
GROUP COMPENSATION POLICY 2010

This presentation does not replace and/or supersede in any case the Directors' Reports concerning the relevant items on the Agenda of the ordinary and extraordinary shareholders' meeting scheduled on April, 20 2010 and published on the website www.unicreditgroup.eu.
Such Directors' reports are therefore the only documents with legal effect that the shareholders shall make reference to in order to obtain all the necessary information to duly exercise their voting rights.

Shareholders' Meeting – Ordinary Session

April, 2010

EXECUTIVE SUMMARY



In compliance with **Bank of Italy** “Supervisory Provisions concerning Banks Organization and Corporate Governance” emanated on March 4 2008 and with recent international regulations, the **Group Compensation Policy** - as approved by the Board of Directors on March 16 2010, upon positive opinion of the Remuneration Committee - is presented for approval to **this Shareholders’ Meeting**.

In 2010, the policy has been reviewed from a **compliance, market and regulatory perspective**, with the support of an independent external advisor and with the involvement of **Risk and Compliance functions**. Existing **policy pillars** are shown to be fully aligned with recent regulatory requirements and therefore reaffirmed from 2009.

Main revisions include: update of our Group mission, alignment of the approach for control functions to recent regulatory indications, definition of specific compliance guidelines for commercial campaigns and the introduction of a new section - **Annual Compensation Report** - which provides **information and disclosure on the implementation of compensation policy & programs**.

The Internal Audit performed the audit of the 2009 Short Term Incentive System. The audit was rated *satisfactory* as it showed a sound governance by relevant Group corporate bodies, overall coherence of defined goals with performance evaluation and integrity of the data used for calculation of key performance indicators. The Remuneration Committee reviewed the results of the internal audit of the 2009 short term incentive system.

FRAMEWORK



Group Compensation Policy 2010

- The **Group Compensation Policy 2010** is comprised of the Group Compensation Policy (Section I) and the Annual Compensation Report (Section II):
 - The **Group Compensation Policy** defines the principles & standards which UniCredit reflects in its design, implementation and monitoring of compensation practices across the entire organization. In line with Bank of Italy dispositions, the Policy is presented for approval to the Shareholders' Meeting.
 - The **Annual Compensation Report** provides information and disclosure on the implementation of compensation policy. The Report is presented for information to the Shareholders' Meeting, in line with national and international disclosure standards.

KEY PILLARS: CONFIRMED FROM 2009



Group Compensation Policy 2010

- By upholding the standards of **sustainable behaviors & values** which drive our Group mission, our compensation strategy represents a key enabler to **enhance & protect our reputation** and to create **long-term value for all Group stakeholders**.

THE PILLARS OF OUR COMPENSATION POLICY

The UniCredit compensation approach is **performance oriented, market aware** and **aligned with business strategy & stakeholder interests**

- Clear and transparent **governance**
- **Compliance** with regulatory requirements & principles of good business conduct
- Continuous monitoring of **market trends & practices**
- **Sustainable pay for sustainable performance**
- **Motivation and retention** of all employees, with particular focus on talents and mission-critical resources

GOVERNANCE & COMPLIANCE



Group Compensation Policy 2010

GOVERNANCE

Efficient, coherent & transparent **governance** assures informed & timely decision-making, avoids conflict of interest & guarantees disclosure in full respect of regulatory principles

- Compensation Governance rests upon a **Delegation of Authority** system, an independent & informed **Remuneration Committee** which advises the decisions taken by the Board of Directors
- Our **Group Managerial Golden Rules & Global Job Model** set the framework for an organizational governance which assures coherent management across the Group while allowing for sufficient flexibility in decision-making

COMPLIANCE

Compliance with regulations & integrity in conduct & behaviors are essential elements of our way of doing business which is based on trust

- Compliant compensation **enhances and protects our company reputation** by guaranteeing that remuneration practices are consistent with conflict of interest guidelines and codes of conduct, in coherence with our Mission and Values
- In the spirit of transparency and accountability, we guarantee **disclosure** of the process by which our compensation policies and practices are defined

CONTINUOUS MONITORING OF MARKET TRENDS AND PRACTICES



Group Compensation Policy 2010

- Our remuneration practices aim to guarantee **distinctive and effective** compensation solutions that best drive our overall **business and people strategies**
- **Continuous monitoring of market trends** and awareness of practices at international level contributes to informed decision-making and **sound formulation of competitive compensation** as well as **internal and external equity and transparency**
- On the basis of constant compensation benchmarking analysis against a peer group defined at Group level, we adopt competitive ranges in compensation levels, pay-mix and total reward structures for effective **retention and motivation** of our critical resources
- With specific reference to the Group Executive population, the **Remuneration Committee** is supported by an independent external advisor in all aspects of its advisory role to the Board
- At Division level as appropriate, benchmarking analysis of relevant peer groups may be conducted to assure **competitive market alignment**. Salary & compensation structures must in any case be fully aligned with the principles of the Group Compensation policy, with particular reference to compliance and sustainability

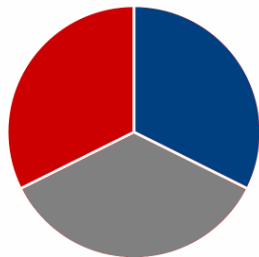
TOTAL COMPENSATION APPROACH



Group Compensation Policy 2010

Our **total compensation approach** provides a **balanced package** of fixed & variable, monetary & non-monetary elements as a key driver to reinforce **commitment, engagement and alignment with organisational goals**

*pay-mix
equilibrium*



*within a total
compensation
offer*

BASE SALARY

Remunerates the role & scope of responsibilities, reflecting excellence & quality of contribution

Relevant weight in overall structure avoids risk and short-term attitudes & allows flexibility in bonus policy

BENEFITS

Completes the total compensation offer and demonstrates internal equity and consistency

Provides for a range of benefits to establish a level of protection and security for employees

The Employee Share Ownership Plan is a valuable tool enabling engagement, affiliation & alignment of interests between shareholders, management & employee population

PERFORMANCE BASED COMPENSATION

Remunerates achievements linking pay to performance
Drives sustainable pay for sustainable performance
Payout deferral over 3 years for Executive population

LONG TERM INCENTIVE

Reinforces alignment of Shareholder & Management interests over time
Demonstrates the depth of our commitment to mission critical resources & talents

FOCUS ON VARIABLE INCENTIVE: SUSTAINABLE PAY FOR SUSTAINABLE PERFORMANCE



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PAY

SUSTAINABLE PAY

how much we pay must be consistent with **long-term value creation**

- Formulate a **total compensation structure** demonstrating **equilibrium between its elements** and **consistency with relevant business strategy & line of sight**
- Assure a **direct link between pay and performance**
- Adopt a **multi-year view of performance**
- Uphold **compliance** in reward mechanisms and processes

PERFORMANCE

FOR SUSTAINABLE PERFORMANCE

what we pay drives our mission and enhances our reputation


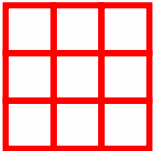

- Align performance measures to **shareholder interests & Group profitability**
- **Encourage sound risk-management practices**
- Adopt a **multi-perspective measurement of sustainable performance results & quality in how results are achieved**

FOCUS ON EXECUTIVE INCENTIVE: GROUP EXECUTIVE INCENTIVE SYSTEM



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The Group Executive Incentive System directly links reward to **sustainable group results achieved**. Rewards consider different types of risk (including liquidity risk) and **cost-of-capital adjusted profit** and are **phased** to coincide with the risk time horizon of such profit.

<p>GROUP GATE</p> 	<ul style="list-style-type: none"> ▪ Direct link between Group-wide risk-adjusted & cost-of-capital-adjusted profitability and reward levels ▪ Measures risk-adjusted & cost-of-capital adjusted profitability ▪ Full bonus opportunity confirmed only if thresholds achieved
<p>PERFORMANCE SCREEN</p> 	<ul style="list-style-type: none"> ▪ Multi-perspective assessment of operational & sustainability drivers ▪ Performance is evaluated on both internal absolute goals and relative external goals ▪ Maximum bonus is capped, based on peer comparisons and considering also risk-adjusted indicators
<p>DEFERRAL</p> 	<ul style="list-style-type: none"> ▪ Phase payout in alignment with company results over time ▪ Incentivate performance while encouraging sound risk management practices and a long-term perspective ▪ Reviewed deferral percentage: 60-20-20%, in line with latest regulators guidelines

FOCUS ON EXECUTIVE COMPENSATION: LONG TERM INCENTIVE



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- Our total compensation approach is completed by **long term incentives** (LTI) which represent an additional tool to balance short & long term performance reward
- Programs may be cash-settled or equity-based, as the **market, regulatory & organizational context suggest**
- Final payout is subordinate to **value creation** in a medium and long term perspective as measured by performance conditions based on **multiple-year targets** including Total Shareholders Return (TSR) and additional internal or market-related performance metrics
- For 2010, the Board of Directors has deliberated on a proposal to be submitted to the approval of this Annual Shareholders' Meeting for a **return to an equity-based long term incentive plan.**
- The proposal is consistent with previous plans while further reinforcing shareholder alignment through key features of its design. Recent regulatory consensus on the effectiveness of equity incentives, appropriately aligned with the time horizons of risk, further strengthens the case for confirmation of our consolidated practice

ANNUAL COMPENSATION REPORT



Group Compensation Policy 2010

- **Information and disclosure provided in the Annual Compensation Report include:**

- **Remuneration Committee** composition, role and 2009 activities
- **Compliance Function** role and the 2009 Compliance Review
- **Internal Audit** of the 2009 Executives Compensation Process
- **Continuous Monitoring of Market Trends and Practices** 2009 key features
- **Group Incentive Programs** 2009 and 2010 key features
 - Group Executive Incentive System
 - Group Long Term Incentive Plan
- **Share Ownership**
 - Employee Share Ownership Plan
 - Share Ownership Guidelines (including anti-hedging provision)
- **Remuneration Tables**
 - covering Non-Executive Directors, CEO, Deputy CEOs, SEVP and other employees with material impact on firm risk exposure as well as the overall Group employee population
 - 2010 target policy pay-mix
 - 2009 aggregate amounts and forms of compensation

INTERNAL AUDIT OF THE 2009 SHORT TERM INCENTIVE SYSTEM



Group Compensation Policy 2010

The objective of the audit was to review the short term incentive process, adopted practices of the Group Compensation Policy 2009 and its application to assess adherence to the relevant internal rules approved in the Group.

The scope of the audit included the application of the short term incentive system designed for 2009 to the population of CEO, Deputy CEOs and the top hundred executive managers (Senior Executive Vice Presidents and Executive Vice Presidents) of the Group.

The executive short term incentive system was rated *satisfactory* as it showed a sound governance by relevant Group corporate bodies, overall coherence of defined goals with performance evaluation and integrity of the data used for calculation of key performance indicators.

Based on the results of reviewing the first period of application of the short term incentive system the audit recommended in particular:

- to evaluate the opportunity of implementing a specific IT tool to make the process more efficient
- to better formalize the criteria for individual performance evaluation
- to enhance goal setting and communication timing.

Overall the audit brought out the need to better specify the performance evaluation procedures formalizing the information flows, points of control and responsibilities.

APPENDIX

POLICY ALIGNMENT WITH REGULATORS



Group Compensation Policy 2010

OVERVIEW OF RECENT REGULATOR REQUIREMENTS AND RECOMMENDATIONS

Principles and Recommendations	European Commission - April 2009	Committee of European Banking Supervisors (CEBS)	Financial Services Authority (FSA) – March 2009	Financial Stability Forum – April 2009	Institute of International Finance (IIF)	Association of British Insurers	Council of Institutional Investors (USA)	Financial Stability Board- Sep 2009	Bank of Italy – Mar 2008	UniCredit compliance
Corporate governance	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Transparency	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Shareholder approval	✓		✓			✓	✓		✓	✓
Discourage “golden parachutes” & guaranteed bonus	✓	✓		✓	✓	✓	✓	✓		✓
Pay mix equilibrium	✓	✓	✓	✓		✓		✓	✓	✓
Incentive deferral	✓	✓	✓	✓	✓			✓		✓
Risk & cost-of capital adjusted indicators, including liquidity risk	✓	✓	✓	✓	✓			✓	✓	✓
Multiyear performance view & clawback	✓	✓	✓	✓		✓	✓	✓	✓	✓
Shareholding guidelines & anti-hedging provision						✓	✓	✓		✓