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Remuneration Systems

UniCredit Bank AG

2023

Information on the design
of the remuneration systems for 2023
of UniCredit Bank AG

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2023 REMUNERATION SYSTEMS

The remuneration systems at UniCredit Bank AG are essentially based on the system "13+1". For a large majority of employees, this means that 13 monthly salaries are fixed, with a variable salary component being paid depending on the corporate success and the personal level of goal achievement. The reference value for this variable salary component is one month's salary in principle. Employees in the Client Solutions (CS) division without the Global Transaction Banking, CS Organization and CS Marketing unit as well as managers at the level of First Vice President and higher are predominantly remunerated differently from this system using a "12+x approach". For this purpose, 12 fixed monthly salary payments are made. The variable salary component for these employees also depends on the success of UniCredit Bank AG, the performance of the employee and the relevant market benchmarks.

1 MANAGEMENT BOARD (GEC¹ & GEC-1)

The remuneration system for the Management Board members comprises a fixed salary (12 gross monthly salary payments) and variable compensation. The variable remuneration can amount up to a maximum of double the annual fixed compensation. For the Management Board member responsible for CRO the annual variable remuneration cannot exceed 100% of the annual fixed compensation.

In previous years, the variable compensation comprised a Short-Term Incentive (STI) and additionally a Long-Term Incentive (LTI). In 2022 those two independent plans have been combined to one plan.

2023 Group Incentive System (GIS)

All Management Board members are entitled to receive a bonus according to the 2023 Group Incentive System (GIS) for the 2023 financial year that will be approved in 2024.

The GIS bonus amount determined each year is based on the relevant market benchmarks in the respective working environment, and depends on the results of the HVB Group, the UniCredit Group, the individual reference value of the Management Board Member and the individual performance achieved in the period under review. The variable remuneration is determined by the **Supervisory Board** of UniCredit Bank AG subject to prior consultation on the Remuneration Control Committee.

While the individual GIS is subject to individual short-term goals, based on specific goals, with a balanced mix, based on the role and seniority, of financial quantitative KPIs and qualitative goals, including both strategic and sustainability priorities, the 60% portion of the GIS award that is paid out deferred is subject to additional long-term performance conditions, which act as a "modifier" of the award defined on the basis of the short-term performance, with the effect of:

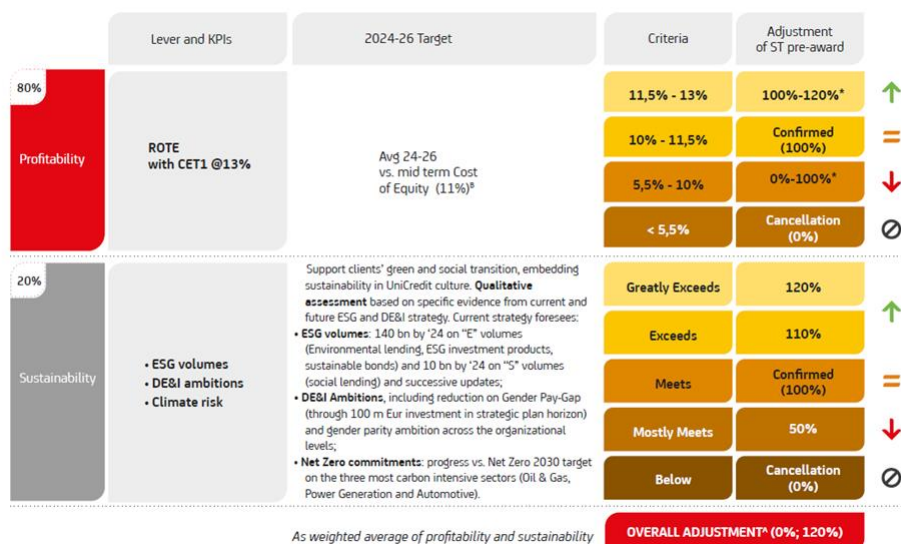
- Cancelling it, if they are below a certain threshold;
- Reducing it if they are above the threshold but below the target;
- Confirming it, if they are in line with target;
- Increasing it up to +20%, if they are above the target, allowing for overperformance up to the Bonus cap.

Individual performance is measured and assessed annually through a formal appraisal process. The individual bonus is also reassessed each year on the basis of this appraisal and may therefore vary from year to year. The achievement of individual goals is measured on the basis of around 6 (min 5 – max 8) goals, around half of which are sustainable goals and risk adjusted and are set on a multi-year performance period.

Additional long-term performance conditions are based on specific goals covering the 3 years following the annual Short-term performance. Such goals are defined at Group level according to the attached schedule "Additional long-term performance conditions".

¹ GEC: Group Executive Committee of UniCredit Group

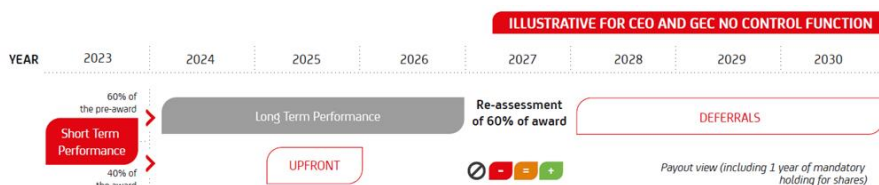
Additional long term conditions scorecard:



* Linear Continuum

- A. BoD discretion: unlimited downward and up to +20% to evaluate broader performance and market context e.g. industry/global shocks, exceptional events, company performance notably above target in the first year of the sustainable performance plan.
- B. RoTE calculated as per current methodology (2023). In case of methodological changes or material change of the macro-economic scenario (e.g. more than 100 bps in interest rate vs. budget assumptions), the board retain the faculty to mechanically recast LT targets according to the updated scenario.

Additional long term performance conditions application overview:



The **Entry Conditions** apply to the grant of a bonus as well as the deferred bonus components that were approved in the past:

	UniCredit Group 2023	HVB Group 2023
Profitability Condition	Operating EVA (NOP-Cost of Capital) > 0	Operating EVA (NOP-Cost of Capital) > 0
Profitability Condition	Net Profit > 0	Net Profit > 0
Capital condition	Own Funds and Leverage ratios ≥ 2023 RAF "limit"	Own Funds and Leverage ratios ≥ 2023 RAF "limit"
Liquidity condition	Liquidity Coverage Ratio ≥ 2023 RAF "limit" (108%)	Liquidity Coverage Ratio ≥ 2023 RAF "limit" (110%)
Liquidity condition	Net Stable Funding Ratio ≥ 2023 RAF "limit" (102,3%)	Net Stable Funding Ratio ≥ 2023 RAF "limit" (102,1%)

Moreover, the total amount of the variable remuneration is determined by additional risk indicators that also relate to the capital base of the institution.

Bonus grant

For GEC-members (HVB: CEO) the bonus is paid out 100% in shares (shares of "UniCredit S.p.A." – no stock options), for GEC-1 (HVB: MBMs and other GEC-1 members) in cash and in shares, both in four tranches distributed over six years. The shares are granted in years 2024, 2027 until 2029 for GEC members (HVB: CEO); for GEC-1 members the shares are granted in the years 2024, 2027 and 2028 they are subject in each case to a retention period of one year. The retention period corresponds to the regulatory minimum requirements in accordance with Section 20 of the Remuneration Regulation for Institutions. Nevertheless, this can be taken as sufficient since Senior Managers (as well as Risk Taker in general) have only indirect influence on UniCredit S.p.A.'s share price development. The number of shares to be allocated is defined, for both upfront and deferred instalments, considering the arithmetic mean of the daily official closing market price of UniCredit ordinary shares from beginning of the year until the Annual General meeting of UniCredit Group approving the Incentive System

Bonus payments are distributed over a five-year period, starting in 2024, as shown below:

CEO & GEC members UC Group (HVB: CEO)

		ST perf.	LT performance								Total
		2023	2024	2025	2026	2027	2028	2029	2030		
CEO & GEC members HVB: CEO	ALLOCATION VIEW	Cash									
		Shares		40% upfront shares			20% deferred shares	20% deferred shares	20% deferred shares		100%
			1 year retention			1 year retention		1 year retention			

GEC-1 members (HVB: MBMs and other GEC-1 members)

		ST perf.	LT performance								Total
		2023	2024	2025	2026	2027	2028	2029	2030		
GEC-1 HVB: MBM & other GEC-1	ALLOCATION VIEW	Cash		20% upfront cash					20% deferred cash		40%
		Shares		20% upfront shares			20% deferred shares	20% deferred shares			60%
			1 year retention			1 year retention		1 year retention			

In case annual variable remuneration does not exceed € 50,000 and does not represent more than one third of the staff member's total annual remuneration, the full bonus amount is entirely paid upfront and in cash.

If above mentioned Entry Conditions for the financial year 2023 are neither achieved on Group level nor on HVB Group level, the "Zero Factor" applies. Thus, a potential bonus for the financial year 2023 will forfeit completely. If Entry Conditions for the financial year 2023 are met, all tranches that may be paid out after 2024 are subject to malus conditions, providing for a potential reduction or cancellation of the originally calculated pay-out. Further information on the rules on negative performance contributions and "clawback" arrangements can be found in *Section 8*.

For new Management Board members where a 3-year performance period cannot be applied due to a shorter employment period in UCB AG, an extended deferral-scheme with 7 or 6 years (instead of 5y) is implemented in order to fulfill local regulatory requirements (IVV)

Long Term Incentive (LTIP 2020-2023)

Besides the Short-Term Incentive (STI), the Long-Term Incentive plan (LTIP) that had been rolled out in 2020 is still in place as additional element of the remuneration system for UniCredit Group Executive Vice Presidents and above.

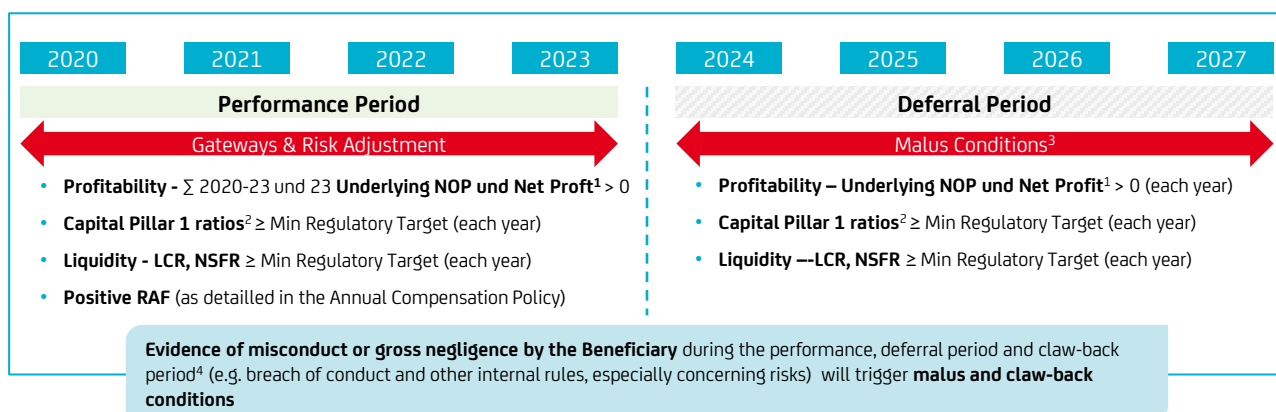
With the introduction of the new 2022 Group Incentive System (GIS) however beneficiaries of the 2020 – 2023 Long Term Incentive Plan ("LTIP") have been offered a switch to the new 2022 GIS for the LTIP 2022 and 2023 quotas. Such management of the LTIP implies the cancelling of the 2022 and 2023 quotas, while increasing the bonus opportunity under the new 2022 GIS, but keeping the LTIP in place for what concerns the 2020 and 2021 quotas, with the same structure, KPIs, targets and features as originally communicated and described below. The switching opportunity is strictly linked to the launch of the new 2022 System, to ensure the full alignment between incentive systems and corporate strategy, and is subject to the consent of the LTIP 2020-23 beneficiaries.

The LTIP 2020-2023 aims to align Top and Senior Management interests to the long-term value creation for the shareholder, to share price and Group performance appreciation and sustaining a sound and prudent risk management, orienting the performance management measurement on a multi-year horizon, aligned with Team 23 Strategic Plan.

The period for fulfilling the gateway conditions was linked to the respective Multi-Year-Plan. In addition, the scorecard of the LTI Plan includes seven weighted KPIs on profitability, asset quality, industrial and sustainability. The majority is evaluated on the average performance during the four-year period.

The LTI grant is based on 100% of UniCredit shares. Each tranche is subject to malus and clawback conditions, whereupon a clawback is possible for up to 5 years after vesting of each tranche.

The Gateway-Conditions during the Performance Period as well as malus conditions during the Deferral Period provide for the following parameters:



Note: in case no regulatory target is foreseen, RAF limit will be used as threshold
¹ NOP/ Net Profit stated in the Balance Sheet, excluding any extraordinary items (e.g. disposal of real estate assets, sale of companies, restructuring costs, Regulatory headwinds) as considered appropriate by the Board of Directors upon Remuneration Committee proposal; Underlying Net Profit is the one used as basis for capital distribution
² Pillar 1 ratios as of today are: CET 1 ratio, Tier 1, Total Capital, Leverage Ratio and Total Loss Absorbing Capacity (TLAC)
³ Malus conditions are measured each year before the payment of the installment
⁴ Claw-back rules apply 5 years after each installment, regardless of the vesting scenario

Following legal or regulatory provisions, the payout of variable compensation elements can be limited or even prohibited by responsible authorities.

2 TOP MANAGEMENT (SENIOR MANAGEMENT DIRECTLY REPORTING TO THE MANAGEMENT BOARD)

The remuneration system for top management below the Management Board consists of a fixed salary (12 gross monthly salary payments) and variable remuneration.

For all employees besides Control Functions and People & Culture, the variable remuneration can amount to a maximum of double the annual fixed compensation. Other rules apply to employees in control functions (cf. Section 7).

All employees are entitled to a bonus according to the 2023 Group Incentive System for the 2023 financial year that will be granted in 2024. The amount of the variable remuneration based on the GIS is determined on the basis of the criteria set out in Section 1 with the sole difference that the budget is approved by the Management Board of UniCredit Bank AG.

Bonus grant

- For top executives (GEC-1)² reporting directly to a GEC member, the Deferral Scheme applies as set out in Section 1. applies.
- For Other Senior Management directly reporting to the Management Board, the following Deferral Scheme applies:

	ST perf.	Year						Total	
		2023	2024	2025	2026	2027	2028		2029
Other Senior Mgmt. directly reporting to Mgmt. Board	ALLOCATION VIEW	Cash		20% upfront cash				20% deferred cash	40%
		Shares		20% upfront shares	10% deferred shares	10% deferred shares	10% deferred shares	10% deferred shares	

The bonus is payable in cash and in shares (shares of UniCredit S.p.A. - no stock options) in six tranches over six years. The shares are granted in 2024 until 2028 and are each subject to a one-year retention period.

² Both formal reporting and the dotted line can be decisive for GEC-1 status. If either of the above reporting lines is present, GEC-1 status is met.

The Entry Conditions apply to the grant of a bonus as well as deferred bonus components that were approved in the past in accordance with *Section 1 Variable Remuneration*.

In case annual variable remuneration does **not exceed € 50,000** and does **not represent more than one third of the staff member's total annual remuneration**, the full bonus amount is entirely paid upfront and in cash.

Further information on the rules on negative performance contributions and "clawback" arrangements can be found in *Section 8*. Following legal or regulatory provisions, the payout of variable compensation elements can be limited or even prohibited by responsible authorities.

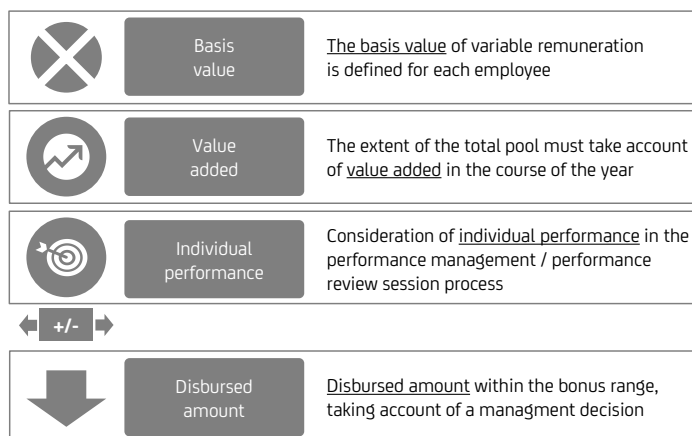
3 EXECUTIVES ACC. TO §5 BETRVG BELOW SENIOR MANAGEMENT

The remuneration system for Executives acc. to §5 BetrVG below Senior Management, who are generally on the hierarchy level below the top management, consists of a fixed salary (12 gross monthly salary payments per year) and variable remuneration, regardless of whether they work in a sales or non-sales segment. Exceptions apply only to employees whose contract does not include any incentive opportunity clause, particularly in Client Solutions. The remuneration system applicable to these employees is described in *Section 4*.

They are entitled to a bonus for the 2023 financial year that will be granted in 2024. The bonus assessment is based on an individual "incentive opportunity". In combination with the rules for granting bonuses, its value is set so that the bonus payment cannot exceed double the annual fixed compensation. Other rules apply to employees in control functions (cf. *Section 7*).

The calculation of variable remuneration rests on four main pillars (see chart below). This applies to all with exceptions applying only to Client Solutions employees with no incentive opportunity clause in their contracts.

Four pillars for determining the variable remuneration of Executives acc. to §5 BetrVG below Senior Management:



For Executives acc. to §5 BetrVG below Senior Management, the Total Compensation approach is applicable, i.e. the value of the additional company benefits is included in the fixed salary.

The performance and contribution of those executives to the Bank's success are to be rewarded by a bonus. The following sections describe the system in detail:

Variable remuneration

The basis for variable remuneration is the individually defined **incentive opportunity**.

The bonus is recalculated each year. The amount is determined by the bonus base value and the individual goal achievement of these Executives and on the basis of the available bonus pool defined by the Management Board depending on the success of UniCredit Bank AG and the Group. For all employees the bonus payment can amount to a maximum of double the annual fixed compensation. Other rules apply to employees in control functions as well as for People & Culture (cf. *Section 7*).

For the bonus, budgets are set aside annually for the respective segments. The bonus budgets of the sales divisions are determined on the basis of the performance of the segments over the last financial year. The bonus budgets for the Chief Operating Officer (COO), Chief Digital Information Officer (CDIO) and Group Corporate Centre (GCC) segments are based on the average of the sales segments (without taking into account positive and negative non-recurring effects), and therefore on the success of HVB Group.

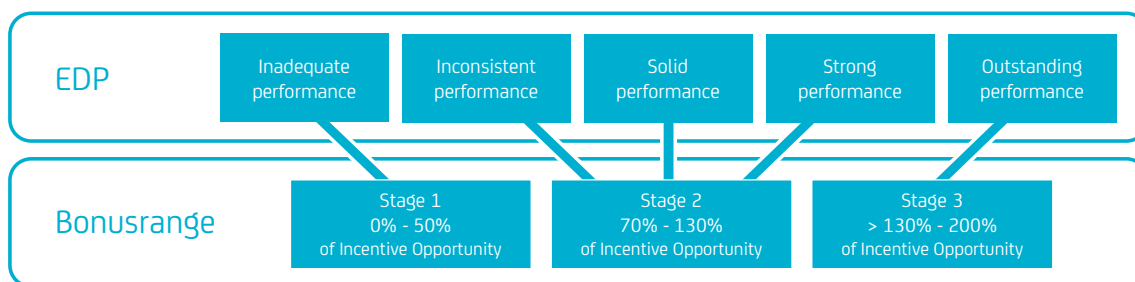
To calculate the annual budget, the Management Board determines a success factor for each segment on the basis of the business success of the HVB Group in the year in question, taking sustainability factors into account (risks incurred, capital and liquidity costs). The success factor amounts to at least 0.5 unless the HVB Group shows a loss in its financial statements. The maximum success factor is 1.5. The Management Board thus decides, based on how well the various segments have achieved their goals, on how the overall bonus budget will be allocated to them.

Within each segment, the responsible Management Board member allocates the budget following a cascading process, taking into account respective business performance and value contribution, to the next reporting line. The budget allocation to First Vice Presidents is oriented on the respective budget unit in line with the guidelines for payscale and non-payscale employees.

At the beginning of each year Executives and their managers define a set of Goals, from five to eight. These must also include targets to reflect sustainable business success (e.g. customer satisfaction). The goals take into account the individual requirements of the segment in question as well as the sub-segment-specific strategies and objectives. With reference to economic and non-economic goal-setting, statutory and regulatory requirements need to be taken into account; this also applies to control functions of UniCredit Bank AG, in which the primary focus must be on qualitative goals.

In the annual performance review, **individual performance and success** are rated on a five-point evaluation scale. For the bonus system, these five evaluation stages are consolidated in accordance with the following chart to form three evaluation stages for the bonus system.

The **manager** determines the **individual bonus level** within the applicable bonus range, taking into account the available budget:



The amount to be paid is thus calculated in a single step by multiplying the bonus basis value by the applicable success factor. This value is now multiplied by the percentage set by the manager – on the basis of the assessment in the performance management / performance review session – within the bonus ranges.

In case of negative deviation of the performance from set goals (inadequate performance, inconsistent performance,) the personal factor for bonus determination must be lower than 100%. Immoral behavior or behavior, which means a breach of the employee's contractual duties, shall also be deemed as negative deviation of the performance from set goals. Additional rules set out in *Section 6* apply to employees who have been identified as Risk Taker (Identified Staff). Further information on the rules on negative performance contributions and "clawback" arrangements can be found in *Section 8*.

Following legal or regulatory provisions, the payout of variable compensation elements can be limited or even prohibited by responsible authorities.

4 CLIENT SOLUTIONS

The remuneration system for Client Solutions e.g. Advisory & Capital Markets, Specialized Lending, Client Risk Management, Financial Institutions Group (FIG), Key Client Solutions and International Network comprises a fixed salary and variable remuneration. In this case, the employment contract does not include any incentive opportunity clause. The fixed salary comprises 12 gross monthly salary payments. The total compensation approach applies, i.e. the value of the additional company benefits is included in the fixed salary.

Variable remuneration

All employees are entitled to receive a bonus for the financial year 2023, which is granted in 2024. The variable remuneration can amount to a maximum of double the annual fixed compensation.

The bonus fixed on an annual basis depends on the relevant comparative benchmarks of the market in the respective working environment and depends on the results of the Group, of Client Solutions (CS) of HVB Group and the performance of the unit in which the employee is engaged as well as on the individually achieved performance in the period under review. Special contributions to profit or loss or the risk behavior of employees are also taken into account in the process.

The bonus budget of the CS area is determined by qualitative and quantitative risk-adjusted performance parameters. In addition to the performance of the CS area in Germany, factors such as market trends and changes in competition as well as key sustainability parameters (such as customer satisfaction and the relation of risk to gross contribution) also determine the bonus budget. The budget is approved by the Management Board of UniCredit Bank AG. The Management Board member of UniCredit Bank AG responsible for CS jointly decides on the distribution of the overall budget together with the responsible personnel of the Global Product Lines, taking account of the performance of CS sub-segments.

Individual performance is measured and assessed annually through a formal appraisal process. The individual bonus is also reassessed each year on the basis of this appraisal and may therefore vary from year to year. In case of negative deviation of the performance from set goals (inadequate performance, inconsistent performance,) the personal factor for bonus determination must be lower than 100%. Immoral behavior or behavior, which means a breach of the employee's contractual duties, shall also be deemed as negative deviation of the performance from set goals.

The Entry Conditions apply to the grant of a bonus as well as deferred bonus components that were approved in the past in accordance with *Section 1*.

Additional rules set out in *Section 6* apply to employees who have been identified as Risk Taker (Identified Staff). Further information on the rules on negative performance contributions and "clawback" arrangements can be found in *Section 8*.

Following legal or regulatory provisions, the payout of variable compensation elements can be limited or even prohibited by responsible authorities.

5 PAY-SCALE AND NON-PAY-SCALE EMPLOYEES

The remuneration system for pay-scale and non-pay-scale employees is based on "13+1" and, for purposes of variable remuneration, rests on four main pillars (target bonus, success factor, individual assessment, amount paid) that are equally applicable to all pay-scale and non-pay-scale employees of UniCredit Bank AG, regardless of the segment in which they work, in accordance with *Section 3* (chart). Remuneration for vocational training is governed in a comparable manner.

The purpose is to reward the employees' performance and contribution to the Bank's success with an attractive bonus. This applies both to pay-scale and non-pay-scale employees.

Exceptions apply to employees with Total Compensation contracts and those who fall under a separate works agreement for remuneration in the Client Solutions business area (cf. *Section 4*). As part of a total compensation concept, these employees receive a total annual salary comprising a fixed salary and a bonus. The extent of the variable remuneration is determined annually by UniCredit Bank AG, taking into account the performance and target achievement of the employee in the financial year ended, team behavior, the assessed contribution to the division, the HVB Group and the UniCredit Group within the provided bonus budget and following legal and regulatory provisions.

"13+1" as a basis

All pay-scale and non-pay-scale employees of UniCredit Bank AG – regardless of whether they work for sales or non-sales segments – receive an annual salary consisting of 12 monthly gross salary payments per year, a special payment and a bonus ("target bonus").

The 13th monthly salary payment is paid as a guaranteed special payment at the same time as the December salary payment each year. The special payment is determined by the gross salary drawn by the employee in the last month of the year for which the special payment is made (for employees who leave in the course of the year, the last gross salary received serves as the basis.). In the case of employees whose employment begins or ends during the year (e.g. hiring, departure, retirement, early retirement, transfer within the group, start/end of parental leave or interruption of employment for other reasons) the special payment is calculated on the basis of the resulting cumulative working time factor (i.e. on a pro rata basis). This applies accordingly in the event of a change in working hours in the course of a calendar year (e.g. a switch from full-time to part-time work).

A more or less identical system applies to remuneration of apprentices: in addition to 12 monthly vocational training payments and an annual bonus payment paid out in two tranches of 0.5 monthly payments each in July and December, the bonus base value likewise amounts to one monthly vocational training payment.

Variable remuneration

The basis of variable remuneration is the **bonus basis value (target bonus)**; as a rule, it is equal to one gross monthly salary payment. Due to market conditions, higher bonus base values may apply in some areas.

The bonus is recalculated each year. It is determined in accordance with the bonus base value and the employee's individual attainment of objectives and the available bonus budget based on the performance of UniCredit Bank AG.

Budgets for the bonus are set aside annually for the individual areas in accordance with *Section 3 Variable Remuneration*.

As a rule, the employees and their managers define goals at the beginning of each year in the UniCredit Performance Management tool (UPM) (generally at the end of the year or after the conclusion of the year for the beginning of the following year). Individual performance and success are measured on a five-point scale (i.e. inadequate performance, inconsistent performance, solid performance, etc.) in accordance with *Section 3 Variable Remuneration* (chart).

Additional rules set out in *Section 6* apply to employees who have been identified as Risk Taker ("Identified Staff"). Further information on the rules on negative performance contributions and "clawback" arrangements can be found in *Section 8*.

Following legal or regulatory provisions, the payout of variable compensation elements can be limited or even prohibited by responsible authorities.

6 IDENTIFIED STAFF (RISK TAKER)

For employees with a material impact on the overall risk profile of UniCredit Bank AG/HVB Group ("Risk Taker" or "Identified Staff"), special conditions apply to variable remuneration with regard to claims, deferral and disbursement. For instance, bonus amounts may be deferred for a number of years in certain circumstances and also be payable in some other form, e.g. in equities. The bonus for 2023 will be determined in 2024. Moreover, the entitlement to variable remuneration is subject to additional conditions. The employees affected by these special regulations are informed accordingly by UniCredit Bank AG.

Bonus grant for "Identified Staff":

- In case annual variable remuneration set for 2023 does **not exceed € 50,000** and does not represent **more than one third of the staff member's total annual remuneration**, the full bonus amount is entirely paid upfront and in cash;
- In case the sum of bonus and other variable remuneration elements is **higher than € 50,000** or **more than one third of the total annual remuneration**, the full bonus amount will follow, the payout structures as follows:
 - The following five-year deferral scheme applies to Risk Takers with management responsibility **reporting directly to the Management Board**

		ST perf.							
		2023	2024	2025	2026	2027	2028	2029	Total
Other Senior Mgmt. directly reporting to Mgmt. Board	ALLOCATION VIEW	Cash	20% upfront cash					20% deferred cash	40%
		Shares	20% upfront shares	10% deferred shares	10% deferred shares	10% deferred shares	10% deferred shares		60%

The bonus is payable in cash and in shares (shares of UniCredit S.p.A. - no stock options) in six tranches over six years. The shares are granted in 2024 until 2028 and are each subject to a one-year retention period.

- For Risk Takers **without a direct reporting line to the Management Board**, the following four-year deferral schemes are applied depending on the amount of the variable remuneration determined for FY 2023:
 - Variable remuneration **greater than € 50,000 or more than one third of the total annual remuneration but equal to or below € 430,000**:

		ST perf.						
		2023	2024	2025	2026	2027	2028	Total
Other MRT not directly reporting to UCB AG MB with Variable Remuneration ≤ 430K€	ALLOCATION VIEW	Cash				10% deferred cash	10% deferred cash	50%
		Shares	30% upfront cash	10% deferred shares	10% deferred shares			50%
			1 year retention					

- Variable remuneration **greater than € 430,000**:

		ST perf.						
		2023	2024	2025	2026	2027	2028	Total
Other MRT not directly reporting to UCB AG MB with Variable Remuneration > 430K€	ALLOCATION VIEW	Cash				15% deferred cash	15% deferred cash	50%
		Shares	20% upfront cash	15% deferred shares	15% deferred shares			50%
			1 year retention					

Bonus grants are made in five tranches in cash and UniCredit S.p.A shares (no stock options). The shares granted in 2024 until 2026 are each subject to a one-year retention period.

The number of shares to be allocated is defined, for both upfront and deferred equity instalments, considering the arithmetic mean of the daily official closing market price of UniCredit ordinary shares from beginning of the year until the Annual General Meeting approving the Group Incentive System for 2023.

The Entry Conditions in accordance with *Section 1* (Operating EVA (NOP-Cost of Capital), Net Profit, Own Funds and Leverage Ratios, Liquidity Coverage Ratio and Net Stable Funding Ratio) apply to the grant of deferred bonus components.

In case Capital or Liquidity “entry conditions” are not met at UC Group or HVB Group level, the malus condition is activated, triggering the application of Zero Factor on current year bonus and also impacting previous years deferrals. Thus, a potential bonus for the business year 2023 will forfeit completely. For the other employees, a significant reduction will be applied. If Entry Conditions for the business year 2023 are met, all tranches that may be paid out after 2024 are subject to malus conditions, providing for a potential reduction or cancellation of pay-out. Additional information on the rules on negative performance contributions and “clawback” arrangements can be found in *Section 8*.

7 SPECIAL REGULATIONS FOR CONTROL FUNCTIONS

For employees in control functions, the fixed remuneration is a predominant component of total remuneration. For the variable remuneration for employees in control functions – Compliance, Audit Management and Risk Management– the following difference applies as an exception to the regulations described above in order to avoid any conflict of interests between the control functions and internal org units controlled by them: **No remuneration parameters parallel** to those applied to the monitored units are defined for determining the amount of the variable remuneration. Moreover, the focus is on qualitative goals in the control and central units. For control units targets linked to economic results have to be avoided. The amount of the variable remuneration in control functions may not exceed 50% of the fixed remuneration. For employees under People & Culture the fixed remuneration is the predominant component of the total remuneration and the variable remuneration is ≤ 80% of the fixed one.

In addition, with regard to UniCredit Bank AG Management Board decisions, the bonus pool for this group of employees is not determined by the results of a single division, but rather by the average of all sales divisions. As a result, there is no danger of a potential conflict of interest.

8 NEGATIVE PERFORMANCE CONTRIBUTIONS AND CLAWBACK RULES

Any disbursement within the scope of the remuneration systems described above presupposes a review of compliance-conformant and proper behavior as contemplated by the organizational directives of UniCredit Bank AG.

If, for regulatory reasons, the entitlement of a Risk Taker to variable remuneration only arises pro rata temporis (several annual partial entitlements), the variable remuneration is subject to the extent legally permissible to a clawback. The clawback mechanisms can be activated also after the notice and/or termination of employment in accordance with local legal requirements, to the extent permitted by law. The right to such clawback generally expires five years after each instalment; in cases where a longer deferral period is necessary due to regulatory requirements an extended clawback period is applicable.

A negative deviation of (i) the employee's performance or (ii) the performance of the employee's organizational unit from the set goals and (iii) a negative deviation of the Bank's respectively HVB Subgroup's overall performance from the set goals lead to a reduction of the variable remuneration or may even lead to a complete forfeiture. This applies especially in the following cases:

- in cases of non-achievement of goal settings (quantitative and qualitative goals), especially when KPIs related to remuneration components have not been reached or
- in cases of employee behavior which is contrary to duty and/or immoral, especially compliance breaches and other breaches against contractual obligations.

This applies both to the respective determination of the variable remuneration and - in the case of Risk Takers - to the subsequent performance evaluation that could lead to a reduction or to complete forfeiture of the variable remuneration retained from preceding evaluated performance periods. If an initially positive performance contribution was taken into account during the determination of the bonus but with course of time becomes significantly negative, the respective retained remuneration for Risk Takers has to be reduced or may forfeit completely. In particular, in cases where a breach of obligation resulted to be very serious and led to the termination of the employment relationship, a complete forfeiture of the variable remuneration/ deferral may occur. Moreover, in case negative performance contributions are at hand, variable remuneration components for Risk Takers referring to the year, in which the relevant behavior occurred, have to forfeit completely. Negative performance contributions are at hand in the following cases:

- The employee is involved in or responsible to a decisive degree for any behavior that leads to a substantial loss being sustained by the Bank or a significant regulatory sanction being imposed on UniCredit Bank AG or the Employee.
- The Employee violates any external or internal regulations regarding suitability and behavior to a serious degree.

9 REMUNERATION SYSTEMS IN SUBSIDIARIES

UniCredit Bank AG's Group Remuneration Policy is also implemented in its subordinate subsidiaries. The applicable remuneration principles therefore also serve as a guideline for remuneration in the subsidiaries of HVB Group.

For the majority of the employees, the remuneration systems in the subsidiaries are generally based on the remuneration model described in Section 5 for pay scale and non-pay scale employees at UniCredit Bank AG and consist of a fixed and a variable component.

The fixed salary is generally paid in 12 monthly instalments, the variable component once a year, usually with the April payroll.

Deviating from the remuneration structure applicable at UniCredit Bank AG ("13+1"), the reference value of the variable component at the subsidiaries can be between 0.75 and 3.0 monthly base salaries. The variable component is determined in accordance with the rules and mechanisms described above.

The remuneration systems described in Sections 2 and 3 apply to senior executives in the subsidiaries.