

## Report of the Directors

### APPROVAL OF THE PLAN OF CROSS-BORDER MERGER BY ABSORPTION IN UNICREDIT S.P.A. OF UCG BETEILIGUNGSVERWALTUNG GMBH

The hereby proposal concerns the cross-border merger by absorption in UniCredit S.p.A. (respectively the “**Merger**” and “**UniCredit**” or the “**Absorbing Company**” or the “**Holding Company**”) of UCG Beteiligungsverwaltung GmbH (the “**Company Being Absorbed**”) pursuant to article 8 of the D.Lgs 108/2008 (as well as to the relevant Italian Civil Code provisions, thereby recalled) and the corresponding provisions of the Austrian “federal act on cross border merger of the corporations in the European union (*“Bundesgesetz über die grenzüberschreitende Verschmelzung von Kapitalgesellschaften in der Europäischen Union*” or “**EU Merger Act**”), all of such provisions having been issued at national level to implement the Directive EC56/2005 concerning cross-border mergers of limited liability companies.

The Merger represents the final phase of a corporate and organizational process aimed at transferring under the direct control of the Holding Company the activities of the CEE Division of UniCredit Bank Austria AG (hereinafter also “**UCBA**”), thereby included the participations in the subsidiaries operating within the Central and Eastern European area (the “**CEE Subsidiaries**”).

The hereby report, therefore, aims at presenting the mentioned reorganization process and, in particular, to present the reasons under the legal and economical point of view of the merger plan prepared in compliance with the mentioned provisions of laws and regulations in force.

#### **Description and reasons of the Group reorganization operation**

##### 1. Reasons of the operation

The above mentioned process has to be considered in the framework of the initiatives of the new industrial plan approved by the Board of Directors on 11<sup>th</sup> November 2015 and has the scope to strengthen the central government by UniCredit on the CEE Subsidiaries, thus eliminating the sub-holding role played so far by UCBA.

##### 2. Description of the operation

It is envisaged that the mentioned reorganization process will be implemented through a two-step corporate operation which comprises, as a first logical step, the transfer from UCBA of its “CEE Division” business unit (hereinafter the “**Business Unit**”) to the Company Being Absorbed through partial demerger. The Company Being Absorbed is currently fully controlled by UniCredit, which, in the following logical step, will proceed to absorb the former. The two steps, logically consequent, will be executed simultaneously.

The Business Unit is composed of assets, liabilities, rights, obligations, employees and, generally speaking, all the substantial juridical positions concerning the CEE Division of

UCBA thereby included the participations in the CEE Subsidiaries, as represented within the pro-forma balance sheet of the Company Being Absorbed and the thereby attached detailed documentation which, merely for descriptive purposes, completes the merger plan.

It has to be noted that both the mentioned demerger and the Merger will become effective pursuant to civil law at the same date, which, currently, is envisaged to occur on 1<sup>st</sup> October 2016 (see below).

It is also represented that, in order to be able to proceed to the mentioned transfer of the Business Unit from UCBA to the Company Being Absorbed by means of proportional demerger, it is envisaged that, before the demerger itself, the latter decides a capital increase of about 140 million euro, which will be subscribed by the current shareholders of UCBA. Therefore they will come to hold the capital of the Company Being Absorbed in the same proportions they hold UCBA's capital (99,99% UniCredit and 0,01% AV-Z Stiftung e BR-funds). Besides, in order to perform the Merger pursuant to the simplified procedure in compliance with article 2505 of the Italian Civil Code, UniCredit will purchase, with the same effective date of the demerger, the quotas of the Company Being Absorbed owned by the mentioned minority shareholders. UniCredit, therefore, at the time of the Merger, will become once again the only shareholder of the Company Being Absorbed.

Considering that the Company Being Absorbed is a company incorporated in Austria while UniCredit is incorporated in Italy, the Merger qualifies as "cross-border merger" pursuant the Directive 2005/56/EC of 26<sup>th</sup> October 2005. Such directive has been implemented respectively in Italy and Austria with the abovementioned D.Lgs. 108/2008 and EU Merger Act.

The Merger, therefore, will be carried out in compliance with the mentioned laws and regulations as applicable in both countries.

To this regard, it must be noted that, following discussions with the competent regulatory authorities, these latter have deemed necessary that, as to the Business Unit to be demerged, the Company Being Absorbed shall obtain a banking license in compliance with the Austrian Banking Act ("*Bankwesengesetz – BWG*").

To this goal, it has been decided that the Company Being Absorbed will request to the competent Austrian Authority to be granted with a banking license with effective date as of the same effective date of the demerger.

Furthermore, being envisaged that the Merger, as mentioned above, will take place at the same time of the demerger, the Company Being Absorbed will not actually start carrying out the activity of the Business Unit.

Despite the fact that the Merger falls within the case of the so called "simplified" merger pursuant to article 2505 of the Italian Civil Code and of the article 18 of the D.Lgs. 108/2008 (implementing article 15 paragraph 1 of the Directive 2005/56/EC), the Board of Directors of UniCredit has decided to produce the hereby report concerning the merger plan with the information required by the applicable laws and regulations and with special reference to the effects of the Merger for the Shareholders, the creditors and the employees, which the Board of Directors will procure to be submitted to the employee' representatives at least 30 days before the definitive approval of the Merger itself.

### 3. Timing and characteristics of the operation.

it is envisaged that it will be possible to submit the merger plan within the end of June 2016 in order to be able to make reference to the balance sheets as of 31<sup>st</sup> December 2015 under condition of the authorisation pursuant to article 57 of the Italian Unified Banking Act ("*Testo Unico Bancario*" or "**TUB**") and the relevant supervisory provisions in force.

The Merger Plan will be submitted within the first week of August 2016 to the Shareholders' meeting of the Company Being Absorbed and, pursuant to its articles of association, to UniCredit's Board of Directors. Within this date, the demerger plan should also be submitted to the Shareholders' meetings of the involved companies (UCBA and the Company Being Absorbed). The merger act and the demerger act would therefore be subscribed, once expired the terms for the creditors' opposition, within the end of September 2016 with the scope, mentioned above, to make them both effective as of 1<sup>st</sup> October 2016 pursuant to civil law.

Being the Merger a cross border merger by absorption and being the Absorbing Company an Italian company, pursuant to the combined provisions of articles 12 of the Directive 2005/56/EC and 15 of D.Lgs. 108/2008, the Merger shall produce effects on the day on which the merger act will be registered within the company register competent for the Absorbing Company.

The merger plan has been prepared in compliance with article 2501-ter and further articles of the Italian Civil Code, on the basis of the draft balance sheet as of 31<sup>st</sup> December 2015 approved by the respective administrative bodies, considered as the "balance sheet" ("*situazione patrimoniale*") pursuant to article 2501-quarter of the Italian Civil Code.

Furthermore, a pro-forma balance sheet as of 31<sup>st</sup> December 2015 of the Company Being Absorbed has been prepared. Further specific information describing, for information purposes, the parts of the Business Unit to be transferred to the Company Being Absorbed by means of the demerger is attached to it. These will represent the assets and liabilities that UniCredit will come to hold through the Merger.

The Merger will take place without issuance of new shares of UniCredit, as the latter, Absorbing Company, at the time when the Merger will be effective, will be the only shareholder of the Company Being Absorbed.

The Absorbing Company will therefore proceed to the cancellation of the quota of the Company Being Absorbed.

The merger act will set forth the date at which the Merger will have juridical effectiveness toward third parties. It is estimated that the Merger may be effective on the same date of the demerger and therefore as of 1<sup>st</sup> October 2016. Starting from the Merger effective date the Absorbing company will succeed to the Company Being Absorbed in all its juridical positions both active and passive, sources of income, both material and immaterial, etc. with the resulting succession in all the undertakings and obligations of the latter at the agreed terms and conditions.

The operations carried out by the Company Being Absorbed will be ascribed to the balance sheet of the Absorbing Company as of the first day of the fiscal year ongoing at

the Merger effective date. The fiscal effects will start on the same date, which has been envisaged to be 1<sup>st</sup> January 2016.

#### 4. Operation's impacts on the organizational structure of UniCredit and UCBA

As a consequence of the Merger, UniCredit will integrate the CEE division in its own organizational structure. The CEE division will operate through structures of the General Directorate in Milan and, partly, of its Permanent Establishment in Vienna. The Permanent Establishment in Vienna, therefore, is envisaged to extend its activities without performing any kind of banking activity in continuity with the current set up (i.e. no banking license at Permanent Establishment Vienna level). It will support the Group activities within the CEE countries (E.g. by means of planning, legal and compliance, CIB and retail business analysis in the CEE countries, marketing and administrative activities, etc. ).

Similarly, the direction activity of the CEE Subsidiaries will be carried out directly by the General Directorate of UniCredit which will also take advantage of the structures within its Permanent Establishment in Vienna.

#### **Merger's Impact on the Shareholders**

The Merger will have no consequence on the Shareholders of UniCredit.

The Absorbing Company will proceed, as described above, to the cancellation of the quota of the Company Being Absorbed without any share swap in compliance with the provisions of article 2504-ter paragraph 2 of the Italian Civil Code and with no need of any capital increase by the Absorbing Company as the same company will hold the whole capital of the Company Being Absorbed itself.

As a consequence of the Merger, no amendment of the articles of association is envisaged and no circumstance will arise granting the right of withdrawal to the Shareholders of UniCredit.

#### **Merger's Impact on the creditors**

The Merger which, as clarified above, will take place on the basis of the balance sheets of the participating companies as of 31<sup>st</sup> December 2015, will not have consequences on the creditors. To their benefit, in any case, is granted the right of opposition pursuant to articles 2503 of the Italian Civil Code and 57 of the TUB.

#### **Merger's Impact on the employees**

The Merger will have no negative impact on the employees of the Absorbing Company and of the Company Being Absorbed.

The Company Being Absorbed, in particular, will come to have employees only as a consequence of the demerger with the acquisition of the Business Unit inclusive of less than 300 employees.

The terms and conditions of the individual employment contracts will not suffer any amendment as a consequence of the Merger. The individual employment contracts will not be subject to termination due to the Merger itself as the applicable regulations concerning the termination of the employment will not change. The applicability of the collective bargaining agreements will not be affected by the transfer of the Business Unit

as set forth by section 31, paragraph 4 of the Austrian “Employment Act” (“*Arbeitsverfassungsgesetz*” or “*ArbVG*”).

Likewise, No change will occur in the provisions of the individual employment contracts and collective bargaining agreements of the Absorbing Company’s employees.

It is represented that article 19 of the D.Lgs. 108/2008, regulating the employees’ participation to the Absorbing Company, is not applicable in the case hereby as its requisites are not satisfied. Neither the Absorbing Company, nor the Company Being Absorbed, in-fact, are managed with the participation of the employees pursuant to articles 2, paragraph 1, letter m) of the D.Lgs. 188/2005 as recalled by article 1, letter p) of the D.Lgs. 108/2008.