Net profit (loss) = item 220	1,768	1,694	Section 15
Total liabilities and Shareholders' Equity	**874,527**	**860,433**	

Note:
An explanation for the restatement of comparative figures is provided in the previous sections.

Reconciliation of Condensed Accounts to Mandatory Reporting Schedule

Consolidated Income Statement

(€ million)

		FIRST 9 MONTHS 2016	FIRST 9 MONTHS 2015	SEE THE NOTES PART C
Net interest		8,644	8,887	Section 1
Item 30.	*Net interest margin*	*8,644*	*8,651*	
	less: Net interest margin of industrial companies	*1*	*1*	
less: Purchase Price Allocation effect		*-*	*236*	
Dividends and other income from equity investments		700	579	
Item 70.	*Dividend income and similar revenue*	*382*	*390*	*Section 3*
	less: Dividends from held for trading equity instruments included in item 70	*(246)*	*(230)*	
Item 240.	*Profit (Loss) of equity investments - of which: Profit (Loss) of equity investments valued at equity*	*564*	*420*	*Section 16*
Net fees and commissions		5,736	5,914	Section 2
Item 60.	*Net fees and commissions*	*5,808*	*5,871*	*Section 2*
	less: Other administrative expenses - of which: outsourced services for the management of Non-Performing loans	*(104)*	*-*	
	+ Other operating income - of which: recovery of costs - commissioni istruttoria veloce (CIV)	*32*	*43*	
Net trading income		1,820	1,342	
Item 80.	*Gains (losses) on financial assets and liabilities held for trading*	*876*	*860*	*Section 4*
	+ Dividends from held for trading equity instruments (from item 70)	*246*	*230*	
Item 90.	*Fair value adjustments in hedge accounting*	*(33)*	*(33)*	*Section 5*
Item 100.	*Gains (Losses) on disposal or repurchase of: d) financial liabilities*	*2*	*(61)*	*Section 6*
	+ Gains (Losses) on disposal or repurchase of: b) available-for-sale financial assets (from item 100)	*702*	*311*	*Section 6*
Item 110.	*Gains (Losses) on financial assets and liabilities designated at fair value through profit and loss*	*27*	*35*	*Section 7*
Net other expenses/income		170	94	
	Gains (losses) on disposals/repurchases on loans and receivables - not impaired position (from item 100 a)	*49*	*59*	
Item 220.	*Other net operating income*	*852*	*797*	*Section 15*
	less: Other operating income - of which: recovery of costs	*(497)*	*(518)*	
	less: Other operating income - of which: recovery of costs - commissioni istruttoria veloce (CIV)	*(32)*	*(43)*	
	Net write-downs/-backs of tangible operating lease assets (from item 200)	*(97)*	*(92)*	
	less: Write-downs on leasehold improvements (on non-separable assets) - No Group	*53*	*52*	
	less: Other operating income - Other income from invoicing JVs (only with respect to Ubis)	*(65)*	*(80)*	
	+ Result of industrial companies	*(129)*	*(87)*	
	less: Integration costs	*28*	*-*	
	Gains (Losses) on disposals of investments - assets leasing operation (from item 270)	*7*	*5*	
OPERATING INCOME		**17,071**	**16,816**	
Payroll costs		(6,013)	(6,287)	
Item 180.	*Administrative costs: a) staff expenses*	*(6,387)*	*(6,298)*	*Section 11*
	less: Administrative expenses: a) employee payroll costs - Provision for post retirement benefit obligations - Settlement Gains (Losses)	*583*	*-*	
	less: Administrative costs: a) staff expenses of industrial companies	*17*	*10*	
	less: Integration costs	*(226)*	*2*	
Other administrative expenses		(3,628)	(3,869)	
Item 180.	*Administrative costs: b) other administrative expenses*	*(4,631)*	*(4,343)*	*Section 11*
	less: Administrative costs: b) other administrative expenses of industrial companies	*26*	*27*	
	less: Administrative costs - contributions to Resolution Funds, Deposit Guarantee Schemes (DGS), Bank Levy and Guarantee fees for DTA	*912*	*491*	
	less: outsourced services for the management of Non-Performing loans	*104*	*-*	
	Write-downs on leasehold improvements (on non-separable assets) - No Group	*(53)*	*(52)*	
	less: Integration costs	*13*	*8*	
Recovery of expenses		562	599	Section 15
Item 220.	*Other net operating income - of which: Operating income - recovery of costs*	*497*	*518*	
	+ Other operating income - Other income from invoicing JVs (only with respect to Ubis)	*65*	*80*	
Amortization, depreciation and impairment losses on intangible and tangible assets		(728)	(678)	
Item 200.	*Impairment/Write-backs on property, plant and equipment*	*(545)*	*(490)*	*Section 13*
	less: Impairment losses/write backs on property owned for investment	*1*	*(4)*	
	less: Net write-downs/-backs of tangible operating lease assets (from item 200)	*97*	*92*	
Item 210.	*Impairment/Write-backs on intangible assets*	*(382)*	*(343)*	*Section 14*
	Net write-downs on property, plant and equipment and intangible assets of industrial companies	*85*	*51*	
less: Purchase Price Allocation effect		*16*	*17*	
Operating costs		**(9,808)**	**(10,236)**	
OPERATING PROFIT (LOSS)		**7,263**	**6,580**	

Continued: Consolidated Income Statement

(€ million)

		FIRST 9 MONTHS 2016	FIRST 9 MONTHS 2015	SEE THE NOTES PART C
OPERATING PROFIT (LOSS)		**7,263**	**6,580**	
Net impairment losses on loans and provisions for guarantees and commitments		(2,677)	(2,898)	
Item 100.	*Gains (Losses) on disposal and repurchase of: a) loans*	*29*	*25*	*Section 6*
	less: Gains (Losses) on disposals/repurchases on loans and receivables - not impaired position (from item 100 a)	*(49)*	*(59)*	
Item 130.	*Net losses/recoveries on impairment: a) loans*	*(2,746)*	*(2,910)*	*Section 8*
Item 130.	*Net losses/recoveries on impairment: d) other financial assets*	*94*	*46*	*Section 8*
	less: Net losses on impairment other financial assets - contribution to National Interbank Deposit Guarantee Fund (F.I.T.D.)	*(5)*	*-*	
NET OPERATING PROFIT (LOSS)		**4,586**	**3,682**	
Other charges and provisions		(1,231)	(777)	
Item 190.	*Provisions for risks and charges*	*(325)*	*(287)*	*Section 12*
	less: Provisions for risks and charges of industrial companies	*1*	*(1)*	
	+ Administrative costs - contributions to Resolution Funds, Deposit Guarantee Schemes (DGS), Bank Levy and Guarantee fees for DTA	*(912)*	*(491)*	
	+ Provisions for risks and charges - contribution to National Interbank Deposit Guarantee Fund (F.I.T.D.)	*5*	*-*	
	Surplus on release of integration provision	*(1)*	*1*	
Integration costs		(398)	(12)	
	+ Administrative expenses: a) employee payroll costs - Provision for post retirement benefit obligations - Settlement Gains (Losses)	*(583)*	*-*	
	Integration costs before Purchase Price Allocation effect	*185*	*(12)*	
Net income from investments		(24)	33	
Item 130.	*Net losses/recoveries on impairment: b) available-for-sale financial assets*	*(64)*	*(37)*	*Section 8*
	Impairment losses/write backs on property owned for investment (from item 200)	*(1)*	*4*	
Item 240.	*Profit (Loss) of equity investments -of which: write-backs/impairment losses and gains/losses on disposal of associates valued at equity*	*(32)*	*21*	*Section 16*
Item 250.	*Net valuation at fair value of tangible and intangible assets*	*(1)*	*(2)*	*Section 17*
Item 270.	*Gains (Losses) on disposal of investments*	*82*	*51*	*Section 19*
	less: Gains (Losses) on disposals of investments - assets leasing operation (from item 270)	*(7)*	*(5)*	
PROFIT (LOSS) BEFORE TAX		**2,933**	**2,925**	
Income tax for the period		(821)	(778)	
Item 290.	*Tax expense related to profit from continuing operations*	*(816)*	*(698)*	*Section 20*
	less: Tax expense related to profit from continuing operations of industrial companies	*(1)*	*(1)*	
less: Purchase Price Allocation effect		*(4)*	*(79)*	
NET PROFIT (LOSS)		**2,112**	**2,148**	
Profit (Loss) after tax from discontinued operations = item 310		13	(152)	
Item 310.	*Profit (Loss) after tax from discontinued operations*	*13*	*(152)*	*Section 21*
PROFIT (LOSS) FOR THE PERIOD		**2,124**	**1,995**	
Minorities		(343)	(280)	
Item 330.	*Minorities*	*(343)*	*(280)*	*Section 22*
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP BEFORE PPA		**1,781**	**1,715**	
Purchase Price Allocation effect		(13)	(174)	
Impairment of goodwill		-	-	
Item 260.	*Impairment of goodwill*	*-*	*-*	*Section 18*
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP		**1,768**	**1,541**	

Note:
An explanation for the restatement of comparative figures is provided in the previous sections.

Definition of Terms and Acronyms

ABCP Conduits - Asset Backed Commercial Paper Conduits
Asset Backed Commercial Paper Conduits are a type of "SPV - Special Purpose Vehicle" (see item) set up to securitize various types of assets and financed by Commercial Paper (see item).
Commercial Paper generally matures in 270 days, with payment of principal and interest depending on the cash flow generated by the underlying assets.
ABCP Conduits may be single-sellers or multi-sellers according to the number of issues they make. Conduits generally require several SPVs. The first-level vehicles issue the Commercial Paper and finance one or more second-level vehicles or Purchase Companies (see item) which purchase the assets to be securitized.
An ABCP Conduit will have the following:
- issues of short-term paper creating a maturity mismatch between the assets held and the paper issued;
- liquidity lines covering the maturity mismatch; and
- security covering default risk in respect of both specific assets and the entire program.

ABS - Asset Backed Securities
Debt securities, generally issued by an "SPV - Special Purpose Vehicle" (see item) guaranteed by assets of various types such as mortgage loans, consumer credits, credit card receivables, etc. Principal and interest payments are subject to the performance of the securitized assets and the existence of any further security guaranteeing the bond. ABSs are divided into tranches (senior, mezzanine and junior) according to the priority with which principal and interest will be paid.

Allocated capital
It represents the amount of capital absorbed by the Group and the Divisions to perform their business activities and to cover all the types of related risks. It is measured by Regulatory Capital obtained by multiplying risk-weighted assets by target Common Equity tier 1 ratio, minus certain regulatory deductions. Only for Asset Management, Asset Gathering and Private, it is measured by the maximum between the result of the Regulatory Capital and Internal Capital. The Internal Capital is the capital needed to cover, with an high level of confidence, the risks faced by the Group measured according to internal models.

Absorbed capital
Absorbed capital represents the amount of capital that the Group sets aside as a buffer against potential losses and needs to support its business activities and all positions held. It is measured by the regulatory capital and the internal capital. The regulatory capital is obtained by multiplying risk-weighted assets by target Common Equity tier 1 ratio. The internal capital is the sum of the economic capital, obtained through aggregation of the capital needed to cover the different types of risk measured according to internal models, plus a reserve to consider the effects of the cycle and model risk.

Acquisition Finance
Finance for business acquisition operations. The most common form of Acquisition Finance is the leveraged buy-out (see Leveraged Finance).

Affluent
Banking customer segment whose available assets for investment are regarded as moderate to high.

ALM - Asset & Liability Management
Integrated management of assets and liabilities, designed to allocate resources in such a manner as to optimize the risk/return ratio.

ALT-A (residential mortgages)
Mortgages whose borrowers, while not subject to the significant repayment problems of those described as Subprime (see item), have a risk profile with high loan-to-value and installment-to-income ratios or incomplete documentation of the debtor's income.

Alternative investment
Alternative investments cover a wide range of forms of investment, including investments in Private Equity (see item) and Hedge Funds (see item).

AMA
Advanced Measurement Approach; applying this methodology the operational risk requirement is obtained with calculation models based on operational loss data and other evaluation elements collected and processed by the bank. Admittance threshold and specific suitability requirements have been provided for the use of the standardized and advanced approaches. For the AMA approach the requirements concern, beside the management system, also the measurement system.

Asset allocation
Decisions to invest in markets, geographical areas, sectors or products.

Asset management
Activities of management of the financial investments of third parties.

ATM - Automated Teller Machine
Automated machine that allows customers to carry out operations such as withdrawing cash, paying in cash or checks, requesting account information, paying utility bills, topping up mobile phone credits, etc.
The customer activates the terminal by inserting a smart card and entering his/her Personal Identification Number.

Audit
Process of controlling a company's activities and accounting, carried out either by an internal body (internal audit) or by an external firm of auditors (external audit).

Back-testing
Statistical technique which entails the comparison of model estimates of risk parameters with the ex-post empirical evidences.

Bad Loans ("Sofferenze")
Exposures to borrowers in a state of insolvency (even when not recognized in a court of law) or in an essentially similar situation, regardless of any loss forecasts made by the bank (i.e. irrespective of whether any - secured or personal - guarantees covering the exposures).

Banking Book
Used in relation to financial instruments, particularly securities, this term identifies the portion of such portfolios intended for "proprietary" activities.

Basel 2
New international capital agreement redefining the guidelines for determining the minimum capital requirements for banks.
The new prudential regulations, which came into force in Italy in 2008, are based on three pillars.

- Pillar 1: while the objective of a level of capitalization equivalent to 8% of the risk-weighted exposures remains unchanged, a new set of rules has been defined for measuring the typical risks associated with banking and financial activities (credit risk, counterparty risk, market risk and operational risk) which provides for alternative calculation methods characterized by different levels of complexity, with the ability to use internally developed models subject to prior authorization by the Regulatory Authority;
- Pillar 2: this requires the banks to have processes and tools for determining the adequate level of total internal capital (Internal Capital Adequacy Assessment Process - ICAAP) for covering all types of risk, including risks other than those covered by the overall capital requirement (Pillar 1), within the framework of an evaluation of current and future exposure that takes account of strategies and of changes in the reference context. It is the Regulatory Authority's task to examine the ICAAP process, formulate an overall judgment and, where necessary, apply the appropriate corrective measures;
- Pillar 3: this introduces obligations to publish information concerning capital adequacy, exposure to risks, and the general characteristics of the systems used for identifying, measuring and managing those risks.

Basel 3
In the light of the crisis that in recent years has hit the financial markets, the Basel Committee on Banking Supervision has approved the substantial enhancement of the minimum capital requirements and the changes to the rules on the liquidity of banks (Basel 3) by providing for the gradual introduction of the new prudential requirements as of January 1, 2014. These rules have been implemented at the European level through the CRD IV "Package".

Best practice
Behavior commensurate with the most significant experience and/or the best level of knowledge achieved in relation to a given technical or professional field.

Budget
Statement forecasting the future costs and revenues of a business.

CBO - Collateralized Bond Obligations
CDO - Collateralized Debt Obligations (see item) with bonds as underlyings.

CCF - Credit Conversion Factor
Ratio between (a) the unused portion of the line of credit that it is estimated may be used in the event of default and (b) the portion currently unused.

Definition of Terms and Acronyms

CDO - Collateralized Debt Obligations
Bonds issued by a vehicle with loans, bonds, ABS - Asset Backed Securities (see item) or other CDOs as underlyings. CDOs make it possible to derecognize assets in the bank's balance sheet and also to arbitrage the differences in yield between the securitized assets and the bonds issued by the vehicle.
CDOs may be funded if the vehicle legally acquires title to the assets or unfunded if the vehicle acquires the underlying risk by means of a CDS - Credit Default Swap (see item) or similar security.
These bonds may be further subdivided as follows:

- CDOs of ABSs, which in turn have tranches of ABSs as underlyings;
- Commercial Real Estate CDOs (CRE CDOs), with commercial property loans as underlyings;
- Balance Sheet CDOs which enable the Originator (see item), usually a bank, to transfer its credit risk to outside investors, and, where possible under local law and supervisory regulations, to derecognize the assets from its balance sheet;
- Market Value CDOs whereby payments of interest and principal are made not only out of cash flow from the underlying assets, but also by trading the instruments. The performance of the notes issued by the vehicle thus depends not only on the credit risk, but also on the market value of the underlyings;
- Preferred Stock CDOs with hybrid debt/equity instruments or Preference shares (see item) issued by financial institutions;
- Synthetic Arbitrage CDOs which arbitrage the differences in yield between the securitized assets acquired synthetically by means of derivatives and the bonds issued by the vehicle.

CDS - Credit Default Swap
A derivative in which a seller of protection engages, for a fee, to pay the buyer of protection a fixed amount should a certain event indicating a deterioration of the creditworthiness of a reference entity occur.

CEO
Chief Executive Officer.

CFO
Chief Financial Officer.

CGU - Cash Generating Unit
A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

CIU
Collective investment undertakings.

CLO - Collateralized Loan Obligations
CDO - Collateralized Debt Obligations (see item) with loans made by authorized lenders such as commercial banks as underlyings.

CMBS - Commercial Mortgage Backed Securities
ABS - Asset Backed Securities (see item) with commercial mortgages as underlyings.

Commercial Paper
Short-term securities issued to raise funds from third-party subscribers as an alternative to other forms of debt.

Consumer ABS
ABS (see item) in which the collateral consists of consumer credits.

Corporate
Customer segment consisting of medium to large businesses.

Cost/Income Ratio
The ratio between operating expenses and operating income. It is one of the main key performance indicators of the bank's efficiency: the lower the ratio, the more efficient the bank.

Cost of risk
The ratio between loan loss provisions and loans and receivables with customers. It is one of the indicators of the bank assets' level of risk: the lower the ratio, the less risky the bank assets.

Counterparty Credit Risk
The risk that the counterparty to a transaction involving financial instruments might default prior to completing all agreed cash-flows exchanges.

Covenant
A loan agreement clause whereby the lender is entitled to restructure or call in the loan on occurrence of the events specified in the clause, which ties changes in the borrower's profits and financial situation to events of default or restructuring (modifying e.g. the repayment schedule or the interest rate charged).

Covered bond
A bond which, as well as being guaranteed by the issuing bank, may also be covered by a portfolio of mortgages or other high-quality loans transferred, to this end, to a suitable SPV - Special Purpose Vehicle (see item).

CRD (Capital Requirement Directive)
EU directives No. 2006/48 and 2006/49, incorporated into Banca d'Italia circular 263/2006 of December 27, 2006 as amended.
The CRD IV "Package" has replaced the two aforementioned Directives and consists of the EU Directive 2013/36 on the taking up of the business of credit institutions and prudential supervision and the EU Regulation 575/2013 on prudential requirements, incorporated into Banca d'Italia circular 285 of December 17, 2013 as amended.

Credit Quality Step
Step based on external ratings, which is used to assign risk weights under credit risk Standardized Approach.

Credit risk
The risk that an unexpected change in the creditworthiness of a counterparty, the value of the guarantees provided by it or the margins used by it in the event of insolvency might produce an unexpected change in the value of the bank's credit position.

Credit Valuation Adjustment
Is the adjustment to the valuation of a portfolio of transactions reflecting the market value of the counterparties' credit risk.

CRM
Credit Risk Mitigation is a set of techniques, contracts accessories to the loan or other instruments (e.g. securities, guarantees), which allows a reduction of the credit risk capital requirements

CRO
Chief Risk Officer.

Default
A party's declared inability to honor its debts and/or the payment of the associated interest.

Duration
This is generally calculated as the weighted average of the maturities for payment of the interest and capital associated with a bond, and represents an indicator of the interest rate risk to which a security or a bond portfolio is subject.

Definition of Terms and Acronyms

EAD - Exposure at Default
Relating to the on-balance and off-balance sheet positions, EAD is defined as the estimation of the future value of an exposure at the time of the debtor's default. Only banks that meet the requirements for adopting the IRB - Internal Rating Based (see item) advanced approach are allowed to estimate EAD (see item). Other banks are required to refer to regulatory estimations.

EBA European Banking Authority
The European Banking Authority is an independent EU Authority which works to ensure effective and consistent prudential regulation and supervision across the European banking sector. Its overall objectives are to maintain financial stability in the EU and to safeguard the integrity, efficiency and orderly functioning of the banking sector.

ECA
Export Credit Agency.

ECAI
External credit assessment institution.

ECB European Central Bank
The ECB is the central bank for Europe's single currency, the euro. The ECB's main task is to preserve the purchasing power of the single currency thus ensuring the maintenance of price stability in the euro area

Economic capital
Capital level that is required to cover the bank's losses that may occur with at a time horizon of one year and a certain probability or confidence level. Economic Capital is a measure of the variability of the Expected Loss of the portfolio and depends on the degree of diversification of the portfolio itself.

EL
Expected Losses are the losses recorded on average over a one year period on each exposure (or pool of exposures).

EPS - Earnings Per Share
An indicator of a company's profitability calculated as: Net Profit divided by Average total outstanding shares (excluding treasury shares)

EVA - Economic Value Added
Expresses the ability to create value in monetary terms. EVA is equal to the difference between the Net Operating Profit After Tax ("NOPAT" Net Operating Profit After Tax - see item) and the cost of the absorbed capital.

Factoring
Contract for the sale without recourse (with credit risk borne by the buyer) or with recourse (with credit risk borne by the seller) of commercial credits to banks or specialist companies, for the purposes of management and collection. May be associated with financing in favor of the seller.

Fair value
The sum for which, in a freely competitive market, an item can be exchanged or a liability extinguished between aware and independent parties.

FINREP
Document issued by the Committee of European Banking Supervisors (CEBS). The Committee gives advice to the European Commission on policy and regulatory issues related to banking supervision; it also promotes cooperation and convergence of supervisory practice across the European Union. The objective of FINREP is to provide guidelines for implementation of the consolidated Financial Reporting framework for supervisory purposes; it is based on International Financial Reporting Standards (IFRSs).

Forbearance/Forborne exposures
According to EBA Implementing Technical Standards, forborne exposures consist of exposures to which forbearance measures have been extended, i.e. concessions towards a debtor who is facing or about to face difficulties in meeting its financial commitments ("financial difficulties").

Forwards
Forward contracts on interest rates, exchange rates or share indices, generally traded on "OTC - Over-the-Counter" (see item) markets, in which the conditions are fixed when the contract is agreed but execution will take place at a predetermined future date, by means of the collection or payment of differentials calculated with reference to various parameters according to the subject of the contract.

FRA - Forward Rate Agreement
Contract whereby the parties agree to receive (pay) at maturity the difference between the value calculated by applying a predetermined interest rate to the transaction amount and the value obtained on the basis of the level reached by a reference rate preselected by the parties.

FTE - Full Time Equivalent
The number of a company's full-time employees. Part-time employees are considered on a pro-rata temporis basis.

Funding
Provision, in various forms, of the funds necessary to finance business activities or particular financial transactions.

Futures
Standardized contracts whereby the parties undertake to exchange money, transferable securities or goods at a preset price at a future date. These contracts are traded on regulated markets, where their execution is guaranteed.

Goodwill
The additional sum paid for the acquisition of an equity interest, equal to the difference between the cost and the corresponding share of net assets, for the portion not attributable to the identifiable assets of the acquired company.

Hedge Fund
Speculative mutual investment fund adopting hedging techniques which generally are not used by ordinary mutual funds, in order to deliver a constant performance, which is only hardly linked to reference markets. Hedge Funds are distinguished by a limited number of partners and require a high minimum level of investment.

IAA
Internal Assessment Approach.

IAS/IFRS
International accounting standards issued by the International Accounting Standard Board (IASB), a private international body established in April 2001, involving representatives of the accounting professions of the principal countries and, as observers, the European Union, IOSCO (International Organization of Securities Commissions) and the Basel Committee. This body is the successor of the International Accounting Standards Committee (IASC), set up in 1973 to promote harmonization of the rules for the preparation of company accounts. When the IASC became the IASB, it was decided, among other things, to name the new accounting principles "International Financial Reporting Standards" (IFRS). At international level, work is currently underway to harmonize the IAS/IFRS with the US GAAP - United States Generally Accepted Accounting Principles (see item).

IBNR
Incurred But Not Reported (losses).

ICAAP - Internal Capital Adequacy Assessment Process
See "Basel 2 - Pillar 2".

IMA
Internal Models Approach is an approach to calculate market risk capital requirement using internal models

Impaired loans
Loans are subjected to periodic examination in order to identify those which, following events occurring after their entry in the accounts (at the market value, normally equal to the disbursed amount including the transaction costs and revenues directly attributable to the disbursement of the loan), show objective signs of a possible loss of value. This category includes loans that have been classed as bad, doubtful, restructured or overdue, in accordance with Banca d'Italia rules consistent with IAS/IFRS (see item).

Definition of Terms and Acronyms

Impairment
Within the framework of the IAS/IFRS (see item), this refers to the loss of value of a balance sheet asset, recorded when the book value is greater than the recoverable value, i.e. the sum that can be obtained by selling or using the asset.

Index linked
Policies whose performance at maturity depends on a benchmark parameter that may be a share index, a basket of securities or another indicator.

(Internal) validation
Expert unit, internal but sufficiently independent, that verifies the adequacy of internal models for internal and regulatory purposes and issues a formal opinion about their usefulness and effectiveness. Usually a prerequisite for the validation process carried out by the authorities.

Investment banking
Banking segment devoted to the subscription and placement of newly issued securities, as well as the trading of financial instruments.

Investor
Any entity other than the Sponsor (see item) or Originator (see item) with exposure to a securitization.

IPRE Income Producing Real Estate.

IRB - Internal Rating Based
Method for determining the capital needed to cover credit risk within the framework of Pillar 1 of Basel 2 (see item). The rules are applied to the exposures of the banking portfolio. Furthermore, in the IRB methods the risk weightings of the assets are determined on the basis of the bank's own internal evaluations of the debtors (or, in some cases, of the transactions). Using systems based on internal ratings, the banks determine the weighted risk exposure. The IRB methods consist of a basic method and an advanced method, which differ in terms of the risk parameters that the bank must estimate: in the basic method, the banks use their own estimates for "PD - Probability of Default" and the regulatory values for the other risk parameters; in the advanced method, the banks use their own estimates for " PD - Probability of Default ", "LGD - Loss Given Default", "CCF - Credit Conversion Factors" and, where provided for, "M - Maturity" (see item). The use of IRB methods for the calculation of capital requirements is subject to authorization from Banca d'Italia.

IRC
Incremental Risk Charge is a measure of potential losses arising from default and migration risks of unsecuritised credit products over a 1-year capital horizon at a 99.9% confidence level, taking into account the liquidity horizons of individual positions.

IRS - Interest Rate Swap
See "Swap".

Joint venture
Agreement between two or more companies for the conduct of a given economic activity, usually through the constitution of a joint stock company.

Junior, Mezzanine and Senior exposures
In a securitization transaction, the exposures may be classified as follows:
- junior exposures are the last to be repaid, and consequently absorb the first loss produced by the securitization transaction;
- mezzanine exposures are those with medium repayment priority, between senior and junior;
- senior exposures are the first to be repaid.

Ke
The cost of equity is the minimum return on investment required by the shareholder. It is the sum of a risk-free rate and an additional spread remunerating the shareholder for the credit risk and the volatility of the share price. The cost of capital is based on medium/longterm averages of market parameters.

KPI - "Key Performance Indicators"
Set of indicators used to evaluate the success of a particular activity or process.

LCP Loss Confirmation Period.

Lead Arranger
The bank responsible for arranging a securitization. The arranger's duties include checking the quality and quantity of the assets to be securitized, conducting relations with rating agencies, drawing up the prospectus and dealing with accounting and legal problems.

Leasing
Contract whereby one party (the lessor) grants to another party (the lessee) for a given period of time the enjoyment of an asset purchased or built by the lessor at the choice and on the instructions of the lessee, with the latter having the option of acquiring ownership of the asset under predetermined conditions at the end of the leasing contract.

Leveraged Finance
Loans provided mainly to Private Equity funds in order to finance the acquisition of a company through a financial transaction based on the cash flow generation capacity of such target company. This can result in a higher level of debt and therefore a higher level of risk. Leveraged finance may be syndicated.

LGD - Loss Given Default
Expected value (which may be conditional upon adverse scenarios) of the ratio, expressed as a percentage, between the loss giving rise to the default and the amount of exposure at the time of the default ("EAD - Exposure At Default", see item).

Liquidity risk
The risk of the company being unable to meet its payment commitments due to the inability to mobilize assets or obtain adequate funding from the market (funding liquidity risk) or due to the difficulty/impossibility of easily liquidating positions in financial assets without significantly and unfavorably affecting the price because of insufficient depth or temporary malfunction of the financial market (market liquidity risk).

M - Maturity
The average, for a given exposure, of the residual contractual maturities, each weighted for the relevant amount.

Mark-up
Positive differential with respect to a benchmark index, generally an interbank rate, applied to the lending rate offered to customers.

Market risk
The effect that changes in market variables might have on the economic value of the Group's portfolio, where this includes both the assets held in the Trading Book and those entered in the Banking Book, or the operations connected with the characteristic management of the commercial bank and its strategic investment choices.

Medium Term Note
Bond with a maturity of between 5 and 10 years.

Merchant banking
This term covers activities such as the subscription of securities - shares or debt instruments - by corporate customers for subsequent placement on the market, the taking of more permanent equity interests but always with a view to subsequent disposal, and the conduct of business consultancy activities for the purposes of mergers and acquisitions or restructurings.

Monoline Insurers
Insurance companies that insure only one kind of risk. Against payment of premium they guarantee the repayment of principal and interest of bonds - usually "ABS - Asset Backed Securities" (see item) or US municipal bonds - on default by the issuer, which enables the guaranteed bond to obtain a better rating than similar unguaranteed issues.

Definition of Terms and Acronyms

Non-Performing exposures
According to EBA Implementing Technical Standards, Non-Performing exposures are debt instruments and off-balance sheet exposures which satisfy either or both of the following criteria: (i) material exposures which are more than 90 days past-due; (ii) the debtor is assessed as unlikely to pay its credit obligations in full without realisation of collateral, regardless of the existence of any past-due amount or of the number of days past due.

NOPAT - Net Operating Profit After Tax
Net Operating Profit after tax and minority interests, adjusted by elements that would not allow to assess the capability to create value through ordinary operations.
It represents the share of Group Net Profit produced by typical business activities, gross of the costs of capital.

Notch
Level, referred to a scale.

Operational risk
The risk of losses due to errors, violations, interruptions, damages caused by internal processes, personnel or systems, or by external events. This definition includes legal and compliance risk, but excludes strategic and reputational risk.
For example, operational risks include losses deriving from internal or external fraud, employment contracts and employment protection regulations, customer claims, distribution of products, fines and other sanctions arising from breaches of regulations, damages to the company's assets, interruption of operations, malfunction of systems and the management of processes.

Option
The right, but not the commitment, acquired by the payment of a premium, to buy (call option) or sell (put option) a financial instrument at a given price (strike price) by or at a determined future date (American option/European option).

Originator
The entity that originated the assets to be securitized or acquired them from others.

OTC - Over the counter
Over-the-counter (OTC) trading consists of the exchange of financial instruments such as shares, bonds, derivatives or goods directly between two counterparties. The OTC markets do not have standardized contracts or buying/selling procedures and are not associated with a set of rules (admissions, controls, obligations of information, etc.) like those that govern the official markets.

Overcollateralization
The value of the assets underlying the bonds issued is higher than the amount of the bonds.

Past Due
Problematic exposures that, at the reporting date, are more than 90 days past due on any material obligation, as required by the relevant prudential regulation. Past due can be determined either at individual debtor or at single transaction level according to the relevant local prudential regulation.

Payout ratio
It indicates the percentage of net income that is distributed to shareholders. The percentage distributed is determined mainly on the basis of the company's self-financing needs and the return expected by shareholders.

PD - Probability of Default
Probability of a counterparty entering into a situation of "default" (see item) within a time horizon of one year.

Preference shares
Capital instruments that associate forms of remuneration tied to market rates with particularly pronounced subordination conditions, such as non-recovery in subsequent years of the interest not paid by the bank and bearing a share of its losses in the event that these produce a significant reduction in the capital requirements. The regulatory authorities set the conditions under which preference shares may be counted among the core capital of banks and banking groups.

Private banking
Financial services aimed at so-called "high-end" private customers for the global management of financial needs.

Private equity
Investments in the risk capital of companies, generally unlisted but with high growth potential and the ability to generate constant cash flows. Investments in private equity include a wide range of operations that vary according to both the development phase of the company concerned and the investment techniques used. These techniques include closed-end private equity funds.

Purchase Companies
Vehicle used by “ABCP Conduits - Asset Backed Commercial Paper Conduits” (see item) to purchase the assets to be securitized and subsequently financed by the Conduit vehicle by means of commercial paper.

Rating
Evaluation of the quality of a company or its issues of debt securities on the basis of the company's financial soundness and prospects. This evaluation is made either by specialist agencies or by the bank on the basis of internal models.

RBA
Ratings-Based Approach.

Retail
Customer segment consisting principally of private individuals, self-employed professionals, traders and artisans.

RIC
IRB calculation model - Rating Integrato Privati (Individuals Integrate Rating).

RISB
IRB calculation model - Rating Integrato Small Business (Small Business Integrate Rating).

RMBS - Residential Mortgage Backed Securities
Asset Backed Securities (see item) with residential mortgages as underlyings.

ROA - Return on assets
Ratio between Net Profit/(Loss) of the year and Total Assets as per IFRS balance sheet.

ROAC - Return On Allocated Capital
Annualized ratio between the net profit and the average absorbed capital. It shows in percentage terms the earning capacity for absorbed capital units. A corrective factor is applied to net profit where capitalization is substantially higher than Group’s target.

RUF
Revolving Underwriting Facility.

RWA - Risk Weighted Assets
On-balance sheet assets and off-balance sheet assets (derivatives and guarantees) classified and weighted by different coefficients referring to risks, following banking rules issued by local Supervisors (i.e. Banca d’Italia, Bafin, etc.), to calculate solvency ratios.

Securitization
Transfer of a portfolio of assets to an “SPV - Special Purpose Vehicle” (see item) and the issue of securities with various levels of seniority to meet any default by the underlying assets.
Securitizations can be:
- traditional: method of securitization whereby transfer of the assets is by means of sale of the portfolio to the “SPV - Special Purpose Vehicle” (see item).
- synthetic: method of securitization whereby the transfer of assets is by means of credit derivatives or similar security enabling the risk of the portfolio to be transferred.

Sensitivity
The greater or lesser degree of sensitivity with which certain assets or liabilities react to changes in rates or other reference parameters.

Definition of Terms and Acronyms

SFA
Supervisory Formula Approach.

SL
Specialized Lending.

SME
Small and Medium Enterprise

Sponsor
An entity other than the Originator (see item) which sets up and manages an ABCP conduit or other securitization scheme where assets are acquired from a third entity for securitization.

SPV - Special Purpose Vehicles
An entity - partnership, limited company or trust - set up to carry out a set object, such as isolating financial risk or obtaining special regulatory or tax treatment for specific portfolios of financial assets.
SPV's operations are accordingly limited by a set of rules designed for this purpose.
In general SPVs' sponsors (see item) do not hold equity in them. The equity is held by other entities in order to ensure that there is no shareholder relationship with the Sponsor (see item). SPVs are usually bankruptcy-remote, in that their assets cannot be claimed by the creditors of the sponsor, even if the latter becomes insolvent.

Subprime (Residential Mortgages)
Although Subprime has no univocal definition, this category includes mortgages granted to borrowers who have had repayment difficulties in the past, e.g. delayed installments, insolvency or bankruptcy, or who are more likely to default than the average due to high loan-to-value and installment-to-income ratios.

SVaR
Stressed VaR is a quantification of exposures to particular extreme losses that can be inflicted to a Bank during market tensions, by modeling the portfolio response conditional on historical data from a (continuous 12-month) period of significant financial stress.

Swap
A transaction that generally consists of the exchange of financial streams between operators according to different contractual arrangements.
In the case of an interest rate swap (IRS), the counterparties exchange payment streams that may or may not be linked to interest rates, calculated on a notional principal amount (for example, one counterparty pays a stream on the basis of a fixed rate, while the other does so on the basis of a variable rate).
In the case of a currency swap, the counterparties exchange specific amounts in two different currencies, with these amounts being exchanged back in due course according to predefined arrangements that may concern both the capital (notional) and the streams of interest payments.

Tier 1 Capital
The most reliable and liquid part of a bank's capital, as defined by regulatory rules.

Tier 1 Capital Ratio
The percentage of a bank's Tier 1 Capital to its risk weighted assets "RWA - Risk Weighted Assets" (see item).

TSR - Total Shareholder Return
It is the full reward, in terms of capital gain and dividends, that a shareholder gets from holding one share.

UCI - Undertakings for Collective Investment
This term includes "UCITS" (see item) and other collective investment Funds (real estate collective investment funds, closed-end investment funds).

UCITS - Undertakings for Collective Investment in Transferable Securities
This term covers open-end real estate investment funds, both Italian and foreign, and investment companies with variable capital. The latter are joint stock companies that have the sole purpose of collective investment of the assets gathered through a public offer of their own shares.

UL
Unexpected Losses are the losses exceeding the expected losses.

Unlikely to Pay
The classification in this category is the result of the judgment of the bank about the unlikeliness, without recourse to actions such as realizing collaterals, that the obligor will pay in full (principal and / or interest) its credit obligations. This assessment should be carried out independently of the presence of any amount (or rate) past due and unpaid.

US GAAP - United States Generally Accepted Accounting Principles
Accounting principles issued by the FASB (Financial Accounting Statement Board), generally accepted in the USA.

VaR - Value at Risk
A method used for quantifying risk. It measures potential future losses which will not be exceeded within a specified period and with a specified probability.

Vintage
The year of issue of the collateral underlying bonds created by securitization. In the case of subprime mortgages this information is an indicator of the riskiness of the bond, since the practice of granting mortgages to subprime borrowers became significant in the US starting in 2005.

Warehousing
A stage in the preparation of a securitization transaction whereby an “SPV - Special Purpose Vehicle” (see item) acquires assets for a certain period of time until it reaches a sufficient quantity to be able to issue an ABS.

Certification

Condensed Interim Consolidated 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 in Charge 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 application of the administrative and accounting procedures employed to draw up the Condensed Interim Consolidated Financial Statements in the first nine months of the financial year 2016.

2. The adequacy of administrative and accounting procedures employed to draw up the 2016 Condensed Interim Consolidated Financial Statements has been evaluated by applying a model devised by UniCredit S.p.A. in accordance with "Internal Control - Integrated Framework (CoSO)" and "Control Objective for IT and Related Technologies (Cobit)", which represent generally accepted international standards for internal control system and, specifically, for financial reporting.

3. The undersigned also **certify** that:
   3.1 the Condensed Interim Consolidated Financial Statements as at September 30, 2016:
      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) are consistent with accounting books and records;
      c) are suitable to provide a fair and correct representation of the economic and financial situation of the issuer and the group of companies included in the scope of consolidation;
   3.2 the Interim Report on Operations includes a reliable analysis of the most significant events in the first nine months of the financial year and their impact on the Condensed Interim Consolidated Financial Statements, together with a description of the main risks and uncertainties concerning the remaining three months of the year. The Interim Report on Operations also contains a reliable analysis of information on significant related party transactions.

Milan - November 10, 2016

Jean Pierre MUSTIER

Francesco GIORDANO

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Report of the External Auditors

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REPORT ON REVIEW
OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

To the Board of Directors of
UniCredit S.p.A.

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of UNICREDIT S.p.A. and subsidiaries (the "UNICREDIT Group"), which comprise the balance sheet as of September 30, 2016 and the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the cash flow statement for the nine-month period then ended, and the related explanatory notes. The Directors are responsible for the preparation of this condensed interim consolidated financial statements in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on this condensed interim consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of condensed interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements of the UNICREDIT Group as at September 30, 2016 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

Other Matter

The condensed interim consolidated financial statements for the period ended as of September 30, 2015 have not been audited or reviewed.

DELOITTE & TOUCHE S.p.A.

Signed by
Riccardo Motta
Partner

Milan, Italy
November 15, 2016