

# **1. and 2. Delegations to the Board of Directors**

## Directors' Report

**Ordinary and Extraordinary Shareholders' Meeting**

**Milan, April 12, 2018**

# Delegations to the Board of Directors

- 1. Delegation to the Board of Directors of the authority to resolve to carry out a free capital increase for a maximum amount of € 28,130,961 in order to complete the execution of the 2017 Group Incentive System and of the 2017-2019 LTI Plan and consequent amendments to the Articles of Association.**
- 2. Delegation to the Board of Directors of the authority to resolve to carry out a free capital increase for a maximum amount of € 76,597,177 in execution of the 2018 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 Article 2443 of the Civil Code, to increase the share capital under Article 2349 of the Civil Code (granting of free ordinary shares to employees of UniCredit Group), by subsequently amending the clause 6 of the Articles of Association:

## **1) DELEGATION FOR CAPITAL INCREASE TO SUPPORT THE 2017 GROUP INCENTIVE SYSTEM AND THE 2017-2019 LTI PLAN; CONSEQUENT AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

As known, the ordinary session of the shareholders' meeting of April 20, 2017, approved the 2017 System and the LTI Plan, aimed at the allocation of incentives, in cash and/or in free ordinary shares, to be granted to the Personnel of UniCredit and of Group's companies, over a multi-year period and subject to the achievement of specific performance conditions.

In the same meeting the shareholders resolved, in the extraordinary session, the assignment of the power of attorney to the Board of Directors in order to issue the free ordinary shares needed for the execution of 2017 System and of LTI Plan.

Considering that, under the provision of Article 2443 of the Italian Civil Code, the power of attorney to the Board of Directors to increase the share capital can't be assigned for more than five years from the date of the registration of the related shareholders' resolution, during the aforementioned resolution it had been prospected to shareholders the need to present, in a following session, the proposal to assign a further power of attorney for the allocation of the last tranche of shares to be done in 2023, as provided by the 2017 System and the LTI Plan.

In consideration of the above, it is proposed to today shareholders' meeting to assign a power of attorney to the Board of Directors, to be exercised in 2023, in order to increase the share capital of up to 3,000,000 ordinary shares, corresponding to a maximum amount of Euro 28,130,961.00, calculated based on the implicit value of UniCredit share, determined at the moment of the assignment of the power of attorney to the Board in April 2017.

The aforementioned capital increase will 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 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.

Under the provisions of Article 2349 of the Italian Civil Code, the consequent amendments to the Articles of Association are submitted to the Shareholders' meeting for approval and are detailed as follows:

<i>TEXT IN FORCE</i>	<i>DRAFT AMENDMENT</i>
<b>SECTION III</b> <b>Regarding share capital and shares</b>	<b>SECTION III</b> <b>Regarding share capital and shares</b>
<u>Clause 6</u>  <i>omissis</i>	<u>Clause 6</u>  <i>omissis</i>
15. The Board of Directors has the power, under the provisions of Article 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 20, 2017, to carry out a free capital increase, as allowed by Article 2349 of the Italian Civil Code, for a maximum amount of Euro 187,539,740.00 corresponding to up to 20,000,000 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 2017 Group Incentive System and of 2017-2019 LTI Plan.	15. The Board of Directors has the power, under the provisions of Article 2443 of the Italian Civil Code, <del>to resolve</del> <b>(i) to carry out a free capital increase</b> , on one or more occasions for a maximum period of five years starting from the shareholders' resolution dated April, 20 2017, as allowed by Article 2349 of the Italian Civil Code, <del>a free capital increase</del> for a maximum amount of Euro 187,539,740.00, corresponding to a maximum number of 20,000,000 ordinary shares <b>and (ii) to carry out a free capital increase in 2023 for a maximum amount of Euro 28,130,961.00, corresponding to up to 3,000,000 ordinary shares</b> , 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 2017 Group Incentive System and of 2017-2019 LTI Plan.

## 2) DELEGATION FOR CAPITAL INCREASE TO SUPPORT THE 2018 GROUP INCENTIVE SYSTEM; CONSEQUENT AMENDMENTS TO THE ARTICLES OF ASSOCIATION

It has been submitted to the approval of today's Ordinary meeting the 2018 System based on financial instruments, in order to align shareholders' and management interests, reward long term value creation, share price appreciation and motivate and retain key Group resources.

The 2018 System aims to incentive in a multi-year period the following Group employees: UniCredit Chief Executive Officer (CEO), UniCredit General Manager (GM), Senior Executive Vice Presidents (SEVP), Executive Vice Presidents (EVP), Senior Vice Presidents (SVP), Board members of relevant and identified Group Entities, employees of the Group with total remuneration greater than Euro 500,000 in 2017, 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 hires). 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 2018 System based on available bonus pool, individual performance evaluation, bonus reference for specific roles/markets and bonus cap as defined by the Ordinary Shareholder's meeting.

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 shares<sup>1</sup>, subject to continuous

<sup>1</sup> The table shows the share payments distribution after the shares retention periods (a retention period on upfront shares of 2 years and of 1 year for deferred shares)

# Delegations to the Board of Directors

employment at each date of payment, as shown by the following table:

	2019	2020	2021	2022	2023	2024
EVP & above & other identified staff with bonus $\geq 500k^2$	20% cash	10% cash	20% shares	10% shares	10% shares	20% cash + 10% shares
SVP & other identified staff with bonus <500k	30% cash	10% cash	30% shares	10% cash + 10% shares	10% shares	-

The number of shares to be allocated in the respective installments shall be defined in 2019, on the basis of the arithmetic mean of the official market prices of UniCredit ordinary shares during the month preceding the Board resolution that evaluates 2018 performance achievements (the maximum number of shares to service the 2018 System is estimated at 9,000,000).

Considering the number of beneficiaries and the total number of financial instruments to be allocated, the optimal method identified to service the 2018 System is the deliberation – on one or more occasions – by the Board of Directors upon power of attorney delegated by this shareholders' meeting under Article 2443 of the Italian Civil Code, of a free capital increase, as allowed by Article 2349 of the Italian Civil Code, within five years of the date of the shareholders' resolution, for a maximum amount of Euro 76,597,177 corresponding to up to 8,200,000 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 Article 2443 of the Italian Civil Code, the power of attorney to the Board of Directors for capital increase can't have a duration higher than five years from the date of the registration of relevant shareholders' resolution, in order to complete the execution of 2018 System – having a 6-years duration – it will be submitted to one of the future Shareholders' meetings approval the proposed assignment of a further power of attorney to the Board of Directors for capital increase to service the aforementioned 2018 System through the allocation of a maximum overall number of 800,000, corresponding to a capital increase of a maximum Euro 7,344,935.

It is highlighted that a maximum number of UniCredit ordinary shares of the 2018 System equal to 1,800,000 will be destined to so called "bonus buy-out" to be paid to possible new hires who are entitled to receive previous Incentive Plans assigned by previous Employer. The payout scheme offered in such cases will mirror the one as defined by the previous Employer and in any case in compliance with actual regulations. The free capital increase that will be carried out for the 2018 System could be also used for other variable remuneration (e.g. sign-on / welcome bonus, special awards, retention bonus) and for severance payments to Group employees, for whom the regulatory foresee deferred payments in 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 from the distribution of company profits that shall be identified by the Board of Directors at the moment of share issuance.

In case it would not be possible to proceed with the issuance (full or partial) of the UniCredit ordinary shares to service the 2018 System (including the case in which the amount of the "Provisions Linked to the Medium Term Incentive System for Group Personnel" would not be sufficient), an equivalent amount in cash will be allocated to the beneficiaries, determined on base of arithmetic mean of the official market prices of UniCredit ordinary shares during the month preceding the Board resolution that evaluates results achieved in 2018.

<sup>2</sup> Including direct reports to strategic supervisory, management and control bodies and other Identified staff as required by local regulation

Should the aforementioned delegation of power of attorney be exercised to its maximum amount, the newly issued shares would represent an overall 0.37% of existing share capital (0.40% considering the maximum number of shares equal to 9,000,000 which includes also the 800,000 shares for the allocation of the last installments in shares in 2024).

Under the provisions of Article 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 paragraph in clause 6 with the following text:

*“The Board of Directors has the power, under the provisions of Article 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, 12 2018, to carry out a free capital increase, as allowed by Article 2349 of the Italian Civil Code, for a maximum amount of Euro 76,597,177 corresponding to up to 8,200,000 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 2018 Group Incentive System”.*

### 3) OTHER AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Together with the changes of the Articles of Association directly linked to the proposals granting the power to the Board of Directors members under number 1 and 2, we propose, in this occasion, to approve the updates to clause 6 necessary to make it consistent with the actual state of implementation of previous incentive plans as well, through:

- the amendment of paragraph 1 (it is eliminated the reference to what the Board of Directors resolved on July 22, 2004 in relation to the 2004 Stock Option Plan, which ceased to have any effect in 2017, and adjusted to the exercise of subscription rights, by allying it with what resolved by the Board of Directors on November 18, 2005);
- the elimination of paragraph 3 (regarding to the 2007 Stock Option Plan, which ceased to have any effect in 2017);
- subsequent renumbering of the following paragraphs;

as set forth below:

<b>TEXT IN FORCE</b>	<b>DRAFT AMENDMENT</b>
<b>SECTION III</b> <b>Regarding share capital and shares</b>	<b>SECTION III</b> <b>Regarding share capital and shares</b>
<u>Clause 6</u>	<u>Clause 6</u>
1. In partial exercise of powers conferred by the Extraordinary Shareholders' Meeting held on May 4, 2004 pursuant to Article 2443 of the Italian Civil Code, the Board of Directors passed a resolution on July 22, 2004 to increase capital by a maximum amount of Euro 7,284,350 corresponding to a maximum number of 14,568,700 ordinary shares of Euro 0.50 each and passing another resolution on November 18, 2005 to increase capital by a maximum amount of Euro 20,815,000 corresponding to a maximum number of 41,630,000 ordinary shares of Euro 0.50 each, to be used to exercise a corresponding number of subscription rights reserved for the Executive	1. In partial exercise of powers conferred by the Extraordinary Shareholders' Meeting held on May 4, 2004 pursuant to Article 2443 of the Italian Civil Code, the Board of Directors passed a resolution <del>on July 22, 2004</del> to increase capital by a maximum amount of Euro 7,284,350 corresponding to a maximum number of 14,568,700 ordinary shares of Euro 0.50 each and <del>passing another resolution</del> on November 18, 2005 to increase capital by a maximum amount of Euro 20,815,000 corresponding to a maximum number of 41,630,000 ordinary shares of Euro 0.50 each, to be used to exercise a corresponding number of subscription rights reserved for the Executive

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<p>Personnel of UniCredit S.p.A. and the other Group Banks and Companies who hold positions which are significant in terms of achieving the overall objectives of the Group. The aforementioned rights can be exercised from 2008 until 2017 according to the criteria and in the periods identified by the Board of Directors.</p> <p>2 unchanged</p> <p>3. The Board of Directors, in partial exercise of the powers received, as per Article 2443 of the Italian Civil Code, from the Extraordinary Shareholders' Meeting of May 10, 2007, has resolved on June 12, 2007 to increase the share capital of a maximum nominal amount of Euro 14,904,711.50 corresponding to a maximum number of 29,809,423 ordinary shares with a value of Euro 0.50 each, at the service of the exercise of a corresponding number of subscription rights to be granted to the Management of UniCredit S.p.A., as well as of the other Banks and companies of the Group, who hold positions considered highly relevant for the attainment of the overall Group targets. The aforementioned rights can be exercised from 2011 until 2017 according to the criteria and in the periods identified by the Board of Directors.</p>	<p>Personnel of UniCredit S.p.A. and the other Group Banks and Companies who hold positions which are significant in terms of achieving the overall objectives of the Group. The aforementioned rights can be exercised from 2009<del>8</del> until 2018<del>7</del> according to the criteria and in the periods identified by the Board of Directors.</p> <p>2. unchanged.</p> <p><del>3. The Board of Directors, in partial exercise of the powers received, as per Article 2443 of the Italian Civil Code, from the Extraordinary Shareholders' Meeting of May 10, 2007, has resolved on June 12, 2007 to increase the share capital of a maximum nominal amount of Euro 14,904,711.50 corresponding to a maximum number of 29,809,423 ordinary shares with a value of Euro 0.50 each, at the service of the exercise of a corresponding number of subscription rights to be granted to the Management of UniCredit S.p.A., as well as of the other Banks and companies of the Group, who hold positions considered highly relevant for the attainment of the overall Group targets. The aforementioned rights can be exercised from 2011 until 2017 according to the criteria and in the periods identified by the Board of Directors.</del></p>
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The amendments submitted to the approval of the today UniCredit Shareholders' Meeting – which do not trigger the right of withdrawal of the ordinary and savings shareholders pursuant to art. 2437 of the Italian 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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## Resolution proposals to the Extraordinary Shareholders' Meeting

*Dear Shareholders,*

*in relation to the above, considering as approved by today's ordinary shareholders' meeting the adoption of the 2018 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**

- 1.a) *to grant the Board of Directors, under the provisions of Article 2443 of the Italian Civil Code, the authority to resolve in 2023 to carry out a free capital increase, as allowed by Article 2349 of the Italian Civil Code, for a maximum amount of Euro 28,130,961.00 corresponding to up to 3,000,000 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 order to complete the execution of the 2017 System and of the LTI Plan approved by Ordinary Meeting on April, 20 2017. 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 case, may be restored or increased via allocation of profits*

or a portion of 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;

- 1.b) further to the resolution passed in point 1.a), to review the paragraph 15 in clause 6 of the Articles of Association with the following new text:

*"The Board of Directors has the power, under the provisions of Article 2443 of the Italian Civil Code, (i) to carry out a free capital increase, on one or more occasions for a maximum period of five years starting from the shareholders' resolution dated April, 20 2017, as allowed by Article 2349 of the Italian Civil Code, for a maximum amount of Euro 187,539,740.00, corresponding to a maximum number of 20,000,000 ordinary shares and (ii) to carry out a free capital increase in 2023 for a maximum amount of Euro 28,130,961.00, corresponding to up to 3,000,000 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 2017 Group Incentive System and of 2017-2019 LTI Plan";*

- 2.a) to grant the Board of Directors, under the provisions of Article 2443 of the Italian Civil Code, the authority to resolve - on one or more occasions for a maximum period of five years from the date of shareholders' resolution - to carry out a free capital increase, as allowed by Article 2349 of the Italian Civil Code, for a maximum amount of Euro 76,597,177 corresponding to up to 8,200,000 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 2018 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 case, 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;

- 2.b) further to the resolution passed in point 2.a), 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 Article 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, 12 2018, to carry out a free capital increase, as allowed by Article 2349 of the Italian Civil Code, for a maximum amount of Euro 76,597,177 corresponding to up to 8,200,000 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 2018 Group Incentive System";*

- 3.a) to eliminate paragraph 3 of clause 6 with subsequent renumbering of the following paragraphs 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16 respectively in 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15;

- 3.b) to amend paragraph 1 of clause 6 as follows:

*"1. In partial exercise of powers conferred by the Extraordinary Shareholders' Meeting held on May 4, 2004 pursuant to Article 2443 of the Italian Civil Code, the Board of Directors passed a resolution on November 18, 2005 to increase capital by a maximum amount of Euro 20,815,000 corresponding to a maximum number of 41,630,000 ordinary shares of Euro 0.50 each, to be used to exercise a corresponding number of subscription rights reserved for the Executive Personnel of UniCredit S.p.A. and the other Group Banks and Companies who hold positions which are significant in terms of achieving the overall objectives of the Group. The aforementioned rights can be exercised from 2009 until 2018 according to the criteria and in the periods identified by the Board of Directors."*

- 4) 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;

- 5) to give to the Chairman and to the Chief Executive Officer, also separately, every opportune powers of attorney to:

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- (i) provide for implementing the above resolutions under terms of law;*
- (ii) accept or adopt all amendments and additions (not changing substantially the content of the resolutions) which should be necessary for 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.*