2015 GROUP COMPENSATION POLICY

LETTER FROM THE CHAIRMAN

Dear Shareholders,

2014 was a particularly challenging year for our Group. The goals we set for our Group – return to profitability and capital adequacy - have been met, despite a macro-economic environment that was more difficult than expected and continuing development in financial regulations.

The capability to anticipate trends and the willingness to find new ways to build stronger relationships with our customer characterize our modus operandi and aim at creating sustainable value for our stakeholders.

I am pleased that UniCredit today is a benchmark for banking in Europe. To stay competitive in the global marketplace, an organization must constantly evolve leveraging human resources that provide the required capabilities, skills, integrity, commitment and motivation. In the current environment, compensation policy serves as an important tool to attract, motivate and retain highly qualified employees who share and positively express our values.

In 2014, both the Remuneration Committee and the Board of Directors reaffirmed their commitment to ensuring that our Group's compensation structure remains in line with best practices and fully compliant with all European and national regulatory requirements.

In a perspective of continuous improvement, the 2015 Group Compensation Policy aims to reinforce the link between remuneration, risk and profitability. In this context, our incentive system for Identified Staff establishes more direct and transparent connections between decisions on variable compensation, our Risk Appetite Framework and financial sustainability, in keeping with our Strategic Plan.

The 2015 Group compensation policy also introduces a new Long Term Incentive Plan that is intended to further align the economic interests of Top Management with those of our Shareholders by rewarding value creation over time while supporting sound and prudent risk management.
These developments are the result of an ongoing open dialogue with Investors about this increasingly important and nuanced topic.

Additionally, with the aim to respond to Your expectations, we continued to simplify the overall structure of our Compensation Policy so that it can be better understood by all interested parties. In particular, we separated the main Compensation Policy section, including the Annual Compensation Report, from the Compensation Tables and the Information Memorandum, which are prepared according to the provisions of Italy's National Commission for Listed Companies. We also applied a simpler and more intuitive template to increase the level of disclosure regarding implementation of incentive systems and compensation practices.

In keeping with the previous year, also for 2015 we confirmed a broader approach to remuneration that includes different rewards and incentives in order to define a well-balanced compensation structure – one that is competitive with our peers, committed to diversity and non-discrimination and oriented toward sustainable results.

At UniCredit, our ongoing dialogue with Stakeholders is expressed in all areas of our work and, also for2015, it will continue to enrich our vision and support us in moving toward an increasingly advanced and effective remuneration system.

Giuseppe Vita
Chairman of the Remuneration Committee

CONTENTS

SECTION I – EXECUTIVE SUMMARY

OUR COMPENSATION POLICY

The implementation of the principles set in our Group Compensation Policy provides the framework for the design of reward programs across the Group.

Policy standards ensure that compensation is aligned to business objectives, market reality and shareholders' long term interests.

UniCredit compensation approach has been consolidated over time under our Group governance, to be compliant with most recent national and international regulatory requirements and connected with performance, market-aware and to be aligned with business strategy and shareholder interests.

The key pillars of our Group Compensation Policy (Section II) reflect most recent regulations in terms of remuneration and incentive policies and practices, in order to build year-by-year – in the interest of all stakeholders – remuneration systems aligned with long-term strategies and goals, linked with company results, adequately adjusted in order to take into account all risks, consistent with capital and liquidity levels needed to face all activities and, in any case, to avoid distorted incentives that could bring to breaching of law or to an excessive risk taking.

OUR COMPENSATION APPROACH: CONSOLIDATION OF 2014 AND NEW FEATURES WITHIN 2015 COMPENSATION POLICY

Key element of 2015 Compensation Policy	Description
1. Key Pillars ▪ Clear and transparent governance ▪ Compliance with regulatory requirements and principles of good business 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	Consolidation of 2014 Remuneration Policy ▪ **The key pillars of our Group Compensation Policy** ensure a correct definition of competitive compensation levels, internal equity and transparency
2. Regulatory alignment, including: ▪ Capital Requirement Directive IV (CRD IV) ▪ EBA Regulatory Technical Standards (RTS) ▪ Bank of Italy "Disposizioni di vigilanza per le Banche", 7th update to the Circular n. 285 of 17th December 2013	Consolidation of 2014 Remuneration Policy ▪ Group Compensation Policy is aligned to the latest national and international regulatory requirements. Full compliance of compensation policies and processes is assured through **involvement of Company Control Functions,** such as Compliance, Audit and Risk Management that also guarantee the coherence with the Risk Appetite Framework, in line with sector regulations
3. Compensation benchmarking ▪ Update of the peer group for compensation benchmarking, performed by the independent advisor of Remuneration Committee	Consolidation of 2014 Remuneration Policy ▪ With specific reference to Group Executive population, Remuneration Committee defines, supported by an independent external advisor, a list of selected competitors that represent our **Group-level peers** (disclosed on chapter 3, Compensation Report) with regard to whom compensation benchmarking analysis are performed. As policy target, Executives total compensation is set between market **median and upper quartile**, with individual positioning defined considering specific performance, potential and people strategy

decisions and UniCredit performance over time

4. Performance measurement

Consolidation of 2014 Remuneration Policy

- Review of the "KPI Bluebook" supports manager and HR to define the Performance Screen that refers to the annual Incentive System for the Identified Staff

- **The KPI Bluebook** supports the definition of Performance Screens providing **a set of performance indicators and guidelines**. The categories of the main indicators of financial and non-financial Group performance, annually defined within the KPI Bluebook, are certified with the involvement of Human Resources, Planning, Finance and Administration, Risk Management, Compliance, Group Sustainability, Group Stakeholder and Service Intelligence and Audit functions, which reflect Group's core operating profitability and risk profile

5. Severance payouts

New features within 2015 Remuneration Policy

- Continuous alignment with regulations / contract timely in force
- Severance payouts take into consideration the long-term performance, in terms of shareholder added-value, do not reward failures or abuses and shall not exceed in general **24 months of total compensation** (in case of lack of law / National Labor agreement provisions locally applicable)

- **A specific policy on payments to be agreed in case of early termination of a contract** (so called *severance*) will be submitted for approval to Annual General Meeting, according to the regulatory requirements issued by Bank of Italy in "Disposizioni di vigilanza per le banche" (Circolare n.285 of 17th December 2013, 7th update of 18th November 2014)

6. Identified staff definition

Consolidation of 2014 Remuneration Policy

- Application of qualitative and quantitative criteria which are common at European level defined by EBA RTS

- **Identified Staff population** have been updated ensuring full compliance with current regulations. The identification has followed a structured evaluation process both at Group and local level, based on the application of core qualitative and quantitative criteria common at European level. The result of the evaluation process for the definition of Identified Staff has led to the identification of ca. **1,100 resources for 2015**

7. Ratio between variable and fixed compensation

Consolidation of 2014 Remuneration Policy

- In Compliance with the regulatory requirements, the 2:1 represents the maximum limit to the ratio between variable and fixed components of the remuneration for all employees belonging to business functions, including Identified Staff

- In line with most recent regulations – as deemed applicable – a **maximum limit to the ratio between the variable and the fix component of compensation** is set. UniCredit, coherently with the powers recognized under the mentioned legislation, has deemed appropriate to establish, in general, a ratio between the former and the latter component of the remuneration of 2:1, unless of course, the legislation in force in each country provides for a lower cap. This ratio is applicable in particular to the remuneration components of all employees belonging to business functions, including the Identified Staff, the personnel belonging to Company Control Functions are therefore excluded, which are subject to a more conservative approach.
- This approach allows to maintain a strong link between pay and performance, as well as the competitiveness in the market – such approach is also the direction in which the main peers moved -, to limit the un-level playing field in the markets where the cap is not present, to avoid the rigidity of the cost structure deriving from a possible increase of fixed costs and to guarantee the alignment with multi-year performance avoiding the decrease of deferred compensation

8. Incentive system linked to the annual performance

Consolidation of 2014 Remuneration Policy

- The Group Incentive System 2015, that confirms the "bonus pool" approach introduced in 2014, provides for an even stronger link between remuneration, risk and sustainable profitability
- Such system provides for an overall performance assessment both at individual level and at Group/Country/Division level

- **12 bonus pools** whose size is linked to the profitability of each Country/Division
- **Entry conditions**: mechanism that determines the possible application of malus clause (Zero Factor), on the basis of performance indicators in terms of profitability, capital and liquidity defined at both Group and Country/Division level
- **Adjustments to the bonus pools** driven by the evaluation of economic and risk sustainability for each Country/Division (alignment to the Group Risk Appetite Framework and to UniCredit Strategic Plan)
- **Bonus allocation**: the incentive is allocated managerially, taking into consideration the available bonus pool, the individual performance evaluation based on risk-adjusted indicators and specific reference value for each position
- **Payout**: individual bonus composed by 50% cash and 50% shares; payout over a period up to 6 years, ensuring the alignment with shareholders' interest and subject to malus and clawback conditions, as legally enforceable

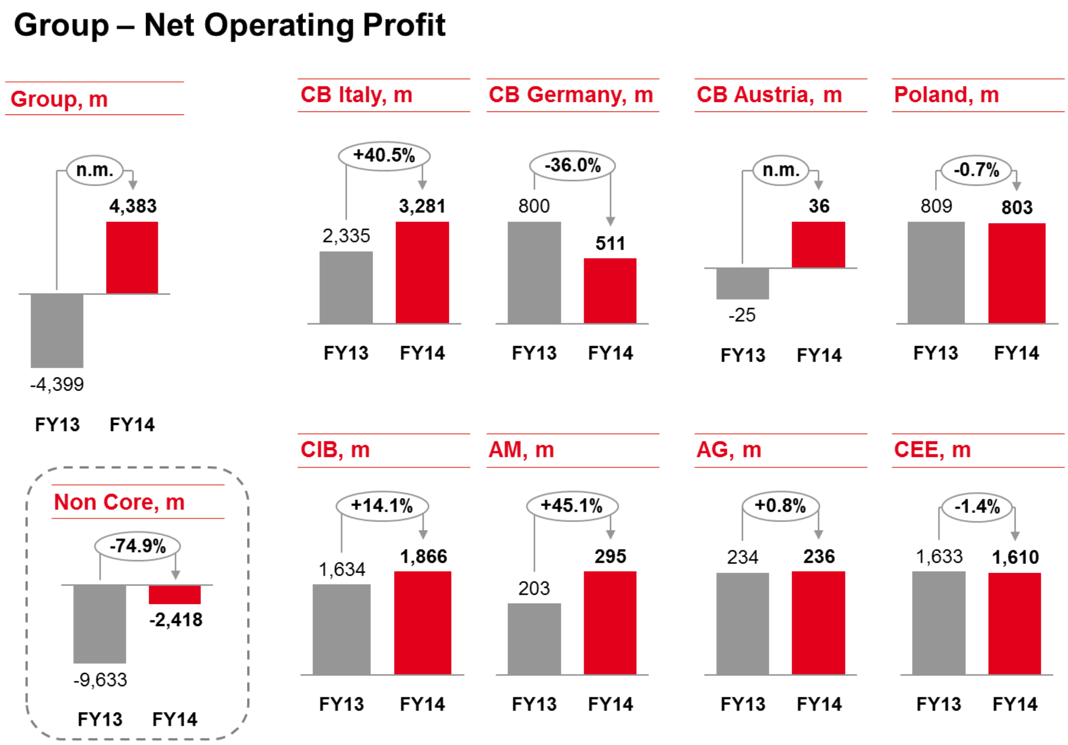
9. 2015-2018 Long Term Incentive System

New features within 2015 Remuneration Policy

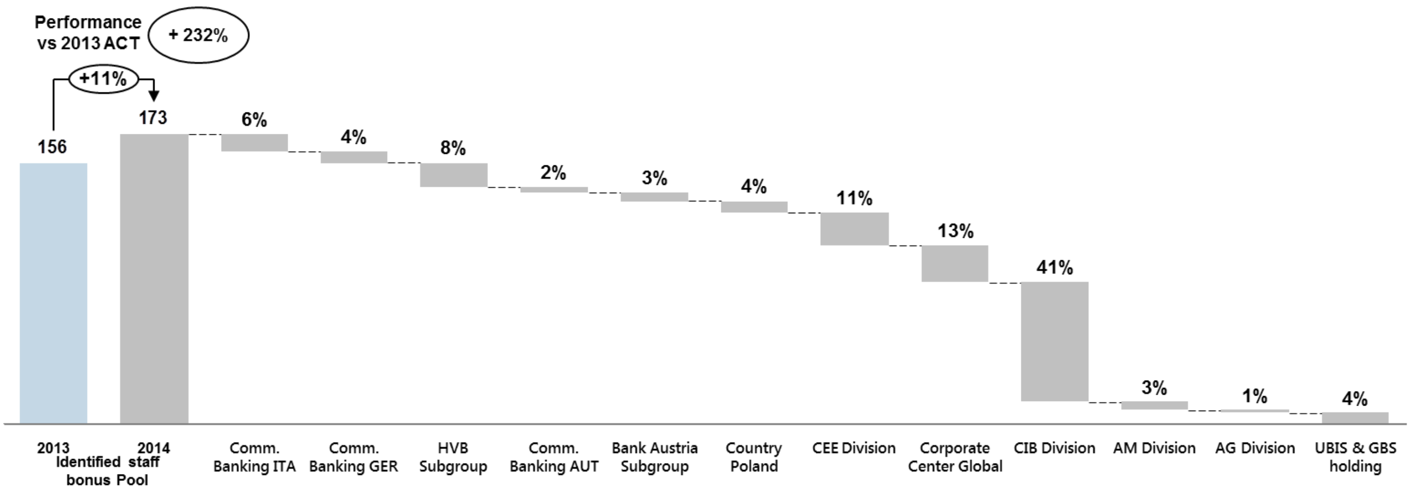
- Introduction of a Long Term Incentive Plan aiming at strengthening the link between variable remuneration and the long-term Company results and further aligning Top Management and Shareholders' interests

- The Plan provides for the allocation of incentives based on Phantom Shares, subject to the achievement of **specific performance conditions** aligned to UniCredit Strategic Plan
- The Plan is structured around a 4-year performance period, consistently with UniCredit Strategic Plan, and provides for the allocation of **2 possible awards** in 2017 and 2019 (in line with Plan's disclosure)
- Each award is subject to a **3-year deferral period** subject to the application of a **cumulative Zero Factor**, providing for the respect of minimum conditions of profitability, liquidity and capital position
- In line with regulatory requirements an additional **holding period of 1 year** is applied at the end of deferral period

Management actions yielded remarkable achievements in 2014, which allow to propose a payout of 12 cents scrip dividend (35% pay-out ratio), despite macroeconomic and geopolitical challenges. Net Operating Profit strongly up in 2014 with cost discipline offsetting revenue pressure. Significant reduction in Loan Loss Provisions in 2014. With specific regard to Commercial Banking Germany, the decrease in NOP is mainly due to lower trading income for non recurring gains in 2013 and loan loss provisions getting back to more normalized level after release booked in 2013.

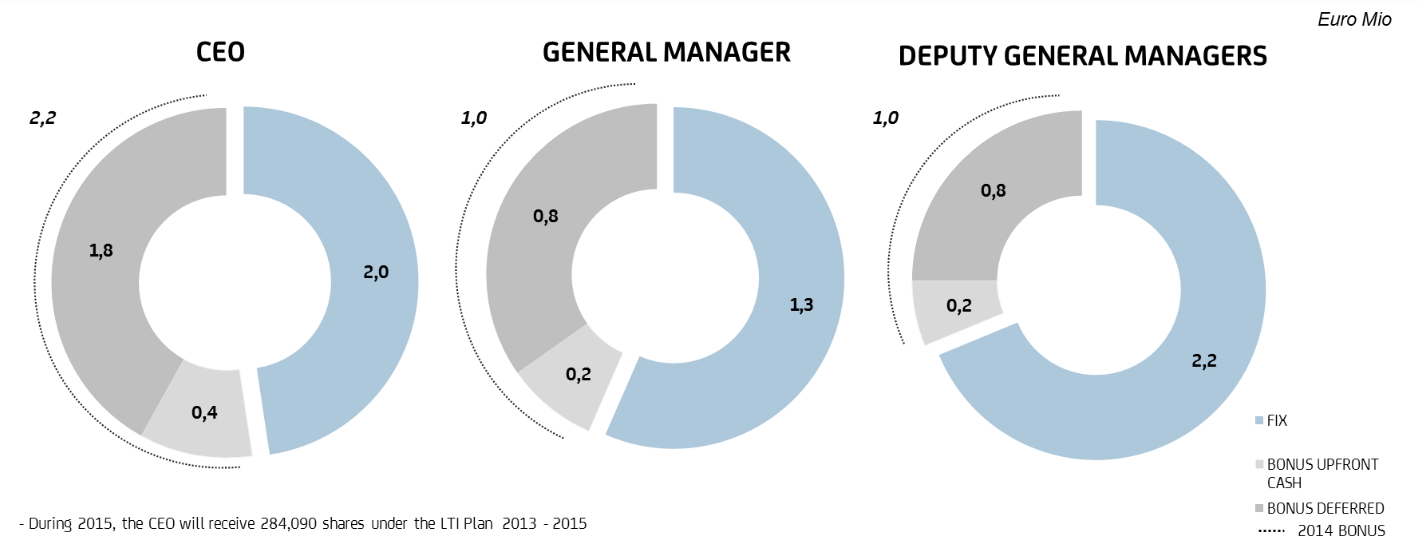


With reference to 2014, the Board of Directors of UniCredit has taken into consideration the evaluations of the Remuneration Committee and the guidelines of the regulatory authorities on variable remuneration.
The evaluation regarding compensation decisions, as done also in the previous years, was supported by a rigorous Group governance process in order to guarantee coherence and transparency for all involved actors.
The Board of Directors approved the following distribution of the bonus to Identified Staff population (ca. 1,100 resources):



➔ Further details in Section III – Annual Compensation Report, paragraph 5.2 - 2014 Systems Implementation and Outcomes

2014 Chief Executive Officer, General Manager and Deputy General Managers variable and fixed compensation data



➔ Further details in Section III – Annual Compensation Report, paragraph 5.2 - 2014 Systems Implementation and Outcomes

Details on 2015 performance goals of Chief Executive Officer

Looking forward to 2015, the goals for the CEO defined and approved by UniCredit Board of Directors as the core drivers of performance are represented by:

1. Achievement of Economic Profit at Group level
2. Specific risk management goal at Group level
3. Achievement of Common Equity Tier 1 ratio at Group level, in line with budget expectations
4. Execution of Company strategic vision with focus on growth, capital reallocation and efficiency, at Group level and based on a qualitative evaluation
5. Attention to the value creation for Shareholders: Customer Satisfaction, People Engagement e Reputation index at Group level
6. Development of a strong and sustainable Group risk culture, ensuring a successful transition towards new European regulatory architecture

In the event of possible resignation, dismissal/revocation or termination, the annual remuneration used to define the possible indemnity due is governed by the ordinary provisions of the Italian law and National Labor Agreement for Banking Industry Executives.

➔ Further details in the Section III – Annual Compensation Report, paragraph 5.4 Comprehensive Performance Management

Our Compensation Disclosure

The Annual Compensation Report (Section III) provides the description of our compensation practices and the implementation outcomes of Group Incentive Systems, as well as remuneration data with a focus on non-executive directors and the Identified Staff, defined in line with regulatory requirements.

Full disclosure on compensation payout amounts, deferrals and ratio between variable and fixed components of remuneration for the Identified staff is provided in the Annual Compensation Report (Section III - paragraph 7.1), including data regarding Directors, General Managers and other Key Management Personnel categories.

Data pursuant sect. 84-quarter Consob Issuers Regulation Nr. 11971, Compensation report – Section II, as well as the information on incentive systems under 114-bis of legislative decree 58/1998 ("Testo Unico della Finanza" – "TUF") are included in the attachments to the 2015 Group Compensation Policy, published on UniCredit internet website, in the section dedicated to 2015 Shareholders' Meeting.

SECTION II – GROUP COMPENSATION POLICY

CONTENTS

1. INTRODUCTION

1.1. REFLECTING OUR MISSION AND VALUES

We, UniCredit people, are committed to generate sustainable value for our customers. As a leading European bank, we are dedicated to the development of the communities in which we live, and to being a great place to work.
We aim for excellence and we consistently strive to be easy to deal with.

Our set of values is based on integrity as a sustainable condition to transform profit into value for our stakeholders: our leadership team and all our employees are fully committed to the Values embedded within the Group Integrity Charter. We, also through appropriate compensation mechanisms aim to create a work environment which is comprehensive of any form of diversity and which foster and unlock individual potential, to attract, retain and motivate a highly qualified global workforce capable of creating a competitive advantage and to reward those who reflect our standards of consistently ethical behavior in conducting sustainable business.

By upholding the standards of sustainability behaviors and values which drive our Group mission, our compensation strategy represents a key enabler to enhance and protect our reputation and to create long-term value for all Group stakeholders.

These standards define the principles of a Group Compensation Policy which, relying on our governance model, sets the framework for a coherent and consistent design, implementation and monitoring of compensation practices across our entire organization. Within this common policy framework, guidelines are defined to implement compensation programs and plans that reinforce sound risk management policies and our long-term strategy. In so doing, we most effectively meet the specific and evolving needs of our different businesses, market contexts and employee populations, and ensure that business and people strategies are always appropriately aligned with our remuneration approach.

1.2. THE PILLARS OF OUR COMPENSATION POLICY

UniCredit compensation approach is performance-oriented, market-aware and aligned with business strategy and stakeholder interests.

To ensure the competitiveness and effectiveness of remuneration as well as transparency and internal equity, the principles of sustainable conduct and performance define the key pillars of our Group Compensation Policy:

- Clear and transparent governance
- Compliance with regulatory requirements and principles of good business 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

2. GOVERNANCE

Efficient corporate and organizational governance structures are an essential prerequisite for the pursuit of our company's objectives. UniCredit has clear and rigorous governance and rules in place, in order to establish coherence and transparency also with specific reference to compensation.

2.1. CORPORATE GOVERNANCE

Our Compensation Governance Model aims to assure control of Group-wide remuneration practices by ensuring that decisions are made in an independent, informed and timely manner at appropriate levels, avoiding conflicts of interest and guaranteeing appropriate disclosure in full respect of the general principles defined by regulators.

The Board of Directors has established a Delegation of Powers system to appropriately regulate effective decision-making processes throughout the organization.

The Remuneration Committee, instituted in 2000, is vested with the role of advising the Board of Directors on Group Remuneration Strategy. Availing itself also of the support of an independent external advisor, the Committee analyzes and monitors international market compensation trends, practices and pay levels to provide advice to the Board of Directors with particular reference to Senior Executives.

The Group Compensation Policy, as drawn up by the Group HR function with the involvement of the Group Risk function, is validated by the Group Compliance function for all compliance-related aspects, before being submitted to the Remuneration Committee. On an annual basis, the Group Compensation Policy, as proposed by the Remuneration Committee, is submitted to the Board of Directors for approval. The policy is then presented to the shareholders' Annual General Meeting for approval, in line with regulatory requirements.

2.2. ORGANIZATIONAL GOVERNANCE

On the basis of our Group Managerial Golden Rules, our model of organizational governance aims to ensure coherent management across the entire Group within a common framework while allowing for sufficient flexibility in decision-making capability to meet business-specific needs and guarantee the respect of local laws, regulatory and governance requirements and processes.

Our governance model is based on the Global Job Model, a system that describes and evaluates all jobs within UniCredit Group and supports the management of people and processes in a global, simple and consistent way. By clustering comparable roles across our different businesses and markets, the Global Job Model allows the homogeneous identification across the entire Group of delegation levels and the coherent design, implementation and monitoring of programs and policies.

The principles of the Group Compensation Policy apply across the entire organization and shall be reflected in all remuneration practices applying to all employee categories across all businesses, including staff belonging to external distribution networks, considering their remuneration specifics. Once approved by UniCredit Annual General Meeting, the Policy is formally adopted by competent bodies in the relevant Legal Entities across the Group, in accordance with applicable local legal and regulatory requirements.

With specific reference to the Identified Staff, Group HR function establishes guidelines and coordinates a centralized and consistent management of compensation and incentive systems. Other employees, as relevant and appropriate for each category, each Division, Competence Line and Country is accountable for the respect of the Group Policy.

3. COMPLIANCE

Compliance with laws, rules and regulations and integrity in conduct and behaviors are essential elements of our way of doing business, which by its very nature is based on trust.

By fully complying not just with the letter but also with the spirit of relevant legal and regulatory requirements, we protect and enhance our company reputation in the short and long term. Compliant compensation guarantees that all our remuneration policies, practices and programs avoid conflicts of interest between roles within the Group or vis-à-vis customers and are consistent with ethical codes of conduct, our company values and business strategy, guaranteeing its long-term sustainability.

Compliance function is vested with the role to verify whether the company compensation system is consistent with the goal of complying with regulations, articles of association and any other code of ethics or other standards of conduct applicable to the bank, so that legal and reputational risks mostly embedded in the relation with customers are duly contained (ref. Bank of Italy).

Upon performing its activity in this context, Compliance function (through its structures) validates, for all aspects that fall within its perimeter, the Group Compensation Policy and, referring to local Regulations, the incentive systems for Group personnel as drawn up by HR functions and provides input, as far as it is concerned, for the design – by HR functions – of compliant incentive systems.

In compliance with regulatory requirements and in the spirit of transparency and accountability which forms the basis of the trust placed in us by our stakeholders, UniCredit undertakes to guarantee proper disclosure of information with regard to the strategic approach and process by which our compensation policy is defined and by which compensation practices are designed. We support any law or regulatory initiative which implies an enhancement of transparency requirements and, subject to the limits set by privacy and data protection laws and by the opportunity of not eroding our competitive advantage, we wish to make clear to all our stakeholders what we do, how and why. Information about our compensation policy and remuneration approach is published in the Financial Statement, Annual Compensation Report, Corporate Governance Report and in other publications as required, which may be available for consultation also via our company website.

4. CONTINUOUS MONITORING OF MARKET TRENDS AND PRACTICES

We aim to adopt remuneration practices capable of guaranteeing distinctive and effective compensation solutions that best drive our overall business strategies and people development. Our continuous monitoring of market trends and awareness of international practices contributes to sound formulation of competitive compensation as well as transparency and internal equity.

At Group level, we analyze the overall compensation trends of the market in order to make informed decisions about our compensation approach. With specific reference to the Group Executive population, an independent external advisor supports the definition of a list of selected competitors that represent our Group-level peers with regards to whom compensation benchmarking analysis is performed. This Peer Group is defined by the Remuneration Committee considering our main European competitors in terms of market capitalization, total assets, business scope and dimension. On the basis of constant benchmarking, we aim to adopt competitive reward structures for effective retention and motivation of our critical resources.

At Country/Division level and as appropriate throughout the organization, benchmarking and trends analysis may be conducted considering relevant peer groups to assure competitive alignment with the market of reference. Salary and compensation structures defined on the basis of business or market-specific benchmarking must, in any case, be fully aligned with the general principles of the Group Compensation Policy, with particular reference to the pillars of compliance and sustainability.

5. SUSTAINABILITY

Our Group's greatest strength is our solid and rigorous commitment to our customers, to our people, to our investors, to the communities we serve, to our core values and to sustainability in everything we do.

Our approach of sustainable pay for sustainable performance drives us to set coherent standards for the mechanisms by which we establish compensation levels and payouts (sustainable pay), as well as the results and behaviors we aim to incentivize (sustainable performance). All incentive systems at all organizational levels are required to contribute to the sustainability of the Group by aligning individual goals and behaviors to our common long term mission.

5.1. SUSTAINABLE PAY

Pay is considered sustainable to the extent that a direct link is maintained between pay and performance and that rewards are consistent with long-term stakeholder value creation. The mechanisms by which we set compensation levels and payout should be based on the following principles:

Principle	UniCredit *Practice*
Balanced total compensation structure	▪ in line with the applicable regulations, particular attention is paid in avoiding disequilibrium towards variable compensation which may induce behaviors not aligned with the company's sustainable business results and risk appetite; ▪ in line with most recent regulations – where applicable[1] – a maximum limit to the ratio between the variable and the fixed components of compensation is set. UniCredit, coherently with the powers recognized under that legislation, has deemed appropriate to establish, in general, a ratio between the former and the latter component of the remuneration of 2:1, unless of course, the legislation in force in each country provides for a lower cap. This ratio is applicable in particular to the remuneration components of all employees belonging to Business functions, including Identified Staff; the personnel belonging to Company Control Functions are therefore excluded, which are subject to a more conservative approach ▪ the adoption of a ratio of 2:1 between variable and fixed compensation would have no implication on bank's capacity to continue to respect all prudential rules, in particular capital requirements ▪ an appropriate mix between short and long-term variable compensation is set, as applicable, and relevant on the basis of market and business specifics and line of sight, and in line with Group long term interests
Direct link between pay and performance	▪ align incentive payout levels with overall company risk and cost-of-capital adjusted profitability ▪ guarantee financial sustainability and affordability of bonus opportunity and program effectiveness, setting also caps on performance-related payouts as appropriate and consistent with market practice in the context of our specific businesses ▪ design flexible incentive system such as to manage payout levels in consideration of overall Group, Country/Division performance results and individual achievements, adopting a meritocratic approach to selective performance-based reward ▪ design incentive systems to set minimum performance thresholds below which zero bonus will be paid ▪ take into consideration the long-term performance in terms of shareholder added-value for the calculation of any severance payouts prescribed or suggested by the specific market of reference, as well as any local legal requirements, collective/individual contractual provisions, and any individual circumstances, including the reason for termination ▪ avoid any severance provision exceeding the ones provided by Law/National Labor agreement locally applicable. In case of lack of such regulations, any severance beyond the notice period shall not generally exceed 24 months of total compensation and shall be scaled proportionally to the length of service ▪ a specific policy on payments to be agreed in case of early termination of a contract (so called *severance*) is submitted for approval to the 2015 Annual General Meeting, according to the regulatory requirements issued by Bank of Italy in "Disposizioni di vigilanza per le banche", Circolare n.285 issued on 17th December 2013 and updated on 18th November 2014, version nr 7. For details on criteria, limits and authorization processes, reference is made in the above mentioned Policy

[1] For employees belonging to Asset Management business, not defined as Identified Staff, taking into consideration the actual overall regulatory framework, it is deemed applicable the relevant sector legislation, which is not providing for a cap to the variable component of the compensation.

Multi-year view of performance	▪ ensure that pay moves over time in the same direction as sustainable profitability ▪ evaluate the opportunity to phase, as foreseen by regulatory requirements, performance-based incentive payout to coincide with the risk timeframe of such performance by subjecting the payout of any deferred component of performance-based compensation to the actual sustainable performance demonstrated and maintained over the deferral timeframe, so that the variable remuneration takes into account the time trend of the risks assumed by the bank (i.e. malus mechanisms) ▪ consider claw-back actions as legally enforceable on any performance-based incentive paid out on the basis of a pretext subsequently proven to be erroneous
Incentive Systems compliant with organizational processes and with behaviors and conduct rewarded	▪ include clauses for zero bonus in circumstances of non-compliant behavior or qualified disciplinary action, subjecting payout to the absence of any proceeding undertaken by the company for irregular activities or misconduct of the employee with particular reference to risk underwriting, sales processes of banking and financial products and services, internal code of conduct or values breach ▪ formalize incentive systems, plans and programs in legally solid and technically precise terms such as to uphold their validity in all circumstances ▪ assure independence between front and back office functions in order to guarantee the effectiveness of cross-checks and avoid conflict of interest, with a particular focus on trading activities, as well as ensuring the appropriate independence levels for the functions performing control activities ▪ guarantee that evaluations and appraisals linked to compensation are, as far as possible, available for the scrutiny of independent checks and controls ▪ evaluate all incentive systems, programs and plans taking into consideration how they enhance our overall company reputation
Non standard compensation aligned with our Group guidelines	▪ non standard compensation are those compensation elements not usually provided under our Group Compensation Policy and are considered exceptions (for instance, welcome bonus, guaranteed bonus, special award, retention bonus, allowances) ▪ such awards are limited only to specific situations related to hiring phases, launch of special projects, achievement of extraordinary results, high risk of leaving for Group Executives and mission critical roles ▪ awards must in any case be in accordance with regulations in force from time to time (e.g. cap on the ratio between variable and fixed remuneration, technical features fixed by regulation for bonus payout) and subject to UniCredit governance processes, periodically monitored and disclosed as for regulatory requirements and must be subject to malus conditions and claw-back actions, as legally enforceable

5.2. SUSTAINABLE PERFORMANCE

Performance is considered sustainable to the extent that it contributes to the achievement of our company mission over time, to the creation of long-term value for all stakeholders and to the enhancement of our reputation, in adherence to our Integrity Charter Values.
Sustainable performance refers to actual results achieved (the "what" of performance) and the means by which they are achieved (the "how" of performance):

Principle	UniCredit *Practice*
Measurement of performance aligned with shareholder interests and firm-wide risk-adjusted profitability	▪ establish coherence between annual objectives and sustainable, risk-adjusted value creation ▪ consider performance on basis of annual achievements and on their impact over time ▪ include reflection of the impact of individual's/business units' return on the overall value of related business groups and organization as a whole ▪ base performance evaluation upon profitability and other drivers of sustainable business with particular reference to risk, cost of capital and efficiency ▪ consider the customer as the central focus of our Mission, placing customer satisfaction in the forefront of all incentive systems, at all levels, both internally and externally ▪ design forward-looking incentive plans which balance internal key value driver achievement with external measures of value creation relative to the market ▪ establish reward not on the sole basis of financially-based objectives and mechanisms, but also on other performance measures as appropriate, for example risk management, adherence to Group values or other behaviors
Sound risk-management practices	▪ incentive systems must not in any way induce risk-taking behaviors in excess of the Group's strategic risk appetite; in particular they should be coherent to the Risk Appetite Framework ("RAF") ▪ evaluate performance in terms of risk-adjusted profitability and provide for risk-weighted systems and mechanisms
Multi-perspective view of sustainable performance results and quality	▪ maintain an adequate mix of financial goals with non-financial (quantitative and qualitative) performance objectives ▪ use both absolute and relative performance achievement metrics as appropriate and relevant, where relative performance-based measures are based on comparison of achieved results to those of market peers ▪ reinforce sustainability of quality performance over time

6. MOTIVATION AND RETENTION

We aim to attract, motivate and retain the best resources capable of achieving our company mission in adherence to our Group values. Effective compensation strategies represent a key driver to positively reinforce employee commitment, engagement and alignment with organizational goals.

Within the framework provided by the "Group Compensation Policy", UniCredit is committed to ensure fair treatment in terms of compensation and benefits regardless of age, race, culture, gender, disability, sexual orientation, religion, political belief and marital status.

Our total compensation approach provides for a balanced package of fixed and variable, monetary and non-monetary elements, each designed to impact in a specific manner the motivation and retention of employees.

Type of remuneration	Objective	Features
6.1 BASE SALARY AND *PAY-MIX*		
The Base Salary remunerates the role covered and the scope of responsibilities, reflecting the experience and skills required for each position, as well as the level of excellence demonstrated and the overall quality of the contribution to business results.	The relevance of fixed compensation weight is such as to reduce the risk of excessively risk-oriented behaviors, to discourage initiatives focused on short-term results which might jeopardize mid and long-term business sustainability and value creation, and to allow a flexible bonus approach	Specific pay-mix guidelines for the weight of fixed versus variable compensation are defined with respect to each target employee population. With particular reference to the Group Executive population, the Remuneration Committee establishes: - the criteria and guidelines to perform market benchmarking analysis for each position in terms of compensation levels and pay-mix structure, including the definition of specific peer groups at Group, Country/Divisional level and the list of preferred external "executive compensation providers" - the positioning in terms of compensation, in line with relevant market's competitive levels, defining operational guidelines to perform single compensation reviews as necessary - the compensation structure for top positions, defining the mix of fixed and variable compensation elements, consistently with market trends and internal analyses performed - the remuneration policy for Company Control Functions, providing for total compensation weighted in favor of the fixed part, in order to ensure the requirements of independence, professionalism and authority Moreover, the Board of Directors annually approves the criteria and features of the incentive plans for the Identified Staff, ensuring the appropriate balance of variable reward opportunities within the pay-mix structure.

6.2 VARIABLE COMPENSATION

The variable compensation includes payments depending on performance, independently from how it is measured (profitability/revenues/etc. goals) or on other parameters (e.g. length of service).

Variable compensation aims to remunerate achievements by directly linking pay to performance outcomes in the short, medium and long term, and risk adjusted.

To strengthen the alignment of shareholders' interest and the interests of management and employees, performance measurement reflects the actual results of the Company overall, the business unit of reference and the individual. As such, variable compensation constitutes a mechanism of meritocratic differentiation and selectivity.

Adequate range and managerial flexibility in performance-based payouts are an inherent characteristic of well managed, accountable and sustainable variable compensation, which may be awarded via mechanisms differing by time horizon and typology of reward.

Incentives remunerate the achievement of performance objectives, both quantitative and qualitative, by providing for a variable bonus payment. An appropriately balanced performance-based compensation element is encouraged for all employee categories as a key driver of motivation and alignment with organizational goals, and is set as a policy requirement for all business roles.
The design features, including performance measures and pay mechanisms, must avoid an excessive short-term focus by reflecting the principles of this policy, focusing on parameters linked to profitability and sound risk management, in order to guarantee sustainable performance in the medium and long term. In alignment with our overall mission, the characteristics of incentive systems also reflect the requirements of specialized businesses.
Group common guidelines on the key elements of Executive contracts ensure alignment with regulatory requirements and also with Audit recommendations, in particular regarding contract elements with specific regulatory provisions, such as variable compensation and severance provisions.
Group guidelines provide for the eligibility to variable compensation to be mentioned in the Executive contracts, as well as the reference to separate communication providing details of variable compensation plans.
Amounts related to variable pay and any technical details of payments (vehicles used, payment structure, time schedule) are included in separate communication and are managed in strict adherence to governance and delegation of authority rules.

More details on the design of remuneration and incentive systems, with particular reference to network roles and governance functions, are reported in the section "Compliance Drivers" at the end of this section.

With particular reference to trading roles and activities, organizational governance and processes as well as risk-management practices provide the structure for a compliant and sound approach, whereby levels of risk assumed are defined (using specific indicators, for example Value at Risk) and monitored centrally by the relevant Group functions. This structure reinforces our consistent remuneration approach which adopts performance measures based on profitability rather than revenues, and risk-adjusted rather than absolute indicators.

Short Term Incentive System	Short term incentive systems aim to attract, motivate and retain strategic resources - Group Executives, talents, mission critical players and other identified staff - and maintain full alignment with the latest national and international regulatory requirements and with best market practices.	▪ With particular reference to the Identified Staff, common and homogeneous compensation guidelines are defined at Group level. Incentives take into account overall risk and do not induce risk-taking in excess of the Group risk appetite, and reflect the impact of business units' return on the overall value of related business groups, the organization as a whole and the achievement of risk management and other sustainability goals ▪ Reward is directly linked to performance, which is evaluated on the basis of results achieved and on the alignment with our leadership model and values. The Executive Development Plan (EDP) as the Group-wide framework for Executive performance management is a cornerstone of fair and coherent appraisal across the organization ▪ Each year, detailed information about our compensation governance, key figures and the features of Group incentive systems is fully disclosed in the Annual Compensation Report ▪ Payout is based on a bonus pool approach providing for a comprehensive performance measurement at individual and at Group/Country/Division level ▪ Moreover, the payout is phased to coincide with an appropriate risk time horizon. The design features of incentive plans for Identified Staff are aligned with shareholder interests and long-term, firm-wide profitability, providing for an appropriate allocation of a performance related incentive in cash and in shares, upfront and deferred
Long Term Incentive System	Long Term Incentive System aims to strengthen the link between variable compensation and Company results and further align the interest of Top Management and Shareholders	▪ The Plan provides the allocation to CEO, General Manager and Deputy General Managers – subject to the achievement of specific performance conditions – for future incentives based on *Phantom Shares*. ▪ The Plan timeline is aligned with UniCredit Strategic Plan and provides for two possible awards ▪ Performance conditions are based on a comprehensive scorecard including financial and sustainability targets plus an overarching board assessment ▪ Actual awards are subject to deferral mechanism and to a holding period, as well to a cumulative 'Zero Factor' (malus) condition across the plan

6.3 BENEFITS

Benefits include welfare benefits that are supplementary to social security plans and are intended to provide substantial guarantees for the well-being of staff and their family members during their active career as well as their retirement.
In addition, special terms and conditions of access to various banking products and other services may be offered to employees in order to support them during different stages of their lives.

Benefits aim to reflect internal equity and overall coherence of our remuneration systems, as total compensation, meeting the needs of different categories as appropriate and relevant.

- In coherence with our governance framework and Global Job Model, benefits are aligned applying general common criteria for each employee category, while benefits plans are established on the basis of local regulations and practices.
- UniCredit affirms the value of share ownership as a valuable tool for enabling the engagement, affiliation and alignment of interests among shareholders, management and the overall employee population. The Employee Share Ownership Plan rewards the continuous support and commitment of our people who can contribute to our success with day by day decisions, actions and behaviors. The possibility is therefore considered, from time to time and as appropriate in light of local legal and tax requirements, to offer employees the opportunity to invest and participate in the future achievements of the Group through share-based Plans whereby employees can purchase UniCredit shares at favorable conditions.

Compliance drivers

To support the design of remuneration and incentive systems, and with particular reference to network roles and Governance Functions, the following “compliance drivers” have been defined:

✓ maintenance of an adequate ratio between financial and non financial goals	✓ qualitative measures must be accompanied by an ex ante indication of objective parameters to be considered in the evaluation, the descriptions of expected performance and the person in charge for the evaluation
✓ non-financial quantitative measures should be related to an area for which the employee perceives a direct link between her/his performance and the trend of the indicator	✓ among the non-financial goals (quantitative and qualitative), include, where relevant, goals related to Risk as well as to Compliance (e.g. credit quality, operational risks, application of MIFID principles, products sales quality, respect of the customer, Anti Money Laundering requirements fulfillment)
✓ set and communicate ex-ante clear and pre-defined parameters as drivers of individual performance	✓ avoidance of incentives with excessively short timeframes (e.g. less than three months)
✓ promotion of a customer-centric approach which places customer needs and satisfaction at the forefront and which will not constitute an incentive to sell unsuitable products to clients	✓ take into account, even in remuneration systems of the external networks (financial advisors), the principles of fairness in relation with customers, management of legal and reputational risks, protection and loyalty of customers, compliance with the provisions of law, regulatory requirements, and applicable self-regulations
✓ create incentives that are appropriate in avoiding potential conflicts of interest with customers, considering fairness in dealing with customers and the endorsement of appropriate business conduct	✓ provide individual goals for employees in Company Control Functions that reflect primarily the performance of their own function (to minimize potential conflicts of interest)

✓define – for personnel providing investment services and activities – incentives that are not only based on financial parameters, but also take into account the qualitative aspects of the performance; this in order to avoid potential conflicts of interest in the relationship with customers[1]	✓avoid economic goals for Company Control Functions (i.e. Compliance, Risk Management, Audit and HR) and, for functions with a control role belonging to the Competence Line Planning, Finance and Administration, provide a set of goals which avoid possible conflict of interests in controlled activities and business
✓ avoidance of incentives on a single product/financial instrument, as well as single banking product	✓ for the purpose of granting incentive, take also into account any disciplinary sanctions and/or sanctions by regulatory authorities imposed on the resource. In the presence of these measures, the possible allocation of the incentive will require a written explanation, which will make possible a case-by-case verification of the managerial decisions
✓ define – for the Commercial network roles - quantitative (financial and non-financial) goals aimed at sale of risk-controlled, sustainable, quality products, and in line with client risk profile	✓ indicate clearly in all reward system communications and reporting phases that the final evaluation of employee's achievements cannot disregard a formal verification of compliant behavior to the rules and regulations - external and internal - and to Code of Conduct. In particular, adopt systems of performance evaluation that keep adequate evidence of this approach (the performance is evaluated also on the basis of evidence of Compliance, Risk Management and Audit findings)
✓ maintenance of adequate balance of fixed and variable compensation elements also with due regard to the role and the nature of the business performed. The fixed portion is maintained sufficiently high in order to allow the variable part to decrease, and in some extreme cases to drop down to zero	✓ the entire evaluation process must be conveniently put in writing and documented
✓ in case of individual performance evaluation systems are fully or partially focused on a managerial discretional approach, the evaluation parameters should be defined ex-ante, should be clear and documented to the manager in due time for the evaluation period. Such parameters should reflect all applicable regulation requirements[2] (including the balance between quantitative and qualitative parameters). The results of managerial discretional evaluation should be formalized for the adequate and predefined monitoring process by the proper functions and an appropriate repository should be created and maintained (e.g. of inspections/request from the Authorities).	

Within network roles incentive systems, particular attention is put on 'Commercial Campaigns'.

Such Campaigns may be organized after the evaluation and authorization of the competent Product Committee. They represent business actions aimed at providing guidance to the sales network towards the achievement of the period's commercial targets (also intermediate, for instance on a half-year basis) and with a direct impact on the budget and related incentive systems.

Among the distinctive features of commercial campaigns, there is the expectation of the award - in cash or non-monetary reward. Commercial Campaigns can also have the function to accelerate the achievement of certain objectives of the incentive system. The grant of awards related to a Campaign will be subordinated to behaviors compliant with the external and internal regulations.

Under no circumstances may the system of remuneration and evaluation of the sales network employees constitute an incentive to sell products unsuitable to the financial needs of the clients.

[1] As for example:
- ESMA requirements, with reference to MIFID remuneration policies and practices
- Technical Advice ESMA on MiFid II (Final Report 2014/1569)
- MiFid II specific articles regarding remuneration/incentives for relevant subjects

[2] Also in line with the regulation references reported in the note above

In particular the following "compliance drivers" have been defined:

- setting-up of the incentive mechanisms using criteria which are consistent with the best interest of the client, and which avoid in any case conditions of potential conflicts of interest with customers, and coherently with relevant regulatory provisions (e.g. MiFID)
- ensuring consistency between a Campaign's objectives with the objectives set when defining the budget and when assigning targets to the sales network
- avoidance of Commercial campaigns on a single financial or banking product/financial instrument
- inclusion of clauses for zero bonus payment in case of relevant non-compliant behavior or qualified disciplinary actions
- avoidance of campaigns which – not being grounded an objective and customer interests related basis – may directly or indirectly lead to breaching the rules of conduct regarding clients
- avoidance of campaigns lacking a clear indication of the targets and of the maximum level of incentive to be granted for achieving those targets
- avoidance – in general – of campaigns that link incentives not only to the targets assigned to specific roles/structures (e.g. advisors, agencies) but also to higher hierarchical levels or to the budget of the higher territorial structure.

SEZIONE III – ANNUAL COMPENSATION REPORT

CONTENTS

1. INTRODUCTION

The Annual Compensation Report discloses all relevant Group compensation-related information and methodologies with the aim to increasing stakeholders' awareness of our compensation policies, practices and outcomes, demonstrating their coherence with business strategy and performance, responsible remuneration and sound risk management. The report provides ex post information on 2014 outcomes, as well as ex ante disclosure for 2015 approach, covering both our Identified Staff population and corporate bodies' members.

Remuneration solutions implemented in 2014 provided for:

- compliance of incentive structures with all relevant regulations, including deferred and equity incentives based on financial instruments
- comprehensive performance measurement to foster sound behaviors aligned with different types of risk.

Over the year we constantly remained abreast of ongoing changes in national and international regulations, both in Italy and in other countries where the Group operates. Among most recent innovations in the regulatory framework, we highlight the following: on January 1, 2014 the Capital Requirements Directive (CRD IV) entered into force, providing for a cap on variable remuneration for Identified Staff and asking local regulators to issue regulations for local implementation; the European Banking Authority published on December 16, 2013 the Regulatory Technical Standards, qualitative and quantitative criteria which are common at European level to define Identified Staff population; to introduce CRD IV requisites, Bank of Italy issued on November 18, 2014 the final regulations which replace the "Disposizioni in materia di politiche e prassi di remunerazione e incentivazione nelle banche e nei gruppi bancari" issued in 2011.
Finally it should be noted the EBA published on March, 4th 2015 the consultation document "Draft Guidelines on sound remuneration policies"[1]. Such guidelines, in their final version, would be applied starting from January, 1st 2016.

In October 2014 we participated in the European Banking Authority's ("EBA") remuneration benchmarking exercise and data collection of high earners, reporting through Bank of Italy information regarding remuneration for 2013 of all staff and Identified Staff, including the number of individuals in pay brackets of at least 1 mln Euros.

In 2014 we continued our annual structured dialogue with international investors and proxy advisors, receiving valuable feedback on our compensation approach and specific inputs for an effective compensation disclosure, considering Italian specifics and international standards.

The Annual Report, a document providing complete and comprehensive information on compensation, includes also this year details referring to Members of Administrative and Auditing bodies, General Managers and Key Management Personnel.
In particular, data pursuant sect. 84-quarter Consob Issuers Regulation Nr. 11971, Compensation report – Section II, as well as the information on incentive systems under 114-bis[2] are included in the attachments to the 2015 Group Compensation Policy, published on UniCredit internet website, in the section dedicated to 2015 Shareholders' Meeting.

2. GOVERNANCE AND COMPLIANCE

UniCredit's corporate governance framework assures clarity and accountability in decision-making regarding remunerations.

2.1 REMUNERATION COMMITTEE

Remuneration Committee performs an integral role in supporting Board oversight of Group Compensation Policy and plan design. As also established in the Board's Charter and described in the Group official website, the Remuneration Committee consists of 5 non-executive members, the majority of whom are independent. The Chairman of the Board of Directors – who cover the office of Chairman of the Remuneration Committee - and the Stand-in Chairman are members by right.

[1] Draft Guidelines on sound remuneration policies under Article 74(3) and 75(2) of Directive 2013/36/EU and disclosures under Article 450 of Regulation (EU) No 575/2013
[2] Legislative decree no.58 of February 24th 1998 as well as to the provisions of the issuer "Regulations" adopted by CONSOB with resolution no.11971 of May 14th 1999 regarding the information to be disclosed to the market in relation to the granting of awarding plans based on financial instruments

The other members - chosen based upon their expertise and willingness to accept the office - have been appointed on May 29, 2012, further to the election of the Board of Directors resolved by the Shareholders' Meeting of May 11, 2012. On May 11, 2013 Mr. Alexander Wolfgring succeeded to Mr. Friedrich Kadrnoska, who resigned with the effective date of the abovementioned Annual General Meeting.

All Committee's members meet the professionalism criteria set forth by the current Laws and Regulatory requirements. Each one of the members has a specific technical know-how on the matters overseen by the Committee; some of them in particular have developed also experiences in the accounting and finance areas. Three members of the Committee - among whom both the Chairman and the Stand-in Chairman - also serve on the Internal Controls and Risks Committee.

The table at the end of this chapter reports the details regarding the independency status of the members of the Committee pursuant to the Corporate Governance Code issued by Borsa Italiana ("Code") and to Section 148, paragraph 3 of Legislative Decree No. 58/98 ("Testo Unico della Finanza" – "TUF").
It should be considered that the choice to appoint the Chairman of the Board of Directors – who is a independent director pursuant to the TUF, but not under the Code - as Chairman of the Remuneration Committee has been made trusting that he would ensure the maximum impartiality with respect to the activities that the Committee has to perform thanks to his renown professional skills, experience and neutrality.

The role of the Remuneration Committee is to provide advice and opinions on proposals submitted to the Board, also availing itself with the support of an external consultant, as relevant and opportune regarding:

- the remuneration of UniCredit Directors who hold specific duties, and especially the remuneration of the Chief Executive Officer (CEO)
- the remuneration of UniCredit General Manager, in the event that the General Manager is also the CEO
- the remuneration structure of the CEO, General Manager (GM) and Deputy General Managers (DGMs)
- the remuneration policy for the Senior Executive Vice Presidents (SEVP), Group Management Team (Executive Vice Presidents - EVP), Leadership Team (Senior Vice Presidents - SVP) and Heads of Department reporting directly to the CEO
- the approval of Group incentive plans based on financial instruments
- the remuneration policy for corporate officers (members of the Board of Directors, Board of Statutory Auditors, and of Supervisory Board of Group Companies).

In the cases specified under the first three points, the proposals that the Committee will be called upon to express its opinion on, are formulated by the Chairman.

Within the scope of its responsibilities, the Remuneration Committee:

- presents to the Board of Directors proposals related to the definition of the Group Compensation Policy, to be then presented for approval to the Shareholders' Meeting, including the proposal to increase the ratio between variable and fixed remuneration
- periodically assesses the adequacy of the Compensation Policy, monitoring international practices, industry trends and compensation levels expressed by the Bank's main competitors (peers), making proposals for possible corrective measures and/or the management of particular/exceptional cases
- makes proposal for the definition of the performance goals linked to the variable part of the remuneration of the CEO, GM and DGMs, as well as the Heads of the Company Control Functions
- verifies the actual achievement of the same goals and monitors the application of the Compensation Policy approved by the Shareholders' Meeting as well as the enactment of the decisions made by the Board of Directors.

The Committee members, whose remuneration is subject to discussion and/or object of the provision of an opinion by the same Committee, in respect of their specific positions, do not attend the relevant scheduled meetings.

Members of the Group's top management team, and among them - as per Bank of Italy request - the Heads of the Risk (Chief Risk Officer) and Internal Audit, may be invited to attend Committee meetings with regard to specific issues. In 2014 the Group Head of HR always attended the meetings as guest.

The Chairman invited the Head of Internal Audit to attend two meetings of the Remuneration Committee in 2014, related to the annual audits performed on the Group incentive systems.

The Remuneration Committee has access to all the information and corporate functions as required for performing its duties, and for this purpose relies on the support of the corporate head office structures.

The Committee avails itself with the services of Mercer, an external independent advisor, providing advice on compensation practices and trends, as well as up-to-date remuneration benchmarking studies. It has been evaluated in advance that such an advisor is not in any position which might impair its independence. Mercer collaborates with the Committee since 2007 and has been its independent advisor also for 2014. The representatives of Mercer were regularly invited to attend meetings to discuss specific items on the Committee's agenda.

During the year, the spending requirements of the Committee are met by its own specific budget, which may be supplemented to meet specific needs. In particular in 2014, by means of its budget, the Remuneration Committee was able to get the advice of Mercer to gather the updated information needed for the decisional processes.

In 2014 the Remuneration Committee met 6 times. The meetings had an average duration of one hour and fifteen minutes. As a rule, the Committee meetings are scheduled on a bimonthly basis. As of April 2015, 3 meetings of the Committee have been held this year. Minutes are taken of each meeting of the Remuneration Committee and placed on record by the Secretary designated by Committee itself.

During 2014 the key activities of the Remuneration Committee included:

- final evaluation of Group sustainable performance parameters and risk-reward alignment, as required by law under Bank of Italy provisions
- monitoring and analyzing the remuneration system evolution in relation to the change of the reference scenario and to the recommendations and provisions as set out by Supervisory Authorities and main international institutions, in particular regarding the European Directive "Capital Requirement Directive IV" and its implementation in member States
- drawing up the 2014 Group Compensation Policy, supported by the Human Resources, Compliance, Risk Management and Planning, Finance and Administration Group functions
- updating the Group Incentive System for the Identified Staff in line with regulatory requirements
- monitoring the coherent implementation of the policies and systems as well as the execution of the delegated powers
- monitoring external market trends, including benchmarking analysis provided by Mercer versus the peer group, to formulate informed proposals to the Board of Directors.

The main topics discussed by the Committee are also submitted to the attention of the Board of Statutory Auditors, in advance over their submission to the Board of Directors.

The following table summarizes the composition of the Committee in 2014 and, in addition to the information on the independence of the members, provides details regarding their attendance to the meetings that have been called during the year. All the members covered the office for the full year.

REMUNERATION COMMITTEE (YEAR 01/01/2014 - 31/12/2014)

OFFICE	NAME	INDEPENDENCY ACCORDING TO		OFFICE COVERED (C = Chairman, M = Member)	NR. OF MEETINGS ATTENDED	% OF PARTICIPATION
		CODE	TUF			
MEMBERS IN OFFICE						
Chairman	Vita Giuseppe	No	Yes	C	6	100%
Deputy Vice Chairman	Fois Candido	No	Yes	M	5	83%
Director	Bochniarz Henryka	Yes	Yes	M	5	83%
Director	Caltagirone Alessandro	Yes	Yes	M	5	83%
Director	Wolfgring Alexander	Yes	Yes	M	6	100%

2.2 THE ROLE OF COMPANY CONTROL FUNCTIONS: COMPLIANCE, RISK MANAGEMENT AND AUDIT

Group Compliance function's key contributions in 2014 included:

- validation of the 2014 Group Compensation Policy submitted to the Board of Directors for subsequent approval of the Annual General Meeting on May 13, 2014
- validation of the 2014 Group Incentive System for Identified Staff
- preparation – in collaboration with Human Resources function – and distribution of Group guidelines for the development and management of 2014 incentive systems for below Executive population
- participation in specific initiatives of Human Resources function (for instance: review of KPI Bluebook; review of definition of Identified Staff for the application of Group Incentive System)
- analysis of specific non-standard compensation within the 2014 cycle.

In 2015, the Compliance function will continue to operate in close co-ordination with the Human Resources function to support in the validation and in the design and definition of compensation policy and processes.

The link between compensation and risk has been maintained also in 2014 with the involvement of the Risk Management function in compensation design and the definition of an explicit framework to base remuneration within an overarching Group Risk Appetite Framework, so that incentives to take risk are appropriately constrained by incentives to manage risk. In particular, the Board of Directors and Remuneration Committee draw upon the input of involved functions to define the link between profitability, risk and reward within Group incentive systems.

Internal Audit report on the 2014 Remuneration policies and practices

Group Audit Department performed the annual audit on the Group variable remuneration system as requested by Bank of Italy.

The audit aimed at verifying the design, implementation and effects of the 2014 remuneration process, as well as its compliance with relevant regulatory requirements and rules approved by the Group. The process of bonus pool definition and distribution was assessed, as well as the procedures to respect the 2:1 variable/fixed remuneration cap (1:1 for company control functions), as decided by UniCredit Shareholders in their AGM held on 13th May 2014. In addition, a follow-up of previous audit recommendations was performed.

The results of the audit were presented to the Remuneration Committee on 1st April 2015.

The population within the audit scope included Group Identified Staff as defined by HR function based on the assessment performed both at Group and local level.

Neither checks of the actual bonus pool distributed for each segment, nor of the individual compensation amounts for the entire population were performed. These aspects will be covered within the next audit on the remuneration process, along with the payment and deferral phase.

The Internal Audit assessment resulted in a satisfactory rating based on the overall correct implementation of the bonus mechanism, as defined by 2014 Group Incentive System and UniCredit RemCo/Board of Directors relevant decisions. The adoption of the bonus pool approach increased transparency of the process, as well as information provided to Corporate Bodies about the bonus pool definition and distribution. A further positive aspect was recognized in the implementation of an IT tool supporting the compensation process. The IT tool reinforced governance of the process for entire identified staff population, improving relevant control activities and data traceability.

Nonetheless, the bonus calculation and distribution process required additional enhancements in terms of stricter connection with the profitability over time and with the assessment of the overall financial and risk sustainability at Group and Country/Division level. In addition, rules, tasks and controls related to bonus pool determination and distribution process need to be better detailed and formalized. Controls performed in the bonus proposal phase should be further extended to increase consistency between performance appraisals and the assigned bonuses compared to reference values.

There still remain further areas of improvements, since not all the previous audit recommendations have been fully implemented. In particular:

- definition of detailed guidelines, in addition to the Group Policy, to improve transparency of the severance management process;
- stricter adherence to guidelines for goal setting, to ensure consistency with relevant roles and proper inclusion of sustainability indicators;
- better documentation of performance appraisals, especially when discretionary power of the manager is applied in the evaluation.

3. CONTINUOUS MONITORING OF MARKET TRENDS AND PRACTICES

Remuneration Committee and Board of Directors make informed decisions on compensation, in line with business strategy and based on appropriate market awareness.

Key highlights of total compensation policy defined this year with the support of continuing external benchmarking and trends analysis provided by the independent external advisor to the Remuneration Committee include:

- the definition of executive compensation policy with particular reference to the design of the Group incentive systems for 2015
- the pay recommendations based on specific benchmarking analysis versus our defined peer group to inform any decision.

Compensation levels and ratio between fixed and variable component of overall remuneration for Identified Staff are planned, managed and reviewed based on our strategic framework and also aligned with UniCredit relative performance over time. As policy target, total compensation is set between market median and upper quartile, with individual positioning defined considering specific performance, potential and people strategy decisions. Base salaries are appropriate in the specific market for the business in which an individual works and for the talents, skills and competencies that the individual brings to the Group. The level of fixed pay should be sufficient so that inappropriate risk-taking is not encouraged.

The peer group used at Group level to benchmark compensation policy and practice with particular reference to the senior executive population is defined by the Remuneration Committee upon proposal of the independent external advisor on the basis of criteria including: comparability of size, complexity and business model, presence in customer, talent and capital markets, risk and legal-socio-economic environment.

The peer group is subject to annual review to assure its continuing relevance. For 2014, the European peer group has been confirmed from previous year, including the financial institutions shown below:

2014 UNICREDIT PEER GROUP	
Banco Santander	Deutsche Bank
Banque Populaire CE	HSBC
Barclays	Intesa Sanpaolo
Banco Bilbao Vizcaya Argentaria	Nordea Bank
BNP Paribas	Royal Bank of Scotland
Credit Agricole	Société Générale
Credit Suisse	UBS

4. COMPENSATION OF DIRECTORS AND EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

The remuneration for members of the administrative and auditing bodies of UniCredit is represented only by a fixed component, determined on the basis of the importance of the position and the time required for the performance of the tasks assigned. This policy applies to non-Executive Directors as well as Statutory Auditors and the Supervisory Body members (pursuant to Legislative Decree 231/2001).

4.1 NON-EXECUTIVE DIRECTORS COMPENSATION

The compensation paid to non-executive directors is not linked to the economic results achieved by UniCredit, as it is represented only by a fixed component, determined on the basis of the importance of the position and the time required for the performance of the tasks assigned.

In light of the above, and as detailed in the 2014 Compensation Policy, the Ordinary Shareholders' Meeting also considering market practices, has resolved to assign to UniCredit's Board of Directors, for each year of activity, the overall annual amount of Euro 2,908,000, including Euro 1,343,000 for the Directors holding offices in the Board's Committees and in the other bodies of the Company attended by Directors (including the Supervisory Body pursuant to Legislative Decree 231/2001). It is also confirmed the attendance fee of Euro 400 for each meeting of the Board of Directors, of the Board's Committees and of the other bodies of the Company attended by Directors, even if these meetings held on the same day.

Pursuant to Sect. 2389, paragraph 3 of the Italian Civil Code, the Board of Directors has also established, after consultation with the Board of Statutory Auditors, to give UniCredit's Directors vested with particular offices an additional remuneration consisting of a fixed annual amount for each year of their term of office, whose amounts are reported in the Table 1 as per Sect. 84-quater (Annex 3A, Schedule 7-bis) of Consob Issuers' Regulation (document attached to 2015 Group Compensation Policy, published on UniCredit internet website, in the section dedicated to 2015 Shareholder's Meeting).

As repeatedly underlined, non-executive directors do not take part in any incentive plans based on stock options or, generally, based on financial instruments.

Indemnities to directors in the event of resignations, dismissal or termination of employment following a public purchase offer (as per Sect. 123/bis, paragraph 1, letter i), of TUF):

None of the Directors have contracts containing clauses envisaging the payment of indemnities, or the right to keep post-retirement benefits, in the event of resignations or dismissal/revocation without just cause or if the employment relationship is terminated following a public purchase offer. In case of early termination of the mandate, the ordinary law provisions would therefore apply.

The individual employment, as Executive, of the Chief Executive Officer, Mr. Federico Ghizzoni, is today governed - also with regards to the event of resignations, dismissal/revocation or termination - by the ordinary provisions of the law and National Labor Agreement for Banking Industry Executives dated February 29, 2012. In such context, the annual remuneration used to define the possible indemnity due in the above mentioned instances would include the fix remuneration, any other continuative compensation and the average of the variable pay (inclusive of the components paid in equity - such as for example free shares, restricted shares, performance shares - with the only exclusion of the valorisation of the stock options potentially assigned within long term incentive plans) received in the last three years prior to the termination. The actual amount of such indemnity – in terms of months of compensation considered – is then bound to vary depending on the events which led to the termination and on the relationship's duration.

Non-executive Directors do not receive, within incentive plans, UniCredit subscription rights. For the Chief Executive Officer no specific provisions are provided with reference to the right to keep, in case of termination, the options received and the plans' provisions apply.
For none of the Directors currently in office, provisions exist regarding the establishment of advisory contracts for a term following the termination of the directorship, nor the right to keep post retirement perks. No agreements exist either providing compensation for non-competition undertakings.

➔ Further details at the end of this Chapter

4.2 COMPENSATION OF STATUTORY AUDITORS

The compensation paid to the Board of Statutory Auditors is in no way linked to the economic results achieved by UniCredit; in fact their remuneration is represented only by a fixed component, determined on the basis of the importance of the position and the time required for the performance of the tasks assigned.

In light of the above, the Ordinary Shareholders' Meeting held on May 11, 2013, while appointing the Board of Statutory Auditors, resolved an annual compensation of Euro 140.000 for the Chairman of the Board of Statutory Auditors and of Euro 100.000 for each standing Statutory Auditor, plus an attendance fee of Euro 400 for every meeting of the Board of Statutory Auditors they attend.
Alternate Auditors do not receive any compensation unless they are actually asked to join the Board of Statutory Auditors in substitution of a standing member.

No Statutory Auditor is beneficiary of any incentive plan, including those based on stock options or, generally, on financial instruments.

➔ Further details at the end of this Chapter

4.3 COMPENSATION OF EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

The Board of Directors has identified as "Executives with strategic responsibilities" – to the ends of the application of all statutory and regulatory instructions – the Chief Executive Officer, the General Manager, the Deputy General Managers and the other members of the 'CEO Office' (Chief Financial Officer, Chief Risk Officer and Group Head of HR) as well as the Group Compliance Officer and the Head of Internal Audit of UniCredit.

For 2014, according to our Group Compensation Policy, in line with the provisions of CRD IV and the national and international authorities, the fixed and variable components of the compensation of the CEO (the sole executive director sitting on the Board of Directors and employee of the Company) – consistently with the other Executives with strategic responsibilities – are balanced through the ex ante definition of the maximum ratio between variable and fixed components of the compensation, considering also the company's strategic goals, risk management policies and other elements influencing firm's business.

The fixed component is defined taking into consideration market information and in such a way to be sufficient to reward the activity rendered even if the variable part of the remuneration package were not paid due to non-achievement of performance goals.

The Chief Executive Officer as well as the other Executives with strategic responsibilities have a balanced part of their remuneration linked to the economic results of UniCredit, taking also into consideration the overall profitability, weighted by risk and cost of capital, as well as sustainability goals (based on capital and liquidity ratios). Such variable compensation considers the achievement of specific goals which, in compliance with the Board of Directors' Regulation, are previously approved by the Board upon proposal of the Remuneration Committee and heard the opinion of the Board of Statutory Auditors.

Ex ante defined specific metrics that reflect categories of our Group Risk Appetite Framework align Executives' remuneration to sustainable performance and value creation for the shareholders in a medium/long term perspective. Specific individual goals are set out taking into consideration the market practices and the role assigned within the Group, through the systematic use of specific indicators aimed at strengthening the sustainability of business, such as the satisfaction both of external and internal customer, risk and financial sustainability indicators and profitability measures also related to the industry peers. → Further details regarding our performance management and evaluation are provided further in paragraph 5.4.

2014 variable incentive systems provide for a cap to the variable pay. The maximum value of the variable compensation could not exceed 200% of fixed compensation, with the exception of Company Control Functions to whom a maximum ratio of 100% is applied.

It is also foreseen the deferral in cash and shares of 80% of the incentive, including 20% of upfront shares with payout subject to the achievement of future performance conditions over the following financial years. The measure and duration of the deferral are aligned with the provisions set by regulators and are consistent with the characteristics of the business and with the company's risk profiles.

For the Heads of the Company Control Functions, pursuant to the provisions of Bank of Italy, the goals are established by the Board of Directors in line with the tasks assigned to them and avoiding, unless good reasons exist, goals connected to the Bank's performance. In the decision making process related to Company Control Functions, the Board of Statutory Auditors and the Internal Controls and Risks Committee are also involved as far as they are respectively concerned.

In particular, for 2014, the individual goals of the Heads of the Internal Audit and Legal & Compliance functions are not connected – according to the provisions set forth by the Board of Directors Regulation – to the Company's performance. For the Heads of the Risk Management function and the Manager in charge of preparing company's financial reports, the Board of Directors has verified the existence of valid reasons to insert goals linked to the performance results of UniCredit only in a very limited measure. → Further details regarding compensation approach for Company Control Functions is provided further in paragraph 5.6.

Since 2000, UniCredit has launched equity based incentive plans for the Top Management (therefore including also the CEO and the Executives with strategic responsibilities).

The 2014 Group Incentive System provides for 60% of the annual incentive for the Executives with strategic responsibilities will be deffered and paid in the following six years. The 50% of the overall incentive is paid in UniCredit shares, whose number is idefined considering the arithmetic mean of the official market price of UniCredit ordinary shares during the month preceding the Board resolution that approves 2014 bonuses. → Further information regarding the 2014 incentive plans implementation and outcomes is provided in chapter 5.2.

The CEO benefits also from the Share Plan resolved by the Shareholders' Meeting of April 29, 2011, which provided for the granting of shares subject to the finalization of 2012 – 2015 Strategic Plan. Under such Plan had been initially forseen the allocation of three installments of overall 252,070 UniCredit ordinary shares, of which the last tranche of 84,024 shares have been actually granted during 2014.

In 2013, referring to such plan, a further allocation of 568,181 ordinary shares in two tranches of 284,090 and 284,091 shares has been defined, respectively for 2015 and 2016.

The Board of Directors of February, 11th 2015 resolved to proceed with the actual granting of the 248,090 shares during 2015, considering the verification of achievement of the entry conditions of 2014 and of the targets linked to the 4 Pillars of 2012 – 2015 Strategic Plan:

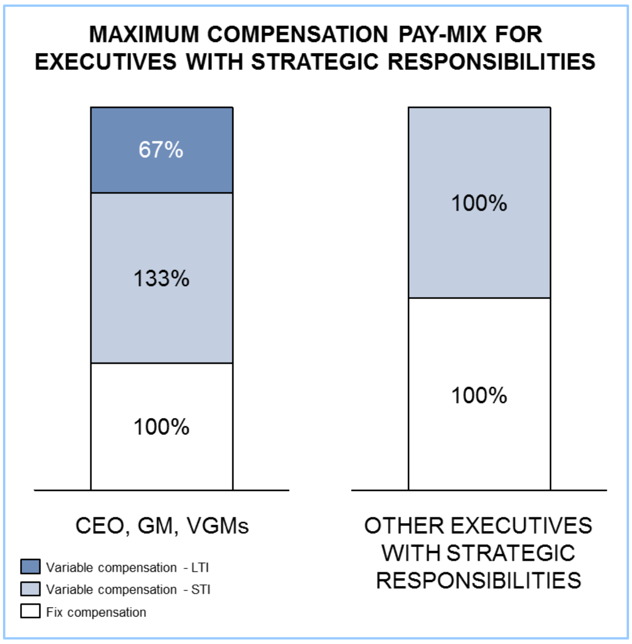
- Italy Turnaround: e.g. increase of Gross Operating Profit vs budget and vs previous years (+725mln, +19,3p.p. vs budget; +756mln +20,3p.p. vs p/y)
- Simplification and Cost Management: e.g. consistent reduction of Operating Costs and FTE (in 2014 -3,000 FTE y/y)
- Balance Sheet Structure: e.g. Funding Gap +31 bln vs budget, Deposits +19,5% vs budget; CET1 Ratio Transitional at 10,41% and Fully Loaded to 10,02%
- Business Refocusing: e.g. CIB run-off portfolio: +1,4bln vs target; CIB RACE clients Italy 4,5% above threshold.

According to the regulatory provisions, these shares are subject to claw-back conditions and a retention period of 1 year.

➔ More information is reported at Table 3A, as per Consob issuer Regulations, of the document attached to 2015 Group Compensation Policy, published on the UniCredit internet website, in the section dedicated to 2015 Shareholders' Meeting.

For the CEO, sole member of the Board of Directors to benefit from equity based incentive systems, as well as for the General Manager and the Deputy General Managers, share ownership guidelines are in place → detailed further in paragraph 6.2.

With reference to 2015, a new Long Term Incentive Plan has been introduced (as detailed at paragraph 5.5) for the Chief Executive Office, the General Director and the Deputy General Directors. In relation to the launch of such plan, the maximum compensation pay-mix for the Executive with strategic responsibilities is the following:



Compensation paid to members of the administrative and auditing bodies, to general managers and to other executives with strategic responsibilities

Amounts in Euro

STATUTORY AUDITORS NAME & SURNAME	Board of Directors	Permanent Strategic Committee	Remuneration Committee	Corporate Governance, HR and Nomination Committee	Internal Controls and Risks Committee	Internal Controls Sub-Committee	Risks Sub-Committee	Related Parties & Equity Investments Committee	Supervisory Body ex D.Lgs. 231/2001	Statutory Auditor	TOTAL FIXED COMPENSATION	VARIABLE NON-EQUITY COMPENSATION - BONUSES AND OTHER INCENTIVES	NON-MONETARY BENEFITS	OTHER REMUNERATION	TOTAL	FAIR VALUE OF EQUITY COMPENSATION *	SEVERANCE INDEMNITY FOR END OF OFFICE OR TERMINATION OF EMPLOYMENT
Giuseppe Vita	C	C	C	C	M	M	M				1.557.200				1.557.200		
Candido Fois	VC	M	M		M	M	M				548.030		6.737		554.767		
Vincenzo Calandra Buonaura	VC	M		M							320.600		6.737		327.337		
Luca Cordero di Montezemolo	VC	M		M							313.800				313.800		
Fabrizio Palenzona	VC	M		M							320.600				320.600		
Federico Ghizzoni - **CHIEF EXECUTIVE OFFICER**	M	M		M							2.013.200	440.000	347.328	225.534	3.026.062	1.313.657	
Mohamed Ali Al Fahim	M										85.200				85.200		
Manfred Bischoff	M	M									122.800				122.800		
Henryka Bochniarz	M		M								121.200				121.200		
Alessandro Caltagirone	M		M	M							160.000				160.000		
Francesco Giacomin	M				M	M					126.400				126.400		
Helga Jung	M										84.800				84.800		
Marianna Li Calzi	M				M	M		C			169.600		6.737		176.337		
Luigi Maramotti	M	M		M	M		M				205.200				205.200		
Giovanni Quaglia	M			M				M	M		187.814				187.814		
Lucrezia Reichlin	M	M			M		M		C		203.200				203.200		
Lorenzo Sassoli de Bianchi	M				M	M		M			167.600				167.600		
Alexander Wolfgring	M		M		M		M				166.000		6.737		172.737		
Anthony Wyand	M			M	C	C	C				307.200				307.200		
TOTAL BOARD OF DIRECTORS											7.180.444	440.000	374.278	225.534	8.220.255	1.313.657	

MEMBRI DEL COLLEGIO SINDACALE

STATUTORY AUDITORS NAME & SURNAME	Board of Directors	Permanent Strategic Committee	Remuneration Committee	Corporate Governance, HR and Nomination Committee	Internal Controls and Risks Committee	Internal Controls Sub-Committee	Risks Sub-Committee	Related Parties & Equity Investments Committee	Supervisory Body ex D.Lgs. 231/2001	Statutory Auditor	TOTAL FIXED COMPENSATION	VARIABLE NON-EQUITY COMPENSATION - BONUSES AND OTHER INCENTIVES	NON-MONETARY BENEFITS	OTHER REMUNERATION	TOTAL	FAIR VALUE OF EQUITY COMPENSATION *	SEVERANCE INDEMNITY FOR END OF OFFICE OR TERMINATION OF EMPLOYMENT
Maurizio Lauri										C	157.200		6.738		163.938		
Giovanni Battista Alberti										M	117.200		6.738		123.938		
Cesare Bisoni										M	116.400				116.400		
Enrico Laghi										M	112.400		6.738		119.138		
Maria Enrica Spinardi										M	117.200		6.738		123.938		
Federica Bonato										Alt	37.990		4.750		42.740		
Beatrice Lombardini										Alt							
Paolo Domenico Sfameni										Alt	10.000				10.000		
Pierpaolo Singer										Alt							
TOTAL STATUTORY AUDITORS											668.390		31.702		700.092		

EXECUTIVE WITH STRATEGIC RESPONSIBILITIES NAME & SURNAME	TOTAL FIXED COMPENSATION	VARIABLE NON-EQUITY COMPENSATION - BONUSES AND OTHER INCENTIVES	NON-MONETARY BENEFITS	OTHER REMUNERATION	TOTAL	FAIR VALUE OF EQUITY COMPENSATION *	SEVERANCE INDEMNITY FOR END OF OFFICE OR TERMINATION OF EMPLOYMENT
Roberto Nicastro - GENERAL MANAGER	1.301.040	200.000	247.902		1.748.942	386.091	
Other Executives with strategic responsibilities (total 7 subjects)	6.173.439	932.867	658.769	355.132	8.120.206	1.181.730	(1) 1.859.000

(1) amount paid in connection with the undertaking of post termination commitments, to benefit of the Bank, by an executive with strategic responsibilities who terminated in the course of 2014

C Chairman M Member VC Vice Chairman **Alt**: Alternate Auditor

* The "Fair value of equity compensation" does not represent a value actually paid to/gained by the beneficiaries of equity plans, being instead the cost that the Company is booking - on an accrual basis and during the vesting period - in consideration of the provision of the incentives based on financial instruments.

→ Further details in the document attached to the 2015 Group Compensation Policy, published on the UniCredit internet website, in the section dedicate to 2015 Shareholders' Meeting.

5. GROUP COMPENSATION SYSTEMS

5.1 TARGET POPULATION

Starting as early as 2010, UniCredit conducted every year, in alignment with specific regulation, the self-evaluation process to define Group's Identified Staff population to whom, according to regulators, specific remuneration rules apply.
For 2014, the assessment process performed pursuant to the European Banking Authority Regulatory Technical Standard (RTS)[1] and documented into 2014 Compensation Policy, brought to the identification of ca. 900 resources. After the Annual General Meeting of May, 13th 2014, the ex post adjustment brought to the identification of ca. 1,100 Material Risk Takers, to include the following factors:

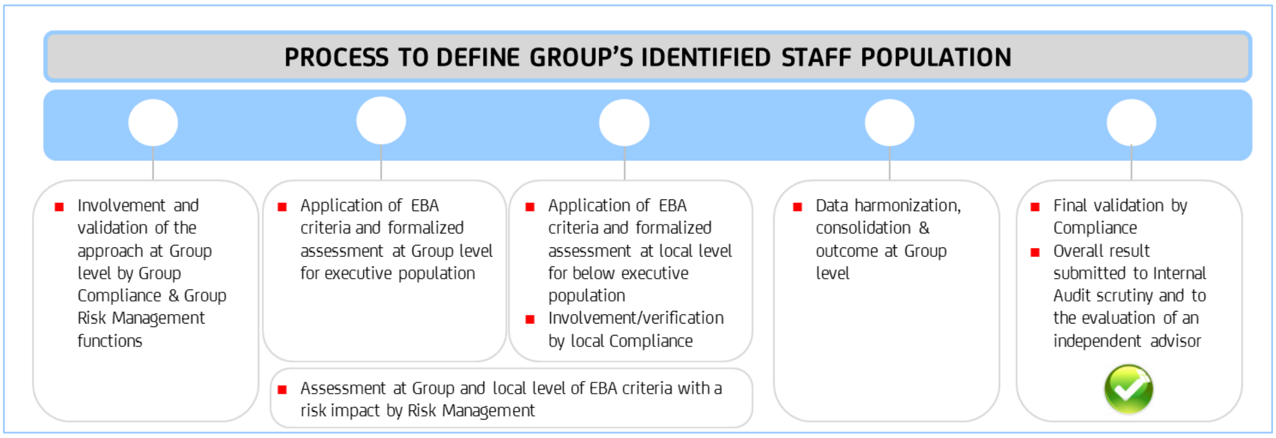
- regulatory update in some countries in which the Group operates
- further risk assessment performed for below executive population
- alignment to the outcome of 2014 banding review and 2013 bonus payout

In 2015, Identified Staff population has been reviewed guaranteeing full compliance with the abovementioned regulatory requirements and taking into consideration the latest Bank of Italy "Disposizioni di Vigilanza per le banche", issued on November 18th, 2014 (7th update of Bank of Italy Circular Nr. 285 of 17 December 2013).

The definition of 2015 Identified Staff followed a structured and formalized assessment process both at Group and local level, based on the qualitative and quantitative criteria common at European level defined by EBA and on the guidelines provided by the Group functions Human Resources, Risk Management and Compliance.
In particular, Risk Management function has been directly involved in the assessment at Group and local level on the application of qualitative criteria with a risk impact.

Group Compliance validated UniCredit approach both at Group level.

The application of qualitative criteria brought, based on role, decisional power and senior accountability of staff, to the identification of senior management staff, risk takers and staff belonging to control functions, regardless of their remuneration; quantitative criteria have been used as residual measures in order to include in the Identified Staff category those employees whose overall compensation reflects the impact of their professional activity on the risk profile of the Bank.



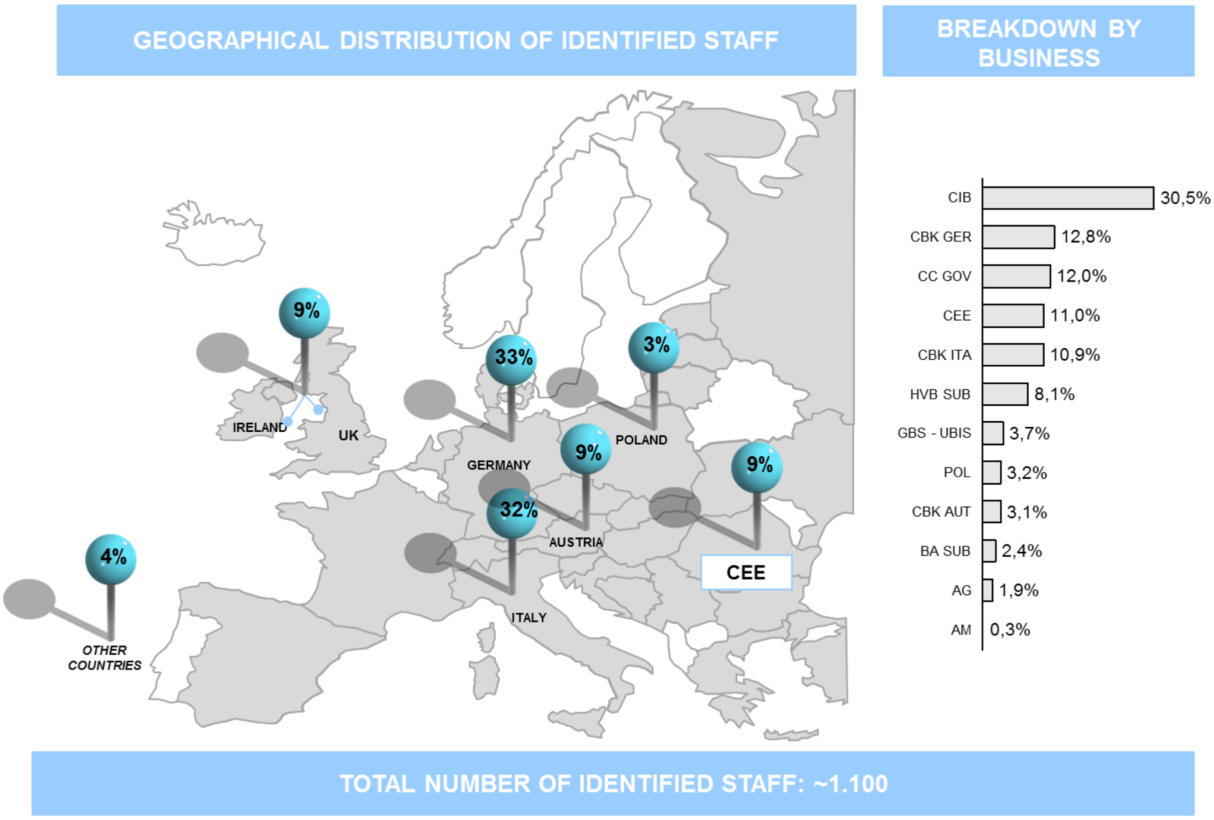
The result of the assessment process for the definition of Identified Staff, submitted to Internal Audit scrutiny and evaluated by an external independent advisor, brought to the identification of a total number of approximately 1,100 resources for 2015[2] .

As a result of the analysis and as approved by the Board of Directors upon Remuneration Committee proposal, the following categories of staff have been reconfirmed for 2015 as Identified staff: Group CEO, Group Executives responsible for day-to-day management (General Manager, Deputy General Managers, Senior Executive Vice Presidents and Executive Vice Presidents), executive

[1] European Banking Authority (EBA) Regulatory Technical Standards on criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile under Article 94 (2) of Directive 2013/36/EU
[2] Identified Staff data refers to the population at the date of March 2015, providing for an ex ante definition, in line with regulatory requirements

positions in Company Control Functions (Audit, Risk Management, Compliance and Human Resources) and executive positions in Planning, Finance and Administration function, as they are responsible at Group level for strategic decisions which may have a relevant impact on the Bank's risk profile. Furthermore, and Senior Vice President (SVP) population, Board Members, Senior Management and other specific roles in Group's Legal Entities have been included in the definition of Identified Staff, as per the application of EBA criteria.

Target population represents approximately ca. 0.7% of the Group employee population, outcome in line with the results of 2014 process.



Note: Identified Staff data refer to the population as at March 2015, providing for an ex-ante definition in line with Regulatory requirements

→ Compensation data and vehicles used for the target population in 2014 are disclosed in chapter 7 of this Report

5.2 2014 INCENTIVE SYSTEM IMPLEMENTATION AND OUTCOMES

The 2014 System, approved by UniCredit Board of Directors on January 21, 2014, provides for a 'bonus pool' approach directly links bonuses with company results at Group and Country/Division level, further ensuring the connection between profitability, risk and reward.
The System, implemented within the framework of our policy and governance, provides for the allocation of a performance related bonus in cash and/or free ordinary shares over 6 years.

Bonus pools sizing

The bonus pools dimension for each of the 12 clusters is related to the actual profitability measures multiplied for the bonus pool funding rate defined in the budegeting phase.
This calculation determines the so called "theoretical bonus pool" for each cluster that is adjusted accordingly to the actual trend of performance of the respective segment.

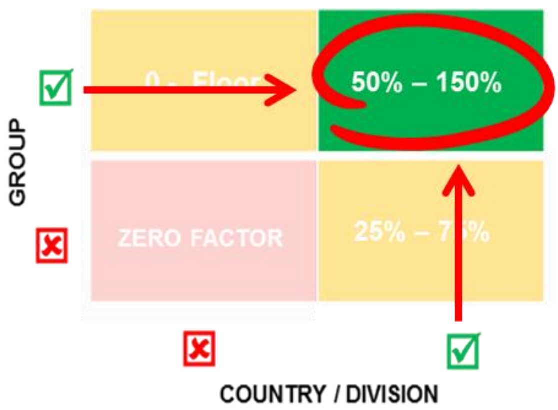
2014 Entry conditions at Group and local level

In order to align to regulatory requirements, specific indicators measuring annual profitability, solidity and liquidity results had been set at both local and Group level as Entry Conditions. In particular, risk metrics and thresholds for 2014 Group Incentive System as defined within the Entry Conditions that confirms, reduces or cancels upfront and deferred payouts include:

GROUP	LOCAL
- NOP adjusted ≥ 0 and - Net Profit ≥ 0 and - Core Tier 1 ≥ 9% and - Cash Horizon ≥ 90days	- NOP adjusted ≥ 0 and - Net Profit ≥ 0

- **Net Operating Profit adjusted** (NOP excluding income from buy-back of own debt and from the fair value accounting of own liabilities) to measure profitability. In case of loss the Zero Factor is triggered
- **Net Profit** to measure profitability considering the results stated in the balance sheet excluding any extraordinary item as considered appropriate by the Board of Directors upon Remuneration Committee proposal. In case of loss the Zero Factor is triggered
- **Core Tier 1 Ratio** to measure the bank's solidity in terms of highest quality common equity, consistent with regulatory limits and conservation buffers. As per regulatoy requirements, this parameter threshold was set at EBA Limit 9%
- **Cash Horizon** to measure the bank's capacity to face up to its liquidity obligations consistent with Basel 3 Horizon Liquidity Coverage. The threshold is set at 90 days.

According to the actual results, verified and approved by the Board of Directors on February, 11th 2015, all Countries/Divisions and the Group achieved the relevant entry conditions. As a consequence, all the 12 bonus pools fall in a range between 50% and 150% of the theoretical bonus pool value, calculated applying the funding rate percentage to the actual profitability results:



Based on the achievements, no malus condition is activated at Group and Local level both for 2014 bonus and for payouts provided by previous years incentive plans deferred installments

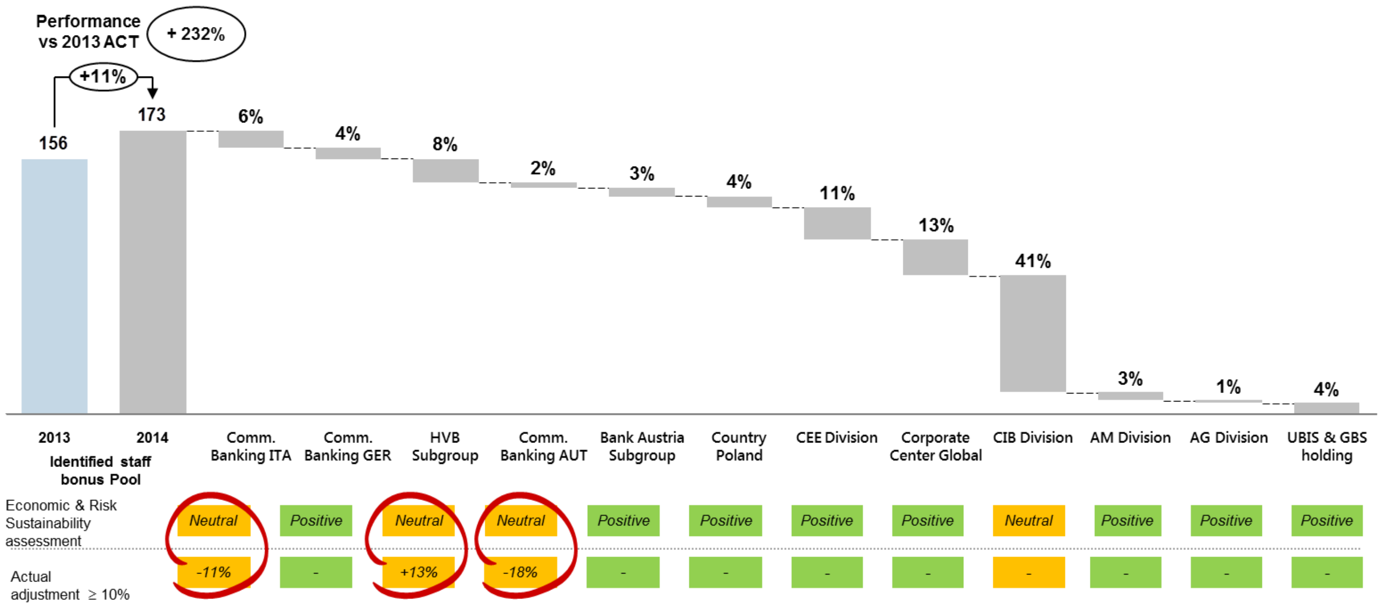
Economic and Risk sustainability

After the verification of the Entry Conditions achievement, the actual bonus pool of each Country/Division had been adjusted within respective ranges, based on the assessment of the overall economic and risk sustainability evaluated by Group CRO and CFO through dashboards, including respectively:

- risk indicators linked to Group Risk Appetite Framework, to evaluate the risk sustainability at Group and Country/Division level
- performance indicators connected with the Strategic Plan, to evaluate the economic sustainability over the time.

Bonus pool distribution by segments

The results of the abovementioned steps bring to the following adjustments for each segment and the respective bonus pool distribution:



RAZIONALI PER LE RETTIFICHE AI BONUS POOL

- **COMMERCIAL BANKING ITALY**: CBK Italy met the expectations of Net Profit in 2014, but with Loans volume below budget (despite TLTRO) and unbudgeted support in Revenues generation granted by bond buyback. Therefore, a bonus pool reduction was envisaged
- **HVB SUBGROUP**: The Net Operating Profit of HVB dropped primarily due to CIB division results in Germany, while HVB Subgroup bonus pool refers mainly to Competence Lines and GBS, population that influence the business results to a lesser extent. Additionally, all risk parameters were fully respected. The level proposed, even if considers an increase vs theoretical bonus pool, embeds anyway a significant reduction vs 2013
- **COMMERCIAL BANKING AUSTRIA**: 2014 Net Profit of Commercial Banking Austria embeds a relevant portion of extraordinary items, net of which the return on capital would be below cost of equity. Since the yearly trend of operating results is negative (GOP -12% vs. 2013), a significant reduction of bonus pool was envisaged
- All the other bonus pools were not subject to material ex post adjustments

For 2014, UniCredit Board of Directors has taken into consideration Remuneration Committee's proposals and regulatory guidelines regarding variable remuneration.

The assessment related to remuneration decisions, as already happened in past years, has been supported by a strict Group governance process in order to guarantee consistency and transparency to all involved parties.
The total amount of variable compensation for the Identified Staff, detailed in chapter 7.1, is sustainable given the bank's financial position and does not limit bank's ability to hold an adequate level of capital and liquidity.

Upon the assessment of achievement level for goals defined for 2014 and subsequent Board approval on April, 9th 2015 it was promised the allocation of ca. 12 mln UniCredit ordinary shares to ca. 770 Identified Staff to be done in 2018, 2019 and 2020 conditional to the application of Zero Factor for 2017, 2018 and 2019 respectively. Therefore, 2014 Group Incentive System would entail an expected impact on UniCredit share capital of approximately 0.2%, assuming the achievement of Group performance thresholds based on Zero Factor.

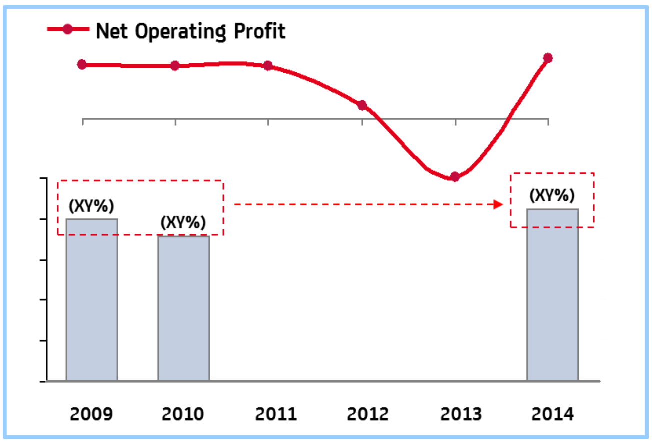
→ For further details on the execution of 2014 Group Incentive System and the defferal of previous year Plans, refer to Chapter 7 and to the attachement to 2015 Group Compensation Policy, published on the UniCredit internet website, in the section dedicated to 2015 Shareholder's Meeting.

Evaluation and payout for CEO office

In line with Group governance, 2014 evaluations and payouts for Chief Executive Officer, General Manager, Deputy General Managers, Heads of Company Control Functions, Heads of Group Finance, Planning and Administration function and Human Resources function have been reviewed by the Remuneration Committee and approved by the Board of Directors, heard the Statutory Auditors and Internal Controls and Risks Committee, as relevant.

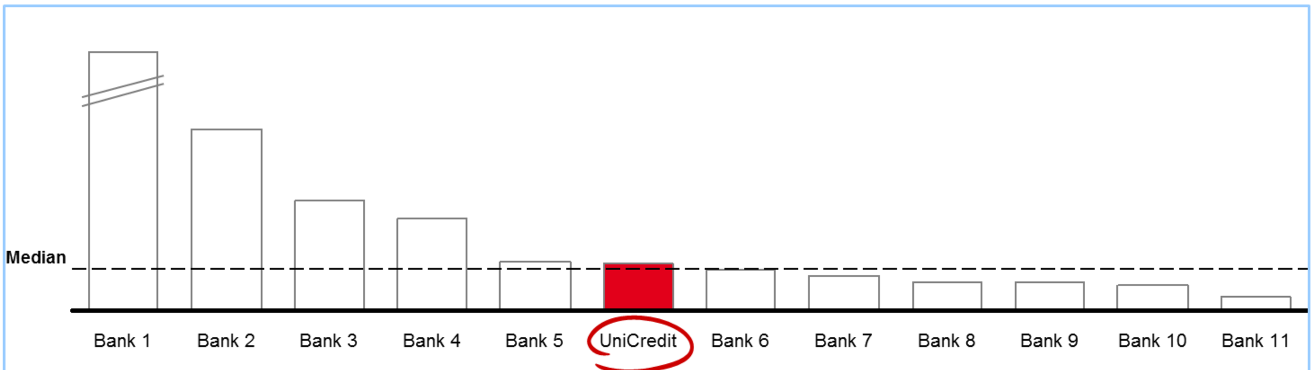
The total available Bonus Pool for CEO Office has been determined:

- using 2009-2010 average bonuses as reference of precrisis "normal" values and also considering personal track records and external benchmarking; the variable pay has been then put in relation with Group Net Operating Profit to determine the appropriate "Share of Profit" to be used; for CEO this percentage was also benchmarked vs UniCredit peers (details below)
- applying the average Share of Profit % to the 2014 Net Operating Profit, the total distributable bonus pool and a starting Variable/Fixed ratio have been defined for Chief Executive Officer, Business leaders and Heads of Competence Lines;
- defining specific "Reference Amount" for Business Leaders and Heads of Competence Lines, applying the same Variable/Fixed ratio of the cluster onto the latest approved fixed salary



The same approach has been followed on individual basis for the Chief Executive Officer.

The benchmarking analysis done on our peer group *(→ as defined in the Chapter 3 of the Section III – Annual Compensation Report)* shows that the percentage of the bonus for UniCredit Chief Executive Officer respect to the Net Operating Profit is in line with market median.

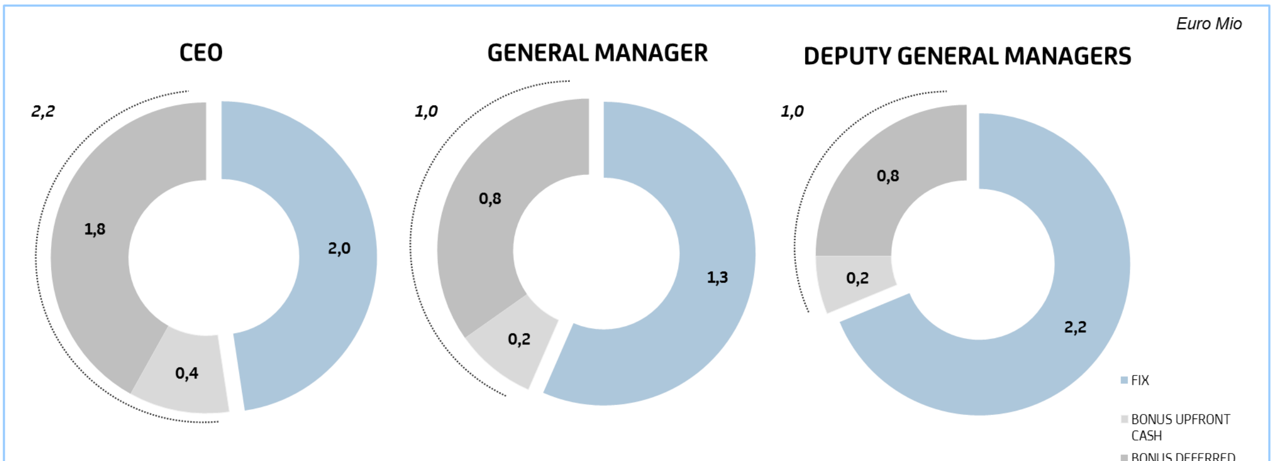


Market data refer to 2013 "actual" amounts

The Board of Directors, upon the positive opinion of Remuneration Committee, assessed the 2014 Performance Screen of CEO as "Exceeds Expectations" on the basis of the following elements and considering his significant leadership capabilities in a particularly challenging context:

	Goal	Result	Assessment: Below	Almost meets	Meets	Exceeds	Greatly exceeds
1	**Economic Profit (EVA) within risk appetite framework** - *delta y/y*	*8.825 € Mio*			●		
2	**Risk Management Goal (EL % + Coverage Ratio ITA, DE, AU, CIB; Average PD of managerial portfolio CEE & Poland)** - vs qualitative assessment based on CRO report	Overall Group risk profiles and asset quality have developed in line with the Risk Appetite Framework approved by the Board of Directors, despite the still challenging macroeconomic environment			●		
3	**Net Operating Profit (GOP after net LLP) -** vs budget *(€ mio)*	*4.383 € Mio*			●		
4	**Common Equity Tier 1 ratio** - vs budget *(%)*	*CET1 Ratio Transitional a 10,41% e Fully Loaded a 10,02%*			●		
5	**Execution of Group strategic vision with focus on growth, capital reallocation and efficiency** - vs qualitative assessment	New MYP defined and launched; very good results in term of: - growth (core revenues, deposits, asset under management, market share in CEE) - capital reallocation (CET1, implementation of several capital optimization initiatives, downsize of non-core segment, growth of CEE loans, Growth of capital light business) - efficiency: several projects carried out in 2014 following the implementation of strategic plan				●	
6	**Progress on commercial lending activities on the basis of risk and credit methodologies** - vs qualitative assessment	Overall achieved, also considering the persisting difficult macro-economic environment			●		
7	**Stakeholder Value: Customer satisfaction (TRI*M external); People Engagement, Reputation** - *vs qualitative assessment based on ad hoc reports*	Solid performance on reputation, customer satisfaction and people engagement, with 2014 results in line or improved vs the respective targets in almost all the countries subject of the analysis			●		
8	**Development of a strong and sustainable Group risk culture** - vs qualitative assessment	Consistency and reiteration of the message and of concrete behaviors has lead thanks to CEO support to a genuine improvement in terms of Group Risk Culture. Recent survey highlighting 80% of colleagues (vs 28% 3 years ago) sharing the feeling of strong common risk culture.				●	

2014 VARIABLE AND FIXED COMPENSATION FOR CEO, GENERAL DIRECTOR AND DEPUTY GENERAL DIRECTORS



- During 2015, the CEO will receive 284,090 shares under the LTI Plan 2013 - 2015

Local coordination and specific programs

The elements of the Group incentive system are fully applied across the entire Identified Staff population, with local adaptations based on specific regulations and / or business specifics, consistent with the overall Group approach.

Being fully compliant with the principles of the incentive plans, local adaptations allow the achievement of the same results if the implementation of the Group plan should have some adverse effects (legal, tax or other) for the Group companies and/or beneficiaries residing in countries where the Group is present.

Implementation approach of Group incentive plans for Identified Staff fully complies with Bank of Italy requirements and European guidelines, and at the same time considers:

- local needs to adopt alternative solutions as necessary according to local regulators
- annual Audit - in each jurisdiction - on the implementation of the incentive systems
- further needs to introduce corrective measures to address local specificities, with focus on the reconciliation of local differences and home/host regulatory roles.

In this regard, a specific authorization had been granted to the Chairman and the Chief Executive Officer to make appropriate changes for the implementation of the plan, that do not alter the substance of the resolution of the Board of Directors and the Shareholders' Meeting.

The main adjustments authorized by the shareholders regarding the implementation of the System Group concerned the use of financial instruments different than the UniCredit shares, for Zagrebacka Banka in Croatia, for Bank Pekao in Poland and FinecoBank in Italy. These changes were implemented considering specific requests formulated by local regulators (such as the Croatian National Bank for Croatia or the Financial Supervision Authority in Poland), while the adaptation for FinecoBank, introduced in full compliance with the regulatory provisions applicable, had the aim of reinforcing the sense of belonging of the staff to the Bank in the important period of the listing on the Italian stock market.

In addition to these changes, and consistent with the exercise of the powers granted to the Chairman and the Chief Executive Officer, were subsequently authorized adjustments which impacted primarily threshold limits for deferral and the percentage distribution of payments, however, are more restrictive than those of the Group for Germany, Austria and CEE and the use of performance indicators rather than local Group, in line with a specific recommendation received from the Polish Financial Supervision Authority for Bank Pekao.

For the general employee population, specific systems are implemented, considering market local practices.
In accordance with regulatory framework and with our governance, HR function in strict collaboration with Compliance function manages on an annual basis the process of compliance review of incentive systems for non-Identified Staff population, with the main goals to ensure conformity of incentive systems for non-Identified Staff with the Group Compensation Policy and compliance guidelines, and also to be in line with the relevant regulations on the matter of incentive systems.

5.3 2015 GROUP INCENTIVE SYSTEM

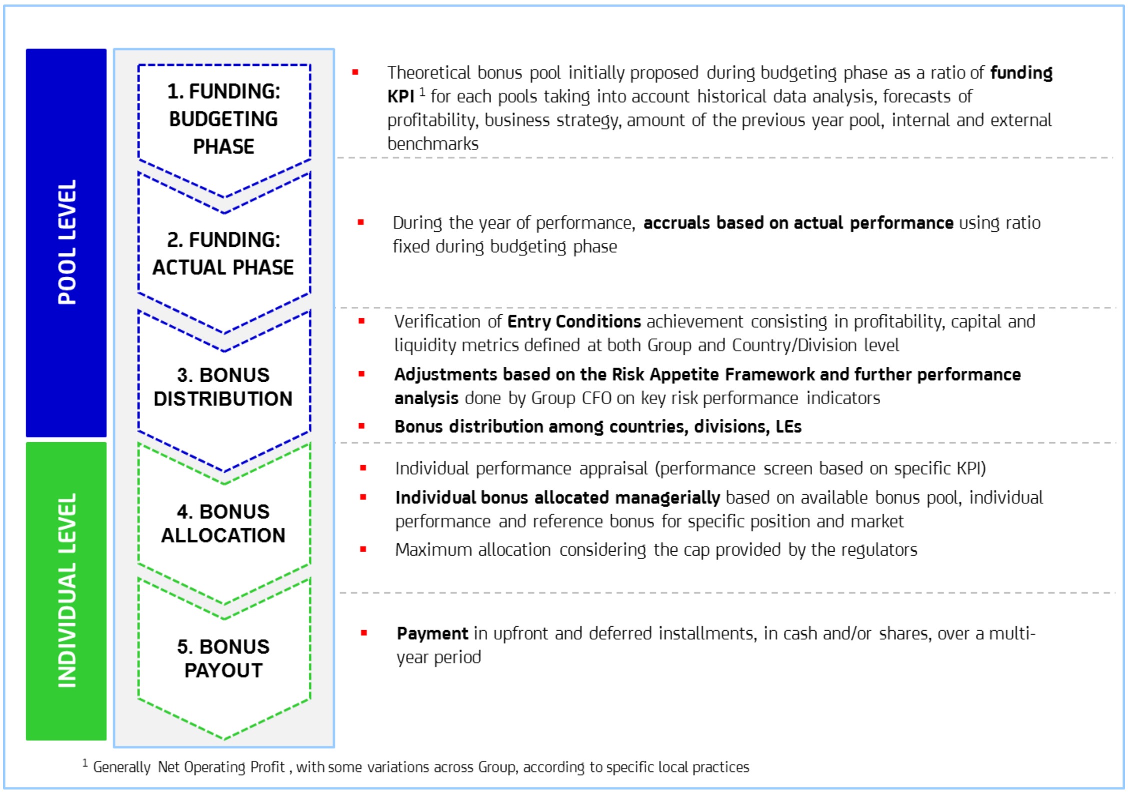
In consistency with 2014 plan, the 2015 Group Incentive System, as approved by UniCredit Board of Directors on January 20, 2015, is based on a bonus pool approach which takes into consideration most recent national and international regulatory requirements and directly links bonuses with company results at Group and Country/Division level, further ensuring link between profitability, risk and reward. In particular, the system provides for:

- allocation of a variable incentive defined on the basis of the determined bonus pool
- a malus clause (Zero Factor)[1] which applies in case specific thresholds (profitability, capital and liquidity) are not met at both Group and Country/Division level
- risk adjusted measures in order to guarantee long term sustainability, regarding company financial position and to ensure compliance with regulations
- definition of a balanced structure of upfront (following the moment of performance evaluation) and deferred payments, in cash and/or shares, to be paid over a period of up to 6 years
- distributions of share payments which take into account the applicable regulatory requirements regarding the application of share retention periods

2015 BONUS POOL CLUSTERS	
Asset Gathering	Commercial Banking Germany
Asset Management	Commercial Banking Italy (1)
Corporate Center Global	Poland
CEE Division	UBIS and GBS Holding
CIB	Bank Austria Subgroup
Commercial Banking Austria	UniCredit Bank AG Subgroup

(1) Inclusive of both Core and non-core business

The 2015 Incentive System is based on a process that includes the following steps:



[1] Malus Conditions: Net Operating Profit adjusted ≥0; Net Profit ≥ 0; Common Equity Tier 1 ratio transitional ≥ 7%; Cash Horizon ≥ 90 days

1. FUNDING: BUDGETING PHASE

- Theoretical bonus pools are initially proposed during the budgeting phase for every cluster as a percentage of their respective Funding KPI (e.g. Net Operating Profit) considering: historical data analysis, expected profitability, business strategy, previous year pool, internal and external benchmarking. The budget is submitted to the approval of UniCredit Board of Directors.

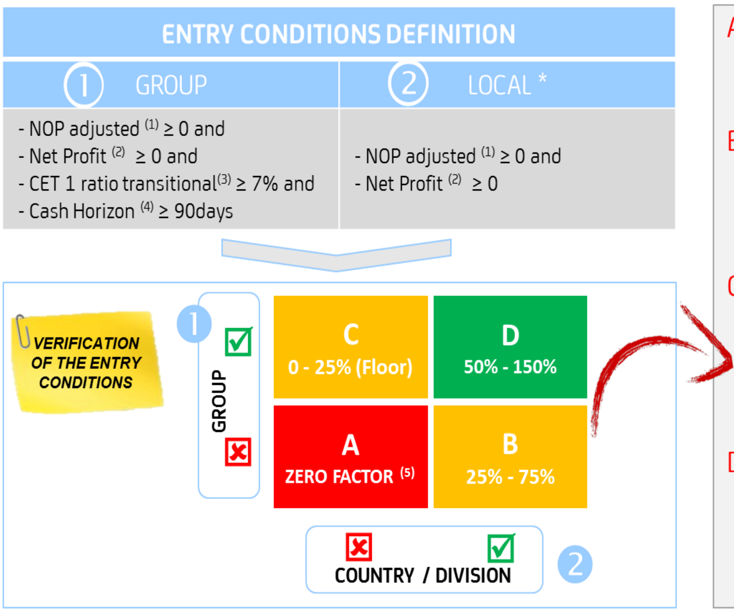
2. FUNDING: ACTUAL PHASE

- during the year of performance, quarterly accruals are based on the actual results, with adjustments made throughout the year with 1st, 2nd and 3rd quarter forecast being affected by performance trends
- for each pool the accruals would be determined according to the actual trend of the funding KPIs defined for each cluster in the budgeting phase. In this way the bonus pools set for each cluster are adjusted accordingly to the intra-annual trend of the respective funding KPI.

3. BONUS DISTRIBUTION

- bonus pools are proposed bottom-up from the Countries/Divisions based on last official forecast data of the year and considering the assessment of both Group and Country risk-adjusted forecasted results
- consistency with Group performance and sustainability is ensured through specific Entry Conditions set at both Group and Country/Division level
- application of a malus clause in case specific profitability, liquidity and capital thresholds are not reached at Group and Country/Division level
- the distribution is risk adjusted in order to guarantee the alignment with Group Risk Appetite Framework and the economic sustainability of Group and country/divisional results over time based on performance analysis done by CFO
- the actual bonus pools for the 12 clusters, approved by the UniCredit Board of Directors, are distributed to the relevant countries, divisions, legal entities

The Entry Conditions is the mechanism that determines the possible application of malus clause (Zero Factor) on the basis of performance indicators in terms of profitability, capital and liquidity defined at both Group and Country/Division level.



A. In case the Entry Conditions are not met at both Group and local levels, **the *malus* condition is activated,** triggering the application of Zero Factor

B. In case the Entry Conditions are not met at Group level, there is **still the possibility to have a pool for those Countries/Divisions that performed well**, even if reduced with minimum 25%

C. In case the Entry Conditions are not met at Country/Division level, but at Group level they are, a **floor** might be defined for retention purposes and in order to maintain the minimum pay levels needed to play in the market. At budget moment, the floor is proposed locally in absolute amount.

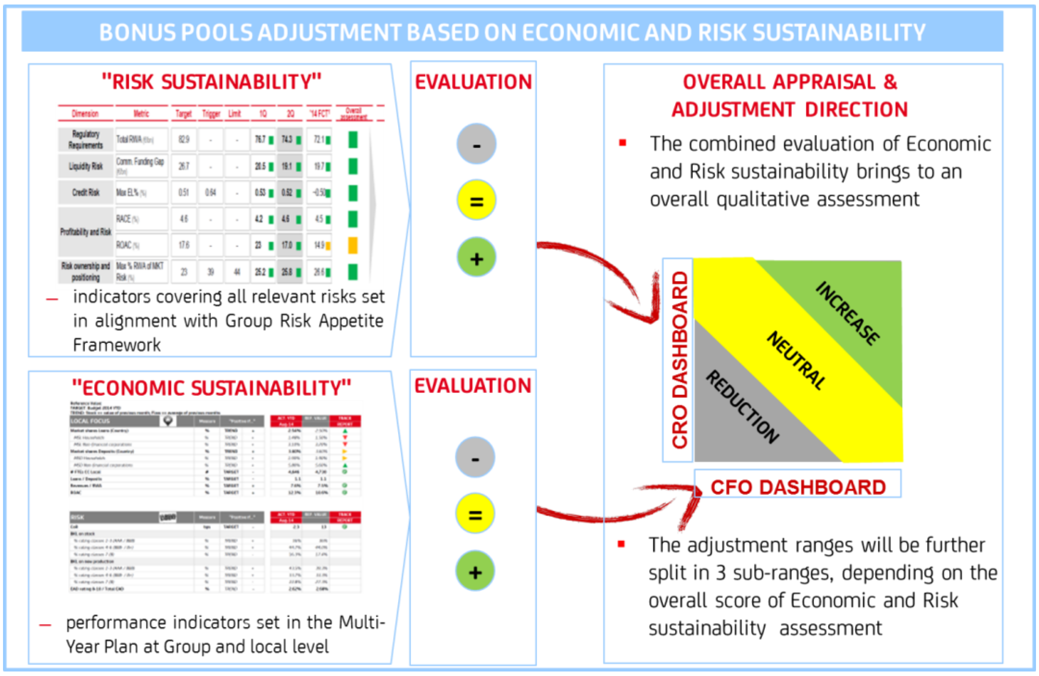
D. In case the Entry Conditions are met both at Group and Country/Division level, the bonus pool **may be confirmed or even increased**, with the possibility to reward the extra performance.

(1) NOP adjusted: Net Operating Profit (NOP) excluding income from buy-back of own debt and from the fair value accounting of own liabilities
(2) Net Profit: Net Profit stated in the balance sheet, excluding any extraordinary item as considered appropriate by the Board of Directors upon Remuneration Committee proposal
(3) Common Equity Tier 1 ratio transitional
(4) Cash Horizon: The number of days over which the company is no longer able to face up to its liquidity obligations. In particular, Zero factor is activated in case Cash Horizon of each Liquidity Center < 90 days for more than 30 consecutive days in a year
(5) In any case, the Board of Directors can decide to allocate a separate and discretional pool for retention purposes, subject to local relevant governance bodies' decision
** In case a division/segment, which is part of a Legal Entity with positive net profit and adequate capital ratios, has a budget less than 0, the local entry conditions would refers to this value*

In order to align to regulatory requirements, in case both at Group and Country/Division level set KPIs are not met (box A of the matrix included in the scheme "Entry Conditions definition"), a Zero Factor will apply to the Identified Staff population[1] whereas for non Identified Staff population, a significant reduction will be applied. Moreover, at individual level it will be also considered the respect of provisions of law, Group's compliance rules, Company policies or integrity values, Code of Conduct and the application of claw-back clauses, as legally enforceable.

In case Country/Division met the respective Entry Conditions (boxes B and D of the matrix included in the scheme "Entry Conditions definition") , bonus pool adjustments will be applied within respective ranges based on the assessment of Country/Division and Group performance and risk factors:

- the Group and local risk dashboards include indicators covering all relevant risks, such as credit, market and liquidity and are measured against their relevant thresholds (i.e. limit, trigger and target), which are set in alignment with Group Risk Appetite Framework
- the Group and local financial dashboards include the key performance and sustainability indicators linked to the Strategic Plan in order to measure its implementation from an industrial and commercial point of view (e.g. customer acquisition, customer satisfaction, market share, commercial effectiveness, customer digitalization, international business, etc.)
- the CRO and CFO Group function, via specific Memos, provide an overall qualitative assessment of the dashboards on the economic and risk sustainability, including an overarching evaluation on the adjustments for each pool:



In case the Entry Conditions are not met at Country/Division level, but at Group level they are (box C of the matrix included in the scheme "Entry Conditions definition"), a floor might be defined for retention purposes and in order to maintain the minimum pay levels needed to play in the market. In this case, no specific sub-ranges can be applied, however the decision regarding pool size from 0 to the Floor level will also consider CRO and CFO dashboards assessment.

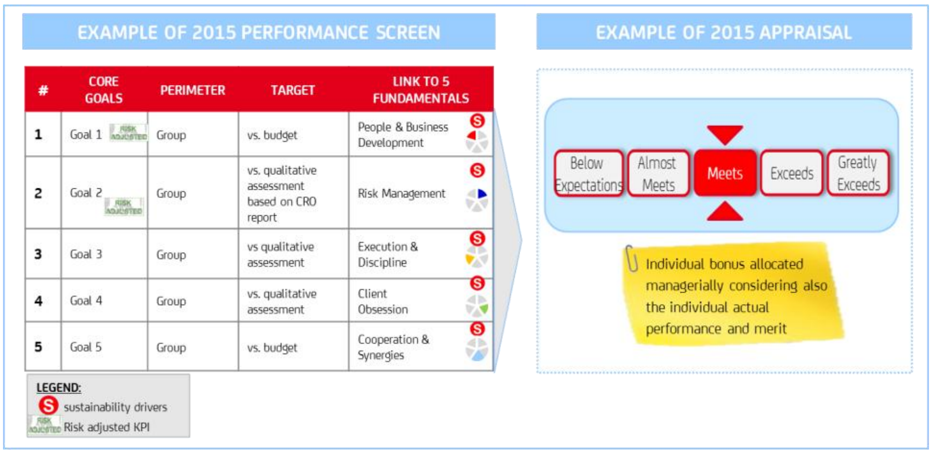
In any case, as requested by regulations as per Bank of Italy "Disposizioni", the final evaluation of Group sustainable performance parameters and the alignment between risk and remuneration will be assessed by Remuneration Committee and defined under the governance and accountability of the Board of Directors.
The Board of Directors does not take into account, when deciding bonus, balance sheet extraordinary items which do not impact operational performance, regulatory capital and liquidity (e.g. goodwill impairment).

Moreover, following potential changes in current regulations and/or in relation to potential extraordinary and/or unpredictable contingencies which can impact the Group, the company or the market in which it operates, the Board of Directors, having heard the opinion of Remuneration Committee, maintains the right to amend the system and relevant rules.

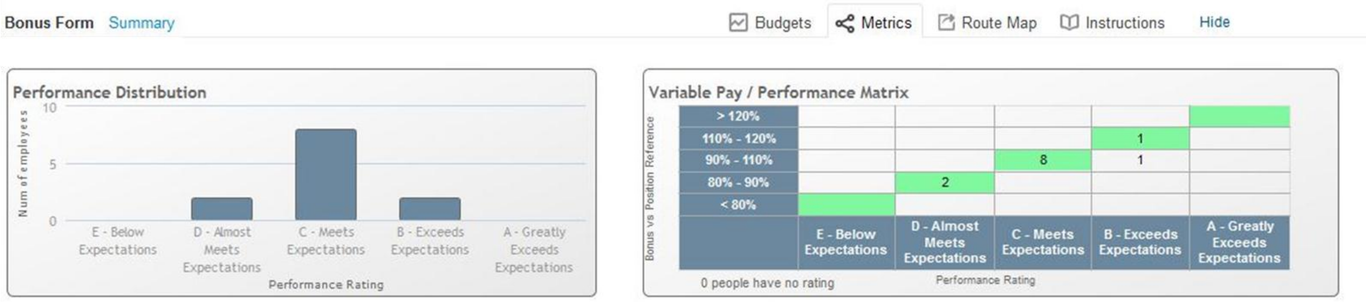
[1] The Bonus Pool of 2015 will be zeroed, while deferrals of previous year systems could be reduced from 50% to 100% of their value, based on final effective results and dashboard assessments done by CFO and CRO

4. BONUS ALLOCATION

- For any position of Identifed staff population a specific “Reference Value” is defined which considers the internal and/or external benchmarking analysis on similar roles, the seniority, the maximum ratio between variable and fixed compensation as approved by Annual General Meeting. Such value is adjusted according the actual available bonus pool and represents the starting point for the individual bonus allocation
- individual bonus will be allocated managerially, considering the individual performance appraisal and the abovementioned Reference Value
- individual performance appraisal is based on 2015 performance screen: 4 individual goals (suggested max. 6) assigned during the performance year, selected from our catalogue of main key performance indicators (KPI Bluebook) and based on the UniCredit 5 Fundamentals of Group Competency Model[1]. Competencies and behaviors considered as relevant are taken into account by the manager for the overall performance appraisal. → Further details in Paragraph 5.4
- the goals appraisal system is based on a 1-5 rating scale with a descriptive outcome.



Particular attention is dedicated to the level of correlation between bonus proposed and actual performance both in bonus proposal step and consolidation phase.



[1] Group Competency Model represents the framework in which the Executives are assessed within the Executive Development Plan process. The 5 Fundamental are: Client Obsession, Execution & Discipline, Cooperation and Synergies, Risk management, People and Business Development.

- As approved by the Board of Directors of January, 20th 2015, with reference to payout structure, the Identified Staff population will be differentiated into two clusters, using a combined approach of banding and compensation:

  1. Executive Vice Presidents (EVP) and High Earners (bonus ≥ 500k)[1]: 5-year deferral scheme (payout structure of 6 years)
  2. Senior Vice Presidents (SVP) and other Identified Staff (bonus < 500k): 3-year deferral scheme (payout structure of 5 years).

- The payout of incentives will be done through upfront and deferred installments, in cash or in UniCredit ordinary shares, up to a 6-year period:
  - in 2016 the first installment of the total incentive will be paid in cash in absence of any individual values / compliance breach[2]
  - over the period 2017-2021 the remaining part of the overall incentive will be paid in cash and/or UniCredit ordinary shares; 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[2]

FOCUS

REGULATORY REQUIREMENTS

- The payment structure of 2015 incentive system has been defined in line with the provisions included in the "Disposizioni" of Bank of Italy issued on November 2014:
  - 5-year deferral period maintained only for Top Management and specific key senior roles. In general a deferral period from 3 to 5 years is required, and the request for 5 years is limited to "high earners", Top Management and Heads of key business lines
  - minimum 50% of bonus to be allocated in shares or other financial instruments
  - minimum 40% of bonus to be paid out under a deferral period (minimum 60% for specific positions and particularly high amounts).
  - 2 years minimum retention period for the upfront shares and shorter retention period (1 year) for the deferred shares.

	2015	2016	2017	2018	2019	2020	2021
EVP & ABOVE & OTHER IDENTIFIED STAFF WITH BONUS ≥500K	PERFORMANCE YEAR	20% UPFRONT CASH	10% DEFERRED CASH	20% UPFRONT SHARES	10% DEFERRED SHARES	10% DEFERRED SHARES	20% DEFERRED CASH 10% DEFERRED SHARES
SVP & OTHER IDENTIFIED STAFF WITH BONUS <500K	PERFORMANCE YEAR	30% UPFRONT CASH	10% DEFERRED CASH	30% UPFRONT SHARES	10% DEFERRED CASH 10% DEFERRED SHARES	10% DEFERRED SHARES	

- all the installments are subject to the application of claw-back conditions, as legally enforceable
- the number of shares to be allocated in the respective installments shall be defined in 2016, on the basis of the arithmetic mean of the official closing market price of UniCredit ordinary shares during the month preceding the Board resolution that approve the bonus
- the payment structure has been defined in line with Bank of Italy provisions requiring a share retention period for upfront and deferred shares. In particular, the implementation of the share retention periods may be carried out in line with the fiscal framework, as applicable at the relevant time in countries where the Group is present, either via the allocation of restricted shares or the promise of shares that shall subsequently be allocated at the end of the intended retention period
- in line with national market practices, a minimum threshold will be introduced, below which no deferral mechanisms will be applied, accordingly with relevant regulatory indications
- 2015 Group incentive system provides for an expected impact on UniCredit share capital of approximately 0.54%, assuming that all free shares for employees have been distributed. The overall dilution for all other current outstanding Group equity-based plans equals 1.45%
- the beneficiaries can not activate programs or agreements that specifically protect the value of unavailable financial instruments assigned within the incentive plans. Any form of coverage will be considered a violation of compliance rules and imply the consequences set out in the regulations, rules and procedures.

[1] Including other direct reports to strategic supervisory, management and control bodies and other Identified staff as required by local regulation
[2] Considering also the gravity of any internal/external findings (i.e. Audit, Bank of Italy, Consob and/or analogous local authorities)

5.4 COMPREHENSIVE PERFORMANCE MANAGEMENT

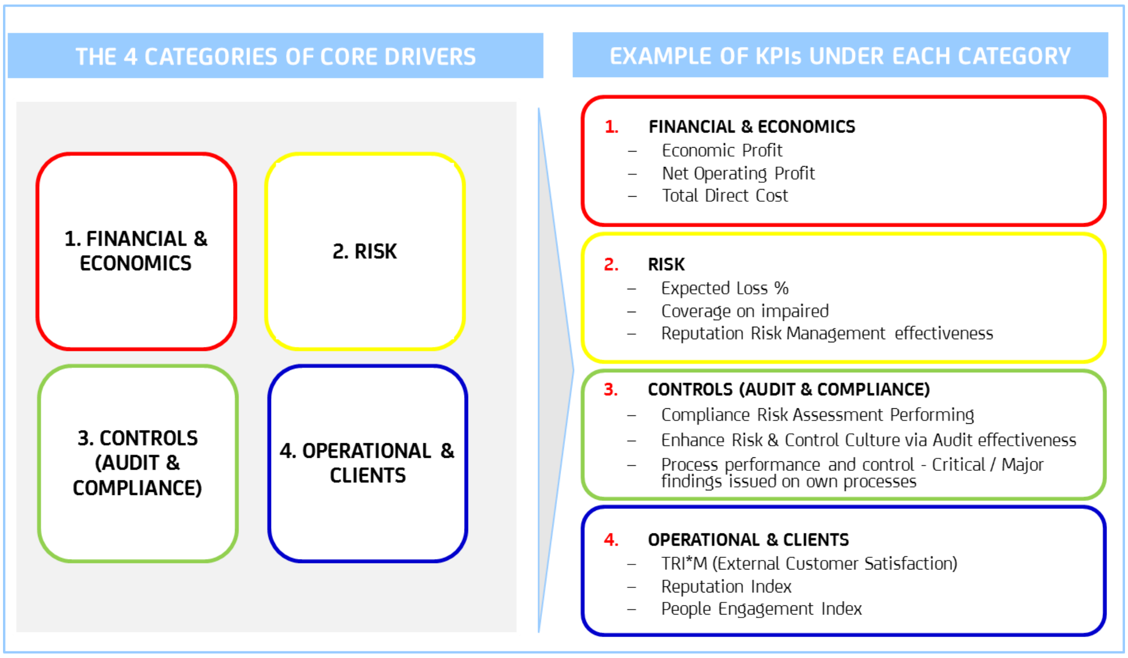
The 2015 Group Incentive System, described in the paragraph 5.3, is supported by an annual performance measurement framework assuring coherence, consistency and clarity of performance objectives with business strategy, and encouraging and rewarding desired behaviors and risk orientation. Our performance management process ensures all Identified Staff know what is expected from them and includes a rigorous review of their goals achievements.

Starting from 2010, a specific process is performed annually with the involvement of key relevant functions (Human Resources, Planning, Finance and Administration, Risk Management, Compliance, Group Sustainability, Audit, Group Stakeholder and Service Intelligence) to define and review each year the so-called KPI Bluebook which serves as the framework for performance measurement and evaluation of Identified Staff.

The KPI Bluebook supports managers and HR in defining Performance Screens through a set of goals and guidelines. In particular, it provides guidelines for:

- goal-setting: to help in selecting and combining KPI
- target-setting: to define a reference target for expected performance
- goal setting with focus on risk perspective by considering the main risks that the business/function itself could positively affect and mitigate
- setting and evaluating qualitative goals
- accurate goal selection for Company Control Functions, in order to ensure their independence.

The KPI Bluebook maps 4 categories of core drivers that include a list of goals (KPI Dashboard)



The 4 categories represent financial and non-financial performance and are mapped into 5 clusters of similar businesses (Overall, Commercial Banking, Wealth Management, Investment/Markets, Non-Commercial) to help identifying the most relevant standardized KPIs (all certified by relevant functions) according to each role, with specific focus on risk-adjusted, sustainability-driven metrics and economic measure.

FOCUS ON STAKEHOLDER VALUE INDICATORS

The KPI Bluebook in the category "Operational & Clients" includes also sustainability indicators aiming at measuring client satisfaction, employees' engagement level, UniCredit reputation level and Succession Planning Index (further details on Reputation, External Customer Satisfaction and Internal Service Quality are included in the Sustainability Report published on UniCredit internet website).

FOCUS

REPUTATION INDEX

- ***Definition***: Analysis of reputation to picture the overall perception of UniCredit among different stakeholders (customer, customer of other banks) and to identify customer attractiveness potential.
- ***Methodology***: the assessment is conducted in all major 16 countries, through a survey consisting of approx. 65.000 interviews-fieldwork (mainly conducted via web, according to the peculiarities of the single countries).

  The respondents of the survey are customers of UniCredit local banks (who assess UniCredit and also 4 other banks) and customers of competitors (who assess their own bank, UniCredit and other 3 banks).
  The overall trend of the Index is monitored vs the previous year and moreover vs the competitors in all relevant business segments.
- ***Provider***: Ipsos research institute which is the third largest research institute world

vs previous year	Reputation vs peers: Below	Stable	Above
Above	Meet expectations	Outstanding	Outstanding
Stable	Below expectations	Meet expectations	Outstanding
Below	Below expectations	Below expectations	Meet expectations

CUSTOMER SATISFACTION

EXTERNAL CUSTOMER SATISFACTION

- ***Definition***: Analysis of customer satisfaction to verify the levels of service toward our customers in comparison also with the level of service offered by competitors towards their own clients.
- ***Methodology***: The calculation of the Customer Satisfaction Index is done according to the TRIM methodology developed by TNS research institute, who also calculate directly the index in all Countries assessed.
- ***Provider***: The assessment of the External customer satisfaction is conducted by TNS and local research providers.

INTERNAL SERVICE QUALITY

- ***Definition***: Analysis of internal service quality on the levels of cooperation and service of internal functions and product factories, in order to smooth internal processes, reduce complexity and improve effectiveness to serve internal customers (network and Headquarters)
- ***Methodology***: The Internal TRI*M index is monitored in comparison vs previous year and banks average, nonetheless it is recommended to evaluate Internal TRI*M index against specific threshold levels, defined at country level by Group Stakeholder & Service Intelligence department.
- ***Provider***: The assessment of the Internal Customer Satisfaction is conducted by TNS and local research partner

PEOPLE ENGAGEMENT INDEX

- ***Definition***: Analysis of UniCredit People's engagement, in order to identify the drivers that enhance the Employees' motivation and satisfaction
- ***Methodology:*** the Engagement Index is monitored in comparison vs previous year and vs Group Overall average, it is also evaluated with reference to specific threshold levels, defined at Group level by Group Stakeholder & Service Intelligence department. The survey is conducted, as a census assessment on the total UniCredit population, in 24 countries
- ***Provider***: IBM, among the largest multinational technology and consulting corporation

SUCCESSION PLANNING INDEX

- ***Definition***: The succession planning coverage ratio allows us to calculate the percentage of about. 120 Top Management Group positions for which a successor pipeline has been identified. The aim is to assure a sustainable leadership pipeline.
- ***Methodology:*** The succession plan analysis follows a structured process based on Executive Development Plan (EDP) outcomes, which represents the Group Management Review process that allows to plan, manage and develop the Group Leadership pipeline.
- ***Provider***: Internal. The Coverage Ratio is yearly shared with the Board of Directors at the end of the process, therefore the 2015 level would be disclosed within the annual compensation policy 2016.

2015 CEO AND GENERAL MANAGER PERFORMANCE SCREENS

2015 KPIs defined and approved by UniCredit Board of Directors as the core drivers of performance for UniCredit CEO and General Manager include goals related to Group profitability, risk management focus and sustainability indicators such as execution of company strategic vision with focus on growth, capital reallocation and efficiency, Stakeholder Value, development of Group strategic projects.

CEO

#	GOAL	PERIMETER	TARGET	LINK WITH THE 5 FUNDAMENTALS
1	Economic Profit (EVA) RISK ADJUSTED	Group	vs. budget	People & Business Development
2	Risk Management Goal (EL % + Coverage Ratio ITA, DE, AU, CIB; Average PD of managerial portfolio CEE & Poland) RISK ADJUSTED	Group	vs. qualitative assessment based on CRO report	Risk Management
3	Common Equity Tier 1 ratio RISK ADJUSTED	Group	vs. budget	Execution & Discipline
4	Execution of Group strategic vision with focus on growth, capital reallocation and efficiency	Group	vs qualitative assessment	Execution & Discipline
5	Stakeholder Value: Customer satisfaction (TRI*M external); People Engagement, Reputation	Group	vs. qualitative assessment based on ad hoc reports	Client Obsession
6	Development of a strong and sustainable Group risk culture, ensuring a successful transition of Group's standings towards new European regulatory architecture (e.g. ECB)	Group	vs. qualitative assessment	Risk Management

GENERAL MANAGER

#	GOAL	PERIMETER	TARGET	LINK WITH THE 5 FUNDAMENTALS
1	Economic Profit (EVA) RISK ADJUSTED	Group	vs. budget	People & Business Development
2	Risk Management Goal (EL % + Coverage Ratio ITA, DE, AU, CIB; Average PD of managerial portfolio CEE & Poland) RISK ADJUSTED	Group	vs qualitative assessment based on CRO report	Risk Management
3	Strongly develop and implement the Group Digital & Payments Agenda	Group	vs qualitative assessment	Execution & Discipline
4	Drive transition of the Group towards international clients management	Group	vs qualitative assessment	Client Obsession
5	Ensure a successful transition of Group's standings towards new European regulatory architecture, including progress of ICS	Group	vs qualitative assessment	Execution & Discipline
6	Loans and Deposit Market Share	GM area of responsibility	vs. budget	Execution & Discipline

Figures for reference target indicates as "vs budget" should be meant as the yearly target ambition that will be approved by the Board of Directors from time to time.

For the rest of Group Top and Senior Management, KPI representing profitability and risk management are reflected also in their Performance Screens, with differences given by the perimeter of reference and the relevant activities

5.5 GROUP LONG TERM INCENTIVE PLAN

The 2015-2018 Group Long Term Incentive Plan, approved by the Board of Directors on January, 20th 2015, aims at aligning shareholders and Top Management interests, rewarding long term value creation, to share price and Group performance appreciation and sustaining a sound a prudent risk management, orienting the performance management measurement on a multi-year horizon.

The Plan has also the characteristic to be qualified as a “retention” tool in order to retain key Group resources for the achievement of the long term Group Strategy.

GROUP LTI PLAN: MAIN FEATURES	
PARTICIPANTS	CEO, General Manager and Deputy General Managers
MAX AMOUNT AT STAKE	1/3 of variable compensation
PERFORMANCE PERIOD	4 years (aligned to UniCredit Strategic Plan)
PERFORMANCE AWARDS	2 possible awards based on the achievement level of set performance conditions – 1st award at the end of 2016 – 2nd award at the end of 2018.
VEHICLES AND VESTING	– Performance Phantom Share (price determined at Plan launch; any variation of share price will directly impact cash payout) – Cliff vesting for each award (no intermediate instalments)
DEFERRAL PERIOD (AFTER EACH AWARD)	– 3 years deferral subject to a cumulated "malus" conditions (cumulative zero factor) – 1 additional compulsory holding year (i.e. sales restriction).

The Plan provides for the allocation - subject to the achievement of specific performance conditions - of future cash incentives determined by the market price of UniCredit ordinary shares.

Beneficiaries will be the recipients of Phantom shares, of which maximum number is determined by dividing the total value of the incentives to be given for the average price of UniCredit ordinary shares listed on the stock market organized and managed by Borsa Italiana S.p.A. within 30 calendar days prior to the Annual General Meeting called to approve the Plan.

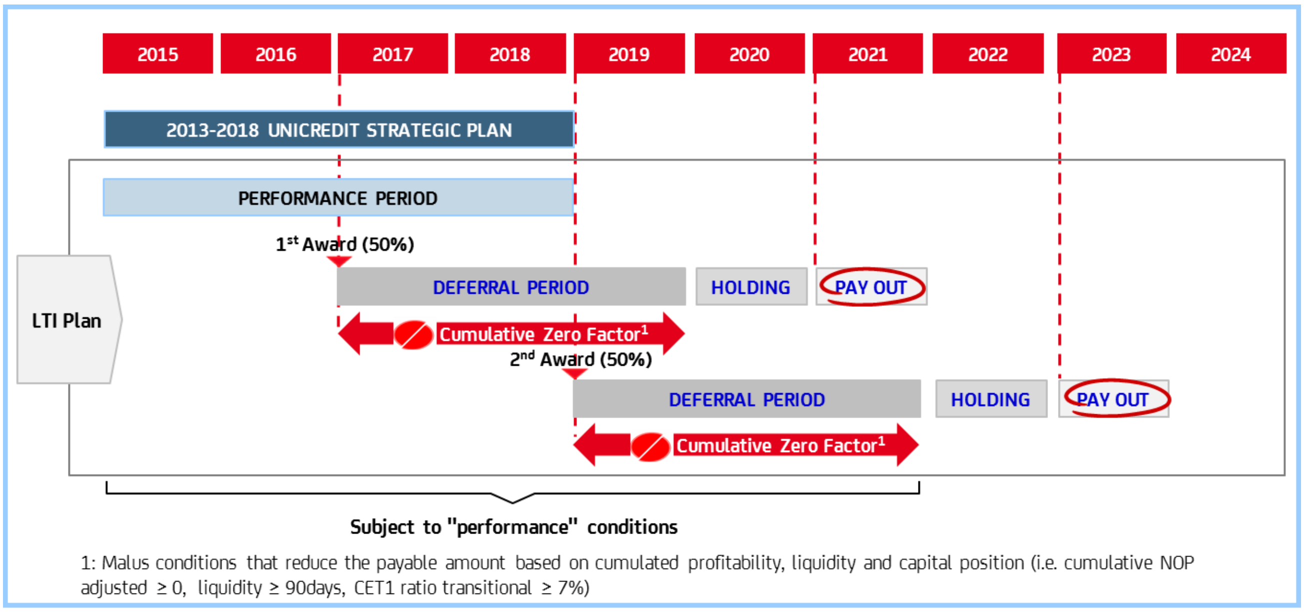
Phantom shares will give to the beneficiaries the right to a payment at maturity of a gross amount of money ("Bonus") calculated as the arihmetic average of the official price of UniCredit ordinary shares listed on the stock market organized and managed by Borsa Italiana S.p.A. within 30 days preceding the date on which the Board of Directors will evaluate the “malus” conditions, as described hereafter, and authorize the subsequent payment.

The actual number of Phantom Shares to be awarded to beneficiaries will be calculated in two moments:

- in 2017 having verified the achievement of 2015-2016 performance indicators, calculated at year-end 2016 and
- in 2019 having verified the achievement 2015-2018 performance indicators calculated, at the close of 2018.

The amount of the Bonus will be calculated, with reference to the above mentioned periods (2017 and 2019) in 2020 and 2022 respectively being subject to a three-year deferral period, as required by law and to the respect of the cumulative performance conditions (zero factor), minimum conditions of Company assets, capital and liquidity, as well as in terms of the conduct of compliance with respect to the law, Company and Group compliance rules, Company Policy and to the integrity values mentioned in the Code of Conduct.

At the end of the above mentioned deferral period it is foreseen a 1 year compulsory additional holding period at the end of which the payment will be done.



Performance indicators of the Long Term Incentive Plan for the Group Top Management to be evaluated for the awarding of the Phantom shares are hereafter reported:

#	KPI CATEGORY	ACHIEVEMENT OF SPECIFIC OBJECTIVES OVER TWO PERIOD 2015-2016 AND 2015-2018	DESCRIPTION	REFERENCE TARGET AND MEASUREMENT[1]	WEIGHT
1	FINANCIAL	▪ **ROAC%**[2] of Core Business ▪ **Gross Loans** Reduction of non Core Business	Key indicators of Multi-year Strategic Plan: - ROAC %: calculated as the average of the "Return on allocated capital" compared with the average value of the same indicator included in the Strategic Plan - Gross Loans: reduction of non-core business "gross loans" vs. the values of the Strategic Plan	≥ MYP 120% =120% 80% < MYP < 120% =100% 50% < MYP < 80% =50% MYP < 50% = 0%	50%
2	SUSTAINABILITY	▪ **Common Equity Tier 1**	Expected verification of the respect of CET1 average values with reference to the same value stated in the Strategic Plan	≥ MYP targets	30%
		▪ **External Customer Satisfaction**	Analysis of customer satisfaction to verify the levels of service toward our customers. The calculation of the Customer Satisfaction Index is done according to the TRIM methodology developed by TNS research institute, who also calculate directly the index in all Countries assessed. The assessment of the External customer satisfaction is conducted by TNS and local research providers.	≥ 2014	
		▪ **Succession Planning index**	Coverage ratio on ca. 120 Top Management positions to assure a sustainable leadership pipeline. The ratio is yearly communicated to the Board of Directors. The analysis follows a structured process based on Executive Development Plan, which represents the Group Management Review process that allows to plan, manage and develop the Group Leadership pipeline	≥ 90% over the whole performance period	
3	OVERARCHING BOARD OF DIRECTORS ASSESSMENT	▪ **Qualitative assessment of alignment between Bank and Stakeholders' interests**	Board members evaluation of participants retention risk and effective contribution, over the whole performance period, to the Strategic Plan pillars: ▪ transformation of commercial banking in WE countries; ▪ investing in growth businesses; ▪ leveraging global platform In particular, the evaluation would take into account the actual achievement of the quantitative KPI referred to the 3 pillars of the Strategic Plan.		20%

Total Scorecard outcome anyway capped at 100%.

1: Measurement will be performed using MYP target references or its recasting as approved by the BoD.
2: Return on Allocated Capital

➔ *For further details on "External Customer Satisfaction" and "Succession Planning Index" refer to paragraph 5.4 Comprehensive Performance Management – Focus on Stakeholder Value indicators*

The amount linked to the maximum number of Phantom Shares, for each of the 4-year duration of the entire performance period (2015-2018), will be equal to value not greater than 1/3 of the amount of total annual variable compensation achievable by each Beneficiary. This amount will fall in the calculation of the variable part of the remuneration to be taken into consideration for the calculation of the maximum limit between variable and fixed remuneration provided for by the legislation.
As the Plan provide for Phantom Share, there is no diluting impact on share capital.

5.6 COMPENSATION OF COMPANY CONTROL FUNCTIONS

In line with regulatory framework, a specific ratio between variable and fixed compensation is defined for Company Control Functions (Audit, Compliance, Risk Management and Human Resources[1]). The fixed compensation must be appropriate to the level of responsibility and commitment associated with the role. The incentive mechanisms for the Company Control Functions have to be "in accordance with the achievement of the objectives linked to their function, independent of the performance of the business areas they control" (CRD IV).

According to the Bank of Italy's new regulations, for Identified Staff belonging to Company Control Functions, the ratio between variable and fixed component of the remuneration cannot be higher than 33%. Such ratio should be adopted by 1st half 2016, as requested by the Regulatory provisions.
In the perspective to adopt such ratio by the first half of June and with the phased approach followed in previous years to balance the paymix, the ratio between variable and fixed compensation for 2015 is equal to 1:1.

Incentive plans for Identified Staff in Company Control Functions are implemented in line with specific policies which assure independence in order to avoid conflict of interest.
Goals are defined to measure individual performance related to the activities of the specific Company Control Function:

- in order to assure independence of the function, no economic measure must be selected for Compliance, Human Resources, Audit and Risk Management functions
- for Chief Risk Officer roles, or – where present – roles reporting to them which are responsible for Risk Management and Credit activities, selection of goals in individual performance screen should directly reflect correlation and integration among the Risk Management and Credit, in order to correctly balance individual responsabilities.

Moreover, in order to further limit connection with business results and to maintain the adequate independence level of Audit, Compliance and Risk Management (as guaranteed in previous years with "Alternative Group Gate"), a specific governance process will be followed, providing for:

- malus condition is activated providing a reduction of bonus pool until 50% of the budgeted figure
- bonus pool can be phased out to zero only in presence of an exceptionally negative situation (e.g.: Common Equity Tier 1 Ratio Transitional dropping under the minimum regulatory requirement, persistent "recession" scenario,...[2]) within an escalation process including a governance step in the Board of Directors.

6. EMPLOYEE SHARE OWNERSHIP

UniCredit affirms the value of share ownership as a valuable tool for enabling the engagement, affiliation and alignment of interests among shareholders, management and the overall employee population.

6.1 GROUP EMPLOYEE SHARE OWNERSHIP PLAN

In 2008 the UniCredit Group Employee Share Ownership Plan "Let's Share" (The Plan) was launched for the first time, offering to employees the possibility to invest in UniCredit ordinary shares at favorable conditions. So far, more than 10,000 individuals have participated in "Let's Share" from 14 countries overall: Austria, Bulgaria, Czech Republic, France, Germany, Hong Kong, Hungary, Italy, Luxembourg, Poland, Romania, Serbia, Slovakia and the United Kingdom.

The Plan offers to participants the opportunity to purchase UniCredit shares, receiving a 25% discount in the form of free shares granted by the Company, subject to a 1-year holding period. The Plan provides for the use of shares to be purchased on the market with no diluting impact on share capital.

Subject to Annual General Meeting approval, we continue to seek possibilities for increasing the number of participating countries, taking into account any local legal, fiscal and operational constraints.

[1] Human Resources function is considered Company Control Function solely under Bank of Italy Circular nr. 285 of 17 December 2013
[2] Any reduction of bonus pool that would be higher than 50% might be approved by Board of Directors, upon Remuneration Commitee opinion

6.2 SHARE OWNERSHIP GUIDELINES

Share ownership guidelines set minimum levels for company share ownership by covered Executives, aiming to align managerial interests to those of shareholders by assuring appropriate levels of personal investment in UniCredit shares over time. As part of our total compensation approach, we offer equity incentives that provide for opportunities of share ownership. The ownership of UniCredit shares by our Group leaders is a meaningful and visible way to show our investors, the public and our people that we believe in our Company.

The Board approved at the end of 2011 the currently applicable share ownership guidelines which, in light of the share retention requirements of Bank of Italy, apply to the Chief Executive Officer, General Manager and Deputy General Managers as shown in the following table:

SHARE OWNERSHIP LEVELS
2014 guidelines set the following minimum level: – 2 X annual base salary for **Group Chief Executive Officer** – 1 X annual base salary for **General Manager** and **Deputy General Managers**

The established levels should be reached within 5 years from first actual share grant. Covered Executives are also expected to refrain from entering into schemes or arrangements that specifically protect the unvested value of equity granted under incentive plans. Such clauses are contained in all relevant incentive plan rules and apply to all beneficiaries, since involvement in such schemes undermines the purpose of the incentive at risk. Any form of hedging transaction shall be considered in breach of Group compliance policies with such consequences as provided for under enforceable rules, provisions and procedures.

→ Detailed disclosure about the number of shares held by, as well as the number of UniCredit stock options and performance shares granted to, Directors, General Managers and other key management personnel is provided in the tables contained in the document attached to the 2015 Group Compensation Policy, published on the UniCredit internet website, section dedicated to 2015Shareholders' Meeting

7. COMPENSATION DATA

7.1 2014 REMUNERATION OUTCOMES

Population (as at 31/12/2014)	Num.	Fix	Variable 2014 Short Term				Deferred Variable from previous exercises				Deferred Variable based on previous exercises, paid in 2014	
			Upfront - Un-Restricted		Deferred - Restricted		Vested in 2014		Un-Vested			
			€	Shares	€	Shares	€	Shares	€	Shares	€	Shares
CEO	1	2.000	440	0	660	1.100	0	1.781	0	3.299	0	495
Other executive Directors	0	0	0	0	0	0	0	0	0	0	0	0
Non executive Directors	18	4.976	0	0	0	0	0	0	0	0	0	0
General Manager	1	1.301	200	0	300	500	0	0	0	1.380	0	0
Deputy General Manager & SEVP	15	12.829	2.623	0	3.935	6.558	1.758	5.134	1.368	16.259	3.220	1.144
EVP	107	41.914	7.834	0	11.714	19.548	6.664	25.905	5.539	47.558	15.098	9.881
SVP	468	97.262	20.083	0	13.308	30.037	13.767	41.145	4.407	69.221	27.687	14.809
Other relavant staff	501	84.316	19.119	0	9.949	24.988	7.266	19.431	1.047	27.350	6.488	2.564

The vested component refers to cash and equity awards to which the right has been matured as the performance conditions have been achieved.

- The vested components in cash refer to Group Incentive System 2013 and, if present, to other forms of variable remuneration.
- The vested components in shares refer to Group Incentive Systems 2011, 2012 and 2013 and, if present, to other forms of variable remuneration.

The unvested component refers to cash and equity awards to which the right has not yet matured and for which any potential future gain has not been yet realized and remains subject to future performance.

- The unvested components in cash refer to Group Incentive Systems 2012 and 2013 and, if present, to other forms of variable remuneration.
- The unvested components in shares refer to Group Incentive Systems 2012 and 2013 and, if present, to other forms of variable remuneration.

The value of the shares shown as unvested equity is calculated considering the arithmetic mean of the official market closing price of UniCredit ordinary shares during the month preceding the Board's resolution on share based plans execution on April 9, 2015 or, in case of *Stock Options*, as the difference between the market value of the shares and the strike price of the *Stock Options*.

Deferred amounts paid out in 2014 include payouts based on demonstrated multi-year performance achievements related to Group Incentive Systems plans and, if present, to other forms of variable remuneration.

All stock options granted under existing Group LTI plans represent zero gain for the beneficiaries as long as the entry conditions will not allow the exercise.

During 2014, it was awarded to 41 beneficiaries a total remuneration equal to or greater than 1 million Euros. In particular:

Mln, €

TOTAL COMPENSATION (TC)	IDENTIFIED STAFF NR.
1 ≤ TC < 1,5 Mln	23
1,5 ≤ TC < 2 Mln	9
2 ≤ TC < 2,5 Mln	3
2,5 ≤ TC < 3 Mln	4
3 ≤ TC < 3,5 Mln	0
3,5 ≤ TC < 4 Mln	0
4 ≤ TC < 4,5 Mln	0
4,5 ≤ TC < 5 Mln	1
TC ≥ 5 Mln	1

Severance and sign-on payments paid during the financial year to 11 Executives amounted to Euro 8.057.331,22 (the highest severance paid to a single person was equal to Euro 1.888.820). The payments were determined in line with Group Policy guidelines and relevant legal and contractual framework.

The total compensation costs at Group level totaled Euro 8.201 mln. in 2014, out of which the variable compensation pool amounted Euro 715 mln, in slightly reduction vs previous year.

7.2 2015 REMUNERATION POLICY

	COMPENSATION PAY-MIX	
GROUP EMPLOYEE POPULATION	FIXED AND OTHER NON-PERFORMANCE RELATED PAY	VARIABLE PERFORMANCE-RELATED PAY
NON EXECUTIVE DIRECTORS		
Chairman and Vice Chairman	100%	
Directors	100%	
Statutory Auditors	100%	
GROUP EMPLOYEE POPULATION		
Business Areas [1]	87%	13%
Corporate Centers / Support functions [2]	91%	9%
Overall Group Total	88%	12%

Total compensation policy for non-Executive Directors, Group Executives and for the overall Group employee population demonstrates in particular how:

- remuneration of the non-Executive Directors, as approved by the AGM, does not include variable performance-related pay
- Group Executives are offered opportunities for variable compensation in line with their strategic role, regulatory requirements and our *pay for performance* culture
- the general employee population is offered a balanced pay-mix in line with the role, scope and business or market context of reference.

In line with Capital Requirements Directive (CRD IV) has been established a specific limit to the ratio of the variable and fix component of the compensation.

[1] Commercial Banking Italy (excluding the local Corporate Centre), Commercial Banking Germany (excluding the local Corporate Centre), Commercial Banking Austria (excluding the local Corporate Centre), Poland (excluding the local Corporate Centre), Corporate & Investment Banking (excluding the governance functions), Asset Management, Asset Gathering, CEE Division, NonCore

[2] Corporate Center Global, Global banking Services, the governance functions in CIB and the local Corporate Centres in Italy, Germany, Austria and Poland

7.3 BENEFITS DATA

Our employees enjoy welfare, healthcare and life balance benefits that supplement social security plans and minimum contractual requirements. These benefits are intended to provide substantial guarantees for the well-being of staff and their family members during their active careers as well as in retirement.

In Italy, among the complementary pension plans, there are both defined performance funds (whose performances, which come to fruition once the retirement requirements are reached, are known in advance as they are set by the fund statute) and defined contribution plans (whose performances depend on the results of the asset management).

Complementary pension plans can also be classified as external or internal pension funds, where external funds are legally autonomous from the Group, while internal funds are accounting items entered into UniCredit S.p.A.'s balance sheet, whose creditor counterparts are the employees enrolled (both active and retired).
Both these categories are closed and, as such, they do not allow new subscriptions. The only exception is represented by the individual capitalization section of the "*Fondo Pensione per il Personale delle Aziende del Gruppo UniCredit*". Within this section (which counted approximately 35.000 enrolled active employees in 2014) subscribers can distribute their contribution – depending on their own risk appetite – among four investment lines (Insurance, Short, Medium and Long Term) characterized by different risk/yield ratios. In addition, always in this section, the enrolled employees may open complementary pension plan positions in favor of their family members dependent for tax purposes.

Moreover, in most countries where UniCredit is present, retirement plans are available for the employees.
More details and information can be found in our Sustainability Report and the relevant Supplement.