

UNICREDIT BANK IRELAND PUBLIC LIMITED COMPANY

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Company No. 240551

Directors' Explanatory Report of the Board of Directors of UniCredit Bank Ireland Public Limited Company to UniCredit S.p.A, as Shareholder

Dear Shareholder

We submit to you this explanatory report relating to the proposed cross-border merger by absorption (the "**Merger**") between UniCredit S.p.A. as absorbing company (the "**Absorbing Company**") and UniCredit Bank Ireland Public Limited Company as absorbed company (the "**Absorbed Company**"), in accordance with the Irish European Communities (Cross-Border Mergers) Regulations 2008 (the "**Irish Regulations**").

The board of directors of the Absorbed Company has approved this report at a duly convened meeting held on 5 May 2021. At that meeting, the board of directors of the Absorbed Company has authorised any director, acting alone, of the Absorbed Company to sign this report, and to sign any other documents relating to the Merger, on behalf of the board of directors of the Absorbed Company.

The Merger will take place in accordance with: (i) the provisions of the Irish Regulations; (ii) directive 2005/56/EC of the European Parliament and of the Council of 26 October 2005 on cross-border mergers of capital companies, as subsequently amended and supplemented (the "**Directive**") and as integrated into the directive 2017/1132 of the European Parliament and of the Council relating to certain aspects of company law; (iii) Legislative Decree No. 108 of 30 May 2008 implementing the Directive (the "**Decree**"); (iv) provisions of the Italian Civil Code (the "**Civil Code**") on mergers (articles 2501 et seq.), to the extent referred to, not derogated and, in any event, compatible with the provisions of the Decree; and (v) other Italian laws and regulations such as article 57 of Legislative Decree No. 385 of 1 September 1993 (the "**Consolidated Banking Act**").

The following provisions will apply in respect of the Absorbing Company:

- article 2505 of the Civil Code, pursuant to which the provisions set forth in: (i) article 2501- ter, first paragraph, n. 3), 4), 5); and (ii) article 2501 - sexies of the Civil Code related to the expert report, shall not apply; and
- article 18 of the Decree.

The Absorbing Company, an Italian bank incorporated in the form of a joint stock company, authorised and regulated by the European Central Bank (“**ECB**”) and Bank of Italy, with shares listed on the Italian stock market (*Mercato Telematico Azionario (MTA)*) organized and managed by Borsa Italiana S.p.A., and the Absorbed Company, an Irish bank authorised and regulated by the ECB and the Central Bank of Ireland (“**Central Bank**”), are hereinafter collectively referred to as the “**Merging Companies**”.

The Absorbed Company is a wholly owned direct subsidiary of the Absorbing Company.

The Absorbing Company and the Absorbed Company will entail a plan of reorganisation whereby the Absorbed Company will merge into the Absorbing Company and the Absorbed Company’s operations in Ireland will cease to operate.

This explanatory report needs to be read together with the common merger plan / common draft terms of the Merger dated the date hereof (the “**Common Draft Terms**”), which are attached as Appendix 1 to this report.

1 Description of the Merger

- 1.1 The Absorbed Company shall merge into the Absorbing Company by way of a cross-border merger pursuant to: (i) the Decree; (ii) provisions of Civil Code on mergers (articles 2501 et seq.), to the extent referred to, not derogated by and, in any event, compatible with the provisions of the Decree; (iii) other Italian laws and regulations such as the Consolidated Banking Act; and (iv) the provisions of the Irish Regulations. The Cross-Border Merger will be legally effective from the date of the registration of the Cross-Border Merger with the Companies’ Register of Milan or a later date established in the Cross-Border Merger deed (the “**Effective Date**”). As of the Effective Date, the business activities of the Absorbed Company in Ireland will cease to operate.
- 1.2 By virtue of the Merger, the assets and liabilities of the Absorbed Company will be transferred to the Absorbing Company and the Absorbed Company will be dissolved without going into liquidation and all of its shares will be immediately cancelled.
- 1.3 The rights and obligations of the Absorbed Company arising from contracts existing on the Effective Date shall, by operation of law, be transferred to the Absorbing Company.
- 1.4 On the first day of the financial year in which the Effective Date falls, which is anticipated to be 1 January 2021, the financial information pertaining to the Absorbed Company will be incorporated into the annual accounts of the Absorbing Company, such date being the date as from which, from an accounting perspective, all transactions of the Absorbed Company will be deemed executed on behalf of the Absorbing Company and will be treated as transactions of the Absorbing Company. From a tax perspective, the effects of the Merger will be deemed to occur from the Effective Date.
- 1.5 In addition to the approval of the board of directors of the Merging Companies, the Merger shall be carried out subject to each of the following steps required to be taken:
 - 1.5.1 authorisation of the Merger by the ECB and the Bank of Italy;
 - 1.5.2 adoption by the board of directors of the Absorbing Company of a Merger resolution pursuant to article 23 of the By-laws in notarial form;

- 1.5.3 issuance of the preliminary merger certificate by the Irish High Court attesting that the Absorbed Company has properly completed the pre-merger requirements;
- 1.5.4 issuance of the preliminary merger certificate by the Italian notary confirming due completion of the pre-merger requirements;
- 1.5.5 legitimacy verification by the Italian notary pursuant to article 13 of the Decree;
- 1.5.6 provision by the Merging Companies of the Merger deed in the form of a public deed;
- 1.5.7 registration of the Merger deed with the Companies' Register of Milan; and
- 1.5.8 dissolution by operation of law and deletion of the Absorbed Company from the Irish Companies' Registration Office.

2 **Objective of the Merger**

The Merging Companies, as part of a process of simplification of the UniCredit group (the "**Group**") which aims at ensuring greater efficiency within the Group and at optimising its economic, management and financial structure, intend to proceed with a merger by absorption of the Absorbed Company into the Absorbing Company.

3 **Valuation Methods**

The boards of directors of the Merging Companies have determined that the assets and liabilities of the Absorbed Company will be transferred on the Effective Date to the Absorbing Company in continuity of values, with reference to the values indicated in the books of the Absorbed Company on the Effective Date.

4 **Non-application of an Exchange Ratio**

- 4.1 The Absorbing Company holds the entire share capital of the Absorbed Company. The Merger will therefore be carried out through the incorporation of the Absorbed Company into the Absorbing Company, and the concurrent annulment of all the shares issued by the Absorbed Company, without any issue or assignment of shares of the Absorbing Company as a result of the Merger.
- 4.2 In consideration of the above, there will be no indication of the exchange ratio and in compliance with the provisions of article 15, paragraph 1 of the Directive, article 18, paragraph 1 of the Decree, article 2505, paragraph 1 of the Civil Code and Regulation 5(2)(c) of the Irish Regulations.
- 4.3 As a consequence, the Common Draft Terms do not contain any information on:
 - 4.3.1 cash adjustments pursuant to article 2501 - *ter*, paragraph 1, no. 3 of the Civil Code, Article 6, paragraph 2 of the Decree and Regulation 5(2)(c)(i) of the Irish Regulations;
 - 4.3.2 arrangements for the allotment of shares or securities following the Cross-Border Merger pursuant to Article 2501 - *ter*, paragraph 1, no. 4 of the Civil Code and Regulation 5 (2)(c)(ii) of the Irish Regulations; or

4.3.3 any special terms relating to the dividend right and the date from which such shares or units participate in profits pursuant to article 2501 – *ter*, paragraph 1, n. 5 of the Civil Code, article 6, paragraph 1, letter b) of the Decree and Regulation 5(2)(c)(iii) of the Irish Regulations.

5 Economic Implications and Consequences for the Activities of the Merging Companies

5.1 Economic Implications

As described under paragraph 2 above, it is anticipated that consolidating all the activities of the Merging Companies and streamlining the internal governance processes should lead to a better cost allocation within the Group.

5.2 Consequences for the Activities of the Merging Companies

As from the effective date of the Merger, the activities of the Absorbed Company will cease to be carried out in Ireland.

5.3 Client Impact

As noted under paragraph 5.2 above, the activities of the Absorbed Company will cease to be carried out in Ireland with effect from the Effective Date. However, it is anticipated that the Merger will have no immediate impact on clients of the Absorbed Company other than a change in the legal entity with whom they do business. The services they receive will not materially change. Client contracts will be transferred by operation of law to the Absorbing Company without material changes to their terms and conditions.

6 Impact of the Merger for Shareholders, Creditors and Employees

6.1 Consequences for the Shareholders

6.1.1 Since there are no further categories of shareholder other than those shareholders holding ordinary shares in the Absorbing Company and in the Absorbed Company, there are no special benefits or treatment reserved for specific classes of shares and shareholders.

6.1.2 The Absorbing Company intends to carry on its current activities, however it will not carry on the current Irish activities of the Absorbed Company. This does not require any change to the definition of the corporate purpose clause in the articles of association of the Absorbing Company.

6.1.3 No change in the composition of the board of directors of the Absorbing Company as a result of the Merger is anticipated.

6.1.4 There will be no change to the name of the Absorbing Company.

6.2 Consequences for the Creditors

6.2.1 As a result of the Merger, persons or entities who were creditors of the Absorbing Company before the Effective Date will remain creditors of Absorbing Company from the Effective Date. The Merger will not affect the creditors of Absorbing Company.

6.2.2 As a result of the Merger, persons or entities who were creditors of the Absorbed Company before the Effective Date will become creditors of the Absorbing Company from the Effective Date.

6.2.3 Pursuant to articles 2503 of the Civil Code and article 57 of the Consolidated Banking Act, a 15 day period is granted to the creditors of the Merging Companies before the registration or publication of the Common Draft Terms of the Merger to oppose to the Merger.

6.3 Consequences for Existing Contracts

6.3.1 Subject to paragraph 6.3.2, contracts concluded by the Absorbed Company will remain in force, and we expect no material changes to them (save for the insertion of those provisions which may prove necessary by operation of law or contract), with the Absorbing Company as the new contracting party by way of universal succession.

6.3.2 It is however expected that certain contracts relating to the Irish business and operations of the Absorbed Company, and concluded by the Absorbed Company, will be terminated prior to the Effective Date.

6.4 Consequences for the Employees

6.4.1 The Absorbing Company currently has approximately 34,053 employees. There will be no impact on the employment workforce of the Absorbing Company as a consequence of the Merger.

6.4.2 The Absorbing Company currently has approximately 3 agency workers on temporary engagements, providing primarily support and administrative services. There will be no impact on the agency workers of the Absorbing Company as a consequence of the Merger.

6.4.3 The Absorbed Company currently has 24 employees providing finance, treasury, risk, compliance, IT and operations activities, as well as administrative support services.

6.4.4 It is proposed that the employment of all employees of the Absorbed Company will be terminated, subject to a collective consultation process with the employees to be implemented before the Merger.

6.4.5 The Absorbed Company has 1 agency worker on a temporary engagement providing primarily support and office administrative services and such engagement will be terminated before the Merger.

7 Right to Review this Report

In accordance with Regulation 9 of the Irish Regulations, this report will be made available to the shareholder and the employees of the Absorbed Company for at least a continuous period of one month from publication of notice of the Merger in the CRO Gazette.

8 Consultation of the representatives of the employees

There are no existing employee participation systems as referred to in Part 3 of the Irish Regulations operating within either of the Merging Companies and there are no procedures for the determination of employees' participation rights pursuant to article 19 of the Decree. Therefore, the Absorbing Company will not be subject to any employee participation system following the Merger.

We ask you to approve the Merger as described above and in the Common Draft Terms.

For and on behalf of the Board of Directors of

UniCredit Bank Ireland Public Limited Company

A handwritten signature in blue ink, appearing to read 'B. Broeker', is written over a horizontal line.

Name: Bernd Broeker

Title: Chief Executive Officer

Date: 5 May 2021