

Disclosure pursuant Article 450 CRR (Remuneration and incentive systems and practices)

QUALITATIVE DISCLOSURE

1. REMUNERATION COMMITTEE

The Remuneration Committee performs an integral role in supporting the Supervisory Board oversight of Group Compensation Policy and plan design. The Remuneration Committee consists of 5 members. These are: the Chairman of the Supervisory Board – who covers the office of Chairman of the Remuneration Committee – the Stand-in Chairman, as well as one voted member of the Supervisory Board, furthermore two employee representatives. The Financial Market Authority delegates state commissioners to the meetings of the Committee.

The Committee assumes the following remuneration-related tasks:

- (a) *Passing of resolutions regarding remuneration, including resolutions that have an effect on the risk and the risk management of the Company and the approval of general principles of the remuneration policy,*
- (b) *Monitoring the remuneration policy, remuneration practices and remuneration-related incentive schemes,*
- (c) *Controlling the general principles of the remuneration policy and controlling the remuneration of the senior management in the risk management department and with Compliance positions on a regular basis.*

In doing so, the Committee shall take into consideration the long-term interests of shareholders, investors and employees of the Company and the economic interests in an efficient banking industry and financial market stability.

In 2016 the Remuneration Committee met once and passed one decision as circular vote.

During 2016 the key activities of the Remuneration Committee included:

- final evaluation of Group sustainable performance parameters and risk-reward alignment, as required by law under BWG 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
- evaluation of the 2016 Group Compensation Policy, supported by 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

Audit department performed the annual audit on the Group variable remuneration system as requested by law under BWG provisions. The audit aimed at verifying the design, implementation and effects of the remuneration process, as well as its compliance with relevant regulatory requirements and rules approved by the Group. The results of the audit were presented to the Remuneration Committee on March 3rd, 2017.

2. GROUP COMPENSATION SYSTEMS

2.1 TARGET POPULATION

Starting as early as 2010, UniCredit Bank Austria AG conducted every year, in alignment with specific regulation, the self-evaluation process to define Group's Identified Staff population to whom, according to internal/external regulation, specific criteria for remuneration/incentive aspects are adopted.

The assessment process for the definition of Identified Staff followed the criteria defined in the European Banking Authority Regulatory Technical Standard (RTS).

2.2 RATIO BETWEEN VARIABLE AND FIXED COMPENSATION

For a selected number of functions the AGM of UniCredit Bank Austria AG approved the increased bonus cap of 2:1 (bonus vs fixed pay).

2.3 2016 INCENTIVE SYSTEM IMPLEMENTATION AND OUTCOMES

The 2016 System, approved by UniCredit Board of Directors on January 13, 2016 and consequently by UniCredit Bank Austria AG's Remuneration Committee, provides for a 'bonus pool' approach directly linking bonuses with company results at Group and Country/Division level, and 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 pool dimension for each of the relevant clusters is related to the actual profitability measures multiplied with the bonus pool funding rate defined in the budgeting 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.

2016 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 the 2016 Group Incentive System as defined within the Entry Conditions that confirms, reduces or cancels upfront and deferred payouts include:

GROUP	LOCAL
- NOP adjusted ≥ 0	- NOP adjusted ≥ 0
- Net Profit ≥ 0	- Net Profit ≥ 0
- CET1 ratio transitional $\geq 10\%$	
- Liquidity Coverage Ratio $\geq 75\%$	

- **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.
- **Net Profit** to measure profitability considering the results stated in the balance sheet excluding any extraordinary item as considered appropriate by the Group Board of Directors upon the Group Remuneration Committee's proposal.
- **Common Equity Tier 1 ratio transitional** to ensure the alignment with the threshold set as the outcome of the SREP process (Supervisory Review and Evaluation Process) coordinated by the European Central Bank. The level of 10% includes also the 0,25% buffer set for systemically relevant banks for 2016.

- **Liquidity Coverage Ratio (LCR)**, to ensure that banks maintain an adequate level of not restricted "High Quality Liquid Assets" in a sufficient quantity to cover the overall 'Net Cash Outflows', over a period of thirty days, under gravely stressed conditions specified by Supervisors.

According to the actual results for 2016 at the UniCredit Group level the relevant conditions have not been achieved. On the local level relevant conditions have been achieved partially. Based on the different scenarios deriving from entry conditions assessment, 2016 Group Incentive System rules had been applied.

In particular, for the pools in "zero factor" scenario – Commercial Banking Austria:

- malus condition had been activated by applying zero factor to identified staff population
- for the non identified staff population the bonus pool was decreased significantly
- referring to the identified staff population belonging to company control functions in order to keep an adequate level of independence a reduction of 50% was applied
- in order to maintain the minimum pay levels needed to play in the market, a discretionary pool had been allocated to 4% of identified staff

In particular, for pools in "partially open" scenario – BA Subgroup, CIB:

- theoretical bonus pool had been reduced by 50% as group entry conditions were not achieved
- new theoretical value had been adjusted based on the assessment of the overall economic and risk sustainability evaluated by CFO and CRO

2.4 COMPREHENSIVE PERFORMANCE MANAGEMENT

Individual performance appraisal was based on 4-8 goals, of which at least half sustainability, and was assessed within the Executive Development Plan processes. Additional targets may have been defined on top of the 4-8 goals, to be taken into consideration within the overall performance assessment.

Competencies and behaviors considered as relevant were taken into account by the manager for the overall performance appraisal.

The goals appraisal system was based on a 1-5 rating scale with a descriptive outcome.

Below	Almost meets	Meets	Exceeds	Greatly Exceeds
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The managerial bonus allocation was done on the basis of available bonus pool, individual performance appraisal and internal benchmarks for specific roles and markets.

2.5 2016 BONUS PAYOUT ILLUSTRATION for Group Identified Staff

BONUS STRUCTURE						
2016	2017	2018	2019	2020	2021	2022
Performance Year	20% CASH	10% CASH	20% SHARES	10% SHARES	10% SHARES	20% CASH 10% SHARES

3. 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 favourable conditions.

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 shares to be purchased on the market with no diluting impact on share capital.

QUANTITATIVE DISCLOSURE

Information on remuneration for all staff 2016									
Employees total	Members of the Supervisory Board	Members of the Executive Board	Investment Banking	Retail Banking	Asset Management	Corporate Functions	Independent Control Functions	All other	Total
Number of members (Headcount)	63	28							91
Total number of staff (in FTE)			462	3112	468	833	583	703	6161
Total net profit (in EUR)									-300.058
Total remuneration (in EUR)	778.472	15.006.337	64.466.669	296.768.423	44.605.511	122.199.799	82.390.461	118.509.009	744.724.681
of which: variable remuneration	25.800	1.970.928	5.630.000	4.620.028	2.586.700	4.109.453	2.198.888	2.531.506	23.673.303
Information on remuneration of staff identified under § 39 BWG									
Number of identified staff under § 39 BWG (Headcount)	36	28							64
Number of identified staff (in FTE)			17	15	24	32	54	9	151
Number of identified staff in senior management positions (FTE)			6	10	4	19	11	0	50
Total amount of fixed remuneration	586.739	12.757.404	4.944.253	2.286.495	2.695.420	9.674.183	9.103.491	1.645.002	43.692.987
of which: fixed in cash	586.739	12.757.404	4.944.253	2.286.495	2.695.420	9.674.183	9.103.491	1.645.002	43.692.987
of which: fixed in shares and share-linked instruments	0	0	0	0	0	0	0	0	0
of which: fixed in other types instruments	0	0	0	0	0	0	0	0	0
Total variable remuneration	23.800	1.970.927	1.124.000	150.000	371.000	254.000	492.689	49.400	4.435.816
of which: variable in cash	23.800	1.043.776	627.500	150.000	356.000	162.500	408.689	49.400	2.821.665
of which: variable in shares and share-linked instruments	0	880.000	496.500	0	15.000	91.500	84.000	0	1.567.000
of which: variable in other types instruments	0	47.151	0	0	0	0	0	0	47.151
Total amount of variable remuneration which has been deferred	0	1.474.011	819.400	0	100.750	146.400	134.400	0	2.674.961
of which: deferred variable in cash	0	546.860	322.900	0	85.750	54.900	50.400	0	1.060.810
of which: deferred variable in shares and share-linked instruments	0	880.000	496.500	0	15.000	91.500	84.000	0	1.567.000
of which: deferred variable in other types of instruments	0	47.151	0	0	0	0	0	0	47.151
Additional information regarding the amount of total variable remuneration									
Article 450 h(iii)CRR - total amount of outstanding deferred variable remuneration awarded in previous periods	0	3.955.538	2.011.250	734.300	313.300	1.542.600	601.360	0	9.158.348
Total amount of explicit ex post performance adjustment for previously awarded remuneration	0	161.581	0	89.241	51.325	135.705	26.575	0	464.427
Number of beneficiaries of guaranteed variable remuneration (new sign-on payments)	0	0	0	0	0	0	0	0	0
Total amount of guaranteed variable remuneration (new sign-on payments)	0	0	0	0	0	0	0	0	0
Number of beneficiaries of severance payments	0	0	0	0	0	0	0	0	0
Total amount of severance payments	0	0	0	0	0	0	0	0	0
Article 450 h(v) - highest severance payment to a single person	0	0	0	0	0	0	0	0	0
Number of beneficiaries of contributions to discretionary pension benefits	0	0	0	0	0	0	0	0	0
Total amount of contributions to discretionary pension benefits	0	0	0	0	0	0	0	0	0
Total amount of variable remuneration awarded for multi-year periods under programmes which are not revoked annually	0	0	0	0	0	0	0	0	0

During 2016, a total remuneration equal to or greater than 1 million Euros was awarded to 7 beneficiaries. In particular:

Total Compensation or (TC)	IDENTIFIED STAFF (Number)
1 M ≤ TC < 1,5 M	3
1,5 M ≤ TC < 2 M	1
2 M ≤ TC < 2,5 M	1
3,5 M ≤ TC < 4 M	1
4 M ≤ TC < 4,5 M	1