

## **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 UniCredit Group Compensation Policy and plan design. The Remuneration Committee consists of the following 5 members:

- the Chairman of the Supervisory Board – who covers the office of Chairman of the Remuneration Committee
- the Deputy Chairman
- one voted member of the Supervisory Board
- two representatives of the employees' council.

Furthermore, the Financial Markets Authority delegates state commissioners to the meetings of the Committee.

The Remuneration Committee's tasks comprise:

- (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 regularly controlling the remuneration of the senior management of both, the Risk Management department and the Compliance department.

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 2017, the Remuneration Committee met once and passed further decisions in the form of circular votes.

During 2017, the key activities of the Remuneration Committee included:

- final evaluation of the sustainability of UniCredit Group performance parameters and its risk-reward alignment, as legally required by BWG provisions (*Bankwesengesetz*, Austrian Banking Act)
- 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 UniCredit Group's 2017 Compensation Policy, supported by Human Capital, Compliance, CRO Risk Management and CFO Finance
- 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 per the legal requirements by 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 2, 2018.

## 2. GROUP COMPENSATION SYSTEMS

### 2.1 TARGET POPULATION

Starting as early as 2010, UniCredit Bank Austria AG conducted every year - in alignment with specific regulations - the self-evaluation process to define the Group's Identified Staff population to whom, according to internal/external regulations, 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 Standards (RTS).

### 2.2 RATIO BETWEEN VARIABLE AND FIXED COMPENSATION

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

### 2.3 2017 INCENTIVE SYSTEM IMPLEMENTATION AND OUTCOMES

The 2017 System, approved by UniCredit Board of Directors on January 10, 2017, and consequently by UniCredit Bank Austria AG's Remuneration Committee, provides for a 'bonus pool' approach directly linking bonuses to 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 distributed over a period of 6 years.

#### *Bonus pool 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 according to the actual trend of performance of the respective segment.

#### *2017 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 2017 Group Incentive System as defined within the Entry Conditions that confirms, reduces or cancels upfront and deferred payouts include:

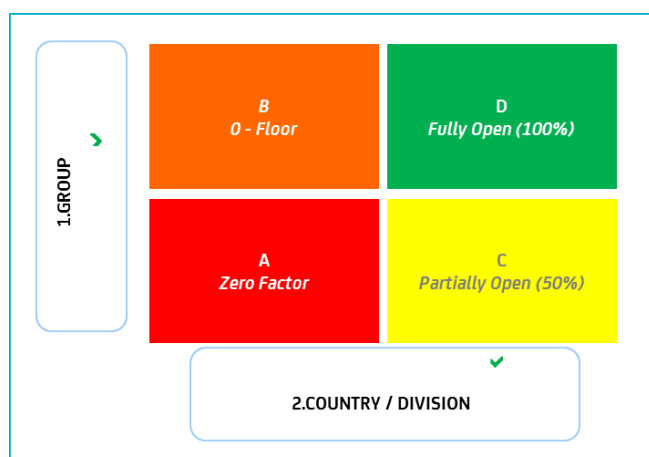
GROUP	LOCAL
- NOP adjusted $\geq 0$	- NOP adjusted $\geq 0$
- Net Profit $\geq 0$	- Net Profit $\geq 0$
- CET1 ratio transitional $\geq 10,25\%$	
- Liquidity Coverage Ratio > RAF 100%	
- Net Stable Funding Ratio > RAF 100%	

- **Adjusted Net Operating Profit** (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.
- **Transitional Common Equity Tier 1 Ratio** 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 10.25% includes also the 0.25% buffer set for systemically relevant banks.
- **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.

- **Net Stable Funding Ratio (NSFR)**, is defined as the amount of available stable funding relative to the amount of required stable funding and measures, under a long-term perspective, the sustainability terms of maturities between assets and liabilities.

According to the actual results for 2017 at UniCredit Group level the relevant conditions have been fully fulfilled. On the local level, the relevant conditions have been fully achieved. Based on the different scenarios deriving from the assessment of entry conditions, the 2017 Group Incentive System rules had been applied.

Consequently, all Bonus Pools may pay out between 50% and 100% of the theoretical Bonus Pool, calculated by applying the Funding Rate of the Pool to the actual results:



## 2.4 COMPREHENSIVE PERFORMANCE MANAGEMENT

Individual performance appraisal was based on 4-8 goals, of which at least half concern 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 goal appraisal system was based on a 1-5 rating scale with a descriptive outcome:



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

## 2.5 2017 BONUS PAYOUT ILLUSTRATION for Group Identified Staff

BONUS STRUCTURE						
2017	2018	2019	2020	2021	2022	2023
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 Milan Stock Exchange to avoid any dilution effect on the share capital.

## QUANTITATIVE DISCLOSURE

Information on remuneration for all staff									
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)	57	25							82
Total number of staff (in FTE)			407	2.952	461	714	468	530	5.532
Total net profit (in EUR)									653.478.000
Total remuneration (in EUR)	533.494	9.098.511	59.353.821	269.992.953	45.606.721	98.854.640	61.006.706	125.578.319	670.025.165
of which: variable remuneration	2.500	2.963.112	5.648.217	5.765.721	3.019.096	4.806.257	2.283.329	48.768	24.537.000
Information on remuneration of staff identified under § 39b BWG									
Number of identified staff under § 39 BWG (Headcount)	30	25							55
Number of identified staff (in FTE)			17	17	28	30	48	7	145
Number of identified staff in senior management positions (FTE)			3	10	3	14	9	0	39
Total amount of fixed remuneration	365.700	6.135.399	2.959.454	4.218.955	2.876.344	5.704.761	7.109.736	951.750	30.322.099
of which: fixed in cash	365.700	6.135.399	2.959.454	4.218.955	2.876.344	5.704.761	7.109.736	951.750	30.322.099
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	0	2.723.117	1.568.000	732.500	690.877	1.142.446	751.100	33.400	7.641.440
of which: variable in cash	0	1.457.117	830.500	412.500	614.377	714.946	571.100	33.400	4.633.940
of which: variable in shares and share-linked instruments	0	1.266.000	737.500	320.000	76.500	427.500	180.000	0	3.007.500
of which: variable in other instrument types	0	0	0	0	0	0	0	0	0
Total amount of variable remuneration which has been deferred	0	2.042.600	1.180.000	532.000	253.900	724.000	288.000	0	5.020.500
of which: deferred variable in cash	0	776.600	442.500	212.000	177.400	296.500	108.000	0	2.013.000
of which: deferred variable in shares and share-linked instruments	0	1.266.000	737.500	320.000	76.500	427.500	180.000	0	3.007.500
of which: deferred variable in other types of instruments	0	0	0	0	0	0	0	0	0
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	2.932.471	1.628.226	386.698	262.487	548.339	148.310	0	5.906.532
Total amount of explicit ex post performance adjustment for previously awarded remuneration	0	0	0	0	0	0	0	0	0
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 2017, a total remuneration equal to or greater than 1 million Euros was awarded to 4 beneficiaries. In particular:

Total Compensation or (TC)	IDENTIFIED STAFF (Number)
1 M ≤ TC < 1,5 M	4
1,5 M ≤ TC < 2 M	0
2 M ≤ TC < 2,5 M	0
3,5 M ≤ TC < 4 M	0
4 M ≤ TC < 4,5 M	0

**Declaration pursuant to the EBA Guidelines 2016/11 on  
disclosure requirements under Part Eight  
of Regulation (EU) No 575/2013**

The undersigned Doris Tomanek (as Manager charged with preparing the report of remuneration and incentive systems and practices) of UniCredit Bank Austria AG

CERTIFIES

that, pursuant to the EBA Guidelines 2016/11 on disclosure requirements under Part Eight of Regulation (EU) No 575/2013 ("CRR") 4.2 paragraph – section C, disclosures provided according to the aforementioned Part Eight have been prepared in accordance with the internal control processes agreed upon at management body level.

Vienna, August 31, 2018



Doris Tomanek  
Member of the Management Board