

COMPENSATION FRAMEWORK

UNICREDIT PRACTICE

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UNICREDIT AT A GLANCE



- over **156,000** employees
- **9,300** branches
- banking operations in **22** countries
- international network spanning ~ **50** countries
- market leader in **Central & Eastern Europe**

OUR HR MISSION

“**Create an Environment** where our **People** generate sustainable **Value** for our **Customers**, feel great about our **European Company** and are **connected** with the communities we live in.
These commitments will allow us to attract develop and retain the best talents.”

GROUP COMPENSATION POLICY

- Today remuneration strategy needs to consider **mounting pressure from regulators and stakeholders** who are demanding sound compensation for sustainable performance
- UniCredit total compensation approach is **performance oriented, market aware** and aligned with business strategy & stakeholder interests
- The **Group Compensation Policy**, approved by the Board of Directors and the Shareholders' Meeting, sets out the **principles and standards** which UniCredit applies in compensation practices across the organization:



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

GOVERNANCE

INCENTIVE

DISCLOSURE

CLEAR AND TRANSPARENT GOVERNANCE

GOVERNANCE

INCENTIVE

DISCLOSURE

- UniCredit follows a rigorous **Governance on Group Compensation** as an essential prerequisite for clear, independent and informed decision – making process



- Human Resources:** facilitates the process, proposes reward strategies
- Compliance:** validates all aspects of compensation policies and systems
- Risk:** ensures coherence of ex-ante/ex-post risk adjustments
- Finance:** defines and monitors strategic business performance
- Audit:** performs an annual audit on remuneration policies and practices



- The **Remuneration Committee** supported by the **independent external advisor** proposes the Group Compensation Policy and the Group Incentive System to **Board of Directors** for the approval
- The Board of Directors and the **shareholders' Annual General Meeting** approve the Policy upon the positive proposal of the Remuneration Committee
- The Board, heard the opinion of **Statutory Auditors**, establishes the remuneration of the Chairman, Deputy Chairmen, Chief Executive Officer and Heads of Control Functions
- The **Board** shall have exclusive jurisdiction determining the variable portion of the compensation of the Head of Compliance & Head of Internal Audit functions, subject to the opinion of the **Internal Controls & Risks Committee** and based on criteria and parameters unrelated to the bank's performance

SUSTAINABLE PAY FOR SUSTAINABLE PERFORMANCE

GROUP INCENTIVE SYSTEM (1/2)

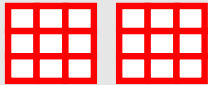
GOVERNANCE

INCENTIVE

DISCLOSURE

EVALUATING PERFORMANCE

PERFORMANCE SCREEN



- Performance is evaluated on the basis of a multi-perspective assessment of operational and sustainability goals

	% WEIGHT	PERFORMANCE DRIVERS	REFERENCE PERIMETER	REFERENCE TARGET
OPERATIONAL GOALS	50%	Economic Profit	Group	vs budget
		NOP / Avg Tangible Assets	Group	vs peers
SUSTAINABILITY GOALS	50%	Leverage Ratio	Group	vs peers
		Customer Satisfaction + Reputation	Group	vs qualitative assessment

COMPLIANCE ASSESSMENT

	100%	125%	125-150%
exceeds			
meets	75%	100%	125%
below	0-50%	75%	100%
	below	meets	exceeds

0% - 150%



- Set of goals financial / non-financial & guidelines for performance measurement are mapped in a so called KPI bluebook (KPI – key performance indicators) together with specific guidelines for the Control functions (as per regulatory requirements)

KPI BLUEBOOK CATEGORIES

1. VALUE CREATION
2. PROFITABILITY
3. COMMERCIAL
4. EFFICIENCY
5. EXTERNAL RELATIVE
6. STAKEHOLDER VALUE
7. ENHANCE RISK & CONTROL CULTURE
8. SUPPORT & CONTROL FUNCTIONS

SUSTAINABLE PAY FOR SUSTAINABLE PERFORMANCE

GROUP INCENTIVE SYSTEM (2/2)

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BONUS STRUCTURE

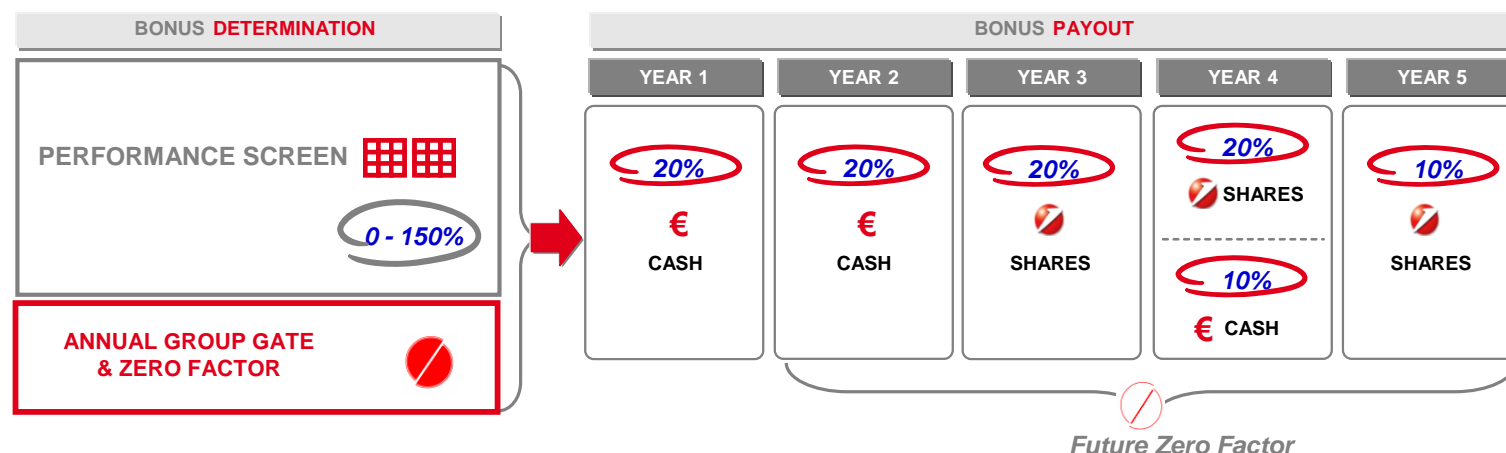


DEFERRALS

payouts over time in cash & shares

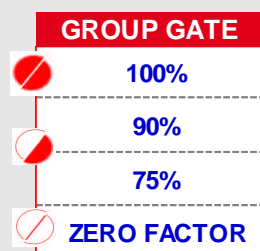
- Performance Screen assessment impacts the **overall bonus amount**
- Bonus amounts are paid out in cash and shares upfront and deferred **over a period of 5 years (80% deferred/restricted and 50% equity)**
- Share retention period of 2 years on upfront shares and 1 year on deferred shares

BONUS STRUCTURE FOR IDENTIFIED STAFF



GROUP GATE

group profitability / solidity thresholds



- The bonus is subjected also to Groups' annual profitability, solidity and liquidity results that are reflected in the so called "Group Gate" measured by risk metrics such as: Core Tier 1 Ratio, Return on Tangible Equity, Net Profit, Cash Horizon
- The **Group Gate** impacts the overall bonus amount of the Group "Identified Staff", including top 115 managers of the Group
- **Zero Factor** applies as "malus" condition on deferrals

COMPENSATION DISCLOSURE

GOVERNANCE

INCENTIVE

DISCLOSURE

- This year, more than ever, the **communication with investors** arises as a “hot topic” considering particular pressure on Executive’s pay policy from national and international investors



- Balancing** national vs. international **requirements & expectations**
- Dialogue with** institutional investors & proxy advisors
- Ongoing monitoring** of international policy and disclosure standards

