EXPLANATORY REPORT

OF THE BOARD OF DIRECTORS

ON POINT 1) OF THE AGENDA

OF THE EXTRAORDINARY SHAREHOLDERS' MEETING OF

UNICREDIT S.P.A.

(pursuant to article 72 and Annex 3A of the Issuers' Regulation – CONSOB resolution no. 11971 of 14 May 1999 as amended and supplemented)

14 November 2011

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FREE SHARE CAPITAL INCREASE, PURSUANT TO ARTICLE 2442 OF THE CIVIL CODE, BY A NOMINAL AMOUNT OF EURO 2,499,217,969.50, THROUGH THE ALLOCATION TO CAPITAL OF AN EQUIVALENT AMOUNT FROM THE "SHARE PREMIUM RESERVE", IN THE FORM OF AN INCREASE IN THE NOMINAL VALUE OF THE EXISTING ORDINARY AND SAVINGS SHARES. CONSEQUENT AMENDMENTS TO THE COMPANY'S ARTICLES OF ASSOCIATION AND RESOLUTIONS RELATED THERETO.

Dear Shareholders,

you have been invited to attend an Extraordinary Shareholders' Meeting of UniCredit S.p.A. (the "**Company**" or "**UniCredit**") to approve the proposed free share capital increase, pursuant to article 2442 of the Italian Civil Code, by a nominal amount of Euro 2,499,217,969.50, via the transfer of that amount from the "Share premium reserve", to be carried out by increasing the nominal value of existing ordinary and savings shares from Euro 0.50 to Euro 0.629503286513827. We also propose that you approve the consequent amendments to be made to the Corporate Bylaws.

This Report is designed to illustrate the reasons for this transaction and the proposal relating to the item which appears on the agenda, in compliance with the provisions of article 72 and Annex 3A of the Issuers' Regulation – CONSOB resolution no. 11971 of 14 May 1999 as amended and supplemented.

1. DESCRIPTION OF THE TRANSACTION AND REASONS

1.1 Reasons behind the proposed transaction

The proposed free share capital increase aims to strengthen the Company's Common Equity Tier 1 capital for regulatory purposes.

Indeed, the portion of the "Share premium reserve" to be transferred to the share capital, which corresponds to the total premium payments made by Mediobanca – Banca di Credito Finanziario S.p.A ("**Mediobanca**") at the time of subscription of the shares issued within the scope of the Company's 2008/2009 share capital increase, could potentially no longer count towards the Company's Common Equity Tier 1 capital following recent changes in the law and in view of Basel III regulatory regime and European Directive CRD4 (Capital Requirements Directive) (the latter is a Community regulation that implements the principles expressed in Basel III).

In this regard it should be borne in mind that on 23 February 2009, on completion of the share capital increase approved by the Extraordinary Shareholders' Meeting of UniCredit on 14 November 2008, on conclusion of which the Company issued 972,225,376 ordinary shares at a unit price of Euro 3.083, Mediobanca subscribed 967,564,061 ordinary shares ("**CASHES Shares**"), which on the same date were put to the service of the convertible financial instruments named "CASHES" issued by The Bank of New York (Luxembourg) S.A..

The total amount of contributions relating to the CASHES Shares (Euro 2,983,000,000.00) was transferred to the share capital in the amount of Euro 483,782,030.50, corresponding to the aggregate nominal value of the CASHES Shares (the "**CASHES Capital**"), and to the "Share premium reserve" in the amount of Euro 2,499,217,969.50 (the "**CASHES Share Premium Reserve**").

The doubts regarding the computability of the CASHES Share Premium Reserve as part of the Common Equity Tier 1 stem from the characteristics of the remuneration regime of the usufruct which was set up on such shares in favour of the Company following their subscription by Mediobanca. Where the CASHES Capital should no longer count towards UniCredit's Common Equity Tier 1, pursuant to the above-mentioned regulations, then the same shall apply to the CASHES Share Premium Reserve which shall no longer count towards Company's Common Equity Tier 1 capital.

The proposed free share capital increase through the allocation of the CASHES Share Premium Reserve into share capital will allow the Company to permanently maintain the amount relating to the CASHES Share Premium Reserve in its regulatory capital.

1.2 Transaction method

From a legal standpoint, the proposed transaction will take the form of a free share capital increase, pursuant to article 2442 of the Italian Civil Code, for an amount equal to Euro 2,499,217,969.50, to be implemented via the transfer of that amount from the "Share premium reserve".

This reserve is available for and sufficient to cover the proposed transaction, as can be seen from the Company's Statutory Financial Statements for the year ended 31 December 2010 (the "**2010 Financial Statements**") and from the Interim Report on Operations as at 30 September 2011 (the "**Interim Report on Operations as at 30 September 2011**"), the latter having been approved by the UniCredit Board of Directors on 14 November 2011.

Specifically, the 2010 Financial Statements and the Interim Report on Operations as at 30 September 2011 show a "Share Premium Reserve" of Euro 39,322,433,067.02.

The transaction will be implemented through an increase in the nominal unit price of the existing ordinary and savings shares from Euro 0.50 to Euro 0.629503286513827.

1.3 Amendments to the corporate bylaws

In the light of the above, article 5 of the corporate bylaws will be amended as follows:

Current text	**Proposed text**
Article 5 1. The Bank's share capital, fully subscribed and paid-up, amounts to Euro 9,649,245,346.50 and is divided into 19,298,490,693 shares of Euro 0.50 each, in turn made up of 19,274,251,710 ordinary shares and 24,238,983 savings shares.	**Article 5** 1. The Bank's share capital, fully subscribed and paid-up, amounts to Euro ~~9.649.245.346,50~~ **12,148,463,316.00** and is divided into 19,298,490,693 shares of Euro ~~0,50~~ **0.629503286513827** each, in turn made up of 19,274,251,710 ordinary shares and 24,238,983 savings shares.

2. Ordinary shares are registered shares.	2. (*unvaried*)
3. No one entitled to vote may vote, for any reason whatsoever, for a number of Bank shares exceeding five per cent of share capital bearing voting rights, to this end, the global stake held by the controlling party, (be it a private individual, legal entity or company), all direct and indirect subsidiaries and affiliates has been taken into consideration; those shareholdings included in the portfolios of mutual funds managed by subsidiaries or affiliates have not, on the other hand, been taken into consideration. Control, including with regard to parties other than companies, emerges in the situations provided for by Article 2359, first and second paragraph, of the Italian Civil Code. Control whereby significant influence is exercised is regarded to be present in the situations provided for by Clause 23, second paragraph, of Legislative Decree no. 385 dated September 1, 1993 (Consolidation Act for Laws Relating to Banking and Lending Activities). An affiliation emerges in the situations referred to in Article 2359, third paragraph, of the Italian Civil Code, for the purposes of computing the stake held, those shares held through custodian companies and/or intermediaries and/or those shares whose voting rights are assigned for any purpose or reason to a party other than their owner, are also taken into consideration. In the event of the above provisions being breached, any shareholders resolution carried may be impugned pursuant to the provisions of Article 2377 of the Italian Civil Code, where the majority required would not have been reached without this breach. Those shares whose voting rights may not be exercised are in any event computed in order for the Meeting to be properly formed.	3. (*unvaried*)
4. Share capital may be increased by way of a shareholders' resolution, through the issuance of shares bearing various rights, in conformity to legal requirements. Specifically, the Meeting may resolve upon the issuance of savings shares bearing the features and rights provided for by prevailing laws and by these Articles of Association.	4. (*unvaried*)

5. Resolutions carried for the issuance of new savings and/or ordinary shares at the time of a capital increase or the conversion of shares of another class that have already been issued, do not require the approval of a Special Meeting of Savings Shareholders.	5. (*unvaried*)
6. The Special Meeting of Shareholders may resolve upon the allocation of earnings to the employees of the Bank or subsidiaries, in conformity to prevailing laws.	6. (*unvaried*)

The proposed amendments to the corporate bylaws are subject to examination and review by Banca d'Italia pursuant to the provisions of article 56 of Legislative Decree no. 385/93.

This proposal does not include cases for the exercising of the right of withdrawal by the ordinary and savings shareholders, pursuant to article 2437 of the Italian Civil Code.

This proposal is also not subject to approval by the Special Meeting of Savings Shareholders pursuant to article 146, paragraph 1, b) of Legislative Decree no. 58 of 24 February 1998, without prejudice to the rights under this category.

1.4 Share accrual date

Since the transaction will be carried out through an increase in the nominal unit price of UniCredit ordinary and savings shares, no new shares will be issued in respect of the transaction that is the subject of this Report.

1.5 Economic and financial effects

Except as set out below, the transaction in question will not produce economic and financial effects, or effects with regard to the financial situation shown in the Interim Report on Operations as at 30 September 2011, or effect with regard to the economic performance of the Company, since, given that it is a free capital increase, it will take place by using available reserves.

In relation to the financial situation highlighted in the 2010 Financial Statements and the Interim Report on Operations as at 30 September 2011, following execution of the transaction in question:

- the "Share Premium Reserve" will be reduced to Euro 36,823,215,097.52; and
- the share capital will be increased to Euro 12,148,463,316.00.

Taking into account the proposed cancellation of the per-share nominal value of the shares submitted to this Shareholders' Meeting, it does not seem it necessary that the reserve named "Reserve relating to the incentivation medium term plan for the Employees of the Group", established and alimented upon adoption of the various Incentivation Plan relating to the Emloyees of the Group, be increased. This is due to the fact that the Company will be able to issue ordinary shares to be attributed without consideration to the employees out of the above mentioned reserve and without any

constraint deriving from the existance of the nominal value, so that anytime new shares will be issued there will be a different implicit accounting par value.

2. RESOLUTIONS PROPOSED TO THE EXTRAORDINARY SHAREHOLDERS' MEETING

Dear Shareholders,

if you agree with the content and arguments as set out in the above Directors' Report, we would ask that you approve the following resolutions:

"The Extraordinary Shareholders' Meeting of UniCredit, having heard the Report of the Board of Directors,

resolves:

1) to approve the proposed free share capital increase by a nominal amount of Euro 2,499,217,969.50, by increasing the nominal price of the ordinary and savings shares pursuant to article 2442 of the Italian Civil Code, via the transfer of that amount from the "Share Premium Reserve", which will therefore be reduced to Euro 36,823,215,097.52;

2) to consequently amend paragraph 1 of article 5 of the Corporate Bylaws in compliance with the following new wording:

   "The share capital, fully subscribed and paid up, is Euro 12,148,463,316.00 divided into 19,298,490,693 shares with a value of Euro 0.629503286513827 each, of which 19,274,251,710 are ordinary shares and 24,238,983 are savings shares.";

3) to confer to the Chairman of the Board of Directors and to the Chief Executive Officer, also separately, all such powers to execute the above resolutions in accordance with the law; (i) to ensure compliance of the above resolutions with the law; (ii) to file and register them, pursuant to the law; and (iii) to do anything else that should become necessary for their implementation;

4) to authorise the Chairman of the Board of Directors and the Chief Executive Officer, also separately, to file at the Business Register the Corporate Bylaws, updated as set out above."