

One Bank, One Team, One UniCredit.

2. Delegation for capital increase to support the 2020 Group Incentive System

Director's Report

April 9, 2020

Ordinary and Extraordinary Shareholders' Meeting

Delegation for capital increase to support the 2020 Group Incentive System

Delegation to the Board of Directors to carry out a free capital increase for a maximum amount of Euro 123,146,209 in order to execute the 2020 Group Incentive System and consequent amendments to the Articles of Association.

Dear Shareholders,

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

It has been submitted to the approval of today's Ordinary Shareholders' Meeting the 2020 Group Incentive System (hereinafter: the "2020 System") based on financial instruments in order to align shareholders' and management interests, rewarding long term value creation, share price appreciation and motivate and retain key Group resources at the same time.

The 2020 System aims to incentivate in a multi-year period the following Group employees: Senior Executive Vice Presidents (SEVP), Executive Vice Presidents (EVP), Senior Vice Presidents (SVP), Board members of relevant and identified Group Legal Entities, employees of the Group with total remuneration higher than Euro 500,000 in 2019, employees included within 0.3% of staff with the highest remuneration at Group level, employees whose remuneration is within the remuneration bracket of senior management or other risk takers at Group level, and other selected roles of the Group (including new hirings). The total estimated number of beneficiaries is ca. 1,100 based on population identified in the last years.

Individual bonuses will be allocated to the Beneficiaries of 2020 System based on the available bonus pool, the individual performance evaluation, the internal benchmark for specific roles/markets and the bonus cap as defined by the Ordinary Shareholder's meeting.

The overall incentive payout shall be done over a multi-year period in a balanced structure of "upfront" (following the moment of performance evaluation) and "deferred" payments, in cash and in shares¹, subject to continuous employment at each date of payment², as described in the following table:

¹ The table shows the share payments distribution after the shares retention periods (a retention period on upfront and deferred shares of one year)

² To be understood as the final vesting of the right to the incentive and not as the actual payment and/or allotment of the shares at the end of the period of retention

	2021 ³	2022	2023	2024	2025	2026
Senior Management (EVP and above) with variable remuneration > €430k ⁴	20% cash	20% shares	12% cash	12% shares	12% cash	12% cash + 12% shares
Senior Management (EVP and above) with variable remuneration ≤ €430k	25% cash	25% shares	10% cash	10% shares	10% shares	10% cash + 10% shares
Other identified staff (SVP and other roles) with variable remuneration > €430k	20% cash	5% cash + 20% shares	5% cash + 15% shares	20% cash + 15% shares		
Other identified staff (SVP and other roles) with variable remuneration ≤ €430k	30% cash	30% shares	10% cash	20% cash + 10% shares		

The number of shares to be allocated in each installment will be defined in 2021, on the basis of the arithmetic mean of the official market price of UniCredit ordinary shares during the month preceding the Board to which the 2020 bonuses are submitted for information, after having evaluated performance achievements. For the shares to be granted as severance payments, the arithmetic mean will be calculated considering the official market price of the month of June 2020 for the severances contracted during the first half of 2020 and the month of December 2020 for the severances contracted during the second half of 2020, unless a different decision is made by the Board of Directors for the management of specific cases.

The maximum number of shares to serve the 2020 System is estimated at 14,460,000⁵.

Considering the number of beneficiaries and the total number of financial instruments to be allocated, the optimal method identified to serve the 2020 System is the deliberation – in one or more instances – by the Board of Directors upon power of attorney delegated by this Shareholders' Meeting under section 2443 of the Civil Code, of a free capital increase, as allowed by section 2349 of the Civil Code, within five years of the date of the shareholders' resolution, for a maximum amount of Euro 123,146,209 corresponding to up to 13,100,000 UniCredit ordinary shares, to be granted to the aforementioned employees of the Holding Company and of Group banks and companies.

Being understood that, under the provision of section 2443 of the Italian Civil Code, the power of attorney to the Board of Directors for capital increase cannot have a duration longer than five years from the date of the registration of relevant shareholders' resolution, in order to complete the execution of the 2020 System – having a 6-year duration – it will be submitted to the approval of one of the future Shareholders' Meetings the proposed assignment of a further power of attorney to the Board of Directors for a capital increase to serve the aforementioned 2020 System through the allocation of a maximum number of 1,360,000 shares, corresponding to a capital increase of a maximum Euro 12,784,645.

³ The first year of payment may be 2020 for those types of payments (e.g. severance payments) for which immediate payout is foreseen on or shortly after termination of employment or the verification of other relevant contractual provisions. In such cases all other deferred payments will also be advanced by one year (to 2021, 2022, 2023, 2024 and 2025 respectively)

⁴ Including other identified staff assimilated to Senior Management according with applicable regulations

⁵ In the event of capital transactions (e.g. capital increase) subsequent to the determination of the maximum number of shares, in order to maintain a situation of neutrality for the holders of the securities concerned by the transaction, the application of adjustment factors is envisaged

It is highlighted that a maximum number of UniCredit ordinary shares of the 2020 System equal to 2,900,000 can be used for the payment of other forms of variable remuneration (e.g. sign-on, buy-out) and of severances in favor of Group employees, for whom regulations provide for the payment in deferred financial instruments.

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

In case it would not be possible to proceed with the issuance (full or partial) of the UniCredit ordinary shares to serve the 2020 System (also due to the lack of reserves in the "Provisions Linked to the Medium Term Incentive System for Group Personnel"), an equivalent amount in cash will be allocated to the beneficiaries, determined on the basis of the market value of UniCredit shares, considering the arithmetic mean of the official market price of ordinary shares during the month preceding each Board resolution executing the payment of each shares installment after the end of the mandatory retention period.

Should the aforementioned delegation of power of attorney be exercised to its maximum amount, the newly issued shares would represent an overall 0.59% of existing share capital (0.65% considering the maximum number of shares equal to 14,460,000 which includes also the 1,360,000 shares for the allocation of the last installments in shares in 2026).

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

"The Board of Directors has the power, under the provisions of section 2443 of the Italian Civil Code, to resolve, on one or more occasions for a maximum period of five years starting from the shareholders' resolution dated April 9th, 2020, to carry out a free capital increase, as allowed by section 2349 of the Italian Civil Code, for a maximum amount of Euro 123,146,209 corresponding to up to 13,100,000 ordinary shares, to be granted to employees of UniCredit and of Group banks and companies who hold positions of particular importance for the purposes of achieving the Group's overall objectives in execution of 2020 Group Incentive System";

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The amendments submitted to the approval of today's UniCredit Shareholders' Meeting – which do not trigger the right of withdrawal of the ordinary and savings shareholders pursuant to art. 2437 of the Civil Code - are subject to the authorization of the Supervisory Authorities' pursuant to Sec. 56 of the Legislative Decree 385/93.

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Dear Shareholders,

in relation to the above, considering as approved by today's Ordinary Shareholders' Meeting the adoption of the 2020 Group Incentive System, you are invited to approve the following resolution:

"Having heard the Directors' report, the Extraordinary Shareholders' Meeting of UniCredit S.p.A,

RESOLVES

- to grant the Board of Directors, under the provisions of section 2443 of the Italian Civil Code, the authority to resolve - in one or more instances for a maximum period of five years from the date of shareholders' resolution - to carry out a free capital increase, as allowed by section 2349 of the Italian Civil Code, for a maximum amount of Euro 123,146,209 corresponding to up to 13,100,000 ordinary shares, to be granted to employees of UniCredit S.p.A. and of Group banks and companies, who hold positions of particular importance for the purposes of achieving the Group's overall objectives in execution of the 2020 System approved by today's Ordinary Meeting. Such an increase in capital shall be carried out using the special reserve known as "Provisions Linked to the Medium Term Incentive System for Group Employees" set up for this purpose which, if needed, may be restored or increased via allocation of a portion of profits or available statutory reserves, formed from the distribution of company profits that shall be identified by the Board of Directors at the moment of share issuance;
- further to the resolution passed in the previous point, to insert a new last paragraph in clause 6 of the Articles of Association with the following text:

"The Board of Directors has the power, under the provisions of section 2443 of the Italian Civil Code, to resolve, on one or more occasions for a maximum period of five years starting from the shareholders' resolution dated April 9th, 2020, to carry out a free capital increase, as allowed by section 2349 of the Italian Civil Code, for a maximum amount of Euro 123,146,209 corresponding to up to 13,100,000 ordinary shares, to be granted to employees of UniCredit and of Group banks and companies who hold positions of particular importance for the purposes of achieving the Group's overall objectives in execution of 2020 Group Incentive System";
- to delegate to the Board of Directors all the necessary powers for issuing the new shares as well as consequently amend the Articles of Association;
- to give to the Chairman, to the Chief Executive Officer and to the Head of Group Human Capital, also separately and with the power to further delegate the Executive Staff of the Company, every opportune power of attorney to:
 - (i) provide for implementing the above resolutions under the terms of law;
 - (ii) accept or adopt all amendments and additions (not changing substantially the content of the resolutions) which should be necessary for the registration at the Register of Companies;
 - (iii) proceed with the deposit and registration, under terms of law, with explicit and advanced approval and ratification, of the adopted resolution and of the text of the Article of Association updated as aforementioned."