

## **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 2018, the Remuneration Committee met once and passed further decisions in the form of circular votes.

During 2018, 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 2018 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 4, 2019.

## 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 2018 INCENTIVE SYSTEM IMPLEMENTATION AND OUTCOMES

The 2018 System, approved by UniCredit Board of Directors on January 9, 2018, 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 funding*

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.

#### *2018 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 2018 Group Incentive System as defined within the Entry Conditions that confirms, reduces or cancels upfront and deferred payouts include:

GROUP	LOCAL
<ul style="list-style-type: none"> <li>- NOP adjusted <math>\geq 0</math></li> <li>- Net Profit <math>\geq 0</math></li> <li>- CET1 ratio transitional &gt; 2018 RAF "trigger" (10,43%)</li> <li>- Liquidity Coverage Ratio &gt; 2018 RAF "limit" (101%)</li> <li>- Net Stable Funding Ratio &gt; 2018 RAF "limit" (101%)</li> </ul>	<ul style="list-style-type: none"> <li>- NOP adjusted <math>\geq 0</math></li> <li>- Net Profit <math>\geq 0</math></li> </ul>

- **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 10.43% 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.

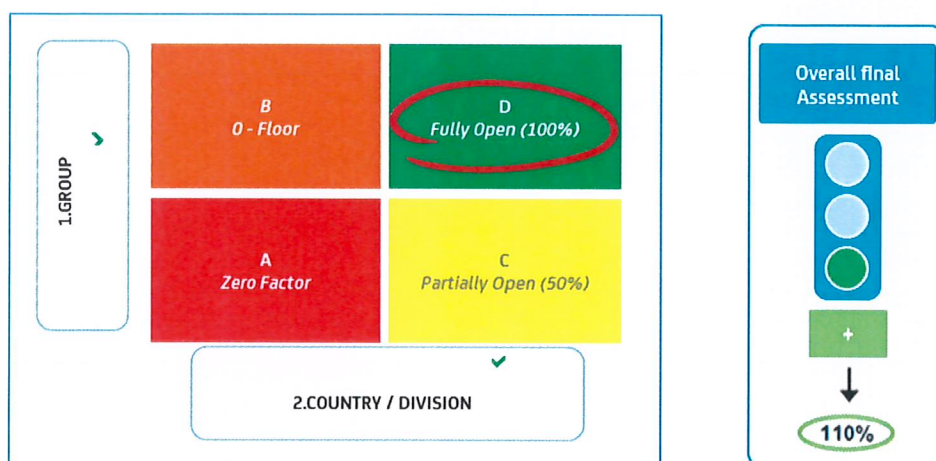
#### *Adjustments based on sustainability and risk*

In order to ensure consistency with the Group Risk Appetite Framework and the economic sustainability of the group's and country/division results over time, the bonus pool may be revised up/downwards, on the basis of the overall "quality of performance". The methodology envisages the assessment performed by Group CRO based on specific dashboards (covering all relevant risks) at group and local level. The overall appraisal of Risk sustainability will lead to the application of 5 possible multipliers in the range of 50% - 120%. Furthermore a discretionary adjustment of up to 20% may be applied by the Group Board of Directors while there is no limit to a downward discretionary adjustment of the bonus pool.

#### *Outcome*

According to the actual results for 2018 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 2018 Group Incentive System rules had been applied. The overall appraisal of Risk sustainability resulted in a multiplier of 110%.

Consequently, all Bonus Pools may pay out up to 110% of the theoretical Bonus Pool, calculated by applying the Funding Rate of the Pool to the actual results and the adjustment based on sustainability and risk KPIs:



## 2.4 COMPREHENSIVE PERFORMANCE MANAGEMENT

Individual performance appraisal was based on 5-8 goals, of which 4-6 were selected from the catalogue of main Key Performance Indicators (KPI BlueBook) based on the UniCredit Five Fundamentals and Bank Austria priorities and annual strategies. At least half of them concern sustainability and at least 1 goal had to be Risk adjusted or Risk related. The goals were assessed within the Executive Development Plan processes. 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:

PERFORMANCE RATING				
E - Below expectations	D - Almost meets expectations	C - Meets expectations	B - Exceeds expectations	A - Greatly exceeds expectations

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 2018 BONUS PAYOUT ILLUSTRATION for Group Identified Staff

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6
CASH	20%	10%				20%
SHARES	20%		10%	10%	10%	

## 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)	62	25							87
Total number of staff (in FTE)			395	2.839	441	754	436	509	5.374
Total net profit (in EUR)									636.552.000
Total remuneration (in EUR)	521.529	9.283.157	55.408.165	258.472.993	45.251.478	86.669.262	56.134.838	123.080.988	634.822.410
of which: variable remuneration	2.700	2.976.920	5.600.360	8.300.711	3.229.894	5.622.367	3.467.756	1.482.893	30.683.601
Information on remuneration of staff identified under § 39b BWG									
Number of identified staff under § 39 BWG (Headcount)	32	25							57
Number of identified staff (in FTE)			16	20	23	30	36	6	131
Number of identified staff in senior management positions (FTE)			7	9	11	16	11		54
Total amount of fixed remuneration	314.848	6.306.237	3.878.497	3.222.381	2.826.473	4.431.191	4.994.037	657.107	26.630.771
of which: fixed in cash	314.848	6.306.237	3.878.497	3.222.381	2.826.473	4.431.191	4.994.037	657.107	26.630.771
of which: fixed in shares and share-linked instruments									
of which: fixed in other types instruments									
Total variable remuneration		2.976.920	1.428.000	1.101.000	702.808	1.305.835	754.977	42.700	8.312.240
of which: variable in cash		1.756.920	761.000	733.500	600.308	890.835	521.477	42.700	5.306.740
of which: variable in shares and share-linked instruments		1.220.000	667.000	367.500	102.500	415.000	233.500		3.005.500
of which: variable in other instrument types									
Total amount of variable remuneration which has been deferred		1.972.000	1.067.200	665.500	270.000	769.000	373.600		5.117.300
of which: deferred variable in cash		752.000	400.200	298.000	167.500	354.000	140.100		2.111.800
of which: deferred variable in shares and share-linked instruments		1.220.000	667.000	367.500	102.500	415.000	233.500		3.005.500
of which: deferred variable in other types of instruments									
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		4.173.141	2.149.244	669.628	367.701	884.338	476.385		8.720.437
Total amount of explicit ex post performance adjustment for previously awarded remuneration									
Number of beneficiaries of guaranteed variable remuneration (new sign-on payments)									
Total amount of guaranteed variable remuneration (new sign-on payments)									
Number of beneficiaries of severance payments		1	1	3			3		8
Total amount of severance payments		637.056	437.413	232.380			221.617		1.528.466
Article 450 h(v) - highest severance payment to a single person			437.413						437.413
Number of beneficiaries of contributions to discretionary pension benefits									
Total amount of contributions to discretionary pension benefits									
Total amount of variable remuneration awarded for multi-year periods under programmes which are not revoked annually									

During 2018, a total remuneration equal to or greater than 1 million Euros was awarded to 1 beneficiary. In particular:

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



## Information on remuneration of staff identified under § 39 b BWG (UniCredit Bank Austria AG)

Identified Staff Bank Austria as of 31.12.2018	Num.	Fix Compensation	Variable Compensation 2018				Deferred Variable from previous years				Variable paid in 2018 from previous years	
			Upfront		Deferred		Vested in 2018		Unvested			
			in cash	in shares	in cash	in shares	in cash	in shares	in cash	in shares	in cash	in shares
Supervisory Board	12	252.260	0	0	0	0	0	0	0	0	0	0
Board members	6	2.911.116	408.000	0	612.000	1.020.000	206.000	542.515	967.430	1.962.315	542.430	604.231
SVP	28	5.857.974	589.400	0	839.100	1.398.500	271.800	321.017	1.013.060	2.091.679	616.000	640.892
Other identified staff	60	9.260.636	995.000	0	414.700	387.000	127.500	211.225	444.000	827.306	339.700	340.393

The vested component from previous years 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 2015 and 2017 and, if present, to other forms of variable remuneration;
- the vested components in shares refer to Group Incentive Systems 2014, 2015 and 2016 and, if present, to other forms of variable remuneration.

The unvested component from previous years 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 2015, 2016 and 2017 and, if present, to other forms of variable remuneration;
- the unvested components in shares refer to Group Incentive Systems 2014, 2015, 2016 and 2017 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 resolution that evaluated the performance achievements of each of the relevant Group Incentive Systems 2014, 2015, 2016 and 2017.

Variable remuneration paid with reference to 2018 from previous years includes payouts based on demonstrated multi-year performance achievements related to Group Incentive Systems plans and, if present, to other forms of variable remuneration.

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

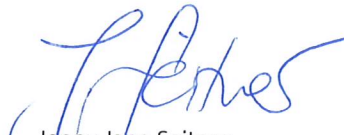
The undersigned Jenny Jane Seitner (as Manager charged with preparing the report of remuneration and incentive systems and practices) and Robert Zadrazil as Chief Executive Officer of UniCredit Bank Austria AG

CERTIFY

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, 15.07.2019

  
Robert Zadrazil  
Chief Executive Officer

  
Jenny Jane Seitner  
Human Capital