



# **Ordinary and Extraordinary Shareholders' Meeting 14<sup>th</sup> April 2016**

- **Directors' Reports and proposals concerning the items on the Agenda**

# AGENDA

## Ordinary Part

1. Approval of the UniCredit S.p.A. individual financial statements as at December 31, 2015, accompanied by the Reports of the Directors and of the Auditing Company; Board of Statutory Auditors Report. Presentation of the consolidated financial statements;
2. Allocation of the UniCredit S.p.A. 2015 operating result of the year;
3. Distribution of a dividend from Company profit reserves in the form of a scrip dividend;
4. Increase of the legal reserve;
5. Appointment of the Board of Statutory Auditors, including the Chairman, and of the Substitute Statutory Auditors;
6. Determination of the compensation due to the Board of Statutory Auditors;
7. Appointment of a Director for integration of the Board of Directors;
8. 2016 Group Compensation Policy;
9. 2016 Group Incentive System;
10. UniCredit Group Employee Share Ownership Plan 2016 (Plan "Let's Share for 2017").

## Extraordinary Part

1. Capital increase for no consideration pursuant to article 2442 of the Italian Civil Code to service of the payment of a dividend from profit reserves, in the form of a scrip dividend, to be implemented through the issue of ordinary shares and savings shares to be assigned, respectively, to the holders of ordinary shares and the holders of savings shares of the Company, without prejudice to any request for payment in cash; ensuing amendments to the Company By-laws;
2. Delegation to the Board of Directors, under the provisions of section 2443 of the Italian Civil Code, of the authority to resolve in 2021 to carry out a free capital increase, as allowed by section 2349 of the Italian Civil Code, for a maximum amount of € 6,821,022.23 corresponding to up to 2,010,000 UniCredit ordinary shares to be granted to the Personnel of the Holding Company and of Group banks and companies, in order to complete the execution of the 2015 Group Incentive System; consequent amendments to the Articles of Association;
3. Delegation to the Board of Directors, under the provisions of section 2443 of the Italian Civil Code, of the authority to resolve, on one or more occasions for a maximum period of five years starting from the date of the shareholders' resolution, to carry out a free capital increase, as allowed by section 2349 of the Italian Civil Code, for a maximum amount of € 77,370,044.40 corresponding to up to 22,800,000 UniCredit ordinary shares to be granted to the Personnel of the Holding Company and of Group banks and companies in execution of the 2016 Group Incentive System; consequent amendments to the Articles of Association.

*The documentation relating to the other items on the Agenda as well as the UniCredit individual financial statements and the consolidated financial statements as at December 31, 2015, and the 2015 UniCredit Report on Corporate Governance and ownership structure will be made available according to the terms provided for by rules of law and regulations.*

*The 2016 Group Compensation Policy, which form an integral part of the Directors' Reports, given under item 8 of the Ordinary Part on the Agenda, is made available in separate documents.*

## **ORDINARY PART**

### **Items 2, 3 and 4 on the Agenda**

#### **REPORT OF THE BOARD OF DIRECTORS**

##### **ALLOCATION OF THE UNICREDIT S.P.A. 2015 OPERATING RESULT OF THE YEAR**

##### **DISTRIBUTION OF A DIVIDEND FROM COMPANY PROFIT RESERVES IN THE FORM OF A SCRIP DIVIDEND**

##### **INCREASE OF THE LEGAL RESERVE**

Dear Shareholders,

You have also been called to this Ordinary Shareholders Meeting to approve, *inter alia*, the allocation of the Company 2015 operating result of the year (covering the loss for the year), the distribution of a dividend from profit reserves in the form of a scrip dividend, through the issue of ordinary and savings shares to be allocated, respectively, to shareholders who own ordinary shares and the bearers of savings shares in the Company who have not opted out as well as the increase of the legal reserve.

##### **ALLOCATION OF THE UNICREDIT S.P.A. OPERATING RESULT OF THE YEAR**

In the financial year 2015, the Company recorded losses, on an individual basis, equal to Euro 1,441,448,594 which was also the consequence of net impairments on equity investment, staff expenses and net provisions for risk and charge.

The Board of Directors proposes that the 2015 losses be covered by use, for an amount of Euro 1,441,448,594 of the "Share Premium" reserve.

##### **DISTRIBUTION OF A DIVIDEND FROM COMPANY PROFIT RESERVES IN THE FORM OF A SCRIP DIVIDEND**

The Board of Directors intends to propose the allocation of a dividend from profit reserves (the "**Dividend**"), executed in the form of a scrip dividend, totaling Euro 706,181,777.04 and therefore equal – bearing in mind the redistribution in light of the Company's treasury shares and the ordinary shares used in support of the "Cashes" financial instruments – to Euro 0.12 per savings and ordinary share. The scrip dividend is widely known in international financial markets, involving the distribution of

the Dividend by allocating shares or, if this is rejected, by payment of the dividend in cash.

The process, which appears to be in line with the international best practices to which UniCredit aspires in view of its characteristics, specifically involves the distribution to shareholders of new shares deriving from a free capital increase, the proposed resolution for which shall be submitted to the extraordinary session of the Shareholders Meeting, without prejudice to the shareholder's right to reject the allocation of these shares and to receive payment of the Dividend in cash: this mechanism, which in any case ensures adequate remuneration on capital invested according to the cash equivalent principle, enables the UniCredit Group to maintain its capital while also guaranteeing a cash dividend for any shareholder who rejects the share allocation.

Eligible shareholders will receive the newly issued shares on the payment date, set for 3/5/2016 (the "**Payment Date**") according to the allocation ratio set out on the basis of the criteria and according to the ways described in the relevant Directors Report to the Extraordinary Shareholders Meeting, without prejudice to the shareholders' right to reject the free allocation of the shares in favor of payment of the Dividend in cash.

Eligible shareholders intending to reject the share allocation in favor of payment of the dividend in cash must inform the Company of this choice through their depository intermediary, after the record date of 19/4/2016 and by 26/4/2016 (the deadline for which may be extended by the Company through a communication to this effect): in this case, they will receive the scrip dividend in cash on the Payment Date, it being understood that this results in the loss of the right to receive the shares deriving from the free capital increase.

The free capital increase will be serviced through the "Reserve for allocating profits to Shareholders through the issuance of new free shares" and, if the latter is not sufficient, through the "Statutory reserves", available for the associated allocation to capital and consequent to the issue of free ordinary and savings shares, pursuant to Article 2442 of the Italian Civil Code, and distributable for payment in cash.

It is understood that, if for any reason it is not possible to execute the capital increase in accordance with the associated Directors' Report to the Extraordinary Shareholders meeting, only the cash Dividend will be paid.

The ordinary and savings shares issued as a result of the capital increase will have the same characteristics as the equivalent shares in circulation with regular dividend rights.

Therefore, the Dividend is to be distributed, in accordance with the relevant laws and regulations, with an ex dividend date of 18/4/2016, and payment on 3/5/2016. Pursuant to Article 83-*terdecies* of Italian Legislative Decree 58/1998, shareholders registered in the accounts at the end of the accounting day 19/4/2016 will be entitled to receive the distribution of the profit reserves.

## INCREASE OF THE LEGAL RESERVE

Taking into account that the legal reserve, equal to Euro 4,050,666,499, is currently lower (for the sum of Euro 9,001,869) than the threshold of one fifth of the company capital envisaged by Article 2430, sub-sec 1, of the Italian Civil Code, it is advisable to integrate it.

Moreover, in order to maintain the abidance by the said threshold also in case the proposed free capital increase mentioned in the previous paragraph is equal to the total amount of the proposed dividend of Euro 706,181,777.04, we propose to increase the legal reserve for a total amount of Euro 150,238,225 making use of the "Share Premium" reserve.

Once the increase is carried out, the amount of the legal reserve will amount to Euro 4,200,904,724.

\* \* \*

Dear Shareholders,

In relation to the above, we invite you to take the following resolutions:

*"The Shareholders' Meeting of UniCredit, in ordinary session, in reference to the decisions taken upon the approval of the Financial Statements as at December 31, 2015, and on the basis of the composition of shareholders' equity resulting from these decisions,*

*resolves:*

*(i) to cover the losses from the 2015 financial year through the use, for an amount of Euro 1,441,448,594, of the "Share Premium" reserve;*

*(ii) to distribute a dividend to shareholders from profit reserves totaling Euro 706,181,777.04 in the form of a scrip dividend, as described and according to the terms and procedures in this Report, using the "Reserve for allocating profits to Shareholders through the issuance of new free shares" and the "Statutory reserves", it being understood that, if for any reason it is not possible to execute the capital increase in accordance with the related Directors' Report for the Extraordinary Shareholders meeting, only the cash Dividend shall be paid;*

*(iii) to increase the legal reserve for an amount of Euro 150,238,225 by use of the "Share Premium" reserve.*

## **ORDINARY PART**

### **Items 5 and 6 on the Agenda**

#### **DIRECTORS' REPORT**

#### **APPOINTMENT OF THE BOARD OF STATUTORY AUDITORS, INCLUDING THE CHAIRMAN, AND OF THE SUBSTITUTE STATUTORY AUDITORS DETERMINATION OF THE COMPENSATION DUE TO THE BOARD OF STATUTORY AUDITORS**

Dear Shareholders,

since the term of office for the current Board of Statutory Auditors ends with the approval of the 2015 financial statements, you are asked to appoint the new control body, including the Chairman of the Board of Statutory Auditors, and to determine the remuneration of its members.

To that regard we recall that, pursuant to Clause 30 of the Articles of Association, the Ordinary Shareholders' Meeting is required to appoint five permanent Auditors, amongst which the Chairman, and four substitute Auditors, ensuring the balance of genders. They remain in office for three financial years with a term in office expiring on the date of the Shareholders' Meeting called upon to approve the financial statements for the third financial year of their office.

We recall that, according to the current laws and regulations, the appointment must be made on the basis of lists filed by the parties having the right thereto (persons which represent, either on their own or together with others, at least 0.5% of the ordinary share capital with voting rights at Ordinary Shareholders' Meetings). Each of said parties may submit, or contribute to the submission of, only one list just as each candidate may be included in one list only, under penalty of ineligibility.

Each list must, in turn, be divided into two sub-lists, containing respectively up to five candidates for the seat as permanent Auditor and up to four candidates for the seat as substitute Auditor, listed using progressive numbers. All the candidates should be suitable for the office in accordance with current laws and regulations.

Moreover, at least the first two candidates for the seat as permanent Auditor and at least the first candidate for the seat as substitute Auditor must have been registered

for at least three years in the Rolls of Auditors and must have carried out the activity as accounting Auditor for a period of no less than three years as envisaged by current provisions (either of law or regulatory) and by the Articles of Association. Each list for the appointment as permanent Auditor and substitute Auditor must also present a number of candidates belonging to the least represented gender such as to ensure, within the list itself, the abidance by the balance of genders at least in the minimum proportion required by current provisions, also of a regulatory nature.

The candidate who obtains the highest share of votes among the candidates belonging to the list obtaining the highest number of votes among the minority lists, as defined by current provisions, also of a regulatory nature, is appointed Chairman of the Board of Statutory Auditors. If the Chairman of the Board of Statutory Auditors can't be elected according to the criteria established by the Articles of Association, he/she must be appointed by the Shareholders' Meeting directly with relative majority.

The lists must, under penalty of forfeiture, be filed at UniCredit S.p.A.'s registered office or Head Office within the twenty-fifth day prior to the date of the Shareholders' Meeting, together with the information and documents required pursuant to current laws and to the Articles of Association, including the lists of the managerial and control offices held by the candidates in other companies. At least twenty-one days before the date of the Shareholders' Meeting, the lists must be made available to the public by the Company, in the manner established by current provisions.

If only one list is filed, or no list at all be filed, or should the lists not contain the number of candidates required to be elected, the Shareholders' Meeting must resolve on the appointment by relative majority, ensuring the gender balance required by current provisions.

In addition to the appointment of the Board of Statutory Auditors, the Shareholders' Meeting is called to resolve on the annual remuneration due to the members of the Board of Statutory Auditors for the entire term of office. On the basis of the information provided by the outgoing Board of Statutory Auditors, we inform you that the total number of days to be accounted for as regards the activities carried out by the Auditors during 2015 amounts to 84 days (equal to h. 672). To that regard may we remind you that the annual remuneration approved by the Shareholder's Meeting on 11 May 2013 was Euro 140,000 for the Chairman of the Board of Statutory Auditors and Euro 100,000 for each permanent Auditor, as well as an attendance fee of Euro 400 for each Board meeting. Finally, we remind you that the Auditors benefit from an insurance policy covering civil liability already agreed upon by the Company in compliance with the resolution adopted by the Shareholders' Meeting on 11 May 2012.

Dear Shareholders,

pursuant to the provisions of the UniCredit Articles of Association, of current laws and regulations, as well as of the Consob communication no. DEM/9017893 issued on 26 February 2009, you are invited to resolve on the following proposals:

- the appointment of the permanent Auditors, including the Chairman of the Board of Statutory Auditors, and of the substitute Auditors of UniCredit S.p.A. for the financial years 2016, 2017 and 2018 (i.e. up to the Shareholders' Meeting called to approve the 2018 financial statements);
- the determination of the annual remuneration due to the members of the Board of Statutory Auditors for the entire term of office.



## **ORDINARY PART**

### **Item 7 on the Agenda**

#### **BOARD OF DIRECTORS' REPORT**

#### **APPOINTMENT OF A DIRECTOR FOR THE INTEGRATION OF THE BOARD OF DIRECTORS**

Dear Shareholders,

one of the reasons for calling this Ordinary Shareholders' Meeting of UniCredit S.p.A. (the "Company") was so that you could decide on the appointment of a Director for the integration of the Board of Directors.

To that regard may we remind you that the Shareholders' Meeting held on May 13<sup>th</sup>, 2015, appointed the Directors for the financial years 2015-2017, intended to stay in office until the Shareholders' Meeting called for the approval of the 2017 financial statements, and resolved that they ought to be 17 in number.

Following said Meeting, as a result of the resignation of Mr. Mohamed Ahmed Badawy Al Husseiny, the Board of Directors in its October 15<sup>th</sup>, 2015 meeting co-opted Mr. Mohamed Hamad Ghanem Hamad Al Mehairi as Director of the Company, pursuant to Section 2386 of the Italian Civil Code, by means of a resolution subsequently approved by the Board of Statutory Auditors.

The choice of the above mentioned Director was made on the advice of the Corporate Governance, HR and Nomination Committee given on October 6<sup>th</sup>, 2015, in accordance with the instructions issued by the Bank of Italy (Circular no. 285 - Supervisory Provisions for Banks) and with the provisions of the Corporate Governance Code for listed companies, on the basis of the criteria established by the Board itself within the qualitative and quantitative composition - approved on March 12<sup>th</sup>, 2015 - deemed optimal to ensure the proper working of the management body (hereinafter also "Qualitative Profile").

The Board of Directors - on the basis of the positive opinion of the Corporate Governance, HR and Nomination Committee dated November 5<sup>th</sup>, 2015 - went ahead and, in its November 11<sup>th</sup>, 2015 meeting, verified, whether the professional experience, integrity and independence requisites, as well as his abidance by the Quali-quantitative Profile, were being met by Director Mr. Al Mehairi.

Given that, pursuant to Section 2386 of the Italian Civil Code, the Directors appointed by the Board of Directors to replace those having left during the financial year remain in office until the next Shareholders' Meeting, it is necessary to submit to the Shareholders' Meeting the proposal to appoint a Director for the completion of the Board.

To that regard the Board of Directors, on February 9<sup>th</sup>, 2016, decided to propose to today's Shareholders' Meeting the reappointment of the Director already co-opted, Mr. Al Mehairi.

The ordinary Shareholders' Meeting will resolve with the majorities required by law, without applying the list vote system, in any case abiding by the principles of independence and gender balance required by current provisions, also of a regulatory nature.

The document "*Qualitative and quantitative composition of the UniCredit S.p.A. Board of Directors*", resolved on by the Company's Board of Directors on March 12<sup>th</sup>, 2015, and published on the Company website, is available to the Shareholders so as to allow the Shareholders to choose the candidates to propose for the integration of the Board in good time, taking into account the professional competence required and giving the reasons for possible discrepancies vis-à-vis the analyses carried out by the Board.

## **Resolutions submitted to the Ordinary Shareholders' Meeting**

Dear Shareholders,

If you agree with the contents and reasoning put forth in the above Directors' Report, having taken into account what is established by the Articles of Association as far as concerns the composition and ways for appointing the Board of Directors as well as the

recommendations contained in the document called "*Qualitative and quantitative composition of the UniCredit S.p.A. Board of Directors*", then we ask you to approve the following resolution:

to appoint a Director for the integration of the Board of Directors, confirming the position of the Director already co-opted, Mr. Mohamed Hamad Ghanem Hamad Al Mehairi, who shall remain in office until the end of term of the current Board and, therefore, until the Shareholders' Meeting called to approve the financial statements for the 2017 financial year.



## CURRICULUM VITAE

Name: Mohamed Hamad Al Mehairi

Date of Birth: December 6, 1975

Nationality: UAE National

Languages: Arabic - Native  
English - Fluent

Qualification: Bachelor's Degree in Science & Business Administration, Finance,  
from Suffolk University, Boston, U.S.A.

### WORK EXPERIENCE

Sept. 1999 - June 2006: Market Analyst & Sales coordinator, Marketing & Refining Directorate, **Abu Dhabi National Oil Company (ADNOC)**, Abu Dhabi.

Aug. 2006 - Aug. 2015: Director, Investment Department, **International Petroleum Investment Company (IPIC)**, Abu Dhabi.

Aug. 24, 2015 to date: CEO, **Aabar Investments PJS (Aabar)**, Abu Dhabi.

## **Mohamed H. Al Mehairi List of Board Appointments & Positions**

### **IPIC GROUP**

1. Aabar Investments PJS - Executive Director
2. Arabtec Holding PJSC - Non-executive Director
3. Qatar Abu Dhabi Investment Company - Non-executive Director
4. Pak-Arab Refinery Ltd. - Non-executive Director
5. Cosmo Oil - Non-executive Director

### **Other positions**

6. Etihad Airways - Non-executive Director (\*)
7. Al Hilal Bank (Abu Dhabi) - Non-executive Director

(\*) Position no longer held as from March 9, 2016

In connection with the proposal for the appointment to the office of Director of UniCredit S.p.A. that will be put to the Ordinary Shareholders' Meeting to be held on April 14, 2016, in single call

**UNICREDIT S.P.A. INFORMS YOU THAT**

Mr. Mohamed Hamad Ghanem Hamad Al Mehairi, candidate upon suggestion by the Board of Directors,

**HAS STATED THAT HE**

- irrevocably accepts the candidacy as member of the Board of Directors of UniCredit S.p.A. and his possible appointment as Director;
- possesses the independence requirements envisaged by the Section 148, par. 3, of the TUF;
- possesses the independence requirements envisaged by both Section 20 of the UniCredit Articles of Association and Section 3 of the Corporate Governance Code for Listed Companies.

Furthermore, Mr. Al Mehairi, in view – inter alia – of the regulations contained in Sections 2382 and 2387 of the Italian Civil Code, in Section 26 of the Legislative Decree no. 385 dated September 1, 1993, in Section 147-quinquies of the Legislative Decree no. 58 dated February 24, 1998, in the Treasury Decree no. 161 dated March 18, 1998 and in the Justice Decree no. 162 dated March 30, 2000

**HAS ATTESTED**, under his responsibility,

- that there are no reasons for his ineligibility, forfeiture or incompatibility and that he meets the experience and integrity requirements provided for by current Italian laws and regulations for the appointment as Director.

Lastly, Mr. Al Mehairi has undertaken to promptly inform UniCredit S.p.A. of any changes in the circumstances declared by him that might occur after signing this declaration and has authorized the publication, as well as of the above information, of that concerning the personal and professional characteristics mentioned in the curriculum vitae and in the list of the offices held in other companies.

## ORDINARY PART

### Item 8 on the Agenda

#### DIRECTORS' REPORT

##### 2016 GROUP COMPENSATION POLICY

Dear Shareholders,

We have called this Ordinary Meeting to request your approval of the Group Compensation Policy, set out in the attached document which forms an integral part of the present Report, in compliance with the provisions set by the “*Disposizioni di vigilanza per le Banche*” issued by Bank of Italy which prescribe that the Shareholders' Meeting approves, amongst other items, the remuneration policy for Member of Administrative and Auditing bodies and employees. The approval of remuneration policy and incentive systems must evidence their conformity with prudent risk management and the company's long-term objectives, as well as ensuring an appropriate balance between the fixed and variable components as required by regulators, including in the case of the latter, risk-weighting systems and mechanisms designed to ensure that compensation is linked to effective and lasting results.

Furthermore, and again in compliance with indications of the regulators, information is provided on the implementation of remuneration policy approved by the Shareholder's Meeting of May 13, 2014 (Annual Compensation Report).

It is therefore proposed that this Shareholders' Meeting approves the annual revision of the Group Compensation Policy which defines the principles and standards which UniCredit applies to and are reflected in the design, implementation and monitoring of compensation policy and systems across the entire UniCredit organization. This proposal was drawn up considering the contribution of HR Strategy, Group Compliance, Group Risk Management and Strategy & Finance functions on the topics under their scope. Shareholders are also invited to consult the information regarding the implementation of remuneration policies approved by the Shareholders' Meeting on May 13, 2015.

The document is prepared to fulfil the obligation prescribed by art. 123-ter of Legislative Decree nr. 58/98 (TUF).

The general principles foreseen at Group level by the Compensation Policy may be the object of calibration, consistently with the rules and regulatory provisions locally applicable.

## Group Compensation Policy & Annual Compensation Report

The key principles of the Group Compensation Policy, which are confirmed with respect to those approved by the Ordinary Shareholders' Meeting on May 13, 2015, are fully described in the Group Compensation Policy that has been made available to shareholders and the market – in the ways and in accordance with law - and that is summarized here below:

- (a) the UniCredit compensation approach is performance oriented, market aware and aligned with business strategy and stakeholder interests, ensuring remuneration competitiveness and effectiveness as well as internal and external equity and transparency, by driving sustainable behaviors and performance;
- (b) within UniCredit's governance structure, rules and processes for delegation of authority and for compliance have been defined with the aim of assuring adequate control, coherence and compliance of remuneration framework across the Group;
- (c) the key pillars of the Group Compensation Policy are:
  - clear and transparent governance
  - compliance with regulatory requirements and principles of conduct;
  - continuous monitoring of market trends and practices
  - sustainable pay for sustainable performance
  - motivation and retention of all employees, with particular focus on talents and mission-critical resources;
- (d) on the basis of these principles, the Group Compensation Policy establishes the framework for a consistent approach and a homogeneous implementation of sustainable remuneration in UniCredit, with particular reference to the Executive population.

In compliance with applicable regulations, it is not changed - for the personnel belonging to the business functions - the adoption of a maximum ratio between variable and fixed remuneration of 2:1.

For the rest of the staff it is usually adopted a maximum ratio between the components of remuneration equal to 1:1, except for the staff of the Company Control Functions, for which it is expected that the fixed remuneration is predominant component of total remuneration and incentive mechanisms are consistent with the assigned tasks as well as independent of results from areas under their control.

For these functions, in particular, the maximum weight of the variable component will take into account the differences between national rules and regulations in application of Directives 2013/36 / EU in the various countries in which the Group operates, in order to ensure equal operating conditions in the market and the ability to attract and retain individuals with professionalism and capacity adapted to needs of the Group.

The main rationales for supporting the proposal approved in 2014 to set a ratio higher than 1:1 aim to safeguard the Group presence in specific markets and, in particular: to



ensure a stronger link between compensation and performance, maintain competitiveness in the market, being also the direction in which the main peers moved, limit the “un-level playing field” in the markets where the cap is not present, avoid the rigidity of the cost structure, guarantee the alignment with multi-year performance through deferring a relevant component of the variable compensation.

Maintaining of a ratio of 2:1 between variable and fixed compensation will not have implications on bank’s capacity to continue to respect all prudential rules, in particular capital requirements.

In line with national and international disclosure standards, the key implementation features and outcomes of Group Compensation Policy and Incentive Systems in 2015, as well as demonstration of the coherence of the underlying logic of Group incentive systems with our compensation policy and with specific regulatory requests, are described in the Annual Compensation Report that has been made available for information to shareholders and the market. The Annual Compensation Report provides a description of compensation practices adopted in UniCredit and the implementation of Group Incentive Systems, as well as Remuneration Tables with a focus on Non-Executive Directors, Senior Executives and other Identified Staff, in compliance in particular with the 7<sup>th</sup> update of Bank of Italy circular no. 285 of 17 December 2013.

In addition, in compliance with the latest regulatory requirements provided by European Banking Authority (EBA), UniCredit performed the yearly assessment of categories of staff whose professional activities have a material impact on an institution's risk profile. The self-assessment was performed at local and Group level, as requested by Bank of Italy, and is documented in the 2016 Group Compensation Policy. The number of Identified Staff in 2016 is ca. 1.100 resources.

Furthermore, in line with the indications of national and international regulators, it is deemed appropriate within the annual review of policy and remuneration systems to make some updates including in particular:

- I. full documentation of the new 2016 Group Incentive System, based on bonus pool approach
- II. description of the structured process for the definition of Identified Staff population
- III. adequate information about Remuneration Committee role and the its respective activities performed in 2015, as well as the role of Compliance, Internal Audit and Risk Management functions
- IV. illustration of the international and national regulatory framework as well as disclosure on the peer group for compensation and performance benchmarking
- V. disclosure of all information requested by national and international regulations (e.g. Bank of Italy, Consob, Institutions of the European Union)

Finally, the Report and the respective annexes provide:

- the disclosure as per sect. 84-quarter of the Italian National Commission for Listed Companies (Consob) Issuers Regulation no. 11971, referring to Directors, Statutory Auditors, General Managers and other Executive with Strategic Responsibilities,
- specific disclosure on equity plans approval and execution, as requested by art 114-bis of TUF.

\* \* \*

Dear Shareholders,

If you agree with the above proposal, you are invited to approve it by adopting the following resolution:

"The Ordinary Shareholders' Meeting of UniCredit S.p.A., having heard the Directors' proposal,

### **RESOLVES**

to approve the Group Compensation Policy, also pursuant to art. 123-ter of TUF as contained in the document which forms an integral part of the present Report, in order to define the principles and standards which UniCredit shall apply and reflect in its design, implementation and monitoring of compensation policy and practices across the entire organization."

## **ORDINARY PART**

### **Item 9 on the Agenda**

## **DIRECTORS' REPORT**

### **2016 GROUP INCENTIVE SYSTEM**

Dear Shareholders,

We have called this ordinary meeting to request your approval of the 2016 Group incentive system, providing for the allocation of an incentive in cash and/or in free ordinary shares, to be granted in a multi-year period to a selected group of Group employees, according to the modalities described below and subject to the achievement of specific performance conditions.

This proposal has been formulated in compliance with the provisions of section 114-bis of Decree 58 dated February 24 1998, and in accordance with the provisions set forth by Consob with reference to incentive plans based on financial instruments assigned to corporate officers, employees and collaborators; for this purpose, a document describing the details of the incentive systems has been prepared pursuant to Section 84-bis of the Consob Regulation no. 11971/99 and subsequent amendments, and has been made available to the public under the terms of law and reference is made to detailed description of the incentive system described in this report.

In line with Group Compensation Policy and considering the indications issued by Bank of Italy on remuneration policies and practices, and the direction set by the European Directive 2013/36/EU (CRD IV) and by EBA (European Banking Authority) guidelines. With this regards, it should be highlighted that UniCredit, in compliance with applicable regulations, confirms - for the personnel belonging to the business functions - the adoption of a maximum ratio between variable and fixed remuneration of 2:1. For the rest of the staff it is usually adopted a maximum ratio between the components of remuneration equal to 1:1, except for the staff of the Company Control Functions, for which it is expected that the fixed remuneration is predominant component of total remuneration and incentive mechanisms are consistent with the assigned tasks as well as independent of results from areas under their control. For these functions, in particular, the maximum weight of the variable component will take into account the differences between national rules and regulations in application of Directives 2013/36 / EU in the various countries in which the Group operates, in order to ensure equal operating conditions in the market and the ability to attract and

retain individuals with professionalism and capacity adapted to needs of the Group.

## **1. 2016 GROUP INCENTIVE SYSTEM**

### **GOALS**

The 2016 Group Incentive System (the “2016 System”) aims to attract, motivate and retain Group beneficiaries, in compliance with national and international regulatory requirements with the aim to define – in the interest of all stakeholders – incentive systems aligned with long term company strategies and goals, linked to Group results, adjusted in order to consider all risks, in coherence with capital and liquidity levels needed to cover the activities in place and, in any case, able to avoid misleading incentives that could drive excessive risk taking for the bank and the system in its whole.

### **BENEFICIARIES**

The potential beneficiaries of the 2016 System, as provided by the criteria issued by Commission Delegated Regulation (EU) No 604/2014 of March 4th, 2014 - are:

- Chief Executive Officer (CEO), , Deputy General Managers (DGMs), Senior Executive Vice Presidents, Executive Vice Presidents (EVP), Senior Vice Presidents, Board members of relevant Group Legal Entities
- Employees with total remuneration greater than 500,000 in the last year
- Employees included within 0.3% of staff with the highest remuneration at Group level
- Employees whose remuneration is within the remuneration bracket of senior management and other risk takers
- Other selected roles (defined also during possible future hiring processes)

The total estimated number of beneficiaries is ca. 1,100.

### **ELEMENTS OF 2016 SYSTEM**

- (a) 2016 System provides for the same approach adopted in 2015 (based on the “bonus pool approach”) for determining variable remuneration to be paid in 2017. The link between profitability, risk and reward is assured by linking directly bonus pools with company results – at Group and local level – cost of capital and risk profiles relevant for the Group as stated in the Group Risk Appetite Framework.
- (b) Bonus pools will be defined based on Country/Division and Group performance and assigned to employees according to individual performance.
- (c) The 2016 System aims to attract, retain and motivate Group beneficiaries and to align UniCredit incentive system to the most recent national and international regulatory requirements and provides for:

- allocation of a variable incentive defined based on available bonus pool, individual performance evaluation, internal benchmark for specific roles/markets and bonus cap as set by the Ordinary Shareholder's meeting;
  - definition of a balanced structure of upfront (done at the moment of performance evaluation) and deferred payments, in cash and in shares;
  - distributions of share payments, coherently with the applicable regulatory requirements regarding the application of share retention periods. The payment structure defined requires a retention period on upfront shares of 2 years and of 1 year for deferred shares;
  - risk adjusted metrics in order to guarantee long-term sustainability with respect to company's financial position and to ensure compliance with regulatory expectations;
- (d) malus condition (Zero Factor) applies in case specific thresholds (profitability, capital & liquidity) are not met at both local and Group levels. In particular, the Bonus Pool of 2016 will be zeroed, while previous systems deferrals could be reduced from 50% to 100% of their value, based on final effective results and dashboard assessments done by CFO and CRO. Individual performance appraisal is based on specific goals, linked to the UniCredit 5 Fundamentals of Competency Model: "Client Obsession"; "Execution and Discipline"; "Cooperation and Synergies"; "Risk Management"; "People and Business Development";
- (e) Incentive payouts shall be made over a multi-year period (2017-2022) subject to continuous employment at each date of payment and as follows:
- in 2017 the first installment of the overall incentive will be paid in cash (1st installment) in absence of any individual values / compliance breach, considering also the gravity of any internal/external findings (i.e. Audit, Bank of Italy, Consob and/or analogous local authorities);
  - the remainder of the overall incentive will be paid in several installments in cash and/or UniCredit free ordinary shares over the period:
    - 2018-2022 for Executive Vice President and above, including other identified staff with bonus equal or higher than € 500.000;
    - 2018-2021 for Senior Vice President other identified staff with bonus lower than € 500.000;

Each further tranche will be subject to the application of the Zero Factor for the year of allocation and in absence of any individual /values compliance breach, considering also the gravity of any internal/external findings (i.e. Audit, Bank of Italy, Consob and/or analogous local authorities);

- (f) The final evaluation of Group sustainable performance parameters and risk-reward alignment will be reviewed by the Remuneration Committee and defined under the responsibility and governance of the Board of Directors of UniCredit.
- (g) The percentages of payments in cash and shares are defined considering beneficiary categories, as described in the following table:

	2017	2018	2019	2020	2021	2022
EVP & above & other identified staff with bonus $\geq 500k^1$	20% cash	10% cash	20% shares	10% shares	10% shares	20% cash + 10% shares
SVP & other identified staff with bonus <500k	30% cash	10% cash	30% shares	10% cash + 10% shares	10% shares	-

- (h) Furthermore, in coherence with 2015, it is provided the introduction of a specific minimum threshold below which deferral mechanism would not apply (75K Euro or a lower threshold could be defined at local level).
- (i) The 2016 System can also be offered during the hiring process of outside employees, in the event that new hires are already beneficiaries of deferral incentive plans (Bonus “buy out”). In this circumstances, the scheme of payment that would be offered will reflect the scheme defined by previous Employers, in accordance to local Regulators. Furthermore, the 2016 System, could be offered also in case of severance payments for UniCredit employees
- (j) The number of shares to be allocated in the respective installments shall be defined in 2017, on the basis of the arithmetic mean of the official market price of UniCredit ordinary shares during the month preceding the Board resolution that evaluates 2016 performance achievements. The allocation of a maximum number of 24,500,000 UniCredit ordinary shares is proposed, representing about 0.41% of UniCredit share capital, of which maximum n° of 5,400,000 UniCredit ordinary shares devoted to the payment of so called “bonus buy out” and Severance payments..
- (k) The free UniCredit ordinary shares to be allocated will be freely transferable

## CHANGES TO THE 2016 SYSTEM

<sup>1</sup> Including direct reports to strategic supervisory, management and control bodies and other Identified staff as required by local regulation

Considering regulatory and legal dispositions (also in fiscal area) in the countries where the Group is present, in line with the practice of previous years, it is considered to provide for the employees of Zagrebačka Banka (Croatia), Bank Pekao and Bank Pekao Mortgages (Poland), UniCredit Bank Czech Republic, Slovakia a.s., UniCredit Bank Russia, UniCredit Bank Ukraine and UniCredit Bank Serbia several adaptations for the implementation of 2016 System, providing, for example, for the use of local company shares instead of UniCredit shares.

Moreover, as done also last year, (i) for Executives in Fincobank (Italy) share-based incentive plan 2016 based on Fincobank shares will be offered (ii) for Group Executives in Pioneer Group, a share-based incentive plan based on Pioneer Global Asset Management SpA shares may be offered in addition to the standard Group system 2016, ensuring full compliance with regulator recommendations for increased autonomy of Asset Management businesses in banking groups.

In order to guarantee the compliance with regulatory and legal dispositions (also in fiscal area) in the countries where the Group is present, and to ensure that the implementation of 2016 system will not have any adverse effects (legal, tax or other) on Group Companies and / or beneficiaries residing in countries where the Group operates, the Chairman and the Chief Executive Officer will be granted every opportune power to implement, also separately, some adaptations to the 2016 System that do not change substantially the content of resolutions of Board today and General Shareholders' Meeting, also via alternative solutions that fully comply with the principles of 2016 System and allow achievement of the same results (for example: a different percentage distribution of the various installments of payments; a different period of deferral; a retention period on granted shares; allocation of local company shares instead of Group ordinary shares; application of Entry condition that may incorporate profitability, solidity and liquidity results of local Group companies; extension of 2016 System application to other beneficiaries considered as equivalent to identified staff, using a trust company or the allocation of shares or other instruments of the UniCredit Group local companies where the beneficiary is employed; paying an equivalent amount in cash in lieu of granting shares, to be determined on the basis of the market value of UniCredit shares, considering the arithmetic mean of the official market price of ordinary shares during the month preceding each Board resolution to execute the actual grant).

It is understood that these amendments will be adopted in any case in accordance with the applicable provisions and in particular as provided by the Regulation "Regulations on remuneration and incentive policies and practices of banks and banking groups."

#### **SHARES REQUESTED FOR THE 2016 GROUP INCENTIVE SYSTEM**

The issue of UniCredit free ordinary shares necessary for the execution of the 2016 System, as in the past, will be performed in compliance with sect. 2349

of the Civil Code and will be object of a delegation of power of attorney to the Board of Directors, in compliance with sect. 2443 of the Civil Code.

Accordingly, the extraordinary session of today's shareholders' meeting will be asked to approve the proposal to delegate to the Board of Directors the related power of attorney.

For the issuance of UniCredit Ordinary shares to service the 2016 System the proposal will be submitted to the Extraordinary Shareholders' Meeting to transfer the powers of attorney to the Board of Directors as allowed by section 2443 of the Italian Civil Code, to proceed with the capital increase in accordance with the provisions of sec. 2349 of the Civil Code for a maximum nominal amount of € 77,370,044.40 corresponding to up to 22,800,000 UniCredit ordinary shares.

Related to section 2443 of Civil Code that provides that the Directors can exercise the right to carry out a free capital increase for a maximum period of five years starting from the date when the Shareholders' meeting resolution providing the delegation of power has been registered and therefore - regarding the date of the AGM resolution - until 2021, in order to assign last share installment provided for 2022 it will be necessary to submit to a future AGM approval a proposal aimed at integrating the delegation of power already provided to the Board of Directors so that the implementation of 2016 System can be completed.

The allocation of free ordinary shares needed for the execution of 2016 System shall be done using the special reserve known as "Provisions Linked to the Medium Term Incentive System for Group Personnel", which, if case, may be restored or increased via allocation of profits or a portion of available statutory reserves, formed from the distribution of company profits that shall be identified by the Board of Directors at the moment of share issuance.

In case the amount of the "Provisions Linked to the Medium Term Incentive System for Group Personnel" does not allow the issuance (full or partial) of UniCredit ordinary shares to service the 2016 System, an equivalent amount in cash will be allocated to the beneficiaries, determined in base of arithmetic mean of the official market price of UniCredit ordinary shares during the month preceding the Board resolution that evaluates performance achievements 2016.

\* \* \*

Dear Shareholders,

If you agree with the above proposal, you are invited to approve it by adopting the following resolution:

"UniCredit's ordinary shareholders' meeting, having heard the Board of Directors proposal,

**RESOLVES**



1. to adopt the 2016 Group Incentive System which provides for the allocation of an incentive in cash and/or UniCredit free ordinary shares, to be performed by May 2022, to selected UniCredit Group employees in the manner and terms described above;
2. to confer to the Chairman and to the Chief Executive Officer, also separately, every opportune power of attorney to implement the present resolution and the documents which represent part of it, also rendering any amendments and/or integrations which should be necessary to enact the present deliberations of today's Shareholders' Meeting (not changing substantially the content of the resolutions) in order to comply with any provision of rules and regulations in countries where Group companies are located.

## **ORDINARY PART**

### **Item 10 on the Agenda**

#### **DIRECTORS' REPORT**

##### **UNICREDIT GROUP EMPLOYEE SHARE OWNERSHIP PLAN 2016 (PLAN “LET’S SHARE FOR 2017”)**

Dear Shareholders,

We have called this Ordinary Meeting to request your approval of the “UniCredit Group Employee Share Ownership Plan 2016” (Plan “Let’s Share for 2017”) aimed at offering to employees of the Group the possibility to invest in UniCredit shares at favourable conditions, in compliance with the provisions of sect. 114-bis of Decree 58 dated 24 February 1998 and according to the provisions set forth by Consob referring to incentive plans based on financial instruments assigned to corporate officers, employees and collaborators.

With this aim, a document has been drawn up pursuant to Section 84-bis of the Consob Regulation no. 11971/99 that has been made available to the public within the timeframe legally required.

As you will recall, Your Company was one of the first in Italy to understand that the reinforcement of the sense of employees’ belonging and commitment to achieve corporate goals is a relevant factor to maximize corporate value. In this regard, starting from 2008 the UniCredit Shareholders’ Meeting has approved share ownership plans aiming at offering employees of the Group the possibility to invest in UniCredit shares at favourable conditions.

As in the past and in compliance with the provisions of the Supervisory Authority regarding policies and practices for compensation and incentives within banks, it is proposed that this Shareholders' Meeting approves for the year 2016 a new share ownership plan offered to employees, the Plan Let’s Share for 2017, whose execution modalities and features are substantially in line with the employee share ownership plans adopted by your Company in recent years.

## GOALS

The Plan Let's Share for 2017 aims at fostering employees' sense of belonging and commitment to achieve corporate goals.

## BENEFICIARIES

Considering that the Plan Let's Share for 2017 is addressed to the employees of the UniCredit Group, the potential Participants would be around 140,000.

## PLAN ELEMENTS

(a) Election Period: according to UniCredit discretionary evaluation, there may be one or two main election windows:

- 1<sup>st</sup> election window: by the end of the second quarter of 2017;
- 2<sup>nd</sup> election window: by the end of the fourth quarter of 2017.

During the election windows, employees participating in the Plan Let's Share for 2017 (the "Participants"), will choose the overall amount that they want to invest in purchasing UniCredit ordinary shares (the "Shares"), up to a maximum contribution of € 6,000 per annum. The minimum annual contribution amount is defined considering the peculiarities of each Country where Participants are resident;

(b) Enrollment Period: during this period, that will be communicated on due time to the Participants, they will have the opportunity to buy Shares by means of monthly debits on their current account ("monthly" modality) or by payments in one and/or two installments ("one-off" modality). In case during the Holding Period a Participant leaves the Plan Let's Share for 2017, she/he will lose the free shares allocated to her/him in accordance with the below point c);

(c) "Free Shares": at the beginning of the Enrollment Period, the Participant will receive an immediate discount equal to 25% on the Shares' purchase price in the form of allocation of UniCredit free shares ("Free Shares");

The Free Shares will be subject to lock-up during 1 year and the Participant will lose the entitlement to the Free Shares if, during the 1-year Holding Period, she/he will no longer be an employee of a UniCredit Group Company, unless the employment has been terminated for one of the specific reasons stated in the Rules of the Plan Let's Share for 2017. In some Countries where the Group Companies are present, for fiscal reasons, it will not be possible to grant the Free Shares at the beginning of the Enrollment Period: in that case an alternative structure is offered that

provides to the Participants of those Countries the right to receive the Free Shares at the end of the Holding Period (“Alternative Structure”);

- (d) Holding Period: during the 1-year Holding Period, the Participants can sell the purchased shares at any moment, but by doing so they will lose the Free Shares in respect of the number of shares sold.
- (e) Execution modalities: the Plan Let’s Share for 2017 provides for the use of shares to be purchased on the market, therefore it will not have any diluting impact on Holding Company share capital. To that end, Participants will have to give a mandate to a broker (internal or external to UniCredit Group) to purchase the Shares and the Free Shares to be transferred into an account opened in their name;
- (f) Fiscal and social contribution: The fiscal and social contributions schemes applied will be in line with the applicable law in the Country in which each Participant is fiscally resident (with the exception of expatriated employees for whom the “tax equalisation” principle will be applied by which the employee taxation and the social security contributions will be the same of the reference Home Country).

In case of substantial changes in the relevant scenario or if the actual participation rate would be higher than the one assumed while defining the Plan Let’s Share for 2017 or timing and enrollment processes change within the Plan Rules, the operational modalities presented could be no more adequate: consequently, during the execution phase, it may be required to make changes/integrations, asking, in the case, for the relevant authorizations needed, keeping anyway the assumptions according to which the Plan Let’s Share for 2017 is defined by the Shareholders’ Meeting.

It might be evaluated the possibility, subject to an agreement with the Unions, that the Italian Participants could contribute to the Plan Let’s Share for 2017 investing a portion of the possible Company bonus (VAP). If confirmed, the modalities and the timing to make the contribution from the Italian Participants could be changed accordingly but respecting the logic of the Plan Let’s Share for 2017 as presented to the today’s Shareholders’ Meeting.

\* \* \*

Dear Shareholders,

If you agree with the above proposal, you are invited to approve it by adopting the following resolution:

"The ordinary Shareholders' Meeting of UniCredit S.p.A., having heard the directors' proposal,

#### RESOLVES

1. to adopt the "UniCredit Group Employee Share Ownership Plan 2016" (Plan Let's Share for 2017) aiming at offering to all employees of the Group the possibility to invest in UniCredit shares at favourable conditions;
2. to give to the Chairman and/or to the Chief Executive Officer, respectively, any relevant power of attorney to enact today's resolution and to make all possible changes and integrations (not changing substantially the content of the resolution) to the "UniCredit Group Employee Share Ownership Plan 2016" (Plan Let's Share for 2017) which should be necessary or appropriate to carry out what was resolved, also in order to comply with every legal and regulatory provisions applied from time to time in the participating Countries in which the Group Companies are based."

## EXTRAORDINARY PART

### Item 1 on the Agenda

#### DIRECTORS' REPORT

**CAPITAL INCREASE FOR NO CONSIDERATION PURSUANT TO ARTICLE 2442 OF THE ITALIAN CIVIL CODE TO SERVICE THE PAYMENT OF A DIVIDEND FROM PROFIT RESERVES, WITH VALUE OF EURO 706,181,777.04 IN THE FORM OF A SCRIP DIVIDEND, TO BE IMPLEMENTED THROUGH THE ISSUE OF ORDINARY SHARES AND SAVINGS SHARES TO BE ASSIGNED, RESPECTIVELY, TO THE HOLDERS OF ORDINARY SHARES AND THE HOLDERS OF SAVINGS SHARES OF THE COMPANY, WITHOUT PREJUDICE TO THE FACULTY TO RENOUNCE SUCH SHARES' ASSIGNMENT AND BE PAID THE DIVIDEND IN CASH; ENSUING AMENDMENTS TO THE COMPANY BY-LAWS**

Dear Shareholders,

You have been summoned to the Extraordinary Shareholders' Meeting to resolve upon the following: (i) proposal of a capital increase for no consideration, pursuant to Article 2442 of the Italian Civil Code, to service the payment of a dividend from profit reserves of Euro 706,181,777.04, in the form of a scrip dividend (hereinafter, also "**Dividend**"), to be implemented through the issue of ordinary shares and savings shares to be assigned, respectively, to the holders of ordinary shares and the holders of savings shares of the Company who have not previously waived their right to such assignment; (ii) the ensuing amendments to the Company By-laws.

This report means to explain the reasons for such transactions and for the proposals on the agenda, in accordance with art. 72 and Schedule 3A of the Issuer Regulation, approved with Consob Resolution no. 11971 of May 14, 1999, as subsequently amended and integrated.

#### **1. DESCRIPTION OF THE TRANSACTIONS AND THE REASONS THEREFOR**

##### **1.1 Reasons underlying the proposed transaction**

As you know, the Board of Directors proposed to the ordinary Shareholders' Meeting the assignment of a dividend from profit reserves in the form of a scrip

dividend of an aggregate value of Euro 706,181,777.04 to the benefit of the holders of both ordinary and savings shares and therefore, taking into account the ensuing redistribution of the treasury shares owned by the Company and of the ordinary shares servicing the so-called Cashes financial instruments, equal to Euro 0.12 per share to be issued as a scrip dividend.

The Scrip Dividend - a concept known within the international financial markets, which envisages the payment of the dividend either with shares or with cash, in case the shareholders waives the assignment of the shares – has been used by UniCredit, as you may remember, the last years and has testified the trust of the Shareholders in the Bank at such a point that in 2014 about 70% and in 2015 about 75% of them has opted to receive the proposed shares.

The terms and conditions of the proposed scrip dividend envisage, also this year, that the distribution of profit reserves to the shareholders takes place by means of the assignment of new shares issued by way of capital increase for no consideration, without prejudice to the right of any shareholder to waive the assignment of such shares and receive the dividend in cash. This mechanism ensures in each case adequate compensation of the invested capital in accordance with the cash equivalent principle and allows to pursue the objective of preserving UniCredit Group's capital, while at the same time guaranteeing that the shareholders who waive the assignment of the shares will be paid in cash.

### **1.2 The capital increase transaction**

To implement the scrip dividend, the Board of Directors has proposed to the Ordinary Shareholders' Meeting the priority use of the "Reserves for distribution of profits to shareholders through the issue of new shares for no consideration" as well as of a portion of the "Statutory Reserve". Both reserves are available to be imputed to capital in connection with and as a result of the issue of ordinary shares and savings shares for no consideration, pursuant to Article 2442 of the Italian Civil Code and available to be distributed in the form of cash payments.

Specifically, in relation to the implementation of the scrip dividend through newly-issued shares for no consideration, these must be assigned in accordance with the cash equivalent principle. Therefore, the proposal is that the capital increase for no consideration, keeping such objective in mind, be implemented through the issue of a maximum number of ordinary shares and savings shares determined at the date of the Extraordinary Shareholders' Meeting summoned to decide on the hereby proposal (April 14, 2016, the "**Date of the Shareholders' Meeting**") on the basis of a market valuation of such shares. More precisely, the shares would be assigned – with the exception of the adjustment mechanism hereinafter - pursuant to a ratio (the "**Assignment Ratio**"), different for the two classes of shares, calculated on the basis of the volume-weighted average of the official closing prices of UniCredit S.p.A. shares – respectively ordinary shares and savings shares – recorded on the

*Mercato Telematico Azionario* of Borsa Italiana S.p.A. during the 5 stock-exchange trading days prior to the Date of the Shareholders' Meeting, discounted up to a maximum of 10%, such discount rate to be determined on the day prior to the Date of the Shareholders' Meeting, in such a way to maintain, as it is common practice in the markets, the attractiveness of the assignment of the shares. Such calculation shall take into account the theoretical dilution effects on the market price of both ordinary and savings shares resulting from the increase in the number of outstanding shares assuming an acceptance ratio of 100% (the “**Assignment Value**”).

The Assignment Ratio will also take into account the shares in relation to which no dividend is due (neither in cash nor through the assignment of shares, i.e., no. 47,600 ordinary shares that are owned by the Company as treasury shares and no. 96,756,406 ordinary shares subscribed for by Mediobanca - Banca di Credito Finanziario S.p.A. on February 23, 2009 used to service the issue of the “CASHES” instruments).

Merely for the purposes of the resolution set out below and thus only as an example, note that, taking into account the reference period of 5 stock-exchange trading days before the date on which this Report will be published (i.e., March 15, 2016), the volume-weighted average of official closing prices recorded on the *Mercato Telematico Azionario* of Borsa Italiana S.p.A. is Euro 3.7958 for ordinary shares and Euro 7.8559 for savings shares. Consequently, to ensure that the shares to be issued meet the cash equivalent principle with respect to the amount of the dividend from profit reserves approved for distribution by the Ordinary Shareholders' Meeting (equal to Euro 706,181,777.04 in the aggregate), the maximum number of ordinary and savings shares to be issued – assuming a discount equal to the maximum percentage of 10% to determine the Assignment Value - would be equal, respectively, to 210,084,552 and 42,770 corresponding to a maximum theoretical value of the capital increase for no consideration of Euro 706,029,231.52 calculated on the basis of the per share implicit nominal value of Euro 3.3934 as on the date of this report, but in no case greater than Euro 706,181,777.04.

It is proposed that the Shareholders' Meeting delegates the Managing Director to verify and possibly to rectify the Assignment Value in proximity of the date of assignment of the dividend itself. More precisely, the Managing Director shall arrange the calculation of the volume-weighted average of official closing prices recorded on the *Mercato Telematico Azionario* of Borsa Italiana S.p.A. for the UniCredit ordinary and savings shares in the last 5 stock-exchange trading days of the Exercise Period (as defined in the following paragraph 1.3) and apply to such value a discount equal to that proposed and approved by this Shareholders' Meeting. Should the value resulting from such calculation be greater than- or equal to- the Assignment Value of the ordinary and/or savings shares, this latter value shall be considered the final assignment value (the “**Final Assignment Value**”) and



the Assignment Ratio shall be considered the final assignment ratio (the “**Final Assignment Ratio**”) of the mentioned shares. On the other side, should the value resulting from such calculation be smaller than the Assignment Value of the ordinary and/or savings shares, such value shall be considered the Final Assignment Value on which the Final Assignment Ratio will be re-calculated. It is however understood that in no case the Final Assignment Value will result smaller than the Value – respectively for the ordinary and savings shares – applying which the maximum number of shares to be issued would exceed the one approved by this Shareholders’ Meeting beyond 30% (assuming an assignment rate of the mentioned shares of 100%).

Considering that, as previously mentioned, the maximum number of shares to be issued, ordinary and savings, shall be determined at the Date of the Shareholders’ Meeting called to decide on the hereby proposal – as possibly rectified according to the criteria described above –, the maximum amount of the capital increase executed through shares assignment will be calculated on the basis of the per share implicit nominal value as on the date of implementation in order to maintain such value unchanged. It remains understood that the amount of the capital increase could not be greater than that of the dividend approved for distribution by the Ordinary Shareholders’ Meeting, i.e. Euro 706,181,777.04. Therefore, if the amount resulting from the number of shares to be issued on the basis of the Final Assignment Value (determined in compliance with the criteria described above) multiplied by the per share implicit nominal value as on the date of implementation were greater than Euro 706,181,777.04, the per share nominal value of the shares to be issued would result accordingly reduced.

Given the uncontested right of the shareholders to renounce the assignment of the shares and request payment of the scrip dividend in cash – which right may be exercised during the term described below at Paragraph 1.3 (the “**Exercise Period**”) – the capital increase will be implemented for the aggregate amount calculated on the basis of the actual number of shares to be issued, taking into account any exercise by the shareholders of their right to receive the scrip dividend in cash, by imputing to share capital an amount prioritarily taken from the “Reserves for distribution of profits to shareholders through the issue of new shares for no consideration”, and, if necessary to perform the capital increase in subject, partly from the “Statutory Reserve”.

The capital increase is to be implemented on or around the payment date, which is expected to be May 3, 2016 (the “**Dividend Payment Date**”), and in any event not later than May 31, 2016.

In the light of the above, as far as concerns the effects on assets, it must be kept in mind that, should none of those entitled require the payment of the scrip dividend in cash, the overall amount of the UniCredit net assets will not undergo any changes.

On the contrary, should the option for the payment in cash be exercised, the above assets will suffer a proportional decrease corresponding to the portion of the “Reserves for distribution of profits to shareholders through the issue of new shares for no consideration” as well as, possibly, of the “Statutory Reserve” utilised for the distribution concerned, up to a theoretical maximum - should all those entitled exercise such option waiving the assignment of the shares - of Euro 706,181,777.04.

### **1.3 Terms for the implementation of the scrip dividend**

As anticipated, the terms to implement the proposed scrip dividend state that a priority assignment of profits to the shareholders will be made by way of assignment of new shares resulting from the capital increase for no consideration (as described above in Paragraph 1.2), without prejudice to the right of any shareholder to request a dividend in cash in lieu of being assigned shares.

If the right to receive the shares is not waived, those entitled to do so will receive, on the Dividend Payment Date newly-issued shares on the basis of the Final Assignment Ratio. Any rights to fractions of shares will be paid in cash on the basis of the Final Assignment Value; for this purpose an authorised subject (the “**Authorised Subject**”) will be appointed to liquidate such fractions of shares, without charging expenses, commissions, or other fees to the shareholders.

A shareholder that wishes to renounce the assignment of the shares and receive the scrip dividend in cash, shall inform the Company of this choice through its intermediary depositary during the Exercise Period, i.e.: starting from the so-called record date (April 19, 2016) and until April 26, 2016 (which term may be extended with specific notice by the Company): in such case, on the Dividend Payment Date, the shareholder will receive the scrip dividend in cash, and his right to be assigned shares resulting from the capital increase for no consideration will be considered extinguished.

So as not to prolong excessively the implementation of the capital increase, with consequently increased and deferred uncertainty as to the number of shares to be issued, those securities that are classified as “irregular” will – in any case - receive the dividend in cash, where “irregular” securities means those shares in relation to which, in the past or in relation to the scrip dividend, a “deferral” has been requested for collection of the dividend or which are subject to dividends being put aside on the basis of contractual agreements (as are, for example, the restricted securities issued pursuant to stock option plans for the employees of the UniCredit Group).

The ordinary shares and savings shares issued in implementation of the capital increase will have the same characteristics, and enjoy similar rights as, of their corresponding outstanding shares (*godimento regolare*).

The scrip dividend transaction described in this Report will be supported by an illustrative information document pursuant to art. 34-ter, paragraph 1, letter l), of the Issuer Regulation (CONSOB Resolution no. 11971 of May 14, 1999, as amended).

It is understood that, should it not be possible for any reason to implement the capital increase described in this Report, the dividend will be paid exclusively with cash.

#### **1.4 Tax considerations for the assignment of the shares and payment of the dividend in cash**

The new shares to be assigned for no consideration are not taxable income for any type of shareholder (pursuant to art. 47, paragraph 6, of the Consolidated Act on Income Taxes TUIR). Nevertheless, this does not mean that if the dividend is paid to a foreign shareholder it will be subject to the same "not taxable" tax treatment in the foreign state as under Italian law. As the capital increase is implemented by imputing to capital profits reserves, the shares to be assigned will be taxed as dividend at the time of the reduction (if any) of the redundant capital. In case of partial redemption, the shares issued in the context of the capital increase for no consideration will have priority following the imputation to capital if the profits reserves, starting from the less recent.

The dividend paid in cash to resident individuals, not acting on behalf of a commercial enterprise and who hold a non-qualifying participation, constitutes taxable income, and will be subject to a substitute tax at a rate of 26%. In case of shareholders who are resident individuals and exercise the option for the application of the *risparmio gestito*, the dividend is not subject to substitute tax, but it's included in the taxable base of the "*risparmio gestito*" liable to a substitute tax at a rate of 26%. In case of non-resident shareholders the substitute tax will be applied at a rate not higher than 26%, which could be reduced pursuant to the Conventions against the double impositions (customarily, a rate of 15% or sometimes of 10%). The non-resident shareholders, other than savings shareholders, who suffered the substitute tax of 26% are anyway entitled to the reimbursement (up to 11/26 of the substitute tax) of the tax which they prove to have definitely been paid abroad on the same profits, upon condition that they provide the competent Italian tax authorities, in advance, with the relevant certification issued by the tax office of the foreign State.

In case of entities subject to a corporate income tax in EU States, the substitute tax is applied at a rate of 1.375%; this substitute tax is applied at a rate of 11% for EU pension funds.

In any case, it is understood that the tax provisions in force at the time of the transaction being executed will be enforced.

## **2. AMENDMENT TO THE COMPANY BY-LAWS OF UNICREDIT**

Because, as explained in Paragraph 1.2, implementation of this capital increase will be deferred, albeit only for a short time, it seems convenient in the meanwhile to include an express reference to this transaction in the Company By-laws. To this end, it is proposed that the following wording be added as the last paragraph of art. 6: *“The Extraordinary Shareholders' Meeting of April 14, 2016 approved a capital increase for no consideration, pursuant to art. 2442 of the Italian Civil Code, to service the payment of a dividend from profit reserves of Euro 706,181,777.04, in the form of a scrip dividend, to be implemented through the issue of ordinary shares and savings shares without any nominal value, to be assigned respectively to the holders of Company ordinary shares and the holders of Company savings shares, unless the assignment of such shares is waived and payment in cash is requested. The Extraordinary Shareholders' Meeting determined the issue of, respectively, a maximum of no. [...] ordinary shares and a maximum of no. [...] savings shares granted that such numbers may be increased up to a maximum of 30% (assuming an assignment rate of the mentioned shares of 100%) as an effect of the possible rectification of the assignment ratio which shall be performed in proximity of the assignment date of the shares according to the criteria defined by the Extraordinary Shareholders' Meeting. The capital increase must be implemented for a maximum amount of Euro 706,181,777.04 within May 31, 2016 by imputing to share capital an amount prioritarily taken from the “Reserves for distribution of profits to shareholders through the issue of new shares for no consideration”, and, if necessary, partly from the “Statutory Reserve”.*

This proposal to amend the By-laws does not constitute one of the circumstances that grant the right of withdrawal to the holders of ordinary shares and savings shares pursuant to Article 2437 of the Italian Civil Code.

The proposal is also not subject to approval by the Special Meeting of the Savings Shareholders pursuant to art. 146, paragraph 1, letter b), of Legislative Decree no. 58 of February 24, 1998, because it does not imply any prejudice for such class of shareholders.

The proposed amendments to the By-laws are being reviewed by the Bank of Italy (*Banca d'Italia*) in accordance with art. 56 of Legislative Decree No. 385 of 1993.

### **3. RESOLUTIONS PROPOSED TO THE EXTRAORDINARY SHAREHOLDERS' MEETING**

Dear Shareholders,

If you agree with the contents and explanations in this Report of the Board of Directors, we invite you to approve the following resolutions:

“The Extraordinary Shareholders' Meeting of UniCredit S.p.A.:

- agreeing with the contents and explanations set forth in the Report of the Board of Directors;
- granted a previous approval of an Assignment Value, defined according to the criteria determined in the Report of the Board of Directors, as of today equal to Euro 3.2984 for the ordinary shares and Euro 6.9505 for the savings shares<sup>1</sup>,

resolves to

- approve a capital increase for no consideration, pursuant Article 2442 of the Italian Civil Code, to service the payment of a dividend from profit reserves of Euro 706,181,777.04, in the form of a scrip dividend, to be implemented through the issue of ordinary shares and savings shares without any nominal value per share and with rights identical to the outstanding shares of the same class (*godimento regolare*), to be assigned, respectively, to the shareholders who have the right to receive the dividend in relation to the ordinary shares and the holders of savings shares of the Company, who have not exercised their right to waive the assignment of the shares and requested payment of the dividend in cash, and more specifically:
  - a. approve, on the basis of the Assignment Ratio as defined in the premise and granted the rectification faculty as described in the following letter b. the assignment: (i) to holders of ordinary shares entitled to receive the dividend, of a maximum of 210,084,552 ordinary shares, at the ratio of no. 1 new share for every 28 ordinary shares held; and (ii) to holders of savings shares entitled to receive the dividend, of a maximum of 42,770 savings shares, at the ratio of no. 1 new share for every 58 savings shares held<sup>2</sup>;

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<sup>1</sup> These numbers will be updated on the date of the Extraordinary Shareholders' Meeting on the basis of the criteria set forth in the Report of the Board of Directors.

<sup>2</sup> These numbers will be updated on the date of the Extraordinary Shareholders' Meeting on the basis of the criteria set forth in the Report of the Board of Directors.

- b. to delegate the Managing Director of the Company to verify and possibly rectify the Assignment Value in proximity of the Dividend Payment Date. More precisely it is established that:
- i. the Managing Director shall arrange the calculation of the volume-weighted average of official closing prices recorded on the *Mercato Telematico Azionario* of Borsa Italiana S.p.A. for the UniCredit ordinary and savings shares in the last 5 stock-exchange trading days of the Exercise Period and apply to such value a discount equal to that considered for the approval by this Shareholders' Meeting of the Assignment Value in the premise and calculated with the same methodology;
  - ii. should the value resulting from such calculation be greater than- or equal to- the Assignment Value of the ordinary and/or savings shares, this latter value shall be considered the final assignment value (the "Final Assignment Value") and the Assignment Ratio (itself approved by this Shareholders Meeting) shall be considered the final assignment ratio (the "Final Assignment Ratio") of the mentioned shares. On the other side, should the value resulting from such calculation be smaller than the Assignment Value of the ordinary and/or savings shares, such value shall be considered the Final Assignment Value on which the Final Assignment Ratio will be re-calculated;
  - iii. in no case, however, the Final Assignment Value will result smaller than the Value – respectively for the ordinary and savings shares – applying which the maximum number of shares to be issued would exceed the one approved by this Shareholders' Meeting beyond 30% (assuming an assignment rate of the mentioned shares of 100%);
- c. impute to capital, pursuant to Article 2442 of the Italian Civil Code and in the context of the assignment described in the previous letter, an amount prioritarily taken from the "*Reserves for distribution of profits to shareholders through the issue of new shares for no consideration*", and, if necessary, partly from the "*Statutory Reserve*" equal to the number of shares assigned multiplied by the pre-existing implicit nominal value of the shares, but in any case not higher than Euro 706,181,777.04;
- d. determine that the rights to fractions of shares resulting from the assignment of newly-issued shares for no consideration will be paid in cash on the basis of the Final Assignment Value as defined in this Report; for this purpose an Authorised Subject will be appointed to liquidate such fractions of shares, without charging expenses, commissions, or other fees to the shareholders;

- e. set May 31, 2016 as the last day of the term within which the above capital increase for no consideration must be implemented;
- f. amend the Company By-laws to include, as the last paragraph of art. 6, wording of this type and tenor:

*“The Extraordinary Shareholders' Meeting of April 14, 2016 approved a capital increase for no consideration, pursuant to art. 2442 of the Italian Civil Code, to service the payment of a dividend from profit reserves of Euro 706,181,777.04, in the form of a scrip dividend, to be implemented through the issue of ordinary shares and savings shares without any nominal value, to be assigned respectively to the holders of Company ordinary shares and the holders of Company savings shares, unless the assignment of such shares is waived and payment in cash is requested. The Extraordinary Shareholders' Meeting determined the issue of, respectively, a maximum of no. [...] ordinary shares and a maximum of no. [...] savings shares granted that such numbers may be increased up to a maximum of 30% (assuming an assignment rate of the mentioned shares of 100%) as an effect of the possible rectification of the assignment ratio which shall be performed in proximity of the assignment date of the shares according to the criteria defined by the Extraordinary Shareholders' Meeting. The capital increase must be implemented for a maximum amount of Euro 706,181,777.04 within May 31, 2016 by imputing to share capital an amount prioritarily taken from the “Reserves for distribution of profits to shareholders through the issue of new shares for no consideration”, and, if necessary, partly from the “Statutory Reserve””;*

- grant to the Chairman and the Managing Director, jointly or severally, all powers necessary to implement the above resolutions in accordance with the law;
- grant to the Chairman and the Managing Director, jointly or severally, all powers necessary to file and register the resolutions approved today in accordance with the law and to amend the Company By-laws as necessary because of the implementation of the approved share capital increase for no consideration, expressly stating that all is approved and ratified in advance and to perform all else is necessary to implement these resolutions;
- authorise the Chairman and the Managing Director, jointly or severally, to file the updated Company By-laws, amended as described above, with the Register of Companies.

## EXTRAORDINARY PART

### Items 2 and 3 on the Agenda

#### DIRECTORS' REPORT

- 1. Delegation to the Board of Directors, under the provisions of section 2443 of the Italian Civil Code, of the authority to resolve in 2021 to carry out a free capital increase, as allowed by section 2349 of the Italian Civil Code, for a maximum amount of € 6,821,022.23 corresponding to up to 2,010,000 UniCredit ordinary shares to be granted to the Personnel of the Holding Company and of Group banks and companies, in order to complete the execution of the 2015 Group Incentive System. Consequent amendments to the Articles of Association**
- 2. Delegation to the Board of Directors, under the provisions of section 2443 of the Italian Civil Code, of the authority to resolve, on one or more occasions for a maximum period of five years starting from the date of the shareholders' resolution, to carry out a free capital increase, as allowed by section 2349 of the Italian Civil Code, for a maximum amount of € 77,370,044.40, corresponding to up to 22,800,000 UniCredit ordinary shares to be granted to the Personnel of the Holding Company and of Group banks and companies in execution of the 2016 Group Incentive System. Consequent amendments to the Articles of Association**

Dear Shareholders,

we have called you in extraordinary session to submit for your approval the proposal to delegate authority to the Board of Directors, pursuant to section 2443 of the Civil Code, to increase the share capital under section 2349 of the Civil Code (granting of free ordinary shares to employees of UniCredit Group):

1. in order to complete the execution of “2015 Group Incentive System” (the “2015 System”) approved by the ordinary session of the shareholders' meeting of May 2015, as well as
2. in order to implement the “2016 Group Incentive System” (the “2016 System”) submitted to the approval of today's ordinary session of the shareholders' meeting.

We are also submitting for your approval the consequent amendments required to the Articles of Association.



## 1. DELEGATION FOR CAPITAL INCREASE TO SUPPORT THE 2015 GROUP INCENTIVE SYSTEM AND CONSEQUENT AMENDMENTS TO THE ARTICLES OF ASSOCIATION

As known, the ordinary session of the shareholders' meeting of May 13, 2015 approved the 2015 System aimed at the allocation of an incentive, in cash and/or in free ordinary shares, to be granted to the Personnel of UniCredit and of Group's companies, in the timeframe 2016-2021, through a balanced structure of "upfront" (i.e. done at the moment of performance evaluation) and "deferred" payments.

In the same meeting the shareholders resolved, in the extraordinary session, the assignment of the power of attorney to the Board of Directors in order to issue the free ordinary shares needed for the execution of 2015 System.

Considering that, under the provision of section 2443 of the Italian Civil Code, the power of attorney to the Board of Directors to increase the share capital can't be assigned for more than five years from the date of the registration of the related shareholders' resolution, during the mentioned resolution it had been prospected to shareholders the need to present, in a following session, the proposal to assign a further power of attorney for the allocation of the last tranche of shares to be done in 2021, as provided by 2015 System.

In consideration of the above, it is proposed to today shareholders' meeting to assign a power of attorney to the Board of Directors, to be exercised in 2021, in order to increase the share capital of up to 2,010,000 ordinary shares, corresponding to a maximum amount of Euro 6,821,022.23, calculated based on the implicit value of UniCredit share, determined at the moment of the assignment of the power of attorney to the Board in May 2015, duly modifying the Articles of Association.

The above mentioned capital increase will be carried out using the special reserve known as "Provisions Linked to the Medium Term Incentive System for Group Employees" set up for this purpose which, if case, may be restored or increased via allocation of a portion of profits or available statutory reserves, formed from the distribution of company profits that shall be identified by the Board of Directors at the moment of share issuance.

Under the provisions of section 2349 of the Italian Civil Code, the consequent amendments to the Articles of Association are submitted to the Shareholders' meeting for approval and are detailed as follows:

<i>TEXT IN FORCE</i>	<i>DRAFT AMENDMENT</i>
<b>SECTION III</b> <b>Regarding share capital and shares</b>	<b>SECTION III</b> <b>Regarding share capital and shares</b>
<u>Article 6</u>  <i>omissis</i>	<u>Article 6</u>  <i>omissis</i>
<i>13. "The Board of Directors has the power,</i>	<i>13. "The Board of Directors has the power,</i>

<p><i>under the provisions of section 2443 of the Italian Civil Code, to resolve to carry out a free capital increase, as allowed by section 2349 of the Italian Civil Code, on one or more occasions for a maximum period of five years starting from the shareholders' resolution dated May, 13 2015, for a maximum amount of Euro 100,075,594.87 , corresponding to a maximum number of 29,490,000 ordinary shares, to be granted to employees of UniCredit and of Group banks and companies who hold positions of particular importance for the purposes of achieving the Group's overall objectives in execution of 2015 Group Incentive System."</i></p>	<p><i>under the provisions of section 2443 of the Italian Civil Code, <del>to resolve</del> (i) to carry out a free capital increase, as allowed by section 2349 of the Italian Civil Code, on one or more occasions for a maximum period of five years starting from the shareholders' resolution dated May, 13 2015, <del>a free capital increase</del> for a maximum amount of Euro 100,075,594.87, corresponding to a maximum number of 29,490,000 ordinary shares and (ii) to carry out a free capital increase in 2021 for a maximum amount of € 6,821,022.23 corresponding to up to 2,010,000 ordinary shares, to be granted to employees of UniCredit and of Group banks and companies who hold positions of particular importance for the purposes of achieving the Group's overall objectives in execution of 2015 Group Incentive System."</i></p>
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## **1. DELEGATION FOR CAPITAL INCREASE TO SUPPORT THE 2016 GROUP INCENTIVE SYSTEM AND CONSEQUENT AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

It has been submitted to the approval of today's Ordinary meeting the 2016 System based on financial instruments, in order to align shareholders' and management interests, reward long term value creation, share price appreciation and motivate and retain key Group resources.

The 2016 System aims to incentive in a multi-year period the following Group employees: Chief Executive Officer (CEO), Deputy General Managers (DGMs), Senior Executive Vice Presidents (SEVP), Executive Vice Presidents (EVP), Senior Vice Presidents (SVP), members of the Management bodies of relevant Group Legal Entities, employees with total remuneration greater than € 500,000 in the last year, employees included within 0.3% of staff with the highest remuneration, employees whose remuneration is within the remuneration bracket of senior management or other risk takers, and other selected roles (including new hires). The total estimated number of beneficiaries is ca. 1,100.

Individual bonuses will be allocated to the Beneficiaries of 2016 System based on available bonus pool, individual performance evaluation, bonus reference for specific roles/markets and bonus cap as defined by the Ordinary Shareholder's meeting.

Overall incentive payout shall be done over a multi-year period (2017-2022) in a balanced structure of "upfront" (following the moment of performance evaluation) and deferred payments, in cash and in shares, subject to continuous employment at each date of payment:

	2017	2018	2019	2020	2021	2022
EVP & above & other identified staff with bonus ≥500k <sup>1</sup>	20% cash	10% cash	20% shares	10% shares	10% shares	20% cash + 10% shares
SVP & other identified staff with bonus <500k	30% cash	10% cash	30% shares	10% cash + 10% shares	10% shares	-

The number of shares to be allocated in the respective installments shall be defined in 2017, on the basis of the arithmetic mean of the official market prices of UniCredit ordinary shares during the month preceding the Board resolution that evaluates 2016 performance achievements (the maximum number of shares to service the 2016 System is estimated at 24,500,000).

Considering the number of beneficiaries and the total number of financial instruments to be allocated, the optimal method identified to service the 2016 Group Incentive System is the deliberation – on one or more occasions – by the Board of Directors upon power of attorney delegated by this shareholders’ meeting under section 2443 of the Italian Civil Code, of a free capital increase, as allowed by section 2349 of the Italian Civil Code, within five years of the date of the shareholders’ resolution, for a maximum amount of €77,370,044.40 corresponding to up to 22,800,000 UniCredit ordinary shares, to be granted to the abovementioned employees of the Holding Company and of Group banks and companies.

Being understood that, under the provision of section 2443 of the Italian Civil Code, the power of attorney to the Board of Directors for capital increase can’t have a duration higher than five years from the date of the registration of relevant shareholders’ resolution, in order to complete the execution of 2016 System - having a 6-years duration - it will be submitted to one of the future Shareholders’ meetings approval the proposed assignment of a further power of attorney to the Board of Directors for capital increase to service the above mentioned 2016 System through the allocation of a maximum overall number of 1,700,000 of UniCredit ordinary shares, corresponding to a capital increase of a maximum €5,768,819.10. It is highlighted that a maximum number of UniCredit ordinary shares equal to 5,400,000 will be destined to so called “bonus buyout” to be paid to possible new hires who are entitled to receive previous Incentive Plans assigned by previous Employer and within the Severance payments for UniCredit employees. The payout scheme offered in such cases will mirror the one as defined by the previous Employer and in any case in compliance with actual regulations.

The capital increases would be carried out using the special reserve known as "Provisions Linked to the Medium Term Incentive System for Group Employees" set up for this purpose which, if case, may be restored or increased via allocation of profits or a

<sup>1</sup> Including direct reports to strategic supervisory, management and control bodies and other Identified staff as required by local regulation

portion of available statutory reserves, formed from the distribution of company profits that shall be identified by the Board of Directors at the moment of share issuance.

In case it would not be possible to proceed with the issuance (full or partial) of the UniCredit ordinary shares to service the 2016 System (including the case in which the amount of the “Provisions Linked to the Medium Term Incentive System for Group Personnel” would not be sufficient), an equivalent amount in cash will be allocated to the beneficiaries, determined on base of arithmetic mean of the official market prices of UniCredit ordinary shares during the month preceding the Board resolution that evaluates results achieved in 2016.

Should the aforementioned delegation of power of attorney be exercised to its maximum amount, the newly issued shares would represent an overall 0.38% of existing share capital (0.41% considering the maximum number of shares equal to 24,500,000 which include also the 1,700,000 shares for the allocation of the last installments in shares in 2022).

Under the provisions of section 2349 of the Italian Civil Code, the consequent amendments to the Articles of Association are submitted to the Shareholders’ meeting for approval, inserting a new paragraph in article 6 with the following text:

*“The Board of Directors has the power, under the provisions of section 2443 of the Italian Civil Code, to resolve, on one or more occasions for a maximum period of five years starting from the shareholders' resolution dated April 14, 2016, to carry out a free capital increase, as allowed by section 2349 of the Italian Civil Code, for a maximum amount of Euro € 77,370,044.40 corresponding to up to 22,800,000 ordinary shares, to be granted to employees of UniCredit and of Group banks and companies who hold positions of particular importance for the purposes of achieving the Group's overall objectives in execution of 2016 Group Incentive System.”*

It should be noted that the amendments to the Articles of Association of UniCredit submitted to the approval of today shareholders’ meeting - which do not give rise to the ordinary and savings shareholders' right of withdrawal pursuant to art. 2437 of the Italian Civil Code - are subject to the measure of examination by the Bank of Italy pursuant to the provisions of art. 56 of Legislative Decree no. 385/93

\* \* \*

Dear Shareholders,

in relation to the above, considering as approved by today’s ordinary shareholders’ meeting the adoption of the 2016 Group Incentive System, you are invited to approve the following resolution:

“Having heard the directors' report, the extraordinary shareholders' meeting of UniCredit S.p.A.

#### RESOLVES

- 1.a) to grant the Board of Directors, under the provisions of section 2443 of the Italian Civil Code, the authority to resolve in 2021 to carry out a free capital increase, as allowed by section 2349 of the Italian Civil Code, for a maximum

amount of €6,821,022.23 corresponding to up to 2,010,000 ordinary shares, to be granted to employees of UniCredit S.p.A. and of Group banks and companies, who hold positions of particular importance for the purposes of achieving the Group's overall objectives in order to complete the execution of the 2015 System for UniCredit Group employees approved by Ordinary Meeting on May, 13 2015. Such an increase in capital shall be carried out using the special reserve known as "Provisions Linked to the Medium Term Incentive System for Group Employees" set up for this purpose which, if case, may be restored or increased via allocation of profits or a portion of available statutory reserves, formed from the distribution of company profits that shall be identified by the Board of Directors at the moment of share issuance;

- 1.b) further to the resolution passed in point 1.a), to review the paragraph 13 in article 6 of the Articles of Association with the following new text:

*"The Board of Directors has the power, under the provisions of section 2443 of the Italian Civil Code, (i) to carry out a free capital increase, as allowed by section 2349 of the Italian Civil Code, on one or more occasions for a maximum period of five years starting from the shareholders' resolution dated May, 13 2015, for a maximum amount of Euro 100,075,594.87, corresponding to a maximum number of 29,490,000 ordinary shares and (ii) to carry out a free capital increase in 2021 for a maximum amount of € 6,821,022.23 corresponding to up to 2,010,000 ordinary shares, to be granted to employees of UniCredit and of Group banks and companies who hold positions of particular importance for the purposes of achieving the Group's overall objectives in execution of 2015 Group Incentive System."*

- 2.a) to grant the Board of Directors, under the provisions of section 2443 of the Italian Civil Code, the authority to resolve - on one or more occasions for a maximum period of five years from the date of shareholders' resolution - to carry out a free capital increase, as allowed by section 2349 of the Italian Civil Code, for a maximum amount of € 77,370,044.40 corresponding to up to 22,800,000 ordinary shares, to be granted to employees of UniCredit S.p.A. and of Group banks and companies, who hold positions of particular importance for the purposes of achieving the Group's overall objectives in execution of the 2016 System approved by today's Ordinary Meeting. Such an increase in capital shall be carried out using the special reserve known as "Provisions Linked to the Medium Term Incentive System for Group Employees" set up for this purpose which, if case, may be restored or increased via allocation of a portion of profits or available statutory reserves, formed from the distribution of company profits that shall be identified by the Board of Directors at the moment of share issuance;

- 2.b) further to the resolution passed in point 2.a), to insert a new paragraph in article 6 of the Articles of Association with the following text:

*"The Board of Directors has the power, under the provisions of section 2443 of the Italian Civil Code, to resolve, on one or more occasions for a maximum period of five years starting from the shareholders' resolution dated April 14,*

*2016, to carry out a free capital increase, as allowed by section 2349 of the Italian Civil Code, for a maximum amount of Euro € 77,370,044.40 corresponding to up to 22,800,000 ordinary shares, to be granted to employees of UniCredit and of Group banks and companies who hold positions of particular importance for the purposes of achieving the Group's overall objectives in execution of 2016 Group Incentive System."*

3. *to delegate to the Board of Directors all the necessary powers for issuing the new shares;*
4. to give to the Chairman and to the Chief Executive Officer, also separately, every opportune powers of attorney to:
  - (i) provide for implementing the above resolutions under terms of law;
  - (ii) accept or adopt all amendments and additions (not changing substantially the content of the resolutions) which should be necessary for registration at the Register of Companies;
  - (iii) proceed with the deposit and registration, under terms of law, with explicit and advanced approval and ratification
  - (iv) make the consequent amendments to article 5 of the articles of association relating to the new amount of share capital, as well as to count the new paragraph of article 6 of the Articles of Association passed in point 2.b) above"