IMPORTANT NOTICE

You must read the following disclaimer before continuing.

The following disclaimer applies to the redacted offering memorandum attached to this notice (the "**Document**"). The Document is a redacted and abridged version of an offering memorandum that was prepared exclusively for transactions in the United States of America with institutional investors. Information related to any offering or potential offering of securities has been redacted from the Document in order to comply with rules and regulations relating to the offering of securities in the United States of America.

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[Redacted text]



UniCredit S.p.A.

(incorporated as a società per azioni in the Republic of Italy)

US$30,000,000,000
Medium Term Note Program

For the issue of notes due nine months or more from their date of issue

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[Redacted text]

Investing in the Notes involves certain risks, see "*Risk Factors*" beginning on page 2 of this Offering Memorandum.

[Redacted text]

The date of this Offering Memorandum is June 1, 2022.

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GENERAL DESCRIPTION OF THE PROGRAM

[Redacted text]

NOTICE TO PURCHASERS

[Redacted text]

RESTRICTIONS ON MARKETING AND SALES TO RETAIL INVESTORS

[Redacted text]

ITALIAN "WHITE LIST STATES"

[Redacted text]

IMPORTANT ITALIAN SUBSTITUTE TAX REQUIREMENTS AND INFORMATION IN RESPECT OF THE TAX CERTIFICATION PROCEDURES IN RESPECT OF THE RULE 144A NOTES

[Redacted text]

SERVICE OF PROCESS AND ENFORCEABILITY OF JUDGMENTS

[Redacted text]

DISCLOSURE REGARDING FORWARD LOOKING STATEMENTS

All statements other than statements of historical facts contained in this Offering Memorandum including statements regarding our future financial position and results of operations, business strategy, budgets, projected costs and plans and objectives of management for future operations, are forward looking statements. In addition, forward looking statements generally can be identified by the use of forward looking terminology such as "may", "will", "expect", "intend", "estimate", "anticipate", "believe" or "continue" or the negative thereof or variations thereon or similar terminology. Although we believe that the expectations reflected in such forward looking statements are reasonable, we do not provide any assurance with respect to such statements. Our ability to achieve our projected results is dependent on many factors which are outside management's control. Actual results may differ materially from and be more negative than those projected or implied in the forward looking statements. Such forward looking information involves risks and uncertainties that could significantly affect expected results and is based on certain key assumptions. Factors that could cause actual results to differ materially and adversely include, but are not limited to:

- Changes in the macroeconomic environment due to the Covid-19 outbreak have had and may continue to have adverse effects on the financial and economic situation, as well as on the creditworthiness of the Issuer and/or the Group as well as on our future reporting;
- Our ability to meet the Strategic Objectives of our new Strategic Plan 2022-2024 and all forward-looking statements relies on a number of assumptions, expectations, projections and provisional data concerning future events and is subject to a number of uncertainties and other factors, many of which, including the outcome of the conflict in Ukraine, are outside our control;
- We are exposed to risks relating to a decline in the creditworthiness of our customers, and the deterioration of the credit quality of our assets and the disposal of our non-performing loans;
- We face risks relating to our structured credit products including reductions in their fair value;
- If we were to fail to maintain minimum capital adequacy requirements or comply with other regulatory requirements, we would face adverse consequences, including potential measures by the ECB;
- Risks connected with the entry into force of new accounting principles and changes to applicable accounting principles;
- We have significant exposure to European sovereign debt, in particular, Italy's, which may adversely affect our business, financial condition and results of operations;
- We may be unable to obtain required liquidity needed to carry on our operations;
- We are subject to market risk;
- We are subject to interest rate risk;
- We conduct business in several currencies and are exposed to exchange rate risk;
- The economic conditions of the geographic markets in which we operate have had, and may continue to have, adverse effects on our results of operations, business and financial condition;
- The assumptions, judgments and estimates we use to value our assets may prove inaccurate or unreliable;
- We face risks relating to deferred tax assets;
- We are exposed to counterparty credit risks in connection with derivative contracts and repurchase agreements.
- Our risk monitoring methods and the validation of such methods may show some undetected weaknesses or may not always function as designed, which may expose us to risk;
- The ratings assigned to the Bank and the Group could change, which would expose us to risks;
- The results of future stress tests or further asset quality reviews to which we may be subjected are unknown.

You should not place undue reliance on forward looking statements, which speak only as of the date that they were made. These cautionary statements should be considered in connection with any written or oral forward looking statements that we may issue in the future. We do not undertake any obligation to release publicly any revisions to such forward looking statements after the date hereof to reflect later events or circumstances or to reflect the occurrence of unanticipated events.

PRESENTATION OF FINANCIAL INFORMATION

Group Consolidated Financial Statements Prepared in Accordance with the International Financial Reporting Standards (the "IFRS")

The financial information set forth in this Offering Memorandum is derived from the following consolidated financial statements included in the Offering Memorandum:

- the unaudited consolidated financial information of the Group as of and for the three months ended March 31, 2022 (the "**Q1 Financial Information**");
- the audited consolidated financial statements of the Group as of and for the year ended December 31, 2021 prepared in accordance with the IFRS and the provisions of Circular 262 of December 22, 2005 of the Bank of Italy, as amended ("**Circular 262**") (the "**2021 Consolidated Financial Statements**"); and
- the audited consolidated financial statements of the Group as of and for the year ended December 31, 2020 prepared in accordance with the IFRS and the provisions of Circular 262 (the "**2020 Consolidated Financial Statements**").

and from the following consolidated financial statements incorporated by reference:

- the audited consolidated financial statements of the Group as of and for the year ended December 31, 2019 prepared in accordance with the IFRS and the provisions of Circular 262 (the "**2019 Consolidated Financial Statements**" and, together with the 2021 Consolidated Financial Statements and the 2020 Consolidated Financial Statements, the "**Consolidated Financial Statements**").

The financial information referring to the year ended December 31, 2020 presented in this Offering Memorandum was extracted (unless indicated otherwise) from the comparative period presented in the 2021 Consolidated Financial Statements, in which such financial information was restated to include the retrospective changes made during the preparation of the 2021 Consolidated Financial Statements following certain reclassifications. For further detail on these restatements, please make reference to the 2021 Consolidated Financial Statements included elsewhere in this Offering Memorandum.

The financial information referring to the year ended December 31, 2019 presented in this Offering Memorandum was extracted (unless indicated otherwise) from the comparative period presented in the 2020 Consolidated Financial Statements, in which such financial information was restated to include the retrospective changes made during the preparation of the 2020 Consolidated Financial Statements following certain reclassifications. For further detail on these restatements, please make reference to the 2020 Consolidated Financial Statements included elsewhere in this Offering Memorandum.

In addition to the financial information presented for the Group in accordance with IFRS, this Offering Memorandum includes financial information extracted from the reports on operations that differ from those presented in the Consolidated Financial Statements as they have been subject to reclassification by aggregating and/or changing certain line items and, in some instances, by creating new line items or moving amounts to different line items. This financial information has not been subject to any audit or review by our independent auditors and is used by our management to analyze our Group's business performance and financial results in the Group's year-end financial reports. This Offering Memorandum includes a reconciliation of such financial information to the Consolidated Financial Statements, as provided in:

- Annex 1 to the 2021 Consolidated Financial Statements, for the financial information as of December 31, 2021;
- Annex 1 to the 2020 Consolidated Financial Statements, for the financial information as of December 31, 2020; and
- Annex 1 to the 2019 Consolidated Financial Statements, for the financial information as of December 31, 2019.

Furthermore, the Bank of Italy requires us to present in the Consolidated Financial Statements certain financial information solely with respect to our banking activities, referred to as the banking group. Circular 262 explains that the term "banking group" indicates a group of banking, financial and special purpose vehicles recorded in the register under Article 64 of the Consolidated Banking Act. Therefore, the "Banking Group" is composed of UniCredit and its subsidiaries pursuant to Articles 60 and 61 of the Consolidated Banking Act.

The Group, on the other hand, corresponds to the scope of consolidation for the purpose of preparing the consolidated financial statements and the related interim consolidated positions, and therefore includes the Issuer, as the parent company, the wholly-consolidated subsidiary companies and the associated companies consolidated through the equity method. As used in the Offering Memorandum, therefore, the "Group" is composed of the Issuer and its subsidiaries pursuant to Article 2359 of the Italian Civil Code and Article 93 of the Consolidated Financial Act.

The information in the Offering Memorandum, unless expressly specified otherwise, refers to the definition of the Group. Where, on the other hand, the reference to the Banking Group is expressly specified, the information usually also refers to banking, financial and special purpose vehicles consolidated proportionally for regulatory purposes.

Entry into force of the new organizational structure by geographic area

During May 2021 UniCredit announced its new organizational structure by geographic area as follows:

- Italy;
- Germany;

- Central Europe (including Austria, Czech Republic and Slovakia, Hungary, Slovenia);
- Eastern Europe (including Bosnia and Herzegovina, Bulgaria, Croatia, Romania, Serbia, Russia[1]).

This organization ensures Country and local Banks autonomy on specific activities granting proximity to the customers (for all client segment, Retail and Corporate) and efficient decisional processes. All standalone geographies of the Group have dedicated support functions such as: People and Culture, Finance, Digital & Information Office, and Operations. In addition, Compliance, Legal and Risk have established specific regional departments. Alongside the new 4 business division there are:

- Group Corporate Centre with the objective to lead, control and support the management of the assets and related risks of the Group as a whole and of the single Group companies in their respective areas of competence; it also includes the Group's Legal Entities that are going to be dismissed
- Non Core, including non-strategic Italian assets and those with a poor fit to the Group's risk-adjusted return framework; it is reported till full year 2021, date of its complete runoff.

Entry into force of new accounting principles and changes to applicable accounting principles

2019

IFRS 16 – Leasing

IFRS16, effective starting from January 1, 2019 and subject to the completion of the endorsement process by the European Union commenced on October 31, 2017, modifies the previous set of international accounting principles and interpretations on leases and, in particular, IAS17.

IFRS16 introduces a new definition for leases and confirms the distinction between two types of leases (operating and finance) with reference to the accounting treatment to be applied by the lessor.

With reference to the accounting treatment to be applied by the lessee, the new accounting standard sets, for all the leasing typologies, the recognition as an asset, representing the right of use of the underlying asset and, at the same time, a liability for the future payments requested by the lease contract.

At the initial recognition such asset is measured on the basis of the lease contract cash flows or, for leases that will be accounted for as investment property, using their fair value model in IAS 40. After the initial recognition the right-of-use will be measured on the basis of the rules set for the assets by IAS16, IAS38 or by IAS40 and therefore applying the cost model, less any accumulated depreciation and any accumulated impairment losses, the revaluation model or the fair value model as applicable.

In this context, the Group has performed the activities aimed to ensure compliance with this accounting principle, in particular with reference to the calculation and accounting for Right of Use and Lease Liability that represent the main discontinuity compared to the current accounting model required by IAS17.

The activities aimed to the development of rules, principles and IT systems to be used for the proper evaluation of new assets and liabilities and the subsequent calculation of the related economic effects have been finalised.

With reference to the first time adoption of IFRS16 the Group decided, as allowed by the standard, to calculate the lease liability as the present value of future lease payments as at January 1, 2020 and to determine the right of use on the basis of the value of the lease liability. As a result comparative information has not been restated.

On January 1, 2019, the Group recognized right of use leased assets of €2,486 million in property, plant and equipment, of which €2,404 million relates to buildings, and €82 million relates to other property, plant and equipment (including land, office furniture and fitting, electronic systems, and other).

At the same date the Group has also recognised lease liabilities for an amount of €2,555 million relating to lease contracts of buildings for an amount of €2,475 million; other lease liabilities have been also recognised for an amount of €80 million (including land, office furniture and fitting, electronic systems, other).

The difference between right of use and lease liability arises from the inclusion in the right of use of prepaid and deferred payments, from the recognition as part of the right of use of the provisions for risks and charges previously recognised for vacancies on rented buildings and from sublease contracts entered with third parties external to the Group that have been classified as finance lease. Indeed, in case the Group subleases to third parties assets acquired in lease contracts, it recognizes a finance lease receivable.

The impact accounted for in FTA Reserve amounts to negative €6 million and it is mainly due to differences arising from sublease transactions if the terms of the head leases are not perfectly mirrored by the terms of the associated subleases.

The first application of the accounting standard has determined during the year the recognition of interest expenses on lease liabilities at an average interest rate of about 1.7%.

It should be also noted that these amounts cannot be reconciled with the amount of the lease liability recognised on January 1, 2019 as they only comprise payments arising from leasing contract. Conversely the initial application of IFRS16 has led to recognise a lease liability for both contracts formally qualified as leases and rental contracts.

[1] For 1Q 2022 separate evidence of Russia data (out of Eastern Europe)

Change in the evaluation criterion of tangible assets: properties used in business (IAS16) and properties held for investment (IAS40)

Our Group, also following the several business combinations holds a significant real estate portfolio including land and buildings (4,250 items) whose book value as at June 30, 2019 amounted to €5,199 million of which €3,055 million for assets used in business (IAS16) and € 2,144 million for assets held for investment (IAS40).

More specifically, on the same date, these real estate assets were divided as follows on a geographical basis:

- Italy (3.253 items): €2,643 million (IAS16 for €1,736 million and IAS40 for €907 million);
- Austria (119 items): €290 million (IAS16 for €115 million and IAS40 for €175 million);
- Germany (263 items): €1,853 million (IAS16 for €884 million and IAS40 for €969 million);
- Central Europe (615 items): €413 million (IAS16 for €320 million and IAS40 for €93 million).

In the last years, following a constantly changing market scenario, the Group has launched a series of initiatives to enhance these real estate assets through actions which constituted an integral part of the previous strategic plan of the Group ("**Team 23"**) which has been replaced by the new 2022-2024 Strategic Plan approved on December 9, 2021 ("**UniCredit Unlocked"**).

With reference to the properties used in business, these initiatives are aimed at a continuous enhancement of these properties through an "active management" of the portfolio, according to a corporate strategy mainly oriented to typical commercial banking activities, including also the possibility of disposal in case of suitable conditions.

These initiatives results are however also influenced by the following strategic choices which were included in the previous strategic plan of the Group (Team 23):

- progressive release of the physical workstations assigned to employees as a result of remote work, and this due to the stable use of flexible work compared to the previous occasional use;
- rationalisation of the spaces of the headquarters structures present in the major cities, to be carried out through the progressive merging into management centers with shared workstations;
- digitalisation and progressive focus on remote marketing channels;
- further transformation of the "physical" branches, consolidating them in their nature as centers oriented to customer advisory activities;
- rationalisation of labor costs also connected to the automation of business processes.

The actions mentioned above will allow a progressive reduction of the occupied areas and the subsequent sale of the vacated spaces.

With reference to properties held for investment, a gradual disposal of the properties in the portfolio is expected by 2025.

Based on the above, for the purposes of preparing the financial statements at December 31, 2019, the Group has decided to change – compared to the financial statements of previous year – the evaluation criterion of the Group's real estate portfolio, in particular:

- for the properties used in business (ruled by IAS16 "Property, plant and machinery") providing for the transition from the cost model to the revaluation model for the measurement subsequent to initial recognition;
- for the properties held for investment (ruled by IAS40 "Investment property") providing for the transition from the cost model to the fair value model.

This decision was made by the UniCredit S.p.A. Board of Directors during the meeting held on 2 December 2019 which also approved the previous business plan of the Group (the "**Team 23**" strategic plan, as of the date of this Offering Memorandum replaced by the new 2022-2024 Strategic Plan).

In this context, the Group has considered that the possibility of measuring real estate assets at current values (and no longer at cost) allows, in line with the provisions of IAS8 concerning changes in accounting principles, to provide reliable and more relevant information on the effects of business management as well as the Group's financial position and economic result.

More specifically, it is believed that the change in the valuation criterion of properties, consistently with the initiatives planned by the Team 23 strategic plan (as of the date of this Offering Memorandum replaced by the new 2022-2024 Strategic Plan) previously described, may allow:

- a more significant representation of the financial position since the expression at current values allows to represent the value, updated on the basis of the current appreciation of properties by the market, which the Group expects to achieve as a result of the enhancement and/or disposal of the properties, accounting for timely valuations at assets and equity level (in the form of valuation reserves or profit of the year), the stock of value that will be created by the planned initiatives.

This circumstance is verified both in the case of properties to be disposed, for which the representation at current values allows to evidence their expected realisation values, and for the instrumental properties considering that a significant part of

these properties is exposed in the financial statements at historical values that are less representative of current market conditions due to their not recent acquisition. In addition, the adoption of a valuation criterion at current values allows a more significant representation of the financial position since it allows to represent the value of the real estate assets assuming a single reference date (the date of preparation of the financial statements) thus overcoming the time lag due the adoption of the cost model which implies the enhancement of the real estate assets at different times (the purchase dates) which are not homogeneous in terms of market conditions;

- a more relevant representation of the Group's economic dynamics since the adoption of a criterion at current values allows to represent the changes in value at the moment in which they arise, in compliance with the objectives of active management of the initiatives mentioned above. In this way, the recognition of capital gains and losses is not deferred at the time of sale of the real estate assets and is not influenced by the difference between market value (embedded in sale price) and cost which, as mentioned, may no longer be meaningful when the acquisition of real estate assets did not take place recently.

In substance, the change in the valuation criterion of properties determines both a higher alignment of the financial information with the strategies of the real estate asset management provided by the Team 23 strategic plan (as of the date of this Offering Memorandum replaced by the new 2022-2024 Strategic Plan) and a more reliable, relevant and immediate representation of the economic substance, and the related accounting impacts, of the actions that will be taken.

The representation of voluntary changes in accounting principles (accounting policies) is regulated by IAS8 which establishes, as a general rule, that these changes have to be represented retrospectively starting from the most remote date when this is feasible.

This means that, based on the general principle, at the date on which the change takes place, the opening balances of the comparative year and the data of that year shown in the financial statements and in the notes must be restated.

However, this general rule allows for exceptions. In fact IAS8 (paragraph 17) establishes that for the purposes of the valuation of the property, plant and machinery, regulated by IAS16, the transition from the cost model to the revaluation model must be represented as a normal application in continuity of the revaluation mode. As a result the revaluation model has been applied prospectively and not retrospectively as required by the general principle reported in IAS8 without making any adjustment of the opening balances of the comparative year and of the comparative data, nor of the interim financial statements prior to the date of the change. Whereas, for the purposes of the valuation of properties held for investment a restatement of retained earnings reserves relating to December 31, 2018 was made as a consequence of changes in the fair value of properties during the previous year and the fact that properties held for investment are no longer subject to depreciation.

Consequently, for the properties used in business, ruled by IAS16, the transition from a cost valuation to a valuation at current values, required the determination of the related fair value at December 31, 2019.

The differences between this value and the previous value determined by applying the "cost" criterion are recognised:

- if negative, in the income statement,
- if positive, in the other comprehensive income statement, and accumulated in equity under the item revaluation reserve, unless impairment was accounted for on that asset; in this case the positive differences between fair value and book value are recognised in the income statement.

As the change in the evaluation criterion took place at the end of the year, the calculation of the depreciation for the 2019 financial year was made with the previous cost model.

From the 2020 financial year onwards, properties used in business, measured according to IAS16 revaluation model, continue to be depreciated over their useful life.

Unlike what is envisaged for used in business properties, IAS8 does not mention investments properties among the assets for which a deviation from the retroactive application rule for the change in standards is envisaged.

As a result, except for cases where it is not feasible to determine the related effects, it was decided to apply the change in accounting principle retrospectively.

This has determined:

- the book value of the land and properties held for investment as at January 1, 2018 adjusted to their fair value with the recognition of the difference in retained earnings (item Reserves), which can be used to cover losses and are included in the calculation of CET1 ratio;
- the measurement at fair value, in place of depreciation and impairment recognition, accounting for in the income statement of the positive and negative differences, in 2019 a circumstance that led to the restatement of the comparative data as at December 31, 2019.

Starting from 2020, properties held for investment continue to be measured at fair value with recognition of the differences in the income statement and will no longer be subject to depreciation and/or impairment.

With reference to the methods for determining the market value (fair value), it should be noted that this value was determined through the use of independent expert evaluators through the preparation of specific appraisals.

These appraisals, based on the relevance of the single real estate item, consisted of:

- "full/on site" appraisals based on a physical inspection of the property by the expert; or

- "desktop" appraisals based on an assessment conducted without carrying out a physical inspection of the real estate property and, therefore, based on reference market values.

For the preparation of the appraisals relating to the properties, the rents, the sale prices, the discount rates and the capitalisation rates of the properties that compose the Group's portfolio were estimated. More specifically, to determine fair value, the Group alternatively uses, depending on properties features and appraisal type, the so-called Market Comparable Approach taking into consideration the prices observable in the market for comparable transactions or the Income Approach based on the present value of the rent.

At the date of initial application of the change in the valuation criterion, 100% of the properties belonging to the Group were appraised with a percentage of coverage with "full/on site" appraisals of over 75% of their market value.

Impacts deriving from the change in the valuation criterion for tangible assets

In the consolidated financial statements as at December 31, 2019, the change in the valuation criterion of the properties resulted in an overall positive balance sheet effect of €3,008 million gross of tax effect as detailed below:

- for properties used in business, the recognition of a revaluation of €2,090 million gross of tax effect (€1,445 million net of the tax effect). This value, net of deferred tax, equal to €645 million was attributed to a specific valuation reserve in the equity. In addition to this higher value, net losses for €188 million were recognised in the income statement gross of the tax effect;
- for properties held for investment an overall revaluation in the equity equal to €837 million gross of the tax effect (€583 million net of the tax effect) composed as follows:
  - recognition of a revaluation of €511 million gross of tax effect (€352 million net of the tax effect) as a re-exposure of the opening balances of equity as at January 1, 2018 (as a reserve from the first application of the new accounting principle). This value, net of the related tax effect, was attributed to a specific reserve in the equity as at January 1, 2018;
  - restatement of retained earnings reserves relating to December 31, 2018 as a consequence of changes in the fair value of properties during the previous year and the fact that properties held for investment are no longer subject to depreciation, for an amount equal to €326 million gross of the tax effect (€231 million net of the tax effect).
- still with regard to properties held for investment, during 2019 it has been recognised an income statement result equal to €269 million gross of the tax effect.

This change in measurement criteria has determined an effect equal to +58bps in CET1.

It should be noted that the amounts exposed above take into account the activities aimed at rationalising and managing the real estate portfolio that determined an overall result in the Group's equity as at December 31, 2019 of €703 million (gross of the tax effect).

Real estate risk and Sensitivity analysis

The change in the valuation criterion of properties at current values implies a possible risk of volatility as well as an increase of the so-called real estate risk.

By reference to the real estate units held as at December 31, 2019 and their corresponding market value overall equal to €5,973 million, has been estimated a sensitivity to the increase/decrease in real estate values of +/-1% equal to approximately €59.7 million corresponding to approximately +/-2 basis point of CET ratio.

INCORPORATION BY REFERENCE

The information contained in this Offering Memorandum should be read in conjunction with the 2019 Consolidated Financial Statements (prepared in accordance with IFRS and the instructions issued by the Bank of Italy set forth in Circular 262), together with the audit report, for the period, which can be examined on our website (https://www.unicreditgroup.eu/en/investors/financial-reports.html) as well as on the website of Borsa Italiana.

The portions of the document described below are incorporated in this Offering Memorandum by reference.

2019 Consolidated Financial Statements	**Pages Incorporated**
Consolidated Accounts	91
Consolidated Balance Sheet	91
Consolidated Income Statement	92
Consolidated Statement of Comprehensive Income	93
Statement of Changes in Shareholders' Equity	94
Consolidated Cash Flow Statement	96
Notes to the Consolidated Accounts	99
Report of the External Auditors	405

For the convenience of the reader, our financial information has been presented in this Offering Memorandum in a format consistent with the discussions of financial information set out herein. For consistency of presentation, the reader should therefore refer to the discussions of our financial information contained in this Offering Memorandum in, *inter alia*, "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", "*Risk Management*" and "*Related-Party Transactions*."

To the extent that there is any inconsistency between this Offering Memorandum and any statements incorporated by reference herein, this Offering Memorandum will prevail. Information not specifically incorporated in the Offering Memorandum, including information on our website, is not part of this Offering Memorandum.

Any other information not listed above, but contained in the document incorporated by reference, is made available for information purposes only.

The document incorporated herein by reference is current only as of the date of such document, and the incorporation by reference herein of such document shall not create any implication that there has been no change in our affairs since the date thereof or that the information contained therein is current as of any time subsequent to its date. To the extent any statement in the document incorporated herein by reference conflicts with statements in this Offering Memorandum, such conflicting information contained in the document incorporated by reference is superseded by the information contained in this Offering Memorandum, including any supplement hereto. Any statement contained in this Offering Memorandum or in a document that is incorporated by reference shall be deemed modified or superseded to the extent a statement contained in any subsequent document that is also incorporated by reference modifies or supersedes any such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Memorandum. References to this Offering Memorandum shall be taken to mean this document and all the documents from time to time incorporated by reference herein and forming part hereof.

INDUSTRY AND MARKET DATA

Certain industry and market data included in this Offering Memorandum were obtained from publicly available sources. Neither we nor the Dealers have independently verified this industry and market data, nor can we or the Dealers assure you of the accuracy and completeness of, or take any responsibility for, such data. Further, we do not assume any obligation to update this industry and market data. In addition, behavior, preferences and trends indicated by this industry or market data may not be reliable future indicators.

AVAILABLE INFORMATION

The Issuer shall, during any period in which it is not subject to and in compliance with the reporting requirements of Section 13 or 15(d) of the United States Securities Exchange Act of 1934, as amended (the "**Exchange Act**") nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, duly provide to any holder of a Rule 144A Note or to any prospective purchaser of such securities designated by such holder, upon the written request of such holder or (as the case may be) prospective holder addressed to the Issuers and delivered to the Issuers or to the specified office of the Note Registrar, the information specified in Rule 144A(d)(4) under the Securities Act.

SUMMARY

[Redacted text]

RISK FACTORS

Although the risks and uncertainties described below are those that our Group considers material, they are not the only risks our Group faces. Additional risks and uncertainties that are not presently known to our Group or that our Group currently deems immaterial may also materially and adversely affect our Group's business, financial condition or results of operations. Capitalized terms not defined in this section are defined elsewhere herein.

Risks Relating to Our Business

Changes in the macroeconomic environment due to the Covid-19 outbreak and recent geopolitical tensions with Russia have had and may continue to have adverse effects on the financial and economic situation, on the creditworthiness of the Issuer and/or the Group as well as on our future reporting

The financial markets and the macroeconomic and political environment of the countries in which we operate are impacted by the Covid-19 outbreak and this has had and will continue to have a negative impact on the performance of the Group. Moreover, the valuation of certain assets has become complex and uncertain as a result of the lockdown measures and other restrictive measures put in place by governments for the containment of Covid-19 pandemics even though progressively lifted, as well as recent geopolitical tensions with Russia. Expectations regarding the performance of the global economy remain still uncertain in both the short and medium term.

The Covid-19 outbreak has had a profound impact on communities, employees and customers and, despite the ongoing vaccine campaigns, the negative effects of this virus on international and domestic economic activities remain evident.

The following represent the main impacts deriving from Covid-19 UniCredit's performance in 2021:

- negative impacts on the retail loans demand and on the corporate loans interest rates, even following the facilitation of loans with state guarantees, with resulting decrease on the interest margin; about the customer loans moratorium, they did not significantly affect the interest margin;
- decreases of the commissions, in all service areas; and
- additional costs, specifically for devices and equipment needed for the employee's protection and for a massive transfer to a remote way of working (smart working).

Although macroeconomic context in which the Group operated in 2021 was characterized by the encouraging signs of recovery compared with the prior year, the current environment continues to be characterised by highly uncertain elements, with the possibility that the slowdown of the economy, jointly with the termination of the safeguard measures, generate a worsening of the loan portfolio quality, followed by an increase of the non-performing loans and the necessity to increase the provisions to be charged to the income statement.

In order to cope with the extraordinary contingency of Covid-19 and the peculiar dynamic of a deflated default risk observed in the course of 2021 as a consequence of supporting measures and a potential cliff-effect in 2022 when the measures will expire, an upward corrective factor has been applied on both the 2021 default rate and the 2022 forecast underlying the updated calibration of IFRS models for the December 31, 2021 figures and likely postponement of part of default risk in 2022.

It is worth pointing out that the measurement is affected by the already mentioned degree of uncertainty on the evolution of the pandemic, the effect of the relief measures and, ultimately, the existence and degree of economic recovery. The evolution of these factors may, indeed, require in future financial years the classification of additional credit exposures as non-performing thus determining the recognition of additional loan loss provisions related to both these exposures as well as performing exposures following the update in credit parameters. The Group delivered underlying net profit of €3,900 million for FY21, increased compared to the underlying net profit of €1,264 million delivered for FY20. For further information on underlying net profit, see "*Net profit/(loss) attributable to the Group*."

Operating income were up 4.8 per cent Y/Y to €18.0 billion in FY21 with stronger fees, up 12.1 per cent Y/Y, trading income up 16.0 per cent Y/Y and Dividends and other income from equity investments up 25.2 per cent, more than offsetting lower net interest income ("**NII**") of 4.0 per cent Y/Y.

In details: FY21 NII was down 4.0 per cent Y/Y to €9.1 billion, as a result of lower loans volumes and customer rates; fees were at €6.7 billion, up 12.1 per cent Y/Y, mainly due to investment fees. FY21 trading income was up 16.0 per cent Y/Y at €1.6 billion, of which €1.3 billion is customer driven, increasing thanks to Valuation Adjustments ("**XVA**") and Fair Value ("**FV**") valuation. Also, dividends were up 25.2 per cent Y/Y to €520 million, with higher contribution from Yapi Kredi, up €18 million Y/Y). The Valuation Adjustment include: Debt/Credit Value Adjustment (DVA/CVA), Funding Valuation Adjustments (FuVA) and Hedging desk.

Unicredit's Loan Loss Provisions ("**LLPs**") decreased by Euro 3,362 million to Euro 1,634 million as at December 31, 2021 from Euro 4,996 million as at December 31, 2020. Therefore, the cost of risk ("**CoR**") in the 2021 was 37 bps, decreased compared to the past year (105 bps).

Unicredit's LLPs, excluding Russia, decreased by 93.2 per cent Q/Q and 64.6 per cent Y/Y to Euro 52 million in 1Q22. Therefore, the cost of risk, excluding Russia, decreased by 67 bps Q/Q and 9 bps Y/Y to 5 bps in 1Q22.

UniCredit's LLPs in 1Q22 amounted to Euro 1.3 billion almost entirely against Russia. Therefore, the CoR in 1Q22 was equal to 116 bps.

For further information in relation to the net write-downs on loans, please see the consolidated financial statements of UniCredit as at December 31, 2021 and the consolidated interim report as at 31 March 2022 – Press Release.

Furthermore, the evaluation processes, such as Deferred Tax Assets, whose recoverable amount depends on expected cash flows projections, might be subject to a change not foreseeable as of the date of this Offering Memorandum and which may have negative effects, including significant ones, on the bank's financial and economic situation.

In addition, as a result of the current elements of high uncertainty, the European Securities and Markets Authority ("**ESMA**") requires that particular attention is dedicated to assets evaluation. In particular ESMA believes that Covid-19 pandemic is an indicator for performing an impairment test with particular attention to the evaluation of cash flows used and the possible use of alternative scenarios. Coherently with such recommendations and considering that our macro assumptions in the 2022-2024 Strategic Plan called "UniCredit Unlocked" (the **Strategic Plan** or **Plan**) exclude unexpected materially adverse developments such as the Covid-19 pandemic (macro assumptions of the Plan consider, in fact, that the recent and still existing impacts of Covid-19 will gradually normalize over the coming years and, as such, the scenario does not assume that the current Covid-19 situation will develop in a particularly negative way in the upcoming years), we have given particular attention to the evaluation of assets such as, Deferred Tax Assets, whose recoverability depends on future net income flows by testing their carrying amount in light of cash flows referred both to a "Baseline" scenario, which reflects the expectations considered most likely concerning macro-economic trends, and to alternative scenarios outlined assuming different trends in the main macro-economic parameters (e.g. gross domestic product, interest rates).

While evaluations have been made on the basis of assumptions deemed to be reasonable as at December 31, 2021, existing uncertainties related to evolution of the pandemic, when lockdown measures and other restrictive measures will be completely lifted and the extent and speed of the economic recovery, will further affect the valuation processes. Therefore, the information and parameters used for the update of the IFRS-9 macro-economic scenario for the calculation of Expected Credit Loss ("**ECL**") could develop in different ways to those envisaged, with possible further negative effects on our assets and operations, balance sheet and/or income statement.

The containment measures adopted to contain the spread of Covid-19 had a severe impact on economic activity. In order to mitigate these effects, the European Central Bank (**ECB**) launched a pandemic emergency purchase program (**PEPP – Pandemic Emergency Purchase Programme**), acting as a buyer of last resort in the government-bond market for as long as needed.

On December 9, 2021 UniCredit presented to the financial community its new Strategic Plan, which included with a set of financial targets that consider the current scenario and result from the assessment performed in latest months.

The macro assumptions underlying the Strategic Plan exclude unexpected materially adverse developments such as the Covid-19 pandemic, a situation that UniCredit is monitoring closely. They also take into account the recent and still existing impacts of Covid-19 with a gradual normalisation over the upcoming years. The scenario does not assume that the current Covid-19 situation will develop in a particularly negative way in the upcoming years.

The macroeconomic trend will affect the Group profitability and parameters, such as discount rates, used for evaluating Group's assets. As a result, the evaluation made for Investments in associates and Deferred Tax Assets, whose recoverable amount depends on cash flows projections, might be subject to a change not foreseeable at the moment and from which could derive possible negative effects, including significant ones, on the bank's financial and economic situation.

Material adverse effects on the business and profitability of the Group may also result from further developments of the monetary policies and additional events occurring on an extraordinary basis (such as political instability, terrorism and any other similar event occurring in the countries where the Group operates and, as recently experienced, a pandemic emergency). Furthermore, the economic and political uncertainty of recent years has also introduced a considerable volatility and uncertainty in the financial markets, potentially impacting on credit spreads/cost of funding and therefore on the values the Group can realize from sales of financial assets.

The outlook of the pandemic normalization path in terms of its timeline and further evolution remains highly uncertain, as well as the magnitude of the economic downturn. The Global economic downturn can be further impacted by the potential new rounds of restrictions that might be introduced by some countries across the world, with the risk of further slowing down the expected recovery.

The outlook of the pandemic normalization path in terms of its timeline and further evolution remains highly uncertain, as well as the magnitude of the economic impacts. The Global economic trends can be further impacted by the potential new rounds of restrictions that might be introduced by some countries across the world, with the risk of further slowing down the expected recovery.

In particular, besides the impact on global growth and individual countries due to Covid-19, the current macroeconomic situation is characterized by high levels of uncertainty, primarily all due to the evolution of the conflict between Russia and Ukraine and the related potential implications/spill-over macroeconomic effects; moreover due to: (i) the risk of increasing inflation; (ii) future developments in the European Central Bank (the ECB) and Federal Reserve (FED) monetary policies; (iii) the sustainability of the sovereign debt of certain countries and the related, repeated shocks to the financial markets; and (iv) the tensions between Russia and Ukraine and related potential implications.

Our ability to meet the Strategic Objectives of our new Strategic Plan 2022-2024 and all forward-looking statements relies on a number of assumptions, expectations, projections and provisional data concerning future events and is subject to a number of uncertainties and other factors, many of which, including the outcome of the conflict in Ukraine, are outside our control

On December 9, 2021, UniCredit presented to the financial community in Milan the 2022-2024 Strategic Plan called "UniCredit Unlocked" (the **Strategic Plan** or **Plan**) which contains a number of strategic, capital and financial objectives (the "**Strategic Objectives**"). The Strategic Plan focuses on UniCredit's geographic areas in which we currently operate; with financial performance driven by three interconnecting levers: cost efficiency, optimal capital allocation and net revenue growth.

"UniCredit Unlocked" delivers strategic imperatives and financial ambitions based on six pillars. Such strategic imperatives and financial ambitions regard: (i) the growth in its regions and the development of its client franchise, changing its business model and how people operate; (ii) the delivery of economies of scale from its footprint of banks, transforming the technology leveraging Digital & Data and embedding sustainability in all that UniCredit does; (iii) driving financial performance via three interconnecting levers mentioned above.

Sustainability is embedded in the Plan and UniCredit commits to deliver on ESG global policies. Specifically UniCredit: has established an ESG advisory model for Corporates and Individuals; is financing innovation for environmental transition; and is partnering with key players to enrich and improve ESG offerings across-sectors.

New business model allows for strong organic capital generation with materially increased and growing shareholder distributions, consisting in cash dividends and share buybacks, while maintaining a robust CET1 ratio.

Although the Plan is based primarily through management actions, thanks to its geographical positioning, UniCredit: (i) over the three years, assumes a conservative interest rate scenario based on a broadly stable Euribor 3 month rate; (ii) the combination of its countries is expected to deliver GDP growth above the eurozone average over the course of the Plan, helped by its Central and Eastern European positioning.

Given that the realization of the above is, as of the date hereof, uncertain, should we fail to generate the expected benefits of actions taken to support future income, we may not reach our Strategic Objectives.

Macro assumptions exclude unexpected materially adverse developments such as the Covid-19 pandemic, a situation that UniCredit is monitoring closely. Macro assumptions consider the recent and still existing impacts of Covid-19 with a gradual normalisation over the upcoming years. The scenario does not assume that the current Covid-19 situation will develop in a particularly negative way in the upcoming years. However, further uncertainties (e.g., related to the deterioration of the Russia/Ukraine conflict and related spill-over effects, the COVID-19 pandemic, and any other uncertainties arising in the future out of UniCredit control) could have further potentially adverse impacts also on the financial markets, which could unexpectedly materially impact the Group financials and the macro scenario underlying the Strategic Plan 2022-2024.

UniCredit's ability to meet the Strategic Objectives and all forward-looking statements relies on a number of assumptions, expectations, projections and provisional data concerning future events and is subject to a number of uncertainties and other factors, many of which are outside the control of UniCredit. There are a variety of factors that may cause actual results and performance to be materially different from the explicit or implicit contents of any forward-looking statements and thus, such forward-looking statements are not a reliable indicator of future performances. Moreover, the future financial results could be influenced by the future impacts of Covid-19 as well as the evolution of the geopolitical tension due to the deterioration of the Russia/Ukraine conflict, which were not foreseeable at the date of the Strategic Plan presentation, and which are still uncertain.

Assumptions by their nature are inherently subjective and the assumptions underlying the Strategic Objectives could turn out to be inaccurate. If this were to occur, our actual results may differ from those set forth in the Strategic Objectives, and this could have a material adverse effect on our business, results of operations, financial condition, or capital position.

Eurozone's GDP expanded by 5.3% in 2021 Y/Y, with a rebound vs. 2020 significantly impacted by Covid-19 related containment measures. Among the largest eurozone economies, France and Italy experienced greatest growth, respectively of 7.0% and 6.6% (Germany, up 2.9%, Austria, up 4.5%). For this reason, UniCredit after having updated the macroeconomic assumptions connected with the determination of LLPs in December 2021 has further updated the macroeconomic assumptions with reference to Russia in light of a drop in GDP higher than those expected under the negative scenario considered in December 2021 in accordance with International Financial Reporting Standards 9 ("IFRS9").

At the end of April 2022 UniCredit exposure to Russia included € 2.6 billion related to the participation, € 0.9 billion derivatives, € 3.2 billion as net cross border exposure plus € 0.3 billion of additional intragroup exposure. In total € 7 billion representing 193 bps of Capital impact. In the "extreme loss assessment" some financial and credit assumpitons and cross border recoverability of 40% reduced the negative impact on derivatives to € 0.4 billion and to € 1.9 billion for the cross border exposure, with a toal impact of € 5.2bn representing 128 bps of Capital impact. In 1Q22 92 bps of negative impact on Capital out of total 128 bps in total of the extreme loss assessment were taken.

For 1Q22, reflecting the Group's historically prudent approach on classification and provisioning, the cost of risk excluding Russia is 5 basis points. Cost of risk, excluding Russia, is expected in the 30 to 35 basis points range over the Plan period.

UniCredit, on December 9, 2021, presenting its 2022-2024 Strategic Plan, "**UniCredit Unlocked**", announced the aim to ensure a materially increased and growing remuneration in favour of the Shareholders over the course of the Plan, also by means of programmes for the purchase of ordinary shares of UniCredit. As part of the activities envisaged in this announcement, the Shareholders Meeting called on April 8, 2022, for the financial year ended on December 31, 2021, substantially in line with "UniCredit Unlocked", has approved a distribution of approximately €3.75 billion, composed of:

- a cash dividend €0.5 for each share outstanding and entitled to dividend at payment date, for a maximum amount of €1.1 billion from the allocation of profit for the year 2021, corresponding to approximately 30% of the so-called "underlying consolidated net profit" (i.e. Net Profit adjusted for non-operating items);
- purchases of UniCredit ordinary shares corresponding to a maximum total expenditure up to ca. €2.580 billion and, in any case, not exceeding no. 215 million of UniCredit ordinary shares (equal to 9.87% of the share capital of UniCredit at 9 March 2022, to be carried out, in one or more transactions, within the earliest of: (i) the date which will fall after 18 (eighteen) months from the date of the authorisation of the Shareholders' Meeting; and (ii) the date of the shareholders' meeting which will be called to approve the financial statements for the year ending on December 31, 2022, respectively pursuant to Article 2357 of the Italian Civil Code and Article 132 of Legislative Decree 58/1998 ("**Italian Consolidated Financial Act**") and the relevant implementing regulations, and Article 2357-ter of the Italian Civil Code.. The ordinary shares thus purchased will be subsequently subject to cancellation.

Without prejudice to the above, UniCredit has specified that any purchase made under the Shareholders Meeting authorisation will be made in compliance with the purposes set out in the laws and regulations in force and applicable from time to time also on the back of the relevant Supervisory Authorities. The execution of the share buy-back programme will also be assessed taking a prudent and sustainable approach to distributions. In particular, the abovementioned execution will be subject to UniCredit's CET1 ratio proforma 2021 remaining above 13.0%; it is hereby therefore specified that the share buy-back programme may be only partially executed, according to relevant Supervisory Authorities authorisations received from time to time. Given the inherent uncertainty surrounding any future event, both in terms of the event's occurrence as well as eventual timing, the differences between the actual values and the Strategic Objectives could be significant. For all these reasons, investors are cautioned against making their investment decisions based exclusively on the forecast data included in the Strategic Objectives. Moreover, these projections were not prepared by management with a view toward compliance with published guidelines of the Securities and Exchange Commission or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information. Any failure to implement the Strategic Objectives or meet the Strategic Objectives may have a material adverse effect on our business, financial condition or results of operations.

We are exposed to risks relating to a decline in the creditworthiness of our customers, the deterioration of the credit quality of our assets and the disposal of our non-performing loans

Our results of operations, financial viability and profitability, as well as the strength of our assets, depend, among other things, on the creditworthiness of our customers.

Our lending operations expose us to traditional risks, including the risk that third parties that owe us money, securities or other assets might, among other things, fail to perform their obligations towards us. To this respect it is worth mentioning the importance of reducing the ratio of non-performing loans to total loans which has been stressed on several occasions by the ECB and the Bank of Italy, both publicly and in the context of ongoing dialogue with Italian banks, including us. In addition, we are exposed to the risk that we may be induced to grant credit, on the basis of untrue, incomplete or incorrect information regarding our customers' financial condition and creditworthiness that we would not have otherwise granted or would have granted on different terms or conditions had we received truthful, complete and correct information. In light of our exposure to such risk and the ECB and Bank of Italy regulatory focus, as well as the deterioration of credit quality in recent years, we have implemented a strategy of proactively managing non-performing loans, with the intention of accelerating disposals relative to our past legacy in order to reinforce our balance sheet.

Furthermore, since 2014, the Italian market has seen an increase in the number of disposals of non-performing loans, characterised by sale prices that are lower than the relative book values, with discounts greater than those applied in other European Union countries. In this context, the UniCredit Group has launched a structured activity to reduce the amount of non-performing loans on its books, while simultaneously seeking to maximise its profitability and strengthen its capital structure.

In the last years, also in accordance with the EBA Guidelines of 31 October 2018 on management of non-performing and forborne exposures for credit institutions with a gross NPL ratio greater than 5 per cent., the Group has adopted a strategic plan to reduce Non-Performing Exposures (NPE) and operational and governance systems to support it.

Moreover, the creditworthiness of our borrowers and other counterparties is impacted by many factors, including: (i) prevailing economic and market conditions, specifically those of the industries and countries in which we operate; (ii) changes to the credit ratings of individual borrowers and counterparties; (iii) the specific activities or businesses carried out by individual borrowers and counterparties; (iv) changes in interest rates; (v) the levels of indebtedness of individual borrowers and counterparties; and (vi) other legal or regulatory factors. Moreover, a prolonged general shutdown resulting from the restrictive measures imposed by the government in Italy and the other countries where we operate will likely adversely affect the creditworthiness of our borrowers and other counterparties in the impacted regions, which in turn would

adversely affect the credit quality of our assets and, ultimately our business, financial condition or results of operations. In addition, in order to provide relief to borrowers in the context of the lockdown measures put in place for containing Covid-19 outbreak, many countries in which the Group operates have issued laws permitting the delay on payment of instalments either on request by customers or automatically (so called "moratoria").

In accordance with ESMA statements of March 25, 2020, the Group has not derecognised credit exposures that were subject to such moratoria.

UniCredit's Loan Loss Provisions ("**LLPs**"), excluding Russia, decreased by 93.2 per cent Q/Q and 64.6 per cent Y/Y to Euro 52 million in 1Q22. Therefore, the cost of risk, excluding Russia, decreased by 67 bps Q/Q and 9 bps Y/Y to 5 bps in 1Q22. As at March 31, 2022, Group gross NPE ratio, excluding Russia, was equal to 3.5 per cent, decreasing compared to 31 December 2021 in which the gross NPE ratio was equal to 3.6%. As at 31 March 2022 Group Net NPE ratio, excluding Russia, substantially stable compared to 31 December 2021 and is equal to 1.6%.

As at March 31, 2022, Group gross NPEs, excluding Russia, were down by 29.0 per cent Y/Y and 2.2 per cent Q/Q to Euro 15.5 billion in 1Q22 (while as at December 31, 2021 they were equal to Euro 15.9 billion) with an improved gross NPE ratio of 3.5% (-1.4 p.p. Y/Y, -0.1 p.p. Q/Q), while as at December 31, 2021 the gross NPE ratio was equal to 3.6%.

As at March 31, 2022, Group Net NPEs, excluding Russia, stood at Euro 7.1 billion decreased compared to December 31, 2021 which attested at Euro 7.4 billion (Group Net NPE ratio, excluding Russia, substantially stable compared to December 31, 2021 and is equal to 1.6%).

As at 31 March 2022, the Group gross NPEs increased to Euro 16.8 billion (+3.2 p.p. Q/Q, -25.1 p.p. Y/Y) while as at 31 December 2021 they were equal to Euro 16.3 billion, while Group Net NPEs were increased to Euro 7.9 billion.

As of December 31, 2021, loans to customers net of the related write-downs totaled €437,544 million (equal to 47.7% of consolidated assets as of that date). This total can be broken down into performing loans to customers, which amounted to €430,063 million, net of write-downs, and non-performing loans, worth €7,481 million net of the related write-downs, corresponding, respectively, to 98.3% and 1.7% of total loans to customers. As of December 31, 2021, in terms of gross exposure, the non-performing loans of the Group dropped by €4,978 million, or 23.4%, to €16,268 million compared to €21,246 million from December 31, 2020.

Within non-performing loans, €4,495 million related to bad loans, €10,927 million related to unlikely-to-pay loans and €845 million related to non-performing past-due loans. As of December 31, 2021, 1.0% of the Group's gross loans were bad loans, 2.4% unlikely-to-pay and 0.2% non-performing past-due, meaning a 3.6% to 96.4% split between non-performing and performing.

As of December 31, 2021, the Group had a coverage ratio of 75.1% for bad loans, 46.6% for unlikely-to-pay loans and 38.0% for non-performing past-due loans, with a total coverage ratio of 54.0% for non-performing loans compared to a 1.0% coverage ratio for performing loans.

As of December 31, 2021, the number of "large exposures", as defined by Regulation (EU) n. 876/2019 (CRR2), was 10, equal to December 31, 2020, for an aggregate nominal amount of € 274 billion or weighted amount of € 19.2 billion, down from € 316 billion (nominal amount) or up from € 12.8 billion (weighted amount) as of December 31, 2020. The change is mainly driven by a decrease of the reserves with central banks and government exposures, resulting in a significant variation of the nominal amount with a low impact on the weighted amount (where such exposures are exempted as per Regulation (EU) No.575/2013 (CRR2)). In fact, the exposure towards central governments is considered only once for the assessment of nominal and weighted amount and number of large exposures, differently from regulatory reporting representation which requires that, in case of exposures towards a group of connected clients formed by a central government and other groups of connected clients, such exposure towards a central government is reported for each group of connected clients (Art.4.1 39 of Regulation (EU) No.575/2013 (CRR)).

In addition to credit risk arising from traditional lending and deposit activities, we are exposed to credit risk as a result of our other banking activities. With regard to "non-traditional" credit risk, the UniCredit Group negotiates derivative contracts and repos on a wide range of products, such as interest rates, exchange rates, share prices/indices, commodities (precious metals, base metals, oil and energy materials), both with institutional counterparties, including brokers and dealers, central counterparties, central governments and banks, commercial banks, investment banks, funds and other institutional customers, and with non-institutional Group customers. These operations expose the UniCredit Group to the risk of counterparty, which is the risk that the counterparty may become insolvent before the contract matures, not being able to fulfil its obligations towards to the Issuer or one of the other Group companies.

In light of such risks, we have adopted procedures, rules and principles aimed at monitoring and managing credit risk at both the individual and overall portfolio level. However, even with the monitoring and management of credit risk, our exposure to credit risk could exceed predetermined levels. Therefore, any of (i) the declining creditworthiness of, or errors in assessing the creditworthiness of, borrowers and counterparties, (ii) the failure of borrowers and counterparties to make, or their irregularity in making, loan payments or (iii) the deterioration in the value of collateral and/or the inability to successfully enforce rights over collateral, could materially adversely affect our business, financial condition or results of operations.

Moreover, the ECB and the Commission introduced measures to ensure more timely coverage practices for non-performing exposures.

The amendments to the Capital Requirements Regulations (**CRR**) approved by the European Commission on April 26, 2019 introduce a minimum level of provisions of newly originated loans starting from April 26, 2019, when turning into non-performing. The backstop envisages a 100% coverage of non-performing loans (**NPLs**) after 3, 7 or 9 years of NPE classification, depending on whether exposures are respectively unsecured, secured by movable properties or secured by immovable properties. The ECB introduced guidelines setting supervisory expectations on minimum level of provisioning in line with the Pillar 1 treatment, which scope of application are the NPEs arising from loans originated before April 26, 2019. This is a Pillar II measure, and in line with the treatment of every supervisory measure have been defined bank-by-bank within the SREP starting from 2021.

In March 2018 the ECB published the Addendum to the Guidance on NPL which sets out supervisory expectations for the provisioning of exposures reclassified from performing to non-performing exposures (NPEs) after April 1, 2018 (the "**ECB Addendum**") as well as the expectations for individual banks for the provisioning of the stock of NPLs before March 31, 2018, as set out in its 2018 SREP letters.

In April 2019 the European Commission's amendment to Capital Requirements Regulation (CRR) introduced a minimum loss coverage ratio for new loans becoming NPEs and originated after April 26, 2019 (the "**statutory backstop**").

On August 22, 2019, the ECB decided to revise its supervisory expectations for prudential provisioning of new non-performing exposures. The decision was made after taking into account the adoption of the new EU regulation that outlines the Pillar I treatment for NPEs.

The initiatives originate from the ECB are strictly supervisory (Pillar II) in nature. In contrast, the European Commission's requirement is legally binding (Pillar I).

The above mentioned guidelines result in three "buckets" of NPEs based on the date of the exposure's origination and the date of NPE's classification:

- NPEs classified before April 1, 2018 (Pillar II – Stock): 2/7 years vintage buckets for unsecured/secured NPEs, subject to supervisory coverage recommendations and phase-in paths as communicated in SREP letters;
- NPEs originated before April 26, 2019 (Pillar II – ECB Flows): 3/7/9 years vintage buckets for unsecured/secured other than by immovable property/secured by immovable property, progressive path to 100%;
- NPEs originated on or after April 26, 2019 (Pillar I – CRR Flows): 3/7/9 years vintage buckets for unsecured/secured other than by immovable property/secured by immovable property, progressive path to 100%.

Based on the SREP 2021, the ECB informed us of its supervisory recommendations in respect of NPE coverage and we expect that the regulatory dialogue with the ECB could lead to an impact on our CET1 ratio for any additional coverage of our NPE stock. Furthermore, the SREP 2021 letter includes, among the qualitative measures, the same regarding the management of non-performing loans as in 2019. Indeed, following the ECB's request to banks in countries with relatively high levels of non-performing loans, we have been requested to: (i) provide the ECB by 31 March 2022 with an update of the three-year strategic and operational plan for the management of NPEs, including clear quantitative targets aimed at reducing the high level of NPEs; (ii) provide the ECB, by 31 August 2022 and based on data as at 30 June 2022 and subsequently by 28 February 2023 based on data as at December 31, 2022, with information on the aggregated drivers of the NPE reduction, in order to show the implementation of the NPL strategy; (iii) provide the ECB, by 31 August 2022 and based on data as at 30 June 2022 (based on UniCredit's performance against targets set for the period from 1 January 2022 to 30 June 2022), with information on the status of implementation of the strategic and operational plan for the management of NPEs.

Our inability to align our practices to any revised guideline or to comply with any set of capital requirement regulations could have a material adverse effect on our results of operations, business and financial condition.

We are exposed to counterparty credit risks in connection with derivative contracts and repurchase agreements

We negotiate derivative contracts and repurchase agreements on a wide range of products, such as interest rates, exchange rates, share prices/indices, commodities (precious metals, base metals, oil and energy materials) and credit rights, as well as repurchase agreements, both with institutional counterparties, including brokers and dealers, central counterparties, governments and central banks, commercial banks, investment banks, funds and other institutional customers and non-institutional Group customers.

The positive fair value of the trading derivatives entered into with banks and customers, as defined pursuant to Circular No. 262 of December 22, 2005, totaled €40,822 million as of December 31, 2021. As of the same date, the negative fair value of trading derivatives entered into with banks and customers totaled €37,107 million.

These transactions expose us to the risk that the counterparty of such derivative contracts or repurchase agreements may fail to fulfil its obligations or may become insolvent before the contract matures, at which point we have an outstanding claim against the counterparty. This risk has increased due to recent volatility in the financial markets and may be further exacerbated when the collateral held by us cannot be realized or is liquidated at a value that is insufficient to cover the full amount of the counterparty exposure.

We have in place guidelines and policies aimed at managing, measuring and controlling CCR associated with our use of derivatives. Nevertheless, should a counterparty breach one or more of its obligations under a derivative contract with us and/or should any collateral be sold or liquidated at a value insufficient to cover the full amount of the counterparty exposure, our results of operations, business and financial condition could be materially adversely affected.

As part of our business we also enter into derivative contracts with governments and central banks. Any changes in applicable legislation, regulations or case law, as well as the introduction of restrictions or limitations, could impact our business activity with such entities, including retroactively, with potential adverse effects on our business, operations, financial condition and results of operations.

We face risks relating to our structured credit products including reductions in their fair value

We operate in structured credit products, acting as originator, sponsor, investor or lender. We act as originator with respect to securitizations of loan portfolios, including traditional securitization transactions where the loan portfolio is actually transferred to SPVs, as well as synthetic securitization transactions where the underlying credit risk is hedged in full or in part through credit default swaps and/or financial guarantees provided by insurance companies or investors. Under traditional securitizations, we may retain the first loss in the form of junior bonds or similar exposure, and in some cases we provide further credit enhancement. Retention of the first loss risk and the corresponding yield means that we are exposed to most of the portfolio risk. Consequently, these transactions are recognized in the financial statements as loans. Profits from the sale of the assets are not recognized, and the sold receivables are not derecognized. We also realized traditional securitizations for which we underwrote all of the issue notes, which can be used as collateral in financing transactions.

We value our structured credit securities portfolios by monitoring their fair value and their economic value. The valuation models used are inherently complex, and the assumptions, estimates and valuations on which they are based often take into consideration uncertain and unpredictable data. Any write-down to be taken when required by IFRS, could have a material adverse impact on our capital and financial condition, the extent of which will vary in proportion to the difference between the book value and fair value.

Moreover, sale of such positions based on an economic value that is lower than their book value, or, with regard to the instruments in the investment portfolio, any write-down to be taken when required by IFRS, could have a material adverse impact on our capital and financial condition, the extent of which will vary in proportion to the difference between the book value and fair value.

Finally, shock to the financial markets, such as that which occurred in 2007, or cessation of the ECB's ABS Purchase Program, could cause the market of structured credit products to become illiquid, as happened in 2007. In addition, if we disposed of our ABS portfolio, we could suffer a loss equal to the difference between the book value and the sales price of these instruments at the date of the transaction, which could be significant.

If we were to fail to maintain minimum capital adequacy requirements or comply with other regulatory requirements, we would face adverse consequences, including potential measures by the ECB

The rules on capital adequacy for banks define the prudential minimum capital requirements, the quality of capital resources, and risk mitigation instruments. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" for further information.

Our capital ratio level also impacts on our capacity to distribute dividends (partly in view of the need to comply with fully phased-in requirements, which are stricter than those currently in force, as well as on the possibility for us to pay interest on our Additional Tier 1 instruments and on other hybrid capital instruments that include distribution restrictions linked to our capital ratios). If we were unable to pay interest provided for by our outstanding instruments, this could cause difficulty for us and/or for the other Group companies in accessing the capital markets, resulting in an increase (possibly significant) in the cost of funding, and possibly having negative effects on our activities, operating results and capital and/or financial condition.

Furthermore, the SREP is carried out at least annually by the ECB, in addition to any other inspections it carries out in the ordinary course, and, therefore, there is a risk that, following future SREPs or other inspections, the ECB may order us to maintain higher capital adequacy standards than those currently applicable. In these circumstances, we could find it necessary to take additional measures to strengthen our capital in order to meet new standards and/or undergo potentially invasive intervention by the ECB, such as the imposition of restrictions or limitations on assets and/or the disposal of assets that present excessive risks to our stability.

More generally, during the course of our normal activities, we are subject to complex regulations and supervision by supervisory authorities, each according to their respective area of responsibility.

In exercising their supervisory powers, the ECB, Bank of Italy, CONSOB and the other supervisory authorities subject us to inspections on a regular basis, which could lead to the demand for measures of an organizational nature and to strengthen safeguards aimed at remedying any shortcomings that may be discovered, with possible adverse effects on the operating results, capital and/or financial position of the Group. Any shortcomings could also result in disciplinary proceedings against company representatives and/or related Group companies, which could have a material adverse effect on our results of operations, business and financial condition.

In the light of the entry in force of the Capital Requirements Directive (CRD V), art. 104a, Banks are allowed to partially use capital instruments that do not qualify as Common Equity Tier 1 (CET1) capital, i.e. Additional Tier 1 or Tier 2 instruments, to meet the Pillar 2 Requirements (P2R).

Therefore, in the SREP letter the ECB requires that the Pillar 2 additional own funds requirement is held in the form of 56.25% of Common Equity Tier 1 (CET1) capital and 75% of Tier 1 capital, as a minimum.

This Offering Memorandum (including the section "Management's Discussion and Analysis of Financial Condition and Results of Operations") will not be updated to include full financial information for the first and third quarters of each year and such financial information may not be directly comparable to our Consolidated Financial Statements

This Offering Memorandum (including the section "*Management's Discussion and Analysis of Financial Condition and Results of Operations*") includes year-end financial information derived from our Consolidated Financial Statements. The Offering Memorandum will not be updated (including the section "*Management's Discussion and Analysis of Financial Condition and Results of Operations*") to include full financial information for the first and third quarters of each year because consolidated financial information is not prepared for these periods on a substantially consistent basis with our year-end and semi-annual information. However, our first and third quarter results are generally published in May and November, respectively, of each year and will be available on our website (www.unicreditgroup.eu) following publication. See "*Presentation of Financial Information*" for further details.

It is possible that certain financial results and/or the presentation of such results may differ significantly from those set forth in the Consolidated Financial Statements and therefore comparisons of such results may be difficult. Prospective investors are therefore cautioned against placing undue reliance on such comparisons.

We have significant exposure to European sovereign debt, in particular, Italy's, which may adversely affect our business, financial condition and results of operations

We have exposure to governments and other public bodies in European countries, as well as in countries outside the Eurozone.

As of March 31, 2022, the book value of our sovereign exposures represented by debt securities amounted to € 109,575 million (down from € 114,690 million as of December 31, 2021), of which €39,516 million, or about 36 %, related to Italy. Eight countries, Italy, Spain, Germany, Japan, United States of America, Austria, France and Romania accounted for over 82 % of the total.

With particular reference to the book value of the sovereign debt securities exposure to Russia it should be noted that €793 million are held by the Russian controlled bank and classified in the banking book for regulatory purposes.

In addition to our exposure to sovereign debt securities, we are also exposed to sovereign debt through loans (excluding tax items, such as credits and deferred tax assets) made to central and local governments and other governmental bodies. Total loans booked in financial assets at amortised cost portfolio to countries to which the total exposure is greater than €130 million, which represented about 94% of such exposures as of December 31, 2021 amounted to €23,859 million (compared to €25,009 million as of December 31, 2020). It should also be noted that, as at December 31, 2021, there are in addition also loans to supranational organizations amounting to €5,652 million booked in financial assets held for trading portfolio.

A significant proportion of our investment portfolio as of December 31, 2021 is composed of sovereign debt securities, with book values of such exposure as follows: (i) €7.9 billion of financial assets at fair value through profit or loss (representing 8.6% of such portfolio); (ii) €53.2 billion of financial assets at fair value through other comprehensive income (77.54% of the portfolio); (iii) €53.6 billion of financial assets at amortised cost (9.02% of the portfolio).

Any adverse developments in the countries to which we are exposed, in particular Italy, Spain and Germany, any increased financial instability, including the increase of credit spread, volatility in trading in, or in the interest rates on, such securities, as well as forecasts that such downgrades may occur could have an adverse impact on the value of the securities we hold. In addition, should such countries' issuer or debt ratings be downgraded, we may be required to revise risk weighting attributed to these assets for the calculation of risk-weighted assets ("**RWA**"), with consequent negative effects on our capital ratios. We may also be required to revise the haircut criteria applied by the counterparties in refinancing operations (e.g., in the ECB's TLTRO refinancing operations), resulting in an increase in the collateral required or a reduction in the liquidity obtained in relation to such collateral.

We face risks relating to deferred tax assets

The Law Decree No.73 of 25 May 2021 (LD 73/2021) extended to 2021 the incentives, introduced in 2020, for Non-Performing Exposures (NPE) disposals provided by Art.44-bis Law Decree No.34/2019. Therefore, also for 2021 the NPE disposals to companies not belonging to UniCredit Group completed by December 31, 2021 allowed the transformation in Tax Credits (TC) of Deferred Tax Assets ("**DTAs**") deriving from (i) tax losses and (ii) ACE (so-called *Aiuto alla Crescita Economica*) surpluses, under the same conditions applied to the benefit in 2020. As of December 31, 2021, €110 million of DTAs were recognised into tax credits, with a correspondent positive impact on the income statement.

DTA's and liabilities are recognized in our consolidated financial statements according to accounting principle IAS 12. As of December 31, 2021, DTAs amounted in aggregate to €11,598 million, of which €6,239 million may be converted into tax credits pursuant to Law No. 214 of December 22, 2011 ("**Law 214/2011**"). Under Law 214/2011, DTAs related to loan impairments and loan losses, or to goodwill and certain other intangible assets, may be converted into tax credits if the company has a full-year loss in its non-consolidated accounts relating to convertible DTAs (to which such convertible DTAs relate) ("**Convertible DTAs**"). Under the conversion into tax credits, Convertible DTAs recognized in the accounts of the company with the non-consolidated full-year loss, and a proportion of the deferred tax credits are converted in accordance with a ratio between the amount of the full-year loss and the company's shareholders' equity.

Law 214/2011 also provides for the conversion of Convertible DTAs if there is a tax loss on a non-consolidated basis. In such circumstances, the conversion of the Convertible DTAs is recognized in the financial statements against the tax loss, limited to the loss generated from the deduction of the same categories of negative income components (loan impairments and loan losses, or related to goodwill and other intangible assets).

As at December 31, 2021, the remaining Deferred Tax Assets (i.e., DTAs non-convertible into tax credits) are related to costs and write-offs deductible in future years, for €3,097 million (net of related deferred tax liabilities), and to tax losses carried forward ("**TLCF**") for €2,262 million (of which €2,067 million DTAs on TLCF and €195 million tax credit IRAP deriving from the conversion of the ACE benefit). DTAs on TLCF are mainly related to UniCredit S.p.A., also as Italian Tax Group Parent Company, for €2,002 million, to UniCredit Bank Austria AG for €185 million, and to UniCredit Bank AG for €17 million.

The above mentioned amounts are the ones resulting from the sustainability test provided for IAS12, that takes into account the economic projections foreseeable for future years and the peculiarities of the fiscal legislations of each country, in order to check whether there are future taxable incomes against which TLCF can be offset.

At Group level total not recognized DTAs TLCF are equal to €2,702 million mainly referred to UniCredit S.p.A. for €2,072 million, to Sub-groups UniCredit Bank AG for €331 million and UniCredit Bank Austria AG for €270 million.

We may be unable to obtain required liquidity needed to carry on our operations

Liquidity risk refers to the possibility that we may be unable to meet our current and future, anticipated and unforeseen obligations, including funding commitments and deposit withdrawals without impairing our day-to-day operations or financial condition.

The main indicators used by the UniCredit Group to assess its liquidity profile are (i) the Liquidity Coverage Ratio (LCR), which represents an indicator of short-term liquidity subject to a minimum regulatory requirement of 100% from 2018 and which was equal to 182.3% in December 2021 (calculated as the average of the 12 latest end of month ratios) and (ii) the Net Stable Funding Ratio (NSFR), which represents the indicator of structural liquidity and which, on the same date, was above the internal limit set at 102.5% within the risk appetite framework. Liquidity risk refers to the possibility that the UniCredit Group may find itself unable to meet its current and future, anticipated and unforeseen cash payment and delivery obligations without impairing its day-to-day operations or financial position.

Our operations are subject in particular to intraday liquidity risk, funding liquidity risk, market liquidity risk, mismatch risk and contingency risk. The most relevant risks that we face are: (i) an exceptionally high usage of the committed and uncommitted lines granted to corporate customers; (ii) an unusual withdrawal of sight deposits by our retail and corporate customers; (iii) the decline in the market value of the securities in which we invest our liquidity buffer; (iv) the capacity to roll over the expiring wholesale funding and the potential cash or collateral outflows we may suffer in case of rating downgrades of both the banks or the sovereign debt in the geographies in which it operates. In addition to this, some risks may arise from the limitations applied to the cross-border lending among banks, which have been increased in some countries.

Funding liquidity risk refers to the risk that we may not be able to meet our payment obligations, including financing commitments, when due. Liquidity to carry out our activities, including access to long-term funding is essential for us to be able to meet anticipated and unforeseen funding commitments and deposit withdrawals, so as not to impair our day-to-day operations or financial condition. Our liquidity needs, including liquidity required to meet prospective regulatory requirements, could be damaged if we are unable to access the debt market, including forms of borrowing from retail customers, such as by issuing financial instruments, or we are unable to increase deposits, due for example to a decrease in customer confidence, and other forms of funding.

Due to the financial market crisis, followed also by the reduced liquidity available to operators in the sector, the ECB has implemented important interventions in monetary policy, such as the "Targeted Longer-Term Refinancing Operation" (TLTRO) introduced in 2014 and the TLTRO II introduced in 2016. In March 2019 ECB announced a new series of quarterly targeted longer-term refinancing operations (TLTRO-III) that were launched between September 2019 and March 2021, each with a maturity of two years, subsequently prolonged for an additional year. In March 2020 new long term refinancing operations (LTROs) were announced to provide a bridge until the TLTRO III window in June 2020 and ensure liquidity and regular money market conditions. These measures were integrated with temporary collateral easing measures. The decrease or discontinuation of such measures by governments and central authorities could result in increased difficulties in procuring liquidity which, in turn, could have significant negative effects on our business, operating results and capital and/or financial condition. As of March 31, 2022, the total debt of the UniCredit Group with the ECB through TLTRO III was €106.8 billion, with a timetable of maturities scheduled for and June 2023 and March 2024. As of March 31, 2022 UniCredit Group had other minor refinancing operation in place other than TLTRO III in the subsidiaries in Eastern Europe.

We also use financing from the ECB for our activities and any changes to the policies and requirements for accessing funding from the ECB, including as part of the liquidity support TLTRO programs, including any changes to the criteria for identifying the asset types eligible as collateral and/or their valuations, could impact our activities. It is not possible to predict the duration and extent of such liquidity support in the future, assuming it is not withdrawn completely. If such support were to be withdrawn or reduced, we would need to seek alternative sources of funding, which we may not succeed in doing, whether on equally favorable cost terms, or at all.

Although the measures recently announced by the ECB in response to the Covid-19 outbreak have granted higher flexibility in banks' management of their liquidity, the duration of the current lockdown and economic downturn as well as the timing of economic recovery may have negative effects on our liquidity.

With respect to market liquidity, highly liquid assets held are considered to be the equivalent of a cash reserve. Sudden changes in market conditions (interest rates and creditworthiness in particular) can have a significant impact on the time needed to liquidate an asset, including high-quality assets, such as government bonds. In addition, should we be required to liquidate a significant volume of assets, the disposal of such high volumes may itself negatively impact market conditions. Changes in a security's rating may also impact our ability to liquidate those assets, on favorable terms or at all.

In addition to risks closely connected to funding and market liquidity risk, mismatch risk or differences in the amounts or maturities of incoming and outgoing cash flows may negatively impact our day-to-day liquidity management. In addition to our day-to-day management, we must also manage the risk that (potentially unexpected) future requirements (i.e., use of credit lines, withdrawal of deposits, increase in guarantees offered as collateral) may use a greater amount of liquidity than that considered necessary for day-to-day activities (contingency risk).

Due to the current health and economic emergency related to the Covid-19 pandemic outbreak, we may face relevant risks, including an exceptionally high usage of the committed and uncommitted credit lines granted to corporate customers, the reduced ability to rollover expiring wholesale funding, limitations applied to cross-border interbank lending, the potential cash or collateral outflow we may suffer as a result of a rating downgrade of banks and/or sovereign debt in the geographical areas in which we operate. These risks could have significant negative effects on our business, operating results and capital and/or financial condition .

Moreover, the slowdown in economic activity caused by lockdowns across Europe and the measures taken by governments to face the effects of the current health and economic emergency impacted our Group operations in the different geographical areas in which we operate.

We are subject to market risk

Market risk derives from the effect that changes in market variables (such as interest rates, securities prices, exchange rates) can cause to the economic value of the Group's portfolio, including the assets held both in the Trading book, as well as those posted in the Banking book, both on the operations characteristically involved in commercial banking and in the choice of strategic investments. Market risk management within our Group accordingly includes all the activities relating to cash transactions and capital structure management, both for the Parent company, as well as for the individual entities of the Group.

From a regulatory perspective, market risk stems from all the positions included in banks' trading book as well as from commodity and foreign exchange risk positions in the whole balance sheet.

Therefore, the risks subject to market risk capital requirements include but are not limited to:

- default risk, interest rate risk, credit spread risk, equity risk, foreign exchange ("**FX**") risk and commodities risk for trading book instruments; and
- FX risk and commodities risk for banking book instruments.

As of December 31, 2021 the RWA (Risk-Weighted Assets) for market risk (excluding credit valuation adjustments – CVA Risk) amounted to €6.6 billion out of a total of €322 billion of the total Group RWA. Total market risk RWA (excluding CVA Risk) are split between the part calculated under the internal model (€5.7 billion) and the standardised approach (€0.8 billion). In addition, starting from December 2019 an additional capital requirement has been added, amounting to 336.7 million as of December 31, 2021.

We are subject to interest rate risk

Our activities are affected by fluctuations in interest rates in Europe and the other markets in which we operate. Interest rate trends are, in turn, affected by various factors outside of our control, such as the monetary policies, macroeconomic trends and political conditions in our Group geographies. In addition, our banking and financing operations depend on the ability to manage our exposure to interest rates and on changes in market interest rates and interest margin. Rising interest rates along the yield curve can increase the cost of our borrowed funds faster and at a higher rate than the yield on our assets, due to, for example, a mismatch in the maturities of our assets and liabilities that are sensitive to interest rate changes or a mismatch in the degree of interest rate sensitivity of assets and liabilities with similar maturities. Decreasing interest rates can also reduce the yield on our assets at a rate that may not correspond to the decrease in the cost of funding and significant interest rate changes may have a negative impact on the value of the assets and liabilities we hold.

Any of these events or the continuation of historically low, and in some cases, negative, interest rate levels and significant interest rate volatility, combined with the current degree of uncertainty in the funding markets, could reduce our net interest income and significantly adversely affect the value of the assets and liabilities we hold. While we have policies in place to mitigate interest rate risk, such policies are based on behavioral models and hypothetical interest rate scenarios whose unexpected unfavorable developments could materially adversely affect our results of operations, business and financial condition.

We conduct business in several currencies and are exposed to exchange rate risk

A significant portion of our business is conducted in currencies other than the Euro. Most important sensitivities are against U.S. dollars, Swiss Franc, Pound Sterling and other CEE countries currencies, mainly Czech Koruna, Ruble, Romanian Leu and Hungarian Forint.

As a result, we are exposed to foreign currency translation risks and foreign currency transaction risks.

Our financial statements and interim reports are prepared in Euro and reflect the currency conversions necessary to comply with IFRS.

While we implement, in a selective manner, economic hedging activities related to the foreign currency risks arising from our subsidiaries outside the Eurozone that takes into account market conditions, any negative change in exchange rates and/or a hedging policy that turns out to be insufficient to hedge the related risk could have major negative effects on our activity, operating results, capital and financial condition.

The economic conditions of the geographic markets in which we operate have had, and may continue to have, adverse effects on our results of operations, business and financial condition

We operate in different countries and, therefore, our activities are affected by the macroeconomic context of the markets in which we operate. The current macroeconomic environment is characterized by high levels of uncertainty, mainly due to: (i) the Covid-19 impact on global growth and individual countries; (ii) latest tensions between Russia and Ukraine and related potential implications; (iii) high inflation level; (iv) future developments in the European Central Bank (the ECB) and Federal Reserve (FED) monetary policies; and (v) the sustainability of the sovereign debt of certain countries and the related, repeated shocks to the financial markets. The economic slowdown experienced in the countries where our Group operates has had (and might continue to have) a negative effect on the Group's business and the cost of borrowing, as well as on the value of its assets, and could result in further costs related to write-downs and impairment losses.

Italy accounted for 46% of our total revenue in 2021 and is our primary market. As a result, our business is closely connected to the Italian economy and could, therefore, be negatively impacted by any changes in the macroeconomic environment. Economic forecasts and the political situation could generate considerable uncertainty surrounding the future growth of the Italian economy.

In addition to other factors that may arise in the future, declining or stagnating Italian Gross Domestic Product ("**GDP**"), rising unemployment and unfavorable conditions in the financial and capital markets in Italy could result in declining consumer confidence and investment in the Italian financial system and increases in the number of impaired loans and/or loan defaults, leading to an overall reduction in demand for the products and services we offer. The global spread of the coronavirus (Covid-19) has created significant macroeconomic uncertainty, volatility, and disruption. In response, many governments have implemented policies intended to stop or slow the further spread of the disease, such as lockdowns, shelter-in-place, or restricted movement guidelines, and these measures remained in force, on a periodic basis, despite vaccinations significantly increased, also due to the widespread of Omicron variant. Furthermore, global health concerns relating to the Covid-19 pandemic and related government actions taken to reduce the spread of the virus have been weighing on the macroeconomic environment, and the pandemic has significantly increased economic uncertainty and reduced economic activity, including consumer and business spending. Thus, a persistence of adverse economic conditions, political and economic uncertainty and/or a slower economic recovery in Italy compared with other Organization for Economic Co-operation and Development countries could have a material adverse effect on our results of operations, business and financial condition.

We also operate and have a significant presence in Germany (which accounted for 25%, of our operating income in 2021), as well as in Central Europe (17% including Austria, Czech Rep, Hungary and Slovenia) and in Eastern Europe countries (Russia, Croatia, Bulgari, Romania, Bosnia and Serbia representing 13% of our operating income in 2021). The risks and uncertainties to which we are exposed are of a different nature and magnitude depending on the country, and whether or not the country belongs to the European Union, which is one of the main factors taken into consideration when evaluating these risks and uncertainties.

A deterioration in the macroeconomic conditions in Western Europe, an increase in the volatility of their capital markets, a significant increase in the cost of funding, the end of the current period of ready availability of liquidity in the respective markets or an increase in political instability could create a difficult operating environment and have a negative impact on our profitability, as well as our assets and operations, balance sheet and/or income statement.

The Central Europe and Eastern Europe countries ("**CE & EE**") have also historically featured volatile capital and foreign exchange markets, as well as a certain degree of political, economic and financial instability. In some cases, CE & EE countries have a less developed political, financial and legal system, when compared to Western European countries. In countries where there is greater political instability, there is the risk of political or economic events affecting the transferability and/or limiting the operations of one or more of the UniCredit Group companies, as well as the risk that local governments could implement nationalization policies (or introduce similar restrictions), which directly affect Group companies and/or which could have negative consequences on our assets and operations, balance sheet and/or income statement.

Risks connected with the entry into force of new accounting principles and changes to applicable accounting principles

We are exposed, like other companies operating in the banking sector, to the effects of the entry into force and subsequent application of new accounting principles or standards and regulations and/or changes to them (including those resulting from IFRS as endorsed and adopted into European law). In particular, in the future our Group may need to revise the accounting and regulatory treatment of some existing assets and liabilities and transactions (and related income and expense), with possible negative effects, including significant ones, on the estimates made in financial plans for future years and this could lead to restatements of financial data previously published.

In 2021 the following standards, amendments or interpretations came into force:

- Amendments to IFRS9, IAS39, IFRS7, IFRS4 and IFRS16 Interest Rate Benchmark Reform – Phase 2 (EU Regulation 2021/25);
- Amendments to IFRS4 Insurance Contracts – deferral of IFRS9 (EU Regulation 2020/2097).
- Amendments to IFRS16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021 (EU Regulation 2021/1421);

whose adoption has not determined substantial effects on the amounts recognised in balance sheet or income statement.

As at December 31, 2021, the following documents have been endorsed by the European Commission:

- Amendments to IFRS3 Business Combinations; IAS16 Property, Plant and Equipment; IAS37 Provisions, Contingent Liabilities and Contingent Assets; and Annual Improvements 2018-2020" (EU Regulation 2021/1080) applicable to reporting starting from January 1, 2022; and
- IFRS17 Insurance Contracts; including Amendments to IFRS17 (EU Regulation 2021/2036) applicable to reporting starting from 1 January 2023.

As at December 31, 2021 the IASB issued the following accounting standards whose application is subject to completion of the endorsement process by the competent bodies of the European Commission, which is still ongoing:

- Amendments to IAS1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current – Deferral of Effective Date (January 2020 and July 2020 respectively);
- Amendments to IAS1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (February 2021);
- Amendments to IAS8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (February 2021);
- Amendments to IAS12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (May 2021); and
- Amendments to IFRS17 Insurance contracts: Initial Application of IFRS17 and IFRS9—Comparative Information (December 2021).

As a result, following the adoption of the new accounting principles, comparisons of our financial results prior to such adoption may be difficult. Prospective investors are therefore cautioned against placing undue reliance on such comparisons.

The assumptions, judgments and estimates we use to value our assets may prove inaccurate or unreliable

Under the IFRS, we must make judgments, estimates and assumptions that affect the application of accounting principles and the amounts of assets and liabilities and income and expenses reported in the accounts, as well as the disclosure concerning contingent assets and liabilities.

Estimates and related assumptions are based on previous experience and on the available information framework with reference to the current and expected context and have been used to estimate the carrying values of assets and liabilities not readily available from other sources.

Estimates and assumptions are regularly reviewed. Any change resulting from these reviews is recognized in the period in which the review was carried out, provided the change only concerns that period. If the review concerns both current and future periods, it is recognized accordingly in both current and future periods.

In particular, estimated figures have been used for the recognition and measurement of some of the main items in the Consolidated financial statements as at December 31, 2021, as required by the accounting policies, statements and regulations described above.

The market environment continues to be affected by a significant risk of lower predictivity of the macro-economic projections arising from uncertainty about the evolution of the pandemic Covid-19, and the consequent difficulty in predicting timing and extent of the economic recovery which may occur in future periods.

Considering the mentioned Covid-19 related uncertainty and ESMA Public Statement dated 29 October 2021 ("**European common enforcement priorities for 2021 Annual Financial Reports**"), UniCredit Group used, for the purposes of the evaluation processes and in addition to the base scenario ("**Baseline**") which reflects the most likely expectations concerning macroeconomic trends considered in the new UniCredit Unlocked 2022-2024 strategic plan, alternative scenarios by assuming different trends in the main macroeconomic parameters(e.g., gross domestic product, interest rates); in this respect:

- with reference to the sustainability test of deferred tax assets, a worst-case scenario ("Downturn") was used, reflecting a downward forecast of the expected profitability of the business;
- with reference to the valuation of credit exposures (IFRS9), two alternative scenarios ("Positive" and "Negative" vis-à-vis the "Baseline" scenario) were defined; such alternative scenarios provide for different assessments regarding the expected trend of the parameters that can influence the assessment of the prospective credit risk.

The above outlined lower predictivity has heightened in the first quarter 2022 due to the outbreak of geopolitical tensions between Russian Federation and Ukraine. Indeed, ECB Macro-economic Projections published in March 2022 (source: ECB staff macroeconomic projections for the euro area, March 2022 (europa.eu)) report that the outlook regarding the trend in economic activities and inflation in the euro area has become very uncertain and depends crucially on how the war in Ukraine unfolds, on the impact of current sanctions and on possible further measures. ECB deems negative effects on GDP growth to be temporary: economic activity is still projected to expand at a relatively strong pace in the coming quarters with growth projected to converge towards historical average rates.

Moreover, with reference to Covid-19, ECB projections highlights that the spread of the Omicron variant could impact the outlook. At the end of 2021, the spread of new variants, particularly Omicron, caused an unprecedented increase in the number of Covid-19 infections. Available evidence suggests that the Omicron wave will be shorter than previous waves, hence, the impact on the global economy is expected to be limited.

In light of the above-mentioned heightened uncertainties, specific analyses were performed in the first quarter of 2022 with the aim to evaluate whether scenarios used as at December 31, 2021 for the purposes of the evaluation process of the main items subject to valuation uncertainties were still valid or, conversely, which adjustments had put in place in order to properly reflect the updated economic environment. Such analyses, explained below, also leveraged on an updated macro-economic scenario developed by UniCredit Research in March 2022:

- with reference to the Italian tax perimeter (which accounts for the significant majority of the DTAs): Baseline/ Downturn scenarios, foreseen by the new strategic plan and used in the evaluation process as at December 31, 2021 were confirmed on the basis that the comparison with the updated macro-economic scenario highlighted that: (i) Italian GDP is substantially aligned with the Downturn in 2022 and with Baseline in 2023/2024; (ii) higher interest rates are foreseen, thus representing a positive driver considering the positive correlation existing between net interest income and interest rates trend; and
- with reference to the credit exposures a specific analysis was put in place by comparing the scenarios used in the evaluation process of credit exposures as at December 31, 2021 and the updated macro-economic scenario developed in March 2022 by UniCredit Research:
  - with reference to the geographies different from Russia, the macroeconomic scenario developed in March 2022 reports a limited decrease in term of GDP for the periods 2022 – 2024 compared with December 31, 2021, not triggering an extraordinary update as of March 31, 2022; and
  - with reference to Russian consolidated subsidiaries, the macroeconomic scenario developed in March 2022 reports worsening GDP projections for the periods 2022 –2024 compared with the negative scenario considered in December 2021 both on a year to year and on a cumulated basis. Consequently, as of March 31, 2022: (i) the Baseline scenario was updated in coherence with March 2022 evidence; (ii) the negative scenario has been updated by keeping constant the multi-scenario overlay used as at December 31, 2021, thus implying a downward GDP correction with the same magnitude of the correction to the Baseline. Furthermore, the weight of negative scenario was increased from 40 per cent to 50 per cent and the baseline reduced from 55 per cent to 50 per cent (with positive scenario also reduced from 5 per cent to 0 per cent).

The paragraphs below provide a detailed description of the characteristics associated with the above scenarios.

Deferred tax assets

Starting from December 31, 2019, the Group updated the calculation of the sustainability test methodology considering appropriate a 10 years' time horizon, for the recognition of DTA arising from tax loss carrying forward deemed coherent for assessing the generation of sufficient taxable profit to be available against which tax assets can be utilized.

In the first quarter 2022, the following analyses were performed with reference to the Italian Tax Perimeter (which accounts for the significant majority of the DTAs): (i) analysis of the evolution of the macroeconomic scenario for the period 2022-2024 compared to the scenario underlying the valuation process at December 31, 2021; (ii) comparison between the actual profit before taxes and the budget underlying the test executed in December 2021; (iii) confirmation of the validity of the additional methodological assumptions (reference tax legislation, perimeter of companies, volatility of the parameters underlying the model and reversal timeline of non-convertible DTAs) used in the valuation process. With specific reference to the macro-economic scenario the comparison between Baseline/Downturn scenarios, foreseen by the new strategic plan and used in the evaluation process as at December 31, 2021 and the updated macro-economic scenario highlighted that: (i) Italian GDP is substantially aligned with the Downturn in 2022 and with Baseline in 2023/2024; and (ii) higher interest rates are foreseen, thus representing a positive driver considering the positive correlation existing between net interest income and interest rates trend.

According to the outcome of such analysis, no material changes were highlighted that may lead to put in discussion the data, parameters and assumptions adopted for December 31, 2021 sustainability test. Therefore, the December 31, 2021 DTA test sustainability results are confirmed, and no impacts were recognised as at March 31, 2022.

It shall be noted that the outcome of the measurement is significantly influenced by assumptions on future cash flows, which in turn incorporate assumptions on the evolution of the macroeconomic scenario. Moreover, the sustainability of deferred tax assets is influenced by criteria and assumptions of the statistic model used for future taxable income projections, for the period following that for which the official projections are available, as the volatility of expected results and by the confidence level used.

Therefore, the results of these evaluations might be subject to changes currently not foreseeable, depending on the existence and degree of economic recovery which in turn depends on (i) the evolution of the geo-political tensions between Russian Federation and Ukraine, the effects of sanctions imposed to Russia as well as (ii) the evolution of the pandemic and the progressive lifting of the containment measures put in place by governments. Possible deviations of the actual economic recovery, compared to the assumptions which form the basis of the evaluations, might require a re-determination of the parameters used for valuation purposes, in particular regarding the future cash flows, and the consequent change in the valuation.

Measurement of Credit Exposures

With reference to the credit exposures, in accordance with the Group Policies, the update of macroeconomic scenarios used for calculation of credit risk parameters (Probability of Default, Loss Given Default and Exposure at Default) occurs on a semi-annual basis (June and December).

In light of the evolution of the geopolitical environment in the first quarter of 2022, a specific analysis was put in place by comparing the scenarios used in the evaluation process of credit exposures as at December 31, 2021 and the updated macro-economic scenario developed in March 2022 by UniCredit Research.

With reference to the geographies different from Russia, the macroeconomic scenario developed in March 2022 reports a limited decrease in term of GDP for the periods 2022 – 2024 compared with December 31, 2021, not triggering an extraordinary update as of 1Q22. It should be noted that in the context of the estimates made as at December 31, 2021, the probability of the "negative" scenario was set at 40 per cent in order to incorporate the risks of adverse changes. The probabilities used for the "base" and "positive" scenarios were set at 55 per cent and 5 per cent respectively.

With reference to Russian consolidated subsidiaries, the macroeconomic scenario developed in March 2022 reports worsening GDP projections for the periods 2022 – 2024 compared with the negative scenario considered in December 2021 both on a year to year and on a cumulated basis. Consequently, as of March 31, 2022: (i) the Baseline scenario was updated in coherence with March 2022 evidence; and (ii) the negative scenario has been updated by keeping constant the multi-scenario overlay used as at 31 December 2021, thus implying a downward GDP correction with the same magnitude of the correction to the Baseline. Furthermore, the weight of negative scenario was increased from 40 per cent to 50 per cent and the baseline reduced from 55 per cent to 50 per cent (with positive scenario also reduced from 5 per cent to 0 per cent). Eventually, such update led to recognize additional Loan Loss provision ("**LLP**") as of March 31, 2022.

With reference to Russian credit exposures (i.e. both cross – border and originated by Russian consolidated subsidiaries), the adverse change in the economic environment, as above outlined, has been deemed evidence of a significant increase in credit risk triggering: (i) their classification in Stage 2; (ii) an update of the Russian Sovereign rating so to embed—in the measurement process – the worsening of Russia credit worthiness, triggered by the severity of Western countries' sanctions, Russian authorities' responses and the economic effects of the war itself. Such approach led to a consequent increase in LLP.

Furthermore, an overlay (basically tiering the effect resulting from an UTP classification) has been recognized on cross-border loans exposures toward Russian counterparties in order to reflect the differentiation in asset valuation between on-shore and off-shore investors, in light of sanctions imposed to Russian Federation, with off-shore investors being penalized against on-shore ones in their ability to recover their claims against investments in Russia. Indeed, such circumstance stemmed from several occurrences, including among them: (i) certain Russian counterparties entered into technical default as a result of sanctions imposed against Russian Federation (which impeded them to repay their debt toward foreign counterparty in accordance with the original terms of the contract subscribed); and (ii) several Multinational Corporations decided to exit from Russian Market and, among them, certain financial groups disposed their activities in Russia or announced their intention to do so with a zeroed investment value recovered.

While these events materialized after March 31, 2022, they stemmed from events (Russia – Ukraine conflict and sanction) which started before March 31, 2022. As a result, such events were deemed to be "adjusting events" for the purposes of preparation of the Consolidated Results of UniCredit Group as at March 31, 2022.

It is finally worth mentioning that the overall impact of the actions presented in the previous paragraphs led to a coverage ratio so to better reflect the different risk profile of domestic and cross border exposures, where only the latter are directly impacted by the sanctions, impairing the willingness and technical abilities of Russian counterparties to honor the terms and conditions of their obligations to foreign debt holders.

In this context, the amount of loan loss provisions is determined by considering the classification – current and expected – of credit exposures as non-performing, the sale prices (for those non-performing exposure whose recovery is expected through sale to external counterparties), and credit risk parameters which – in accordance with IFRS9 – incorporate, among other factors, forward looking information and the expected evolution of the macroeconomic scenario.

Therefore, also in this case, the measurement is affected by the already mentioned degree of uncertainty on (i) the evolution of the geo-political tensions between Russian Federation and Ukraine, the effects of sanctions imposed to Russia as well as (ii) the evolution of the pandemic and the progressive lifting of the containment measures put in place by governments in order to contain it.

Indeed, the evolution of these factors might require the classification of additional credit exposures as non-performing in future reporting periods, thus determining the recognition of additional loan loss provisions related to both these exposures as well as performing exposures following the update in credit risk parameters.

In addition, the need to adjust the loan loss provisions might derive from the occurrence of a macroeconomic scenario different from the one estimated for the calculation of the credit risk parameters, or by the prevalence on the market of non-performing exposures of prices different from those used in the measurement.

Finally, the evolution of the real estate market could impact on the value of properties received as collateral and may require an adjustment to the loan loss provisions.

Other measurements

The following additional balance sheet items might be significantly affected in their evaluation by risks and uncertainties, even if not directly connected with the slow-down of the economic activity and the associated uncertainty level of the economic recovery:

- fair value of financial instruments not listed in active markets;
- severance pay (in Italy) and other employee's benefits (including defined benefit obligation); and
- provisions for risks and charges.

While evaluations have been made on the basis of information deemed to be reasonable and supportable as at March 31, 2022, they might be subject to changes not foreseeable at the moment, as a result of the evolution in the parameters used for the evaluation.

Furthermore the following factors, in addition to those illustrated above, might influence future results of the Group and cause materially different outcomes from those deriving from the valuations: (i) general economic and industrial conditions of the regions in which the Group operates or holds significant investments; (ii) exposure to the various market risks (e.g. foreign exchange risk); (iii) political instability in the areas in which the Group operatesor holds significant investments; (iv) legislative, regulatory and taxe changes, including regulatory capital and liquidity requirements, also taking into account increased regulation in response to financial crises. Other unknown and unforeseeable factors could determine material deviations between actual and expected results.

We are exposed to risks relating to the property market, both as a result of our investments and loans to clients

We are exposed to risks relating to the property market as a result of our significant property portfolio (both in Italy and abroad), as well as due to loans we have granted to companies operating in the commercial real estate market, whose cash flow is generated mainly by the rental or sale of commercial properties, and loans to individuals secured by real property.

A downturn in property prices, also in light of Covid-19 pandemic, may cause us to have to recognize reduction in the value of the property we own where book value is higher than market value, with possible material adverse effects on our business, capital and results of operations.

In this regard, starting from December 31, 2019 financial statements, the Group has decided to change the evaluation criterion of the Group's real estate portfolio, in particular for the properties used in business (ruled by IAS16 "Property, plant and equipment") providing for the transition from the cost model to the revaluation model for the measurement subsequent to initial recognition while for the properties held for investment (ruled by IAS40 "Investment property") providing for the transition from the cost model to the fair value model.

The Group has considered that the possibility of measuring real estate assets at current values (and no longer at cost) allows, in line with the provisions of IAS8 concerning changes in accounting principles, to provide reliable and more relevant information on the effects of business management as well as the Group's financial position and economic result.

As at December 31, 2021 fair value of both properties held for investment and properties used in business was re-determined through external appraisals. The update of appraisals has led to an overall positive balance sheet effect of €138 million gross of tax: (i) for real estate assets used in business, the recognition of an increase in the specific valuation reserve for an amount of €157 million gross of tax effect. In addition to this increase, net losses for €35 million were recognized in the income statement gross of the tax effect; and (ii) for real estate assets held for investment, the recognition of an income statement result equal to €16 million gross of the tax effect.

The valuation of properties at current values implies a possible risk of volatility as well as an increase of the so-called real estate risk. By reference to the real estate units held as at December 31, 2021 and their corresponding market value overall equal to €5,955 million, has been estimated a sensitivity to the increase/decrease in real estate values of +/-1% equal to approximately €60 million corresponding to approximately +/-2 basis point of CET1 ratio.

The measurement of inventories of property, plant and equipment, to the lower between cost and net realizable value, has determined the recognition of a net write-down for €16 million.

For further information, please see the consolidated financial statements of UniCredit as at December 31, 2021, *Part B – Consolidated balance sheet – Assets – Section 9 – Property, plant and equipment – Item 90*.

As at March 31, 2022, the Group performed an analysis on the real estate market and the status of the properties ("trigger analysis") aimed to evaluate whether the values determined as at December 31, 2021 were confirmed (in accordance with Group Policies, the evaluations through external appraisals are updated on a semi-annual basis in June and December). The trigger analysis performed did not reveal significant events that had impacts on the evaluation of real estate portfolio compared to December 31, 2021. With specific reference to real estate held by Russian consolidated subsidiaries, an analysis has been executed with the goal of highlighting positive or negative changes in fair value. According to such analysis, corroborated by market reports provided by leading Real Estate specialists, no significant changes in fair value were observable in the first quarter of 2022, both in office and street retail real estate sectors. In light of this evidence, it has been concluded that—as at March 31, 2022—there is no market evidence that lead to conclude for significant changes in fair value of the real estate portfolio of Russian consolidated subsidiaries. Within next reporting periods, the fair value of these assets might be different from the values presented as at March 31, 2022 as a result of the possible evolution of prices of real estate market which will also depend on (i) the evolution of the geo-political tensions between Russian Federation and Ukraine, the effects of sanctions imposed to Russia as well as (ii) the evolution of the pandemic and the progressive lifting of the containment measures put in place by governments in order to contain it.

Furthermore, the Unicredit Group has outstanding a significant amount of loans to individuals secured by residential property. Should property prices, which represents most of the collateral securing our loans, fall, the value of the collateral securing such loans would decline.

We are exposed to risks relating to our employee pension obligations

We are exposed to certain risks in connection with our commitments to provide pensions and/or other related benefits to employees after the termination of their employment. Defined-benefit plans, which provide a wide range of services depending on factors such as age, years of service and compensation needs differ from defined contribution plans under which the Group pays fixed contributions and benefits are given based on the amount and performance of contributions paid.

In particular, as part of our commitments related to defined-benefit plans, we assume both the actuarial risk and the risk of investment. Our liability is an estimate, based on international accounting standards measurement requirements, and therefore, because of actuarial and investment risk, and depending on demographic and market scenarios, the extent of that liability may be less than the benefits to be paid over time, which could adversely affect our business, financial condition and results of operations.

Moreover, both types of plans expose us to risks related to regulatory changes, which could result in our financial obligations being higher than expected, which in turn could materially adversely affect our business, financial condition and results of operations. There are several defined-benefit plans within the Group, i.e., plans with benefits linked to salary and employee length of service, both in Italy and abroad.

As of December 31, 2021, the plans in Austria, Germany and Italy, in total, accounted for over 90% of our pension obligations.

The 54% of the total obligations for defined benefit plans are financed with segregated assets. These plans are established in (i) Germany, the "Direct Pension Plan" (i.e., an external fund managed by independent trustees), the "HVB Trust Pensionfonds AG" and the "Pensionkasse der Hypovereinsbank WaG" – all created by UniCredit Bank AG (UCB AG), (ii) in the United Kingdom, Italy and Luxembourg created by UCB AG and UniCredit S.p.A. The Group's defined-benefit plans are mainly closed to new recruits where most new recruits join defined contribution plans instead and the related contributions are charged to the income statement).

According to IAS19, obligations arising from defined benefit plans are determined using the "projected Unit Credit method", while segregated assets are measured at fair value at the balance sheet's reference date. The balance sheet obligation is the result of the deficit/surplus (i.e., the difference between obligations and assets) net of any impacts of the asset ceiling. Actuarial gains and losses are recognized in shareholders' equity and shown in a specific item of revaluation reserves in the financial year in which they are recorded.

The negative valuation reserve balance (including the reserve for employee severance payments), net of taxes, was negative €3,793 million as of December 31, 2021 (compared with negative €4,007 million as of December 31, 2020).

Our risk monitoring methods and the validation of such methods may show some undetected weaknesses or may not always function as designed, which may expose us to risk.

Banks belonging to our Group are subject to the risks inherent to banking and financial activities. We have structures, processes and human resources aimed at developing risk management policies, procedures and assessment methods for its activities in line with best market practices in the industry.

Our Risk Management division oversees and monitors the various risks at the Group level and guarantees the strategic planning and definition of the risk management policies implemented locally by the Risk Management structures of the Group entities. Some of the methods used to monitor and manage such risks involve observing historic market trends and using statistical models to identify, monitor, control and manage risks.

Our Group uses internal models to measure credit, market and operational risks. Models we use to calculate capital requirements are also subject to ECB validation as well as monitoring and inspection by other Regulatory Authorities, which may ask for temporary capital add-ons in the event of shortcomings related to such models.

However, the above-mentioned methods and strategies could show some undetected weaknesses or the valuations and assumptions underpinning these policies and procedures could turn out to be incomplete, exposing us to unexpected risks or risks which may not have been correctly quantified, therefore, we could suffer losses, even significant ones, with possible negative effects on our business, results of operations or financial condition.

In addition, in spite of the presence of our internal procedures aimed at identifying and managing the risk, the occurrence of certain events, which cannot currently be budgeted for or assessed, as well as our inability to include elements of risk in carrying out certain activities, could, in the future, lead to losses and therefore have a significant negative impact on our business, results of operations or financial condition.

Operational risk is inherent in our business

The complexity and geographical distribution of our activities requires, among other things, a capacity to carry out a large number of transactions efficiently and accurately, in compliance with applicable regulation. We are therefore exposed to operational risk, namely the risk of suffering losses due to errors, violations, interruptions, damages caused by internal processes, personnel, systems (including IT systems on which we depend to a great extent) or caused by external events.

Operational risk also includes legal risk and compliance risk, but not strategic risk and reputational risk. The main sources of operational risk statistically include the instability of operating processes, poor IT security, excessive concentration of the number of suppliers, changes in strategy, fraud, errors, recruitment, staff training and loyalty and, lastly, social and environmental impacts. It is not possible to identify one consistent predominant source of operating risk.

We have a framework for managing operational risks, comprising a collection of policies and procedures for controlling, measuring and mitigating our operational risks. These measures could prove to be inadequate to deal with all the types of risk that could occur and one or more of these risks could occur in the future, as a result of unforeseen events, entirely or partly out of our control (including, for example, non-compliance of suppliers with their contractual obligations, fraud, deception or losses resulting from the disloyalty of employees and/or from the violation of control procedures, IT virus attacks or the malfunction of electronic and/or communication services, possible terrorist attacks). The realization of one or more of these risks could have material adverse effects on our business, financial condition and results of operations.

Referring to operational risks' effects arising from the Covid-19 pandemic, analysis were carried out in order to identify risks arising from process changes adopted time by time to protect the health of employees and customers.With reference to the operational risks identified, the effectiveness of the risk mitigation measures was then assessed also through a comparative analysis between different Group Legal Entities. In addition, specific second-level controls were activated to oversee those areas that were subject to the most significant changes: the outcome of these checks did not highlight any significant criticality. A specific monitoring of operational incidents linked, even indirectly, to the entire Covid-19 pandemic has been created in order to promptly intercept potential process criticalities or inappropriate behaviors.

Moreover, in the context of its operation, we outsource the execution of certain services to third companies, regarding, inter alia, banking and financial activities, and supervises outsourced activities according to policies and regulations adopted by the Group. The failure by the outsourcers to comply with the minimum level of service as determined in the relevant agreements might cause adverse effects for the operation of the Group.

We always invested a lot of efforts and resources in upgrading our IT systems and improving our defence and monitoring systems. Based also on the Strategic Plan 2022-2024, digitalisation is at the heart of UniCredit's strategy and its ultimate ambition is to be a truly digital bank. Operational risk remains a significant focus for the Group, with reinforced controls of business and governance process across all legal entities and with a permanent optimisation of work process. However, possible risks remain with regards to the reliability of the system, the quality, integrity and confidentiality of the data managed, increasing of digital exposure and the continuously evolving threats landscape to which IT systems are subject, as well as physiological risks related to the management of software changes (change management), which could have negative effects on the operations of the UniCredit Group, as well as on the capital and financial position of the Issuer and/or the Group.

Some of the more serious risks relating to the management of IT systems that the UniCredit Group that we are exposed to are possible violations of our systems due to unauthorised access to our corporate network, or IT resources, the introduction of viruses into computers or any other form of abuse committed via digital channel. Similar attempts have become more frequent over the years throughout the world and therefore can threaten the protection of information relating to the Group and its customers and can have negative effects on the integrity of the Group's IT systems, as well as on the confidence of its customers and on the actual reputation of the Group, with possible negative effects on the capital and financial position of the Issuer and/or the Group.

We are subject to the regulations governing the protection, collection and processing of personal data in the jurisdictions in which the Group operates. While we maintain internal procedures that are compliant with applicable regulation, we remain exposed to the risk that the data could be damaged or lost, or removed, disclosed or processed (data breach) for purposes other than those authorized by the customer, including by unauthorized parties (such as third parties or Group employees) or with insufficient lawful basis (e.g. Standard Contractual Clauses to be signed in case of transfer of personal data outside EEA as per European Court of Justice decision of July 2020). Examples of data processed for purposes other than those for which they were collected or by unauthorised parties may be: the viewing of data by employees outside their work duties or for clients of other branches/portfolios of other managers; the employee of a supplier, appointed as Data Processor, processing the data with procedures/methods or for purposes other than those stated in the Data Processing Agreeement.

With reference to the insufficient lawful basis, the European Court of Justice, in the aforementioned decision, confirmed the validity of Standard Contract Clauses as an instrument of transfer/lawful basis, but added the responsibility, on the "exporter" of the personal data, to assess whether the country of destination of the data offers a level of protection of the rights and freedoms of the data subject equivalent to the one guaranteed in Europe, by Regulation (EU) 2016/679. Moreover, the European Data Protection Board has stated, in documents released after the decision, that even simple access to the data (i.e. by an employee of the third company engaged for IT platform maintenance activities) may constitute a transfer of personal data. Thus, the potential risk is that personal data may be processed by third parties, appointed as Data Processor, from countries outside the European Economic Area without the presence of Standard Contract Clauses and/or without an adequate assessment by the data controller of the privacy rules in the destination country.

Over the past few years, we have been subject to cyber-attacks which led, even though only in a few limited cases, to the theft of personal data. In this regard, taking into account the type of risks detected, UniCredit, in addition to strengthening the protection measures already in place, carried out a wide and in-depth assessment of the effects that may derive also for financial statements purposes.

In this regard it should be noted that on 5 February 2020, the Italian Personal Data Protection Authority notified UniCredit S.p.A. of the start of sanctioning proceedings regarding a violation of customers' personal data following a Cyber-attack (data breach) occurred in October 2018, communicated through its Group website on 22 October 2018. It is currently not possible to define the timeline and outcome of the proceedings.

In addition, the investment in software development we made further increases the risk that when one or more of the above-mentioned circumstances occurs, we may suffer financial losses if the software is destroyed or seriously damaged, or will incur repair costs for the violated IT systems, as well as being exposed to regulatory sanctions.

Starting from 2018, we subscribed a Cyber Insurance Policy with European Insurance Companies with adequate rating and with reasonably high limits, to cover damages, in compliance with the current local legislation, caused by Data Breach and other cyber-attacks on the IT systems, except for compensation for sanctions where national law does not allow it.

Our operations are dependent on the correct functioning of our IT systems, which exposes us to risk

Our operations depend on, among other things, the correct and adequate operation of our IT systems, as well as their continuous maintenance and constant updating.

Possibile risks remain with regard to the reliability of the system, the quality, integrity and confidentiality of the data managed and the threats to which IT systems are subject, as well as physiological risks related to the management of software changes (change management), which could have negative effects on the operations of the UniCredit Group, as well as on the capital and financial position of the Issuer and/or the Group.

Some of the more serious risks relating to the management of IT systems that the UniCredit Group has to deal with are possible violations of its systems due to unauthorised access to its corporate network, or IT resources, the introduction of viruses into computers or any other form of abuse committed via the Internet. Similar attempts have become more frequent over the years throughout the world and therefore can threaten the protection of information relating to the Group and its customers and can have negative effects on the integrity of the Group's IT systems, as well as on the confidence of its customers and on the actual reputation of the Group, with possible negative effects on the capital and financial position of the Issuer and/or the Group.

Starting from 2018, we have subscribed a Cyber Insurance Policy with European insurance companies with adequate rating and with reasonably high limits, to cover damages, in compliance with the current local legislation, caused by Data Breach and other cyber-attacks on the IT systems, save for compensation for sanctions where national law does not allow it.

In addition, our substantial investment in resources in software development creates the risk that when one or more of the above-mentioned circumstances occurs, the Group may suffer financial losses if the software is destroyed or seriously damaged, or will incur repair costs for the violated IT systems, as well as being exposed to regulatory sanctions.

We are involved in legal proceedings and other actions of regulatory authorities

There are currently legal proceedings (which may include disputes of a commercial nature, investigations and other contentious issues of a regulatory nature) pending against the Bank and other companies belonging to the Group.

In many of these cases, there is considerable uncertainty with regard to the possible outcome of the proceedings and the scale of any loss incurred. These cases include criminal proceedings, administrative proceedings brought by regulatory authorities or investigators and/or judgments in which the amount of any claims for damages and/or contingent liabilities incumbent on us is not determined or determinable as part of the application submitted in court and/or the nature of the same proceedings. In such case, until it is possible to reliably predict the outcome, no provisions are set aside. On the other hand, where it is possible to reliably estimate the scale of any losses suffered and where such loss is considered probable, provisions are set aside in the balance sheet in an amount considered suitable given the circumstances and in accordance with IAS.

As of December 31, 2021, we had € 688.4 million of provisions – of which € 428.1 million are for the parent company UniCredit S.p.A. – for risks and charges to cover the liabilities that may arise from the pending cases in which we are a defendant (not including labor law, tax or debt recovery cases), compared with a total claim (for judicial proceedings other than labor law, tax and debt recovery) at the same date which amounted to approximately € 9.8 billion, of which approximately €6.4 billion are for proceedings involving the parent company UniCredit S.p.A.. This figure is affected by both the heterogeneous nature of the pending proceedings and the number of involved jurisdictions and their corresponding characteristics in which we are named as defendants.

An estimated liability is based on information available from time to time, but it is also based on estimates because of the many uncertainties connected to litigation. In particular, it is not always possible to produce a reliable estimate, as in the case where, for example, the proceeding has not yet been started or when there are legal and factual uncertainties that make any estimate unreliable. In such circumstances, the assessments for the determination of the provisions may be affected and therefore any provisions may be insufficient to fully deal with the charges, expenses, penalties, damages and other requests relating to pending proceedings, and/or we may still be required in the future to bear the duties and obligations of compensation or restitution not covered by the provisions, with possibly material adverse effects on our business. Any unfavorable outcome for us in a dispute in which we are involved – particularly those of greater media interest – may have a significant impact on our reputation, with potential material adverse effects on our business, financial condition or results of operations. There are also proceedings, some of which have substantial amounts in issue, for which we did not consider it necessary to make, or for which we were not able to quantify, a provision. Any provisions set aside may therefore be insufficient to fully cover the charges, expenses, fines and claims for compensation and payment of costs connected to pending cases, such that the actual cost of pending proceedings may turn out to be considerably higher, with potentially material adverse effects on our business, results of operations or financial condition, or on our ability to comply with regulatory capital requirements.

We must also comply with various legal and regulatory requirements concerning, among others, conflicts of interest, ethical issues, anti-money laundering, customer assets, competition, privacy rights and information security. It is not possible to rule out that infringements could occur in the future which could have material adverse effects on our business, results of operations or financial condition.

In particular, actual or alleged failure to comply with these provisions could lead to further disputes and investigations, making us subject to claims for compensation, fines imposed by the regulatory authority, other sanctions and/or reputational damage. In view of the nature of our activities and the reorganization we have been involved in over a period of time, there is also the risk that requests or questions initially relating to only one of the Group companies could involve or have effects on other Group companies, with possible negative effects on our operating results, capital and financial condition.

In addition, we (as well as former members of the Group) are involved in several criminal proceedings and/or, to the best of our knowledge, are subject to investigation by the competent authorities in relation to various claims related to banking operations, including, in particular, in Italy in relation to the offence referred to in Article 644 (usury). If we or members of our Group or their representatives (current or past) were found to have violated criminal law, this could have an adverse impact on our reputation, or on our business, results of operations or financial condition. See "*Legal and Arbitration Proceedings*" for additional information.

We must comply with numerous sanctions regimes, which are complex and subject to change and which may limit our ability to maintain commercial relationships with certain counterparties; we may be subject, from time to time, to investigations or proceedings brought by authorities in the U.S.

We have clients and partners located around the world and we must comply with sanctions regimes in the jurisdictions where we operate. In particular, we must comply with economic sanctions imposed by the United States, the European Union and the United Nations, in each case to the extent applicable, and these regimes are subject to change, which we cannot predict.

Such sanctions may limit our ability to continue to transact with clients or to maintain commercial relations with sanctioned counterparties and/or counterparties that are located in sanctioned countries. As of the date of this Offering Memorandum, we have limited commercial relationships with certain counterparties located in sanctioned countries, but these are carried out in compliance with applicable laws and regulations.

On April 15, 2019, UniCredit S.p.A., UCB AG and UCB Austria reached a resolution with the U.S. and New York Authorities regarding investigations concerning historical compliance with applicable U.S. sanctions law and regulations. Following the settlement, the U.S. and New York Authorities require an annual external review regarding the evolution of the process implementation. In light of the request, in 2020 the Group appointed an external independent consultant. Following the interaction with the independent consultant and also considering the mandatory commitments towards the Authorities, the parent company UniCredit S.p.A., UCB AG and UCB Austria AG have implemented additional requirements and controls, about which the banks make periodic reports to the Authorities.

To the extent a new investigation or proceeding is commenced against us, such an investigation or proceeding could result in us being required to pay fines and/or being the subject of criminal, administrative or civil penalties (which today are not quantifiable). Such an adverse outcome could adversely affect our reputation and have a material adverse effect on our business, results of operations and financial condition.

We are subject to risks related to ongoing tax disputes

At the date of this Offering Memorandum, there are various tax-related proceedings pending with regard to UniCredit and other companies belonging to the UniCredit Group, as well as tax inspections by the competent authorities in the various countries in which the Group operates.

As of December 31, 2020, the provisions amount to €151.2 million, including €6.3 million for legal expenses. As of December 31, 2021, the provisions for tax risks amounted to €182.5 million, including € 2.9 million for legal expenses.

As far as pending disputes and tax audits are concerned, reference is made to paragraph "*Legal and Arbitration Proceedings – Tax Proceedings*."

As a result of the uncertainty characterizing the tax proceedings in which we are involved, it is not possible to rule out that an unfavorable outcome and/or the emergence of new proceedings could lead to an increase in risks of a tax nature for us, with the consequent need to make further provisions and/or outlays, with possible negative effects on our operating results, capital and financial condition.

Finally, it should be pointed out that in the event of a failure to comply with or a presumed breach of the tax law in force in the various countries, we could be exposed to increased tax risks, which in turn could increase the likelihood of further tax litigation and result in additional costs to us and reputational damage.

The ratings assigned to the Bank and the Group could change, which would expose us to risks

The risks related to the capacity of an issuer to comply with its obligations, following the issue of debt instruments and money market instruments is indicated through reference to the credit ratings assigned by independent ratings agencies.

These evaluations and the related research can be of help to investors in analyzing the credit risks associated with financial instruments since they provide indications surrounding the capacity of issuers to meet their obligations. The lower the rating assigned on the respective scale, the higher the risk assessed by the ratings agency that an issuer will not meet its obligations or that they will not be complied with in full and/or on time. The outlook, on the other hand, is a parameter indicating the expected trend concerning the ratings assigned to an issuer.

If the rating assigned by the agencies is downgraded, this could have an unfavorable effect on our ability to gain access to various liquidity instruments, as well as to compete on the capital markets, with an increase in funding costs and consequent material adverse effect on our business, results of operations and financial condition.

In addition, the sovereign rating of Italy and the other countries in which the Group has a significant presence are also considered to be important factors as well as the performance of the macroeconomic context. For the ratings of sovereign states, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Factors Affecting Results of Operations – Sovereign debt exposure*." In this sense, any future downgrade of the sovereign rating of Italy and the other sovereign countries in which the Group has a significant presence and/or a deterioration in the above-mentioned income performance could have negative impacts on the ratings assigned by the ratings agencies to UniCredit S.p.A. and/or to one or more of the subsidiaries to which a rating is assigned.

In light of the above, a possible worsening of the sovereign rating of Italy and/or the other countries where the Group is present (including, specifically, Germany and Austria) could have negative effects on our business, results of operations and financial condition. For more information on our ratings, see "*Ratings*."

We face intense competition for our lending and brokerage services, both in Italy and abroad

We are subject to the risks arising from competition, primarily in the provision of lending and financial brokerage, both in Italy and abroad (particularly in the German, CE & EE markets).

The international market for banking and financial services is an extremely competitive market and, in spite of geographical diversification, Italy is the main market in which we operate. As of March 31, 2022, Italy represented 41% of our total customer deposits, excluding Russia and 46% of our total revenues, excluding Russia.

The banking sector in Italy, as well as in Europe, is going through a consolidation phase featuring a high degree of competition due to the following factors: (i) the introduction of EU directives aimed at liberalizing the European Union banking sector; (ii) the deregulation of the banking sector and the related development of "shadow banking" throughout the European Union, and specifically in Italy, which has encouraged competition in the traditional banking sector with the effect of progressively reducing the spread between lending and borrowing rates; (iii) the behavior of competitors (including latest aggregations); (iv) consumer demand; (v) the trend of the Italian banking industry focused on revenues from fees, which leads to increased competition in the field of asset management and investment banking services; (vi) the advance of services with a strong element of technological innovation/digitalization, such as internet banking and mobile banking; (vii) the influx of new competitors, and other factors not necessarily under our control; (viii) the climate environmental changes with potential impacts on Banks'lending activities and competition. Furthermore, a deterioration of macroeconomic conditions could result in greater competitive pressure due to factors such as increased pressure on prices and lower business volumes.

In addition, this competitive pressure could increase as a result of various factors not necessarily under our control, including aggregation processes both in Italy, and in Europe, which could involve large groups, comparable to us, applying increasingly comprehensive economies of scale.

The banking and financial sector is influenced by the uncertainties surrounding the stability and overall situation of the financial markets. international financial markets levels of volatility is influenced also by Covid-19 developments as well as geopolitical tensions. Therefore, a further worsening of the economic situation or a return to tensions over the European sovereign debt could have a significant impact on both the recoverability and measurement of debt securities held and the liquidity of the Group's customers which are holders of these instruments, resulting in major negative effects on the operating results, capital and financial condition of the Issuer and/or the Group.

In addition, should the current situation with low interest rates in the Eurozone persist, this could have a negative impact on the profitability of the banking sector and, as a result, on us.

We face risks connected with our ability to retain or attract key people and certain types of skilled professionals

Our results and the future success of its activities depend, to a large extent, on our ability to attract, retain and motivate skilled personnel, at all levels of the hierarchy, with considerable experience in the sectors in which we operate, and, in particular, the banking sector.

The loss of one or more key people and/or the inability to attract and retain qualified professionals having solid experience in managing banking groups could result in a reduction of our competitive capacity and affect our ability to achieve our objectives, with possible negative effects on our operating results, capital and financial condition.

We face risks related to key statements and information on the outlook of the reference market and the Group's competitive position

The Offering Memorandum contains several key statements regarding our business, markets and competitive position as well as forecasts about the future of the market in which the Group operates and our future plans and strategies, which we formulated based on our knowledge of the sector, available data and our experience. This information has not been independently verified.

In addition, our actual future results, competitive position and performance in our various sectors and/or in the various geographical areas could differ significantly from the forecasts, due to a variety of factors beyond our control. See "*Disclosure Regarding Forward-Looking Statements*."

We are legally obligated to make both ordinary and extraordinary contributions to resolution funds, the amounts of which may be significant and/or unpredictable

Following the crisis that affected many financial institutions from 2008, various risk-reducing measures have been introduced, both at European level and at individual Member State level. Their implementation involves significant outlays by individual financial institutions in support of the banking system.

We shall comply with the contribution obligations required by legislation concerning bank resolution. Upon the occurrence of an increase of the ordinary contributions requested to the Group companies, the profitability of the Group would decrease and the level of capital resources of the issuer and the Group would be adversely affected; should extraordinary contributions be requested to the Group, this could have a negative impact, even significant, on the Group's balance sheet and financial results.

We cannot currently predict the payments which may be necessary for future banking crises, but if significant, they could have a material adverse effect on our business, results of operation and financial position. In addition, the Deposit Guarantee Scheme, the Single Resolution Fund, the National Resolution Fund and/or the Fondo Interbancario di tutela dei depositi could ask us to make further contributions in the future for an amount that cannot currently be quantified and which could be significant and have a material adverse effect on our business, results of operation and financial condition.

The results of future stress tests or further asset quality reviews to which we may be subjected are unknown

Stress test exercises present risks related to the potential increase in minimum capital requirements, in case the Group is identified as vulnerable to the stress scenarios designed by the supervisory authorities.

UniCredit was also taking part in the 2020 EU-wide EBA Stress Test. However as one of the actions to mitigate the impact of Covid-19 on the EU banking sector, on March 12, 2020 the EBA postponed the exercise to 2021, in order to allow banks to focus on and ensure continuity of their core operations.

UniCredit took part in the 2021 EBA EU-wide Stress Test. The results for the single banks were published on 30 July, 2021 and the outcome has been considered in the SREP 2021.

UniCredit's results are summarised below:

- baseline scenario:
  - 2023 fully loaded CET1r at 15.66% corresponding to 52bps higher than fully loaded CET1r as of December 2020; and
  - 2023 transitional CET1r at 15.80% corresponding to 16bps lower than transitional CET1r as of December 2020
- adverse scenario:
  - 2023 fully loaded CET1r at 9.22% corresponding to 592bps lower than fully loaded CET1r as of December 2020; and
  - 2023 transitional CET1r at 9.59%, corresponding to 637bps lower than transitional CET1r as of December 2020.

In the fourth quarter of 2021, the EBA performed an EU-wide transparency exercise ("2021 EU-wide transparency exercise") to provide updated information as of September 2020, December 2020, March 2021 and June 2021 on banks' exposures and asset quality to financial operators. The EBA published the relevant results at the beginning of December 2021.

Risks Relating to the Notes

Risks Relating to the Notes Generally

[Redacted text]

Risks Relating to the Market Generally

[Redacted text]

USE OF PROCEEDS

The net proceeds of each issue of the Notes by the Issuer (represented, in the case of the Rule 144A Notes, by the Receipts issued by the Receipt Issuer representing beneficial interests therein) will be used in its business or for use by our Group. Unless otherwise disclosed in the accompanying Final Terms, we will use the net proceeds of each issue for general funding purposes. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Business*" for a description of our funding needs.

EXCHANGE RATE

The following table sets out, for the periods indicated, the high, low, average and period end noon buying rates in New York City for cable transfers between the Euro and U.S. dollar as certified for customs purposes by the Federal Reserve Bank of New York expressed as U.S. dollars per €1.00. These rates may differ from actual rates used in the preparation of the Consolidated Financial Statements and other financial information appearing in this Offering Memorandum. We make no representation that the Euro or U.S. dollar amounts referred to in this Offering Memorandum have been, could have been or could, in the future, be converted into U.S. dollars or Euro, as the case may be, at any particular rate, or at all.

The average rate for a year means the average of the Noon Buying Rates of the last business day of each month (or portion thereof) during the relevant period. The average rate for a month means the average on each business day of the month (or portion thereof).

On May 27, 2022 the exchange rate of the U.S. dollar compared to the euro was U.S. dollar 1.0709 per €1.00.

	U.S. dollars per €1.00			
	High	**Low**	**Period average[1][2]**	**Period end**
Year				
2019	1.1524	1.0905	1.1184	1.1227
2020	1.2280	1.0682	1.1410	1.2230
2021	1.2295	1.1196	1.1830	1.1318
Month				
January 2022	1.1464	1.1141	1.1317	1.1212
February 2022	1.1449	1.1192	1.1344	1.1219
March 2022	1.1159	1.0854	1.1016	1.1067
April 2022	1.1043	1.0499	1.0800	1.0545
May 2022 (through May 27, 2022)	1.0744	1.0376	1.0559	1.0709

(1) The average rate for the year means the average Federal Reserve Bank of New York rate on the last business day of each month during a year.
(2) The average rate for each month presented is based on the average Federal Reserve Bank of New York rate for each business day of such month.

RATINGS

The following are the ratings issued on the Issuer's short-term and medium and long-term debt by the principal international credit rating agencies as of the date of this Offering Memorandum. The "outlook" reflects the rating agency's long term expectation with respect to the rating assigned to our Group.

On May 12, 2021, Moody's affirmed our stand-alone ratings at "baa1", the "P-2" rating in relation to the Bank's short-term debt and "Baa1" in relation to the Bank's long-term debt, with a "Stable" outlook.

On December 17, 2021, Fitch changed our long-term debt rating at "BBB" (from "BBB") and our short-term debt rating to "F2" (from "F3") with outlook placed at "Stable", aligned with Italian sovereign debt.

On April 27, 2022, the Rating Agency S&P Global Ratings (**S&P**) has affirmed UniCredit S.p.A.'s 'BBB' long- and 'A-2' short-term Issuer Credit Ratings. The outlook remained at 'positive'. The instrument ratings have been affirmed as well.

Rating Agency:	**Short-Term Debt**	**Long-Term Debt**	**Outlook**
S&P	A-2	BBB	Positive
Moody's	P-2	Baa1	Stable
Fitch	F2	BBB	Stable

CAPITALIZATION AND REGULATORY CAPITAL

The following table summarizes the consolidated capitalization of our Group as of December 31, 2021 and December 31, 2020. Prospective investors should read this table in conjunction with the sections herein entitled "*Risk Factors*", "*Use of Proceeds*", "*Selected Consolidated Financial Information and Other Data*" and "*Presentation of Financial Information*."

	As of December 31, 2021[1]	As of December 31, 2020[2]
	(in millions of €)	
Equity		
Share capital	21,133	21,060
Share premium	5,446	9,386
Equity instruments	6,595	6,841
Reserves	31,451	31,167
Valuation reserves	(4,337)	(6,159)
Treasury shares	(200)	(3)
Net profit (loss) for the period	1,540	(2,785)
Shareholders' equity of the Group	**61,628**	**59,507**
Minorities	465	435
Total shareholders' equity	**62,093**	**59,942**

(1) Figures from the 2021 Consolidated Financial Statements.
(2) Figures from the 2020 Consolidated Financial Statements.

The CRR defines rules on own funds, minimum capital requirements, liquidity risk, financial leverage ratio and disclosure of information to the public; specifically, in terms of capital requirements, the CRR establishes (Article 92) that institutions shall at all times satisfy the following own funds requirements: (i) a common equity tier 1 capital (CET1) ratio of 4.5% of the total risk exposures (the highest quality capital level); (ii) a Tier 1 capital ratio of 6% of the total risk exposures; and (iii) a Total capital ratio of 8% of the total risk exposures, see "*Supervision and Regulation – Italy – Capital adequacy requirements*."

The table below sets forth our regulatory capital ratios as of December 31, 2021 and December 31, 2020, according to the transitional regime applicable period over period.

	As of December 31, 2021[1][3]	As of December 31, 2020[2]
Regulatory capital ratios (transitional)		
CET1 / Risk-weighted assets (CET 1 capital ratio – transitional)	15.8%	16.0%
Tier 1 Capital/ Risk-weighted assets (Tier 1 capital ratio – transitional)	17.9%	18.2%
Total Capital/ Risk-weighted assets (Total capital ratio – transitional)	20.1%	20.7%

(1) Figures from the unaudited consolidated report on operations of, and reconciled with, the 2021 Consolidated Financial Statements.
(2) Figures from the unaudited consolidated report on operations of, and reconciled with, the 2020 Consolidated Financial Statements.
(3) Starting from 2Q 2020, figures include the transitional arrangements related to IFRS9 as per CRR article 473a.

Regarding the capital requirements as from March 1, 2022, we were required to meet the following consolidated capital ratios: (i) CET1 capital ratio equal to 9.0%; (ii) Tier 1 capital ratio equal to 10.9%; and (iii) Total capital ratio equal to 13.3%. The ratios may vary throughout the year, particularly with reference to the countercyclical capital buffer, which is calculated on a quarterly basis. See "*Risk Factors – Risks Relating to Our Business – Our ability to meet the Strategic Objectives depends on a number of assumptions and circumstances, some of which are outside of our controls*" and "*Risk Factors – Risks Relating to Our Business – If we were to fail to maintain minimum capital adequacy requirements, we would face adverse consequences, including potential measures by the ECB*." The ECB may also impose additional capital requirements.

SELECTED CONSOLIDATED FINANCIAL INFORMATION AND OTHER DATA

The following tables set forth our unaudited reclassified consolidated financial information as of and for the years therein indicated. Financial data included in this section have been derived from the Consolidated Financial Statements, including restated comparative information included in such Consolidated Financial Statements and from the information presented in the Consolidated Report on Operations included in the Consolidated Financial Statements. In particular, the 2020 and 2019 restated financial information is derived from the comparative information included in the 2021 Consolidated Financial Statements and the 2020 Consolidated Financial Statements and related Consolidated Report on Operations. For an explanation of the restatements and reclassifications, see "Presentation of Financial Information."

Consolidated income statement (financial information from Consolidated Report on Operations)

	For the year ended December 31,		
	2021[(1)]	**2020 (restated)[(1)]**	**2021 vs 2020 (restated)**
	(in millions of €)		*Change %*
Net interest	9,060	9,441	(4.0)%
Dividends and other income from equity investments	520	415	25.2%
Net interest income	**9,580**	**9,856**	**(2.8)%**
Net fees and commissions	6,692	5,968	12.1%
Net trading income	1,638	1,412	16.0%
Net other expenses/income	45	(104)	n.m.
Net non-interest income	**8,375**	**7,276**	**15.1%**
Operating income	**17,954**	**17,132**	**4.8%**
Payroll costs	(6,022)	(5,968)	0.9%
Other administrative expenses	(3,190)	(3,215)	(0.8)%
Recovery of expenses	548	523	4.7%
Amortisation, depreciation and impairment losses on intangible and tangible assets	(1,133)	(1,137)	(0.4)%
Operating costs	**(9,797)**	**(9,797)**	**(0.0)%**
Operating Profit (Loss)	**8,158**	**7,335**	**11.2%**
Net write-downs of loans and provisions for guarantees and commitments	(1,634)	(4,996)	(67.3)%
Net Operating Profit (Loss)	**6,524**	**2,339**	**n.m.**
Other charges and provisions	(1,386)	(1,055)	31.4%
Integration costs	(1,337)	(1,464)	(8.7)%
Net income from investments	(2,565)	(1,365)	87.9%
Profit (Loss) before tax	**1,236**	**(1,546)**	**n.m.**
Income taxes for the period	330	(344)	n.m.
Net Profit (Loss)	**1,566**	**(1,890)**	**n.m.**
Profit (Loss) from non-current assets held for sale after tax	4	49	(92.2)%
Profit for the period	**1,570**	**(1,842)**	**n.m.**
Minorities	(30)	(7)	n.m.
Net profit (Loss) attributable to the Group before PPA	**1,540**	**(1,849)**	**n.m.**
Purchase Price Allocation effect	(1)	(50)	(98.6)%
Goodwill impairment	–	(886)	(100.0)%
Net profit (Loss) attributable to the Group	**1,540**	**(2,785)**	**n.m.**

(1) Figures from the unaudited consolidated report on operations of, and reconciled with, the 2021 Consolidated Financial Statements.

	For the year ended December 31,			
	2020[1]	2019 (restated)[1]	2019[2]	2020 vs 2019 (restated)
	(in millions of €)			*Change %*
Net interest	9,441	10,071	10,203	(6.3)%
Dividends and other income from equity investments	415	637	637	(34.8)%
Net interest income	**9,856**	**10,708**	**10,840**	**(8.0)%**
Net fees and commissions	5,976	6,304	6,304	(5.2)%
Net trading income	1,412	1,669	1,538	(15.4)%
Net other expenses/income	(104)	156	156	n.m.
Net non-interest income	**7,284**	**8,129**	**7,998**	**(10.4)%**
Operating income	**17,140**	**18,839**	**18,839**	**(9.0)%**
Payroll costs	(5,968)	(6,146)	(6,146)	(2.9)%
Other administrative expenses	(3,223)	(3,279)	(3,279)	(1.7)%
Recovery of expenses	523	592	592	(11.7)%
Amortisation, depreciation and impairment losses on intangible and tangible assets	(1,137)	(1,096)	(1,096)	3.7%
Operating costs	**(9,805)**	**(9,929)**	**(9,929)**	**(1.2)%**
Operating Profit (Loss)	**7,335**	**8,910**	**8,910**	**(17.7)%**
Net write-downs of loans and provisions for guarantees and commitments	(4,996)	(3,382)	(3,382)	47.7%
Net Operating Profit (Loss)	**2,339**	**5,527**	**5,527**	**(57.7)%**
Other charges and provisions	(1.055)	(954)	(954)	10.7%
Integration costs	(1,464)	(664)	(664)	n.m
Net income from investments	(1,365)	(844)	(844)	61.7%
Profit (Loss) before tax	**(1,546)**	**3,065**	**3,065**	**n.m.**
Income taxes for the period	(344)	(890)	(890)	(61.3)%
Net Profit (Loss)	**(1,890)**	**2,176**	**2,176**	**n.m**
Profit (Loss) from non-current assets held for sale after tax	49	1,383	1,383	(96.5)%
Profit for the period	**(1,842)**	**3,559**	**3,559**	**n.m**
Minorities	(7)	(118)	(118)	(93.9)%
Net profit (Loss) attributable to the Group before PPA	**(1,849)**	**3,441**	**3,441**	**n.m.**
Purchase Price Allocation effect	(50)	(68)	(68)	(26.6)%
Goodwill impairment	(886)	–	–	n.m.
Net profit (Loss) attributable to the Group	**(2,785)**	**3,373**	**3,373**	**n.m.**

(1) Figures from the unaudited consolidated report on operations of, and reconciled with, the 2020 Consolidated Financial Statements.
(2) Figures from the unaudited consolidated report on operations of, and reconciled with, the 2019 Consolidated Financial Statements.

Consolidated balance sheet (financial information from Consolidated Report on Operations)

	As of December 31, 2021[1]	As of December 31, 2020 (restated)[1]	2021 vs 2020 (restated)
	(in millions of €)		*Change %*
Assets			
Cash and cash balances	107,407	117,003	(8.2)%
Financial assets held for trading	80,109	72,705	10.2%
Loans to banks	82,938	96,519	(14.1)%
Loans to customers	437,544	450,550	(2.9)%
Other financial assets	157,902	153,349	3.0%
Hedging investments	4,576	7,687	(40.5)%
Property, plant and equipment	8,911	9,939	(10.3)%
Goodwill	–	–	–
Other intangible assets	2,213	2,117	4.5%
Tax assets	13,551	13,097	3.5%
Non-current assets and disposal groups classified as held for sale	14,287	2,017	n.m.
Other assets	7,234	6,473	11.8%
Total assets	**916,671**	**931,456**	**(1.6)%**
Liabilities			
Deposits from banks	162,561	172,465	(5.7)%
Deposits from customers	500,504	498,440	0.4%
Debt securities issued	95,898	102,524	(6.5)%
Financial liabilities held for trading	51,608	47,787	8.0%
Other financial liabilities	11,616	12,887	(9.9)%
Hedging instruments	5,265	11,764	(55.2)%
Tax liabilities	1,216	1,358	(10.4)%
Liabilities included in disposal groups classified as held for sale	2,149	761	n.m.
Other liabilities	23,760	23,529	1.0%
Minorities	465	435	7.0%
Group shareholders' equity	61,628	59,507	3.6%
Total liabilities and Shareholders' Equity	**916,671**	**931,456**	**(1.6)%**

[1] Figures from the unaudited consolidated report on operations of, and reconciled with, the 2021 Consolidated Financial Statements.

	As of December 31, 2020[1]	As of December 31, 2019 (restated)[1]	2020 vs 2019 (restated)
	(in millions of €)		*Change %*
Assets			
Cash and cash balances	101,707	17,305	n.m
Financial assets held for trading	72,705	63,280	14.9%
Loans to banks	111,814	97,888	14.2%
Loans to customers	450,550	482,574	(6.6)%
Other financial assets	153,349	149,091	2.9%
Hedging investments	7,687	9,230	(16.7)%
Property, plant and equipment	9,939	11,097	(10.4)%
Goodwill	–	886	(100)%
Other intangible assets	2,117	1,914	10.6%
Tax assets	13,097	12,922	1.4%
Non-current assets and disposal groups classified as held for sale	2,017	2,512	(19.7)%
Other assets	6,473	6,949	(6.9)%
Total assets	**931,456**	**855,647**	**8.9%**
Liabilities			
Deposits from banks	172,465	135,563	27.2%
Deposits from customers	498,440	470,570	5.9%
Debt securities issued	102,524	96,301	6.5%
Financial liabilities held for trading	47,787	41,483	15.2%
Other financial liabilities	12,887	12,083	6.6%
Hedging instruments	11,764	12,150	(3.2)%
Tax liabilities	1,358	1,378	(1.5)%
Liabilities included in disposal groups classified as held for sale	761	725	5.0%
Other liabilities	23,529	23,608	(0.3)%
Minorities	435	369	17.9%
Group shareholders' equity	59,507	61,416	(3.1)%
Total liabilities and Shareholders' Equity	**931,456**	**855,647**	**8.9%**

(1) Figures from the unaudited consolidated report on operations of, and reconciled with, the 2020 Consolidated Financial Statements.

Consolidated cash flow statement

	For the year ended December 31,					
	2021[1]	2020 (restated)[1]	2020[2]	2019[3]	2021 vs 2020 (restated)	2020 vs 2019
	(in millions of €)				*Change %*	
Net liquidity generated/absorbed by operating activities	(7,521)	85,579	83,323	(16,207)	n.m.	n.m.
Net liquidity generated/absorbed by investment activities	(699)	569	569	2,815	n.m.	(79.8)%
Net liquidity generated/absorbed by funding activities	(1,408)	660	660	(315)	n.m.	n.m.
Net liquidity generated/absorbed during the period	**(9,628)**	**86,808**	**84,552**	**(13,707)**	**n.m.**	**n.m.**

(1) Figures from the 2021 Consolidated Financial Statements.
(2) Figures from the 2020 Consolidated Financial Statements.
(3) Figures from the 2019 Consolidated Financial Statements.

Other Financial Information

	2021[1][*]	2020[2][**]	2019[3][**]
Net profit for the period attributable to the Group (€ mln)	1,510	(2,907)	3,249
Average number of outstanding shares	2,221,699,263	2,226,668,543	2,222,881,054
Average number of potential dilutive shares	14,329,935	12,861,551	13,958,453
Average number of diluted shares	2,236,029,199	2,239,530,094	2,236,839,506
Earnings per share (€)	0.680	(1.306)	1.462
Diluted earnings per share (€)	0.675	(1.298)	1.453

(1) Figures from the 2021 Consolidated Financial Statements.
(2) Figures from the 2020 Consolidated Financial Statements.
(3) Figures from the 2019 Consolidated Financial Statements.
(*) €30 million has been deducted from the 2021 net profit attributable to the Group of €1,540 million due to the cash-out (charged to net equity, which occurred in the first quarter of 2021 relating to the last payment referred to the results of the year 2019) connected to the usufruct contract signed with Mediobanca S.p.A. on UniCredit shares for supporting the issuance of convertible securities denominated "Cashes" (€122 million was added to 2020 net loss attributable to the Group).
(**) €122 million has been added from 2020 net loss attributable to the Group of €2,785 million due to disbursements, charged to equity, made in connection with the usufruct contract signed with Mediobanca S.p.A. on UniCredit shares supporting the issuance of convertible securities denominated "Cashes" (€124 million was deducted from 2019 net profit attributable to the Group).

The following tables set forth key segment information for the year ended December 31, 2021, 2020 and 2019.

Operating income

	For the year ended December 31,	
	2021[1]	2020 (restated)[1]
	(in millions of €)	
Italy	8,415	8,088
Germany	4,454	4,092
CE	3,007	2,817
EE	2,357	2,361
Group Corporate Center	(223)	(179)
Non-Core	(56)	(46)
Operating income	**17,954**	**17,132**

(1) Figures from the 2021 Consolidated Financial Statements.

	For the year ended December 31,	
	2020[1]	2019 (restated)[1]
	(in millions of €)	
Commercial Banking Italy	6,341	7,062
Commercial Banking Germany	2,354	2,404
Commercial Banking Austria	1,363	1,546
Central Eastern Europe	3,422	4,001
Corporate & Investment Banking	3,947	3,985
Group Corporate Center	(241)	(119)
Non-Core	(46)	(41)
Operating income	**17,140**	**18,839**

(1) Figures from the 2020 Consolidated Financial Statements.

Operating profit

	For the year ended December 31,	
	2021[1]	**2020 (restated)[1]**
	(in millions of €)	
Italy	4,418	4,088
Germany	1,763	1,373
CE	1,343	1,184
EE	1,343	1,349
Group Corporate Center	(580)	(497)
Non-Core	(130)	(162)
Operating profit	**8,158**	**7,335**

[1] Figures from the 2021 Consolidated Financial Statements.

	For the year ended December 31,	
	2020[1]	**2019 (restated)[1]**
	(in millions of €)	
Commercial Banking Italy	2,673	3,280
Commercial Banking Germany	703	778
Commercial Banking Austria	371	577
Central Eastern Europe	1,937	2,466
Corporate & Investment Banking	2,422	2,436
Group Corporate Center	(610)	(410)
Non-Core	(161)	(218)
Operating profit	**7,335**	**8,910**

[1] Figures from the 2020 Consolidated Financial Statements.

Profit/(loss) before Tax

	For the year ended December 31,	
	2021[1]	**2020 (restated)[1]**
	(in millions of €)	
Italy	1,988	(612)
Germany	521	996
CE	548	282
EE	939	401
Group Corporate Center	(2,629)	(2,273)
Non-Core	(132)	(339)
Profit/(loss) before tax	**1,236**	**(1,546)**

[1] Figures from the 2021 Consolidated Financial Statements.

	For the year ended December 31,	
	2020[1]	**2019 (restated)[1]**
	(in millions of €)	
Commercial Banking Italy	(1,339)	1,732
Commercial Banking Germany	256	863
Commercial Banking Austria	(77)	326
Central Eastern Europe	723	1,716
Corporate & Investment Banking	1,471	2,098
Group Corporate Center	(2,242)	(1,403)
Non-Core	(339)	(2,267)
Profit/(loss) before tax	**(1,546)**	**3,065**

(1) Figures from the 2020 Consolidated Financial Statements.

The following tables set forth certain key financial ratios for the periods indicated.

	As of		
Ratios	**December 31, 2021[1][3]**	**December 31, 2020[2][3]**	**December 31, 2019 (restated)[2]**
	(in millions of €, except ratios)		
Cost/Income Ratio[*]	54.6%	57.2%	52.7%
Risk Ratios			
Net bad loans/net loans to customers	0.3%	0.4%	0.4%
Net non-performing loans to customers/net loans to customers	1.7%	1.9%	2.0%
Regulatory Capital and related ratios			
Total Capital (€million)	64,850	67,464	66,982
Total risk-weighted assets (€million)	321,992	325,665	378,718
Common Equity Tier 1 capital ratio	15.82%	15.96%	13.22%
Tier 1 capital ratio (Tier 1 Capital/risk weighted assets)	17.94%	18.22%	14.90%
Total capital ratio (Total Capital/risk weighted assets)	**20.14%**	**20.72%**	**17.69%**

(1) Figures from the unaudited consolidated report on operations of, and reconciled with, the 2021 Consolidated Financial Statements .
(2) Figures from the unaudited consolidated report on operations of, and reconciled with, the 2020 Consolidated Financial Statements .
(3) Starting from 2Q 2020, figures include the transitional arrangements related to IFRS9 as per CRR article 473a .
(*) The ratio between operating expenses and operating income. It is one of the main key performance indicators of the bank's efficiency: the lower the ratio, the more efficient the bank.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion and analysis of our results of operations and financial condition for the three months ended March 31, 2022. The comparative periods presented in the 2021 Financial Statements, the 2020 and 2019 Consolidated Financial Statements have been restated to reflect certain reclassifications and the adoption of new accounting standards and have been denoted as restated. Please refer to the "Presentation of Financial Information" section for a further discussion of the Consolidated Financial Statements and financial information. Financial information presented should not be considered in isolation or as a substitute for analysis of the Group's operating results as reported under IFRS.

The income statement discussion in this section is structured as follows:

- Financial data for the year ended on December 31, 2021, where indicated, is compared to the restated financial information for the year ended on December 31, 2020, which is extracted from the 2021 Consolidated Financial Statements.
- Financial data for the year ended on December 31, 2020, where indicated, is compared to the restated financial information for the year ended on December 31, 2019, which is extracted from the 2020 Consolidated Financial Statements.

In addition to the financial information presented for the Group in accordance with IFRS, this section includes financial information that differs from those presented in the Consolidated Financial Statements as they have been subject to reclassification by aggregating and/or changing certain line items and, in some instances, by creating new line items or moving amounts to different line items. This financial information has not been subject to any audit or review by our independent auditors and is used by our management to analyze our Group's business performance and financial results in the Group's year-end and interim financial reports.

Investors should read this discussion in conjunction with the sections entitled "Selected Consolidated Financial Information and Other Data" and "Selected Statistical and Other Information."

This discussion includes forward-looking statements which, although based on assumptions that we consider to be reasonable, are subject to risks and uncertainties which could cause actual events or conditions to differ materially from those expressed in or implied by such forward-looking statements. See "Disclosure Regarding Forward-Looking Statements", and for a discussion of risks and uncertainties facing us, see also "Risk Factors."

Overview

We are a pan-European Commercial Bank with a wide service offering in Italy, Germany, Central and Eastern Europe. Our purpose is to empower communities to progress, delivering high quality services , unlocking the potential of our clients and our people across Europe. We serve over 15 million customers worldwide. We are organized in four core regions and two product factories, Corporate and Individual Solutions. This allows us to be close to our clients and use the scale of the entire Group for developing and offering the best products across all our markets.

We are one of the leading banks in Italy and in many of the CE and EE countries in which we operate in terms of total assets.

For the year ended December 31, 2021 and 2020 (restated), we generated total consolidated operating income of €17.9 billion and of €17.1 billion, respectively. As of December 31, 2021, we had total consolidated assets of €916.7 billion, deposits from customers (excluding repos) of €476.8 billion and loans to customers of €419.3 billion (excluding repos).

On December 9, 2021, our Board of Directors approved the Strategic Plan setting forth our Strategic Objectives for the period 2022-2024 (UniCredit Unlocked).

As of the date of this Offering Memorandum the Group is structured in geographical areas as follows, according to organizational changes announced in May 2021:

- Italy, as a standalone geography reflecting the critical importance of the country;
- Germany, still focused on developing and growing business in the country;
- Central Europe (including Austria, Czech Republic and Slovakia, Hungary, Slovenia);
- Eastern Europe (including Bosnia and Herzegovina, Bulgaria, Croatia, Romania, Serbia, Russia).

This organization ensures country and local banks' autonomy on specific activities granting proximity to the customers (for all client segment, Retail and Corporate) and efficient decisional processes. All standalone geographies of the Group have dedicated support functions such as: People and Culture, Finance, Digital & Information Office, and Operations. In addition, Compliance, Legal and Risk have established specific regional departments.

Alongside the new 4 business division there are:

- a Group Corporate Centre with the objective to lead, control and support the management of the assets and related risks of the Group as a whole and of the single Group companies in their respective areas of competence; it also includes the Group's Legal Entities that are going to be dismissed
- the Non-Core segment, including non-strategic Italian assets and those with a poor fit to the Group's risk-adjusted return framework; it is reported till full year 2021, date of its complete runoff.

Factors Affecting Results of Operations

The discussion below describes certain factors that have affected, and may continue to affect, our business, results of operations and financial condition. The impact of these and other potential factors may vary significantly in the future. These factors should be read together with the other factors set forth in "Risk Factors."

Interest Rates

Our activities are affected by fluctuations in interest rates in Europe and the other markets in which we operate. Interest rate trends are, in turn, affected by various factors outside of our control, such as the monetary policies, macroeconomic trends and political conditions of the reference countries. In addition, our banking and financing operations depend on the ability to manage our exposure to interest rates and on the change in relationship between the changes in market interest rates and interest margin. Rising interest rates along the yield curve can increase the cost of our borrowed funds faster and at a higher rate than the yield on our assets, due to, for example, a mismatch in the maturities of our assets and liabilities that are sensitive to interest rate changes or a mismatch in the degree of interest rate sensitivity of assets and liabilities with similar maturities. At the same time, decreasing interest rates can also reduce the yield on our assets at a rate that may not correspond to the decrease in the cost of funding and significant interest rate changes may have a negative impact on the value of the assets and liabilities we hold.

In the periods under review, interest rates have been historically low, and in some cases, negative. There remains significant interest rate volatility, as well as a degree of uncertainty in the funding markets. With regard to the Banking Book portfolio of the UniCredit Group, as of December 31, 2021, the sensitivity of the interest margin at an immediate and parallel shift of +100 basis points was € 771 million, while the sensitivity of the economic value of capital at an immediate and parallel shift computed according the "parallel up" scenario according the definition of the Supervisory Outlier Test as of December 31, 2021 was negative €4,082 million.

Our results depend, to a significant extent, on the net interest income that we generate, which in turn is affected by changes in interest rates and loan dynamics. A low interest rate environment generally has a negative impact on our net interest income. Improved loan dynamics generally increases our net interest income. For the year ended December 31, 2021 our net interest was € 9,091 million, a decrease of 4.3% compared to the same period in 2020. For the year ended December 31, 2020 our net interest was €9,496 million, a decrease of 7.5% compared to the same period in 2019.

2021 SREP

Based on the ECB's evaluation, resulting from the annual SREP conducted in 2021, as of March 1, 2022, we must comply with a TSCR of 5.5% in terms of CET1 capital, 7.3% in terms of Tier1 Capital and 9.8% in terms of Total Capital on a consolidated basis, which includes:

- Respectively, a minimum CET1 capital ratio of 4.5%, a Tier1 Capital ratio of 6%, and a Total Capital Ratio of 8% in line with Article 92, paragraph 1 of the CRR; and
- an additional requirement of 2.0% (SREP add-on), in line with Article 16, paragraph 2, letter (a) of the Single Supervisory Mechanism ("SSM") Regulation, which must be entirely comprising Common Equity Tier 1 capital.

Also in 2021 UniCredit Group was subject to the annual SREP through which the Supervisory Authority – as part of the tasks assigned to it under the SSM – conducted an assessment of the risks of credit institutions, their governance arrangements and their capital and financial position.

In February 2022 UniCredit has been informed by ECB of the final decision of its 2021 Supervisory Review and Evaluation Process: the Pillar 2 capital requirement has been left unchanged with respect to 2020 (i.e. reconfirmed at 175 basis points), applicable from 1st March 2022.

As a result of this process UniCredit Group from 1 March 2022 is required to comply with a total SREP capital requirement ("TSCR") on a consolidated basis of 9.8%, which includes: (i) the minimum Total Capital Ratio requirement of 8% in line with Article 92(1) of the CRR; and (ii) an additional requirement of 1.8% (SREP add-on or Pillar 2 Requirement – P2R), in line with Article 16(2)(a) of the SSM Regulation, to be held in the form of 56.2% of CET1 capital and 75% of Tier 1 capital, as a minimum.

In the light of the entry in force of the Capital Requirements Directive (CRD V), art. 104a, UniCredit and the other banks supervised by ECB are allowed to partially use Additional Tier 1 or Tier 2 instruments in order to comply with the Pillar 2 Requirements (P2R) instead of Common Equity Tier 1 (CET1) capital.

We are also subject to the Overall Capital Requirement ("**OCR**"), which, in addition to the TSCR, includes the combined capital buffer requirement, which is equal to the sum of the following buffers:

- capital conservation buffer, fixed at 2.5% since 2019[3];

[3] In October 2016, the Bank of Italy published the 18th update to Circular 285 regarding the capital conservation buffer requirement. In publishing this update, the Bank of Italy reviewed the decision, made at the time the CRD IV was transposed into national law in January 2014, where the fully loaded CCB at 2.5% was requested by aligning national regulation to the transitional regime allowed by CRD IV. Specifically, with reference to CCB's gradual adoption, the CRD IV requires banks, both at an individual level and at a consolidated level, to respect the following requirements: 1.2% from January 1, 2017 to December 31, 2017; 1.8% from January 1, 2018 to December 31, 2018; and 2.5% from January 1, 2019 onward.

- institution-specific countercyclical capital buffer, to be applied in periods of excessive credit growth, equal to 0.05% as of December 31, 2021[4] (to be calculated on a quarterly basis); and
- (under article 131, paragraph 14 of CRD IV) the higher of:
  - a G-SII buffer, according to which our group must maintain a capital buffer of 1.0% of our total risk exposures for 2022; or
  - an O-SII buffer of 1.0% for 2022;

We will therefore have to maintain a capital buffer of 1% of our total risk exposure.

- In the future, we may also be required to maintain a systemic risk buffer, aimed at preventing and mitigating long-term, non-cyclical, systemic or macro prudential risk that is not provided for by the CRR. Currently, no provision is taken on the systemic risk buffer in Italy.

The table below sets forth the minimum OCR, on a consolidated basis, as from March 1, 2022.

	OCR requirement as from March 1, 2022
	%
Common Equity Tier 1 capital/risk-weighted assets (CET1 capital ratio)	9.0
Tier 1 capital/risk-weighted assets (T1 capital ratio)	10.8
Total capital/risk-weighted assets (Total capital ratio)	13.3

Based on the SREP 2021, the ECB also informed UniCredit of its supervisory recommendations in respect of NPE coverage. The regulatory dialogue with the ECB on its NPE stock coverage, together with the calendar provisioning on new flow of NPEs, could lead to an impact on the CET1 MDA buffer.

Stress Test

Following the postponement of the 2020 exercise, due to the Covid-19 pandemic, UniCredit took part to the 2021 Eu-wide stress test offcially launched by EBA on January 29, 2021. The EBA published the results of the exercise on July 30, 2021.

Compared to the 2018 exercize some methodological changes have been made with regards to the recognition of FX effects for certain P&L items, and the treatment of moratoria and public guarantees in relation to the current Covid-19 crisis. The adverse scenario is based on a narrative of a prolonged Covid-19 scenario in a 'lower for longer' interest rate environment, in which negative confidence shocks would prolong the economic contraction. By 2023, at EU level, the real GDP would decline by 3.6% cumulatively, unemployment rate would rise by 4.7 percentage points, residential real estate prices would decline by 16.1%, and commercial real estate prices would decline by 31.2%. The 2021 adverse scenario is considered very severe compared to those of previous exercises especially having in mind the weaker macroeconomic starting point in 2020 as a result of the severe pandemic-induced recession.

In the previous 2018 exercise UniCredit's results were as follows:

- baseline scenario: 2020 CET1 ratio at 13.8%, corresponding to 96bps higher than CET1 ratio transitional (IFRS 9-restated) as of December 2017; and
- adverse scenario: 2020 CET1 ratio at 9.3%, corresponding to 346bps lower than CET1 ratio transitional (IFRS 9-restated) as of December 2017.

UniCredit was also taking part in the 2020 EU-wide EBA Stress Test. However as one of the actions to mitigate the impact of Covid-19 on the EU banking sector, on March 12, 2020 the EBA postponed the exercise to 2021, for all European banks subject to it, in order to allow banks to focus on and ensure continuity of their core operations. UniCredit indeed took part in the 2021 EBA EU wide Stress Test.

The adverse scenario is based on a narrative of a prolonged Covid-19 scenario in a 'lower for longer' interest rate environment, in which negative confidence shocks would prolong the economic contraction. The methodology and templates include some targeted changes compared to the postponed 2020 exercise, such as the recognition of FX effects for certain P&L items, and the treatment of moratoria and public guarantees in relation to the current Covid-19 crisis. The results for the single banks were published on 30 July 2021 and the outcome has been considered in the SREP 2021.

UniCredit's results are summarised below:

- baseline scenario:
  - 2023 fully loaded CET1r at 15.7% corresponding to 52bps higher than fully loaded CET1r as of December 2020; and

[4] The countercyclical capital buffer depends on UniCredit's exposure towards the countries where countercyclical buffer rates are or will be set, therefore it may vary on a quarterly basis. .

  - 2023 transitional CET1r at 15.8% corresponding to 16bps lower than transitional CET1r as of December 2020
- adverse scenario:
  - 2023 fully loaded CET1r at 9.2% corresponding to 592bps lower than fully loaded CET1r as of December 2020; and
  - 2023 transitional CET1r at 9.6%, corresponding to 637bps lower than transitional CET1r as of December 2020.

In the fourth quarter of 2021, the EBA performed an EU-wide transparency exercise ("**2021 EU-wide transparency exercise**") to provide updated information as of September 2020, December 2020, March 2021 and June 2021 on banks' exposures and asset quality to financial operators. The EBA published the relevant results at the beginning of December 2021.

In addition to the EU-Wide Stress Test which are made every two years the EBA, together with other supervisory authorities, might decide in the future to perform a new Asset Quality Review for the main European banks, including UniCredit, in order to verify the classification and measurement of risk exposures, to address potential concerns on the quality of assets held by the European banking system. This exercise might potentially be associated with a new stress test, to be performed jointly with the ECB in the context of an overall assessment of the capital adequacy of the European banks.

Our results of operations depend on the outcome of the stress tests as these tests guide the CET1 ratio requirements to which we must adhere.

Equity Investment in the Atlante Fund

We are currently one of the major subscribers of (i) the Atlante Fund, a closed-end alternative investment fund intended to support the recapitalization of Italian banks and to facilitate the disposal of non-performing loans (the "**Atlante Fund**"); and (ii) the Italian Recovery Fund (former "**Atlante II Fund**"), a closed-end alternative investment fund intended to facilitate the disposal of non-performing loans only (together with the Atlante Fund, the "**Atlante Funds**"). The Atlante Funds are managed by DeA Capital Alternative Funds SGR S.p.A. ("**DeA**").

The Atlante Fund may invest (i) in banks with regulatory capital ratios lower than the minimum level determined through the SREP process and upon request by the supervisory authority, realize actions of capital strengthening through capital increases and (ii) in non-performing loans of a plurality of Italian banks. At inception, total funds of the Atlante Fund were €4.2 billion, and our share of the fund was 19.9%.

The Italian Recovery Fund (former Atlante II Fund) was established in August 2016 and may invest in non-performing loans only and other instruments related to junior and mezzanine notes issued by SPVs of non-performing loan securitizations from Italian banks aimed at reducing risk. At inception, total funds of the Italian Recovery Fund were €2.5 billion, and our share of the fund was 7.9%.

With reference to Atlante fund, as at December 31, 2021 UniCredit S.p.A. holds shares classified as financial assets mandatory at fair value with a carrying value of €157 million. The year-to-date overall cash investments are equal to €844 million against which impairments for €684 million and positive fair value changes for €20 million were carried out. Received reimbursement amount to €23 million. In addition, UniCredit S.p.A. has a residual commitment to invest in the fund for an amount less than €2 million.

With reference to Italian Recovery Fund, as at December 31, 2021 UniCredit S.p.A. holds shares with a carrying value of €170 million, classified as financial assets mandatory at fair value. The year-to-date overall cash investments are equal to €187 million against which positive fair value changes for €14 million were carried out. Received reimbursement amount to €31 million. In addition UniCredit S.p.A. has a residual commitment to invest in Italian Recovery Fund for about €8 million.

The Banking Sector in the United States and the Eurozone

The global economy rebounded in 2021 after the decline recorded in 2020 due to COVID-19-related shocks to the economy. Global growth is expected to decelerate in 2022 reflecting diminished fiscal support, persistent supply bottlenecks and high commodity prices fuelling high inflation. Output returned to the pre-pandemic trend in 2021 in most CEE countries and is expected to close output gaps this year in the US and in 2023 in the eurozone. In many emerging markets, output could remain below the pre-pandemic trend for longer, with COVID-19 having a larger impact amid low vaccination rates. Uncertainties remain about new variants of the COVID-19 virus, the easing of supply bottlenecks, the de-anchoring of inflation expectations and geopolitical tensions. Monetary policy is expected to turn less supportive across the world, tightening in parallel with fiscal policy. In 2021, the fiscal stimulus helped the US economy grow by 5.7%. GDP growth was 2.3% year on year in Japan, 7.5% in the United Kingdom and 8.1% in China.

In the Euro area, 2021 GDP increased by 5.2% Y/Y rebounded vs. 2020 that was severely impacted by Covid-19 restrictions adopted by the Governments of the Euro area countries. Private consumptions and industrial production broadly recovering during 2021 but Euro Area economy is still affected by supply-chain bottlenecks. New restrictions due to the rapid spread of Omicron across countries impacted the latest part of the year and the beginning of 2022. Headline inflation increased in 2021 driven particularly by energy prices. Fiscal stimulus will be less supportive. ECB expect (i) Eurozone GDP will grow

by 3.7% in 2022 and 2.8% in 2023 (March 2022 forecasts). The growth will be supported by Recovery and Resilience Facility (RRF) but vs. previous forecasts will be impacted by monetary policy less supportive and geopolitical tensions impacting on inflations and resources availability. Although the pace of growth is projected to remain uneven across countries and sectors, the EU is set to return onto its path of economic convergence. By 2024, real GDP is expected to converge to the steady growth path that the economy was set to follow before the pandemic.

In 2021 Hourly labor costs rose by 1.2% Y/Y in the Euro Area (EA19 - Euro area (19 countries) and by 1.7% in the EU28 European Union (28 countries)[5], while inflation advanced at a rate of 2.6% (year on year basis) during the course of 2021 (HICP in Euro area), increasing by 2.8% Y/Y in 3Q21 and by 4.6% Y/Y in 4Q21.

In April, 2022 ECB did not change interest rated (MRO at 0.00%; deposit rate at -0.5%) confirming current policies. In particular, ECB is keep providing liquidity through refinancing operations, in particurar through TLTRO III, that is supporting bank lending to firms and households, and through Asset Purchase Program, despite at lower pace than in the past. Flexibility will remain in conduct monetary policy to ensure inflation 2% target over the medium term.

GDP increased also in the United States in 2021 5.7% Y/Y vs. negative 3.4% in 2020. Unprecedented fiscal stimulus and quantitative easing in 2021 helped to encourage pent-up demand and rising asset pricing. As a result inflation increased significantly to 4.7%. The Federal Reserve is expected that increase interest rates different times during 2022. GDP will growth 2.8% Y/Y in 2022 and 2.1% in 2023[6].

The impact that the removal of remedial actions and stimulus measures adopted by local and federal governments, such as government-backed loans or guarantees and other measures to support the liquidity and financial status caused by Covid-19, may have on our results remains uncertain.

The Banking and Financial Markets

In 2021 banks' deposits in Eurozone increased by 4.7% but less than in 2020 (increasing by 9.4%, due to Covid-19, was impacted by: i) containment measures that made some purchases impossible or more difficult, ii) higher uncertainties and iii) strengthened precautionary saving, discouraging investment and purchases of durable goods). Similar trend recorded in all western European Union countries of UniCredit presence (Italy, Germany and Austria). The persistently low interest rates continued to support the increase in sight deposits, to the detriment of medium and long-term funding, and there is currently no sign of this trend reversing. The approach of gradually raising policy interest rates that is likely to be adopted by the European Central Bank could further postpone a change in the allocation between different types of deposits in terms of maturity and remuneration.

On lending side, corporate loans, after a strong growth, also supported by state guarantees, close 2021 with an increase of 4.2% (by 7.1% in December 2020). The expansion of loans to households, instead, increased vs. 2020 (by 4.1% in December 2021 vs. the increase of 3.1% in December 2020 on an annual basis). Considering the three countries of reference for the Group: in Italy, in particular, loans to non-financial corporations increased Y/Y by 1.8% (by 8.3% in December 2020) and by 3.6% for households (by 2.4% Y/Y in December 2020); in Germany loans to non-financial corporations increased by 6.1% in December 2021 vs. 4.2% in December 2020 and households increased by 5.1% vs. the increase of 4.8%. In Austria loans to households increase by 6.1% in December 2021 vs. by 4.5% in December 2020 Y/Y while non-financial corporation loans increased by 8.7% in December 2021 vs. by 5.0% in December 2020. The growth of the credit aggregates reflects the general rebound of private consumption, increasing investments and decreasing state support during the year.

Still low banks interest rates in 2021, resulting from excess liquidity, moratorium period and governments guarantees in all three reference countries for the Group. The bank interest rate spread (i.e. the difference between the average interest rate on loans and the average interest rate on deposits) continued to show a gradual yet limited decline over the year.

During the year ended December 31, 2021, financial markets in the Euro area improved, after a negative 2020, due to uncertainties and expectations about possible negative implications of Covid-19 on the economy. The Italian stock exchange closed 2021 up 23% (down approx. -6.5%[7] in 2020), the same trend was recoded in Austria (stock exchange index increased by 44% in 2021 vs a decrease of 13.5%[8] in 2020 Y/Y). Also the performance of the German stock exchange was positive, stock exchange index close the year with a approximately an increase of 13.0% vs. the increase of 3.5% Y/Y in '20 trend[9].

The impact that the banking and financial markets trends may have on our results remains uncertain.

The CEE Countries

Bulgaria, Croatia, Czech Republic, Hungary, Poland, Romania, Slovakia and Slovenia ("**CEE**") have had an uneven economic recovery in 2021 in terms of strength and geographical patterns. The year started on a strong footing, but growth momentum slowed amid the third pandemic wave, only to accelerate again as economies reopened in the spring. In the second half of the year, supply-chain bottlenecks and higher commodity prices affected production and exports while driving inflation to the highest levels since the global financial crisis. A fourth pandemic wave has reduced mobility and consumer spending in 4Q21.

5 Source: Eurostat.
6 Consensus forecast May 22
7 Source: FTSE MIB.
8 Source: ATX.
9 Source: Dax.

In EU-CEE[10], Hungary, Poland and Romania have seen economic activity return to pre-pandemic levels, while the other countries of the region have lagged behind because global tourism and economic activity in the eurozone have failed to recover fully. The Western Balkans have had a similar performance to EU-CEE. The exception is Serbia, whose economy had returned above the pre-pandemic trend of growth by the autumn, alongside the economies of Russia and Turkey. However, momentum has weakened here too, as in EU-CEE, as the end of the year approached. EU-CEE grown on average 5.5% in 2021, Russia by 4.7% and Turkey by 10.7%.

In CEE countries tight lockdowns, weaker demand from the eurozone and the impact of higher food and energy costs on hand-to-mouth consumers could translate into slower growth in 2022. CEE households have started spending out of their excess savings accumulated in 2020-21 and borrowing more from banks, but a large share of the population has no access to emergency funding and, thus, could see its purchasing power tumble if commodity prices remain high.

CEE companies' production has been affected by supply-chain blockages and by high commodity prices, which will likely persist in the first half of the 2022. Supply bottlenecks contrast with strong demand and a large backlog of orders that bodes well for future exports. Whenever supply chains ran smoothly in 2021, exports were close to all-time highs, especially in Central Europe and Turkey. Yet eurozone companies expect these bottlenecks to last during 2022, easing gradually. 2022 could be also potentially impacted by spillover effect due to ongoing conflict between Russia and Ukraine.

In 2021, inflation increased significantly in all countries due to commodity prices, global-supply chain bottlenecks, the recovery in domestic demand and in some cases currency depreciation. Central banks in the region reacted with significant monetary policy tightening with the exception of Serbia, where the central bank limited its actions to a reduction in liquidity so far, and Turkey, where the central bank lowered interest rates from September due to political pressure. Central banks also tapered their bond purchases and stopped them altogether before the end of 2021. Inflation will likely remain high throughout 2022 with the inflationary effects of supply shocks likely to last longer in CEE than in Western Europe.

Changes to Segment Reporting

The table below sets forth our business segments during the period under review.

As of December 31, 2021	As of December 31, 2020	As of December 31, 2019
Italy	Commercial Banking Italy	Commercial Banking Italy
Germany	Commercial Banking Germany	Commercial Banking Germany
Central Europe	Commercial Banking Austria	Commercial Banking Austria
Eastern Europe	CEE Division	CEE Division
Non-core	CIB	CIB
Group Corporate Center	Non-core	Non-core
—	Governance/Group Corporate Center[(1)]	Governance/Group Corporate Center[(1)]

(1) Including Digital, Operation, Corporate Centre Global Function, inter-segment adjustments and consolidation adjustments not attributable to individual segments.

In the first quarter of 2014, we introduced a clear distinction between the assets described above defined as core, which include strategic business units in line with risk strategies, and Non-core assets comprising non-strategic assets with an inadequate risk/yield profile, with the objective of reducing the overall exposure of the latter over a period of time and improving the risk profile. Non-core assets, in particular, include individual assets previously included in the Commercial Banking Italy segment (identified on the basis of individual customers) to be managed from a risk-mitigation perspective and several vehicle companies for securitization transactions. It is reported until full year 2021, date of its complete runoff.

On May 12, 2021 UniCredit Group announces the new organisational structure, by geographic area (Italy, Germany, CE, EE and Group Corporate Center and Non-Core), creating a simplified organisation that will enable greater accountability across all businesses and areas.

Changes in Our Perimeter

On May 10, 2019 UniCredit S.p.A. announced the completion of the placement's settlement of approximately 17 per cent of Fineco's issued share capital. As a result of the settlement, Fineco is not anymore part of the Group from that date.

On November 30, 2019 UniCredit and Koç Group signed a set of transaction documents, including agreements related to shares transfers and to the termination of the shareholders agreement related to Koç Finansal Hizmetleri A.S.. Following the completion of the transaction, during first quarter 2020, UniCredit reduced its stake in Yapi Kredi Bank to below 32 percent from 41.0 percent. On April 1, 2022 Unicredit completed the sale of its stake in the issued share capital of Yapı ve Kredi Bankası A.Ş. ("**YKB**"). See "*Recent developments*" for details.

Sovereign Debt Exposure

We have exposure to governments and other public bodies in the major European countries, as well as in countries outside the Eurozone. Sovereign exposures are bonds issued by and loans granted to national and local governments and governmental entities. Sovereign exposures of the Group companies classified as assets held for sale as of December 31,

10 Bulgaria, Croatia, Czech Republic, Hungary, Poland, Romania, Slovakia and Slovenia.

2021 and sovereign exposures potentially underlying to asset backed securities ("**ABS**") are not included in sovereign exposures.

As of December 31, 2021, the book value of our sovereign exposures represented by debt securities amounted to €114,690 million (€ 110,542 million as of December 31, 2021), of which € 43,121 million, or 38%, related to Italy. Eight countries (Italy, Spain, Germany, Japan, United States of America, Austria, France and Romania), accounted for 84% of the total.

The tables below set forth the value of the exposures represented by "debt securities" for the top eight countries as of December 31, 2021, 2020 and 2019.

	As of December 31, 2021		
	Nominal value[1]	**Book value[1]**	**Fair value[1]**
		(in millions of €)	
Exposures to the top eight countries			
– Italy	41,703	43,121	43,477
– Spain	16,504	17,222	17,323
– Germany	10,794	11,075	11,097
– Japan	10,290	10,462	10,465
– United States of America	4,154	4,318	4,318
– Austria	3,888	4,171	4,169
– France	3,474	3,783	3,772
– Romania	2,312	2,417	2,327
Total	**93,119**	**96,569**	**96,948**

(1) Figures from the 2021 Consolidated Financial Statements.

	As of December 31, 2020		
	Nominal value[1]	**Book value[1]**	**Fair value[1]**
		(in millions of €)	
Exposures to the top eight countries			
– Italy	40,612	42,638	43,544
– Spain	14,961	16,080	16,171
– Germany	12,894	13,215	13,291
– Japan	7,820	7,868	7,871
– Austria	4,219	4,698	4,703
– United States of America	3,086	3,364	3,364
– France	2,684	3,140	3,142
– Romania	2,238	2,375	2,415
Total	**88,514**	**93,378**	**94,500**

(1) Figures from the 2020 Consolidated Financial Statements.

	As of December 31, 2019		
	Nominal value[1]	**Book value[1]**	**Fair value[1]**
		(in millions of €)	
Exposures to the top eight countries			
– Italy	42,238	43,849	44,691
– Spain	16,023	17,415	17,429
– Germany	11,019	11,259	11,299
– Japan	6,178	6,223	6,226
– Austria	5,119	5,669	5,673
– United States of America	3,610	3,715	3,715
– Romania	2,010	2,099	2,099
– Hungary	1,750	1,980	1,981
Total	**87,947**	**92,209**	**93,113**

(1) Figures from the 2019 Consolidated Financial Statements.

The table below sets forth the value of the loans in the financial assets at amortised cost portfolio as of December 31, 2021, 2020 and 2019 to countries to which the total exposure is greater than €130 million, which represent approximately 94% of the total as of December 31, 2021.

	As of December 31, 2021[(1)]	As of December 31, 2020[(2)]	As of December 31, 2019[(3)]
		(in millions of €)	
Country			
– Austria[(*)]	7,222	5,345	6,312
– Italy	6,506	6,166	4,970
– Germany[(**)]	4,730	7,827	6,758
– Croatia	2,607	2,594	2,441
– Qatar	621	477	389
– Slovakia	242	283	–
– Egypt	240	182	–
– Kenya	238	237	176
– Hungary[(***)]	221	476	219
– Turkey	216	170	163
– Slovenia	206	183	214
– Bulgaria	179	194	189
– Bosnia and Herzegovina	170	158	155
– Czech Republic	168	167	–
– Indonesia	160	166	193
– Trinidad and Tobago	133	–	–
– Kuwait	–	245	–
– Laos	–	139	162
Total on-balance sheet exposures	**23,859**	**25,009**	**22,341**

(1) Figures from the 2021 Consolidated Financial Statements.
(2) Figures from the 2020 Consolidated Financial Statements.
(3) Figures from the 2019 Consolidated Financial Statements.
(*) of which €29 million in financial assets mandatorily at fair value (as at December 31, 2021).
(**) of which €662 million in financial assets mandatorily at fair value (as at December 31, 2021).
(***) of which €7 million in financial assets mandatorily at fair value (as at December 31, 2021).

As at December 31, 2021, there are also loans to Supranational Organisations amounting to €5,652 million booked in financial assets held for trading portfolio.

The table below sets forth the long-term ratings, as of the date of this Offering Memorandum issued by the rating agencies S&P Global Ratings, Moody's, Fitch Ratings and DBRS for the main sovereign states in relation to which we were exposed as of March 31, 2022.

	Rating agency							
	Moody's		S&P Global Ratings		Fitch		DBRS	
	Rating	Outlook	Rating	Outlook	Rating	Outlook	Rating	Outlook
Italy	Baa3	Stable	BBB	Positive	BBB	Stable	BBB (high)	Stable
Germany	Aaa	Stable	AAA	Stable	AAA	Stable	AAA	Stable
Spain	Baa1	Stable	A	Stable	A-	Stable	A	Stable
Austria	Aa1	Stable	AA+	Positive	AA+	Stable	AAA	Stable
France	Aa2	Stable	AA	Stable	AA	Negative	AA (high)	Stable
Hungary	Baa2	Stable	BBB	Stable	BBB	Stable	n.a.	n.a.
Romania	Baa3	Stable	BBB-	Stable	BBB-	Stable	n.a.	n.a.
Japan	A1	Stable	A+	Stable	A	Stable	A (high)	Stable

As of the date of this Offering Memorandum, there were no significant changes to the ratings shown above. However, as a result of this exposure, any adverse developments in the countries to which we are exposed, in particular Italy, Germany and Spain, as well as volatility in trading in, or in the interest rates on, such securities may have an adverse impact on the value of the securities we hold. In addition, should such countries' issuer or debt ratings be downgraded, we may be required to revise risk weighting attributed to these assets for the calculation of RWA, with consequent negative effects on our capital

ratios. We may also be required to revise the haircut criteria applied by the counterparties in refinancing operations (e.g., in the ECB's TLTRO refinancing operations), resulting in an increase in the collateral required or a reduction in the liquidity obtained in relation to such collateral.

The information on sovereign exposures refers to the scope of our Group consolidated results as at December 31, 2021, determined under IAS/IFRS.

Evolution of Non-performing Loans.

Our activity, financial and capital strength and profitability depend on the creditworthiness of our customers, among other things.

In carrying out our credit activities, we are exposed to the risk that an unexpected change in the creditworthiness of a counterparty may generate a corresponding change in the value of the associated credit exposure and give rise to the partial or total write-down thereof. This risk is always inherent in the traditional activity of providing credit, regardless of the form it takes (cash loan or endorsement loan, secured or unsecured, etc.).

In the context of credit activities, this risk involves, *inter alia*, the possibility that our contractual counterparties may not fulfil their payment obligations, as well as the possibility that our companies may, based on incomplete, untrue or incorrect information, grant credit that otherwise would not have been granted or that would have been granted under different conditions.

The main causes of non-fulfilment relate to the borrower's loss of its autonomous capacity to service and repay the debt (e.g., due to a lack of liquidity, insolvency, etc.), the emergence of circumstances unrelated to the economic or financial condition of the debtor, such as "country risk", and the effect of operating risks.

Other banking activities, besides the traditional lending and deposit activities, can also expose us to credit risks. "Non-traditional" credit risk can, for example, arise from: (i) entering into derivative contracts; (ii) buying and selling securities, futures, currencies or goods; and (iii) holding third-party securities. The counterparties of such transactions or the issuers of securities held by our entities could fail to comply due to insolvency, political or economic events, a lack of liquidity, operating deficiencies, or other reasons.

We have adopted procedures, rules and principles aimed at monitoring and managing credit risk at both individual counterparty and portfolio level. However, it cannot be ruled out that, despite these credit risk monitoring and management activities, our credit exposure may exceed predetermined levels pursuant to the procedures, rules and principles we have adopted. Therefore, the deterioration of certain particularly important customers' creditworthiness and, more generally, any defaults or repayment irregularities, the launch of bankruptcy proceedings by counterparties, the reduction of the economic value of guarantees received and/or the inability to execute said guarantees successfully and/or in a timely manner, as well as any errors in assessing customers' creditworthiness, could have major negative effects on our activity, operating results and capital and financial condition.

As of December 31, 2021, net loans to customers were €437.5 billion, a decrease of 2.9% compared with €450.6 billion recorded as of December 31, 2020. This total can be broken down into performing loans to customers, which amounted to € 430.1 billion, net of write-downs, and non-performing loans, worth €7.5 billion net of the related write-downs, corresponding respectively to 98.3% and 1.7% of total loans to customers.

As of December 31, 2021, net non-performing loans were €7.5 billion, a decrease of 1.0 billion (or 12.3%) compared to December 31, 2020. Within non-performing loans, as of December 31, 2021, bad loans decreased € 524 billion (or 31.9%), unlikely-to-pay loans decreased €545 million (or 8.5%), and past-due loans were substantially stable compared to December 31, 2020.

The following table lists the amounts of customer loans outstanding as of December 31, 2021, classified by administrative status, gross and net of value adjustments, with the relative comparison data for December 31, 2020.

	As of December 31, 2021[1]			**As of December 31, 2020[2]**		
	Gross Exposures	**Writedowns**	**Carrying Value**	**Gross Exposures**	**Writedowns**	**Carrying Value**
			(in millions of €)			
Bad Exposures	4,495	3,374	1,121	7,613	5,967	1,645
Unlikely-to-pay	10,927	5,091	5,836	12,874	6,492	6,381
Non-performing past-due	845	321	524	759	256	503
Total Non-performing	**16,268**	**8,787**	**7,481**	**21,246**	**12,716**	**8,530**
Performing	**434,434**	**4,371**	**430,063**	**446,157**	**4,138**	**442,019**
Total Loans	**450,702**	**13,158**	**437,544**	**467,403**	**16,853**	**450,550**

(1) Figures from the unaudited consolidated report on operations of, and reconciled with, the 2021 Consolidated Financial Statements.

(2) Figures from the unaudited consolidated report on operations of, and reconciled with, the 2020 Consolidated Financial Statements.

The following table lists the amounts of customer loans outstanding as of December 31, 2020, classified by administrative status, gross and net of value adjustments, with the relative comparison data for December 31, 2019.

	As of December 31, 2020[1]			As of December 31, 2019[2]		
	Gross Exposures	Writedowns	Carrying Value	Gross Exposures	Writedowns	Carrying Value
			(in millions of €)			
Bad Exposures	7,613	5,967	1,645	12,491	9,535	2,956
Unlikely-to-pay	12,874	6,492	6,381	11,934	6,675	5,259
Non-performing past-due	759	256	503	870	293	577
Total Non-performing	**21,246**	**12,716**	**8,530**	**25,295**	**16,503**	**8,792**
Performing	**446,157**	**4,138**	**442,019**	**476,333**	**2,552**	**473,782**
Total Loans	**467,403**	**16,853**	**450,550**	**501,628**	**19,055**	**482,574**

(1) Figures from the unaudited consolidated report on operations of, and reconciled with, the 2020 Consolidated Financial Statements.
(2) Figures from the unaudited consolidated report on operations of, and reconciled with, the 2019 Consolidated Financial Statements.

Based on the data shown in the tables above, the tables below show several indicators of our credit quality as of December 31, 2021, 2020 and 2019.

	As of December 31, 2021[1]			As of December 31, 2020[2]		
	% weight of Gross Exposures	% coverage	% weight of net carrying value	% weight of Gross Exposures	% coverage	% weight of net carrying value
Bad Exposures	1.0%	75.1%	0.3%	1.6%	78.4%	0.4%
Unlikely-to-pay	2.4%	46.6%	1.3%	2.8%	50.4%	1.4%
Non-performing past-due	0.2%	38.0%	0.1%	0.2%	33.7%	0.1%
Total Non-performing	**3.6%**	**54.0%**	**1.7%**	**4.6%**	**59.9%**	**1.9%**
Performing	**96.4%**	**1.0%**	**98.3%**	**95.5%**	**0.9%**	**98.1%**

(1) Figures from the unaudited consolidated report on operations of, and reconciled with, the 2021 Consolidated Financial Statements.
(2) Figures from the unaudited consolidated report on operations of, and reconciled with, the 2020 Consolidated Financial Statements.

	As of December 31, 2020[1]			As of December 31, 2019[2]		
	% weight of Gross Exposures	% coverage	% weight of net carrying value	% weight of Gross Exposures	% coverage	% weight of net carrying value
Bad Exposures	1.6%	78.4%	0.4%	2.5%	76.3%	0.6%
Unlikely-to-pay	2.8%	50.4%	1.4%	2.4%	55.9%	1.1%
Non-performing past-due	0.2%	33.7%	0.1%	0.2%	33.7%	0.1%
Total Non-performing	**4.6%**	**59.9%**	**1.9%**	**5.0%**	**65.2%**	**1.8%**
Performing	**95.5%**	**0.9%**	**98.1%**	**94.9%**	**0.5%**	**98.2%**

(1) Figures from the unaudited consolidated report on operations of, and reconciled with, the 2020 Consolidated Financial Statements.
(2) Figures from the unaudited consolidated report on operations of, and reconciled with, the 2019 Consolidated Financial Statements.

Entry into force of new accounting principles and changes to applicable accounting principles

New Definition of Default

The New Definition of Default, is applied starting from the first quarter 2021, in line with the deadline for the entry in force (1 January 2021), set out by European Banking Authority in the related Guidelines for Banks adopting Internal Rating Based Approaches. The new classification criteria will envisage as main changes the review of the materiality thresholds of past due and a further articulated structures of Unlikely-To-Pay triggers (it is worth mentioning the one related to the Distressed Restructuring for forborne exposures, where a maximum threshold for diminished Net Present Value of 1% has been set), including additional requirements on default contagions effects in case of connected clients (primarily, Group of companies, joint credit obligations among individuals and link among natural persons and unlimited liability companies). Furthermore, a minimum probation period before returning in a non-defaulted status has been set as mandatory.

In consideration of the application of the New Definition of Default starting from 1 January 2021, which envisages, as mentioned above, more stringent criteria for the classification of counterparties, the Group is therefore aware, as from the fourth quarter of 2020, of the information elements arising from such rule and related to the measurement of riskiness of its portfolio.

Therefore, also in consideration of the provisions of IFRS9 (related to the expected downgrade of the debtor), the Group decided to recognize impairment losses consistent with this information, for an amount of €535 million (of which €366 million relating to UniCredit S.p.A).

This effect also includes the recalculation of the estimate of the expected loss. In fact, it should be noted that the deterioration of credit risk deriving from an expected downgrade of a debtor not only leads to an increase in the provisions for credit losses of that individual debtor, but also of all those debtors that share common credit risk characteristics.

Considering that the classification of the counterparty among impaired exposures can only take place as from the adoption of the rule (January 2021), the impairment losses related to the expected worsening of counterparties have been allocated by homogeneous sub-portfolios sharing common credit risk characteristics and identified as the ones having higher likelihood of occurrence of new default events.

If the new classification criteria had been adopted, the ratio of credit impaired exposures (gross book value) to total loans to customers (at notional amount) of the UniCredit group, which at December 31, 2020 stood at 4.5% (5.3% the ratio of UniCredit S.p.A.), would have been higher than the ratio reported (approximately 4.8% and 5.8% referring to UniCredit S.p.A.).

Impact of Covid-19 measures

During 2021 several actions continued to be taken regarding lending processes across the Group Legal Entities to properly deal with Covid-19. At the end of December 2021, gross exposure of loans and advance subject to Covid-19 measures amounted to €38,616 million, of which €36,143 million performing and €2,473 million non-performing (6.4% of total loans), of which €60 million bad loans, €2,382 million unlikely to pay, €31 million non-performing past due. The largest components of the loans benefitting from Covid-19 initiatives are in Italy, representing 78% of Group figures (96% classified as Performing), and in CEE countries, representing 14% of Group figures (96% classified as Performing).

The following table lists the amounts of other loans and advances subject to Covid-19 measures, outstanding as of December 31, 2021, classified by exposure types, gross and net of value adjustments.

	As of December 31, 2021[1]		
	Gross exposure	**Overall Write-Downs and Provisions**	**Net exposure**
		(in millions of €)	
A. Bad loans	**60**	**17**	**43**
EBA-compliant moratoria loans and advances	–	–	–
Under moratorium no longer compliant with the GL requirements and not valued as forborne exposure	4	3	1
Other loans and advances with Covid-19 related forbearance measures	47	13	34
Newly originated loans and advances	9	1	8
B. Unlikely to pay loans	**2,382**	**751**	**1,631**
EBA-compliant moratoria loans and advances	2	1	1
Under moratorium no longer compliant with the GL requirements and not valued as forborne exposure	196	137	59
Other loans and advances with Covid-19 related forbearance measures	1,903	530	1,373
Newly originated loans and advances	281	83	198
C. Non-performing past due loans	**31**	**5**	**26**
EBA-compliant moratoria loans and advances	–	–	–
Under moratorium no longer compliant with the GL requirements and not valued as forborne exposure	2	1	1
Other loans and advances with Covid-19 related forbearance measures	8	3	5
Newly originated loans and advances	21	1	20
D. Performing past due loans	**289**	**13**	**276**
EBA-compliant moratoria loans and advances	14	2	12
Under moratorium no longer compliant with the GL requirements and not valued as forborne exposure	31	3	28
Other loans and advances with Covid-19 related forbearance measures	50	5	45
Newly originated loans and advances	194	3	191
E. Other performing exposures loans	**38,854**	**633**	**35,221**
EBA-compliant moratoria loans and advances	104	4	100
Under moratorium no longer compliant with the GL requirements and not valued as forborne exposure	6,430	224	6,206
Other loans and advances with Covid-19 related forbearance measures	3,722	314	3,408
Newly originated loans and advances	25,598	91	25,507

[1] Figures from the 2021 Consolidated Financial Statements.

The following table lists the amounts of other loans and advances subject to Covid-19 measures, outstanding as of December 31, 2021, classified by transfers between impairment stages.

	As of December 31, 2021[1]					
	Transfers between stage 1 and stage 2		Transfers between stage 2 and stage 3		Transfers between stage 1 and stage 3	
	from stage 1 to stage 2	from stage 2 to stage 1	from stage 2 to stage 3	from stage 3 to stage 2	from stage 1 to stage 3	from stage 3 to stage 1
	(gross values in millions of €)					
A. Financial assets at amortised cost	**7,117**	**2,349**	**723**	**33**	**206**	**17**
A.1. EBA-compliant moratoria loans and advances	19	4	3	6	15	14
A.2. Under moratorium no longer compliant to the GL requirements and not valued as forborne exposure	1,083	111	36	1	14	–
A.3. Other loans and advances with Covid-19 related forbearance measures	832	12	584	22	39	–
A.4. Newly originated loans and advances	5,183	2,222	100	4	138	3
B. Financial assets at fair value through other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**
B.1. EBA-compliant moratoria loans and advances	–	–	–	–	–	–
B.2. Under moratorium no longer compliant to the GL requirements and not valued as forborne exposure	–	–	–	–	–	–
B.3. Other loans and advances with Covid-19 related forbearance measures	–	–	–	–	–	–
B.4. Newly originated loans and advances	–	–	–	–	–	–
Total	**7,117**	**2,349**	**723**	**33**	**206**	**17**

[1] Figures from the 2021 Consolidated Financial Statements.

The table below sets forth the value of financial assets at amortised cost subject to Covid-19 measures as of December 31, 2021.

	As of December 31, 2021[1]						
	Gross Value				Total accumulated impairments		
	Stage 1	Of which: instruments with low credit risk exemption	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
	(in millions of €)						
EBA-compliant moratoria loans and advances	36	–	82	2	–	5	1
Loans under moratorium no longer compliant to the GL requirements and not valued as forborne exposure	3,608	–	2,349	185	26	161	130
Other loans and advances with Covid-19 related forbearance measures	21	–	2,758	1,648	–	216	431
Newly originated loans and advances	17,201	–	7,972	308	27	62	86
Total	**20,866**	**–**	**13,161**	**2,143**	**53**	**444**	**648**

[1] Figures from the 2021 Consolidated Financial Statements.

The following table lists the amounts of net impairment losses for credit risk relating to financial assets at amortised cost subject to Covid-19 measures, as of December 31, 2021.

	As of December 31, 2021[1]			
	Net Impairment Losses			
	Stage 1 and Stage 2	Stage 3 Write-off	Stage 3 Other	Total
EBA-compliant moratoria loans and advances	7	–	(2)	5
Loans under moratorium no longer compliant to the GL requirements and not valued as forborne exposure	(117)	–	(31)	(148)
Other loans and advances with Covid-19 related forbearance measures	(152)	–	(230)	(382)
Newly originated loans and advances	(31)	–	(59)	(90)
Total	**(293)**	**–**	**(322)**	**(615)**

(1) Figures from the 2021 Consolidated Financial Statements.

Subsequent Events

Financial results for the three months ended March 31, 2022

We announced our results for the three months ended March 31, 2022 with a press release and related investor presentation published on May 5, 2022 (the "**Q1 Financial Information**"). The Q1 Financial Information is available on our website (www.unicreditgroup.eu). Below is a summary of the Q1 Financial Information. The Q1 Financial Information is provided for reference, but is not prepared on a substantially consistent basis with our year-end information presented in our Consolidated Financial Statements. The Q1 Financial Information has been subject to certain adjustments. In particular, the 2021 first quarter's figures were restated to give effect to the (i) shift of the Interest Rate component of the DBO (Defined Benefit Obligation), TFR (*Trattamento di Fine Rapporto*) and Jubilee from HR costs to Net interest and (ii) shift of the Structuring and mandate Fees on certificates, and connected derivatives, issued by the Group and placed to internal and external networks from Trading income to Fees. Moreover, starting from January 1, 2022 the losses recognized on derivatives assets and arising from inability of the counterparty to fulfill contractual obligations have been reclassified from Trading income to Loans Loss Provisions (LLPs). See "*Presentation of Financial Information*".

Consolidated Results excluding Russia

	For the three months ended March 31,		Change 2022 vs 2021
	2022	2021 (restated)	(restated)
		(in millions of €)	
Total revenues	4,787	4,537	5.5%
o/w Net Interest	2,175	2,062	5.5%
o/w Fees	1,826	1,692	7.9%
o/w Trading	701	608	15.4%
Operating costs	(2,287)	(2,347)	(2.6)%
Gross operating profit	2,501	2,190	14.2%
Loan Loss Provisions	(52)	(148)	(64.6)%
Net operating profit	2,448	2,042	19.9%
Stated Net profit/loss*	1,162	844	37.8%
Net Profit**	1,162	785	48.0%
CET1 ratio	14.0%	15.9%	(2) p.p.
RoTE	10.2%	6.9%	3 p.p.
Customers loans excl. repos and IC	411,334	406,218	1.3%
Gross NPE	15,499	21,840	(29.0)%
Deposits (excl. repos)	470,595	442,906	6.3%
Cost/income ratio	47.8%	51.7%	(4) p.p.
Stated cost of risk (bps)	5	13	(9)

(*) Stated net profit means accounting net profit

(**) Net profit for 2021 equal to stated net profit adjusted for non-operating items considering also AT1, CASHES coupons and impacts from DTAs from tax loss carry forward sustainability test, for 2022 equal to stated net profit adjusted for AT1, CASHES coupons and impacts from DTAs from tax loss carry forward sustainability test

Our total revenues (excluding Russia) reached €4.8 billion during the three months ended March 31, 2022, up 12.0 per cent compared to the three months ended December 31, 2021 (restated) and up 5.5 per cent compared to the three months ended March 31, 2021 (restated). Our net revenues (excluding Russia) reached €4.7 billion during the three months period ended March 31, 2022, up 35 per cent compared to the three months period ended December 31, 2021 (restated) and up 8 per cent compared to the three months ended March 31, 2021 (restated).

In the three months period ended March 31, 2022, our NII (excluding Russia) decreased by 4.2% to €2.2 billion compared to the three months ended December 31, 2021 (restated); however, adjusted for a positive non-recurring item in Germany during the three months ended December 31, 2022 and days effect, NII was up 2.0 per cent during the three months ended March 31, 2022 compared to the three months ended December 31, 2021 (restated), also supported by recovering demand for credit. Our average client loan volumes are up €8 billion during the three months ended March 31, 2022, compared to the three months ended December 31, 2021(restated) driven by Austria, Germany and Italy. Our fees delivered a very robust performance at €1.8 billion during the three months ended March 31, 2022, down by 9.0 per cent compared to the three months ended December 31, 2021 (restated) and down by 7.9 per cent for the three months ended March 31, 2021 (restated). Our fees are well diversified, and all categories contributed positively, led by transactional and financing fees. In particular:

- Our investment fees generated another good performance at €0.8 billion, up 10 per cent compared to the three months ended December 31, 2021(restated) and up 4 per cent during the three months ended March 31, 2022 compared to the three months ended March 31, 2021(restated), thanks to strong recurring AuM management fees up 12 per cent during the three months ended March 31, 2022 compared to the three months ended March 31, 2021(restated), mainly in Italy and Germany and better assets under custody ("AuC") fees, up 11 per cent during the three months ended March 31, 2022 compared to the three months ended March 31, 2021(restated), mostly related to certificates activity, compensating for lower assets under management ("AuM") upfront fees;
- Our financing fees stood at €0.5 billion, up 17 per cent compared to the three months ended December 31, 2021 (restated) and up 11 per cent during the three months ended March 31, 2022, compared to the three months ended March 31, 2021 (restated), supported by Loan and Guarantee fees in Italy and Germany and Credit Protection Insurance in Italy; and
- Our transactional fees generated €0.6 billion, up 3 per cent compared to the three months ended December 31, 2021 (restated) and up 11 per cent during the three months ended March 31, 2022, compared to the three months ended March 31, 2021 (restated), thanks to current account, card and payment fees responding to the pick-up in economic activity.

Our trading income (excluding Russia) was strong at €701 million during the three months ended March 31, 2022, of which €388 million client driven, thanks to good results in Fixed Income, Currencies & Commodities in both in Italy and Germany, with positive XVA and good Treasury results contributing to an increase compared to the three months ended December 31, 2021 (restated).

Our operating costs (excluding Russia) decreased to €2.3 billion for the for the three months ended March 31, 2022, down 4.8 per cent compared to the three months ended December 31, 2021 (restated) and down 2.6 per cent to €2.3 billion compared the three months ended March 31, 2022 resulting in a cost/income ratio of 47.8 per cent, down 8 p.p. compared to the three months ended December 31, 2021 (restated) and down 4 p.p. compared the three months ended March 31, 2022. In particular:

- Our human resources costs were €1.4 billion for the three months ended March 31, 2022, down 4.2 per cent compared to the three months ended December 31, 2021 (restated) and down 0.9 per cent for the for the three months ended March 31, 2022, benefiting from lower FTEs in Italy and Germany; and
- Our non human resources related costs were €0.9 billion for the three months ended March 31, 2022, down 5.7 per cent compared to the three months ended December 31, 2021 (restated), thanks to lower consulting and advertisement, and down 5.3 per cent compared the three months ended March 31, 2021 (restated).

Our Cost of Risk (excluding Russia) ("**CoR**") was 5 bps during the three months ended March 31, 2022, down 67 bps compared to the three months ended December 31, 2021 (restated) and down 9 bps compared the three months ended March 31, 2021(restated).

Our Loan Loss Provisions (excluding Russia) booking were equal to €0.1 billion for the three months ended March 31, 2022, down 93.2 per cent compared to the three months ended December 31, 2021 (restated) and down 64.6 per cent compared to three months ended March 31, 2021 (restated).

Our cost of risk (excluding Russia) is confirmed at 30 to 35 bps for this year and for the 2022-2024 Strategic Plan period.

Our stated tax rate (excluding Russia) was 31.8 per cent for the three months ended March 31, 2022. If normalised by the taxes from not recognised tax shield in Italy, stated tax rate would stand at 27.1 per cent below 30 per cent, guidance excluding DTA write up. Our tax rate of 57.4 per cent was negatively affected by losses on Russia considered as permanently not deductible for local tax purposes, for the three months ended March 31, 2022.

Our net profit (excluding Russia) stood at €1.2 billion for the three months ended March 31, 2022, up 91.9 per cent compared to the three months ended December 31, 2021 (restated) and up 48.0 per cent compared the three months ended March 31, 2021(restated). Our Stated Net Profit stood at €1.2 billion for the three months ended March 31, 2022 and strongly increased compared the three months ended March 31, 2021(restated) and up 37.8 per cent compared to the three months ended December 31, 2021 (restated).

Balance Sheet excluding Russia

Our average gross commercial performing loans were at €396.1 billion[11] as of March 31, 2022, up 2.1 per cent compared to the three months ended December 31, 2021(restated). The main contributors were Italy (€166.8 billion), Germany (€111.5 billion) and Central Europe (€88.5 billion).

Our gross customer performing loan rates were at 1.85 per cent[12] as of March 31, 2022 flat compared to the three months ended December 31, 2021 (restated) and down 8 bps compared to March 31, 2021 (restated).

Our average commercial deposits increased to €460.8 billion[13] as of March 31, 2022, up 1.7 per cent compared to the three months ended December 31, 2021 (restated) and up 5.7 per cent compared to the three months ended March 31, 2021(restated). The main contributors were Italy (€194.8 billion), Germany (€134.6 billion) and Central Europe (€92.0 billion).

Our customer deposits rates stood at 0.02 per cent[14] as of March 31, 2022, flat compared to both March 31, 2021 (restated) and to the three months ended December 31, 2021 (restated).

Our Total Financial Assets ("**TFAs**") reached €738.3 billion as of March 31, 2022, down 2.6 per cent compared three months ended December 31, 2021 (restated) and up 3.9 per cent compared to March 31, 2021 (restated), including:

- AuM: €214 billion as of March 31, 2022, down 3 per cent compared to the three months ended December 31, 2021 (restated) and up 3 per cent compared to March 31, 2021(restated);
- AuC: €153 billion as of March 31, 2022, down 7 per cent compared to to the three months ended December 31, 2021 (restated) and down 7 per cent cent to March 31, 2022; and
- Deposits: €371 billion as of March 31, 2022, down 1 per cent compared to December 31, 2021 (restated) and up 3 per cent compared to March 31, 2021(restated).

Asset quality excluding Russia

Our Gross Non-Performing Exposures ("**Gross NPEs**") were € 15.5 billion as of March 31, 2022, down 2.2 per cent compared to the three months ended December 31, 2021 (restated) and down 29.0 per cent compared to March 31, 2021(restated) with a net non-perfoming exposures ratio of 1.6% which was flat compared to both three months period December 31, 2021 (restated) and to March 31, 2021 (restated). The non performing coverage ratio was 54.3 per cent as of March 31, 2022, up 1 p.p. compared to three months ended December 31, 2021 (restated) and down 3 p.p. compared to March 31, 2021(restated).

Our gross bad loans exposure amounted to € 4.4 billion as of March 31, 2022, up 1.9 per cent compared to the three months ended December 31, 2021 (restated) and down 39.6 per cent compared to March 31, 2021 (restated) with a coverage ratio of 76.6 per cent up 2 p.p. compared to the three months ended December 31, 2021 (restated) and down 1 p.p. compared to March 31, 2021 (restated).

Our Gross unlikely to pay stood at €10.3 billion as of March 31, 2022, down 3.3 compared to to the three months ended December 31, 2021 (restated) and down 22.9 per cent compared to March 31, 2021(restated), with a coverage ratio of 46.1 per cent as of March 31, 2022, flat compared to the three months ended December 31, 2021 (restated) and down 2 p.p. compared to March 31, 2021 (restated).

Capital and Funding

Our CET1 ratio stood at 14.0 per cent as of March 31, 2022, above the 2022-2024 12.5-13.0 per cent target range, absorbing, already during the three months ended March 31, 2022, 92 bps of capital impact from Russia (of which 50 bps of participation capital impact and 40 bps as a result of applying conservative coverage of around 30 per cent on the net cross-border exposure), and the €1.6 billion share buyback.

Our CET1 ratio of 14.0 per cent was mainly driven by a decrease of 55 bps from 2021 share buyback, an increase of 44 bps from organic capital generation, a decrease of 13 bps from distribution, a decrease of 6 bps from regulatory headwinds, an increase of 18 bps from other items[15] and a decrease of 92 bps from the Russia impact during the three months ended March 31, 2022. Leverage ratio transitional stood at 5.19 per cent during the three months ended March 31, 2022, down 0.5 per cent compared to the three months ended December 31, 2021(restated).

Our Risk-weighted assets ("**RWAs**") stood at €329.9 billion as of March 31, 2022, up 2.5 per cent compared to the three months ended December 31, 2022 driven by impact of Russia, due to the increase in credit risk (increased to €3.1 billion) and in market risk (increased to €4.9 billion) and to the decrease in operational risk (decreased to €0.1 billion), and up 4.8 per cent compared to March 31, 2021 (restated), with Russia leading the change (increased to €9.6 billion).

11 Includes Group Corporate Centre.
12 Includes Group Corporate Centre.
13 Includes Group Corporate Centre.
14 Includes Group Corporate Centre.
15 Including capital reserves and other capital deductions impacts.

Our RWAs, excluding Russia, totalled €308.9 billion as of March 31, 2022, down 0.5 per cent compared to the three months ended December 31, 2022, due to the decrease in credit risk (decreased to €5.9 billion), operational risk (decreased to €0.1 billion) and to the increase in market risk (increased to €4.4 billion), with Central Europe leading the change (increased to €6.6 billion, of which €5.4 billion regulatory headwinds)

Our 2022 Funding Plan focuses mostly on MREL instruments, while bank capital needs remain quite limited. Our TLAC fully loaded ratio stood at 24.78 per cent with a substantial buffer above requirements of 21.55 per cent[16].

Italy

	For the three months ended March 31,		Change % 2022 vs 2021 (restated)
	2022	2021 (restated)	
		(in millions of €)	
Total revenues	2,246	2,229	0.7%
o/w Net Interest	872	941	(7.3)%
o/w Fees	1,129	1,062	6.3%
Operating costs	(992)	(998)	(0.6)%
Gross operating profit	1,254	1,231	1.9%
Loan Loss Provisions	10	(152)	n.m.
Net operating profit	1,264	1,079	17.1%
Stated Net profit/loss(*)	593	728	(18.6)%
Net Profit(**)	593	704	(15.8)%
RoAC[1]	13.5%	15.8%	(2.3) p.p.
Cost/income ratio(***)	44.2%	44.8%	(1) p.p.
Stated cost of risk (bps)[2]	(2)	31	(33)

(1) Return on Allocated Capital (annualised net profit divided by the allocated capital).

(2) Cost of Risk calculated as loan loss provisions of the period annualized divided by the average loans volume.

(*) Stated net profit means accounting net profit.

(**) Net profit for 2021 equal to stated net profit adjusted for non-operating items considering also AT1, CASHES coupons and impacts from DTAs from tax loss carry forward sustainability test, for 2022 equal to stated net profit adjusted for AT1, CASHES coupons and impacts from DTAs from tax loss carry forward sustainability test

(***) The ratio between operating expenses and operating income. It is one of the main key performance indicators of a bank's efficiency: the lower the ratio, the more efficient the bank.

16 For the three months ended March 31, 2022 TLAC fully loaded requirement 21.55 per cent (assuming combined capital buffer three months ended March 31, 2022) with 3.50 per cent senior exemption.

Germany

	For the three months ended March 31,		Change % 2022 vs 2021 (restated)
	2022	2021 (restated)	
	(in millions of €)		
Total revenues	1,364	1,197	13.9%
o/w Net Interest	642	574	12.0%
o/w Fees	351	302	16.2%
Operating costs	(647)	(699)	(7.4)%
Gross operating profit	717	498	43.9%
Loan Loss Provisions	(64)	46	n.m.
Net operating profit	653	545	19.9%
Stated Net profit/loss(*)	278	165	68.8%
Net Profit(**)	278	151	84.2%
RoAC	10.4%	5.8%	4.5 p.p
Cost/income ratio(***)	47.4%	58.4%	(11) p.p.
Stated Cost of risk (bps)	20	(15)	35

(*) Stated net profit means accounting net profit

(**) Net profit for 2021 equal to stated net profit adjusted for non-operating items considering also AT1, CASHES coupons and impacts from DTAs from tax loss carry forward sustainability test, for 2022 equal to stated net profit adjusted for AT1, CASHES coupons and impacts from DTAs from tax loss carry forward sustainability test

(***) The ratio between operating expenses and operating income. It is one of the main key performance indicators of a bank's efficiency: the lower the ratio, the more efficient the bank.

Central Europe

	For the three months ended March 31,		Change % 2022 vs 2021 (restated)
	2022	2021 (restated)	
	(in millions of €)		
Total revenues	783	740	4.3%
o/w Net Interest	449	379	16.5%
o/w Fees	245	226	7.2%
Operating costs	(399)	(393)	0.4%
Gross operating profit	385	347	8.7%
Loan Loss Provisions	40	(13)	n.m.
Net operating profit	424	334	25.0%
Stated Net profit/loss(*)	204	160	24.8%
Net Profit(**)	204	150	33.3%
RoAC	10.0%	8.1%	1.8 p.p
Cost/income ratio(***)	50.9%	53.1%	(2) p.p.
Stated cost of risk (bps)	(17)	6	(249

(*) Stated net profit means accounting net profit

(**) Net profit for 2021 equal to stated net profit adjusted for non-operating items considering also AT1, CASHES coupons and impacts from DTAs from tax loss carry forward sustainability test, for 2022 equal to stated net profit adjusted for AT1, CASHES coupons and impacts from DTAs from tax loss carry forward sustainability test

(***) The ratio between operating expenses and operating income. It is one of the main key performance indicators of a bank's efficiency: the lower the ratio, the more efficient the bank.

Eastern Europe

	For the three months ended March 31,		Change % 2022 vs 2021 (restated)
	2022	2021 (restated)	
	(in millions of €)		
Total revenues	449	449	0.3%
o/w Net Interest	284	274	4.0%
o/w Fees	116	104	11.8%
Operating costs	(194)	(188)	3.3%
Gross operating profit	255	261	(1.9)%
Loan Loss Provisions	2	(62)	n.m.
Net operating profit	257	199	29.5%
Stated Net profit/loss(*)	181	120	51.2%
Net Profit(**)	181	113	60.8%
RoAC	20.9%	12.4%	8.6 p.p.
Cost/income ratio(***)	43.3%	42.0%	1 p.p.
Stated cost of risk (bps)	(2)	89	(92)

(*) Stated net profit means accounting net profit

(**) Net profit for 2021 equal to stated net profit adjusted for non-operating items considering also AT1, CASHES coupons and impacts from DTAs from tax loss carry forward sustainability test, for 2022 equal to stated net profit adjusted for AT1, CASHES coupons and impacts from DTAs from tax loss carry forward sustainability test

(***) The ratio between operating expenses and operating income. It is one of the main key performance indicators of a bank's efficiency: the lower the ratio, the more efficient the bank.

Group Corporate Center ("GCC")

	For the three months ended March 31,		Change % 2022 vs 2021 (restated)
	2022	2021 (restated)	
	(in millions of €)		
Total Revenues	(55)	(61)	(9.7)%
Operating costs	(55)	(48)	15.4%
Gross operating profit	(110)	(108)	1.4%
Loan Loss Provisions	(39)	5	n.m.
Stated net loss(*)	(93)	(308)	(69.7)%
Net profit(**)	(93)	(309)	(69.8)%
FTE	9,844	10,117	(2.7)%
Costs GCC/total costs	2.3%	2.0%	0 p.p.

(*) Stated net profit means accounting net profit

(**) Net profit for 2021 equal to stated net profit adjusted for non-operating items considering also AT1, CASHES coupons and impacts from DTAs from tax loss carry forward sustainability test, for 2022 equal to stated net profit adjusted for AT1, CASHES coupons and impacts from DTAs from tax loss carry forward sustainability test

Russia[17]

	For the three months ended March 31**,		Change % 2022 vs 2021 (restated)
	2022	2021 (restated)	
	(in millions of €)		
Total revenues	230	138	82.8%
o/w Net Interest	126	108	28.2%
o/w Fees	17	16	15.5%
Operating costs	(55)	(56)	9.2%
Gross operating profit	175	83	n.m.
Loan Loss Provisions	(1,231)	(19)	n.m.
Net operating profit	(1,056)	63	n.m.
Stated Net profit/loss(*)	(915)	44	n.m.
Net Profit(**)	(915)	44	n.m.
RoAC	n.m.	10.7%	n.m.
Cost/income ratio(***)	23.8%	40.2%	(16) p.p.
Stated cost of risk (bps)	n.m	72	n.m.

(*) The ratio between operating expenses and operating income. It is one of the main key performance indicators of a bank's efficiency: the lower the ratio, the more efficient the bank.

(**) Net profit for 2021 equal to stated net profit adjusted for non-operating items considering also AT1, CASHES coupons and impacts from DTAs from tax loss carry forward sustainability test, for 2022 equal to stated net profit adjusted for AT1, CASHES coupons and impacts from DTAs from tax loss carry forward sustainability test

(***) Stated numbers at current FX. Variations Q/Q and Y/Y are at constant FX

Group consolidated results

	For the three months ended March 31,		Change % 2022 vs 2021 (restated)
	2022	2021 (restated)	
	(in millions of €)		
Total revenues	5,017	4,675	7.3%
o/w Net Interest	2,301	2,170	6.0%
o/w Fees	1,843	1,708	7.9%
o/w Trading	785	619	26.9%
Operating costs	(2,341)	(2,403)	(2.6)%
Gross operating profit	2,676	2,272	17.7%
Loan Loss Provisions	(1,284)	(167)	n.m.
Net operating profit	1,392	2,105	(33.9)%
Stated Net profit/loss(*)	247	887	(72.2)%
Net Profit(**)	247	829	(70.2)%
CET1 ratio	14.0%	15.9%	(2) p.p.
RoTE	2.1%	7.0%	(5) p.p.
Customers loans excl. repos and IC	422,001	417,183	1.2%
Gross NPE	16,785	22,424	(25.1)%
Deposits (excl. repos)	483,290	453,621	6.5%
Cost/income ratio	46.7%	51.4%	(5) p.p.
Stated cost of risk (bps)	116	15	101

(*) Stated net profit means accounting net profit

(**) Net profit for 2021 equal to stated net profit adjusted for non-operating items considering also AT1, CASHES coupons and impacts from DTAs from tax loss carry forward sustainability test, for 2022 equal to stated net profit adjusted for AT1, CASHES coupons and impacts from DTAs from tax loss carry forward sustainability test

17 Russia includes the local bank and legal entities, plus the cross border exposure booked in UniCredit S.p.A.

Results of Operations for the years ended December 31, 2021, 2020 and 2019

The tables below set forth our consolidated income statement for the periods indicated.

Results of Operations	For the year ended December 31, 2021[1]	2020 (restated)[1]	Change 2021 vs 2020 (restated)	Change % 2021 vs 2020 (restated)
	(in millions of €)			*Change %*
Net interest	9,060	9,441	(381)	(4.0)%
Dividends and other income from equity investments	520	415	105	25.2%
Net interest income	**9,580**	**9,856**	**(276)**	**(2.8)%**
Net fees and commissions	6,692	5,968	724	12.1%
Net trading value income	1,638	1,412	226	16.0%
Net other expenses/income	45	(104)	149	n.m.
Net non-interest income	8,375	7,276	1,099	15.1%
Operating income	**17,954**	**17,132**	**822**	**4.8%**
Payroll costs	(6,022)	(5,968)	(54)	0.9%
Other administrative expenses	(3,190)	(3,215)	26	(0.8)%
Recovery of expenses	548	523	25	4.7%
Amortization, depreciation and impairment losses on intangible and tangible assets	(1,133)	(1,137)	5	(0.4)%
	(9,797)	**(9,797)**	1	**(0.0)%**
Operating costs	**8,158**	**7,335**	**823**	**11.2%**
Operating profit (loss)				
Net write-downs of loans and provisions for guarantees and commitments	(1,634)	(4,996)	3,362	(67.3)%
Net Operating Profit (Loss)	**6,524**	**2,339**	**4,185**	**n.m.**
Other charges and provisions	(1,386)	(1,055)	(331)	31.4%
Integration costs	(1,337)	(1,464)	127	(8.7)%
Net income from investments	(2,565)	(1,365)	(1,200)	87.9%
Profit (Loss) before tax	**1,236**	**(1,546)**	**2,782**	**n.m.**
Income taxes for the period	330	(344)	675	n.m.
Net Profit (Loss)	**1,566**	**(1,890)**	**3,456**	**n.m.**
Profit (Loss) after non-current assets held for sale after tax	4	49	(45)	(92.2)%
Profit (loss) for the period	**1,570**	**(1,842)**	**3,411**	**n.m.**
Minorities	(30)	(7)	(22)	n.m.
Net profit (Loss) attributable to the Group before PPA	**1,540**	**(1,849)**	**3,389**	**n.m.**
Purchase Price Allocation effect	(1)	(50)	49	(98.6)%
Goodwill Impairment	–	(886)	886	(100.0)%
Net profit (Loss) attributable to the Group	**1,540**	**(2,785)**	**4,325**	**n.m.**

[1] Figures from the unaudited consolidated report on operations of, and reconciled with, the 2021 Consolidated Financial Statements.

	For the year ended December 31,		Change	Change %
Results of Operations	**2020[1]**	**2019 (restated)[1]**	**2020 vs 2019 (restated)**	**2020 vs 2019 (restated)**
	(in millions of €)			*Change %*
Net interest	9,441	10,071	(631)	(6.3)%
Dividends and other income from equity investments	415	637	(222)	(34.8)%
Net interest income	9,856	10,708	(853)	(8.0)%
Net fees and commissions	**5,976**	**6,304**	**(328)**	**(5.2)%**
Net trading income	1,412	1,669	(257)	(15.4)%
Net other expenses/income	(104)	156	(260)	n.m.
Net non-interest income	7,284	8,129	(845)	(10.4)%
Operating income	17,140	18,839	(1,699)	(9.0)%
Payroll costs	**(5,968)**	**(6,146)**	**178**	**(2.9)%**
Other administrative expenses	(3,223)	(3,279)	56	(1.7)%
Recovery of expenses	523	592	(69)	(11.7)%
Amortization, depreciation and impairment losses on intangible and tangible assets	(1,137)	(1,096)	(41)	3.7%
Operating costs	(9,805)	(9,929)	124	(1.2)%
Operating profit (loss)	**7,335**	**8,910**	**(1,575)**	**(17.7)%**
Net write-downs of loans and provisions for guarantees and commitments	**(4,996)**	**(3,382)**	**(1,614)**	**47.7%**
Net Operating Profit (Loss)	2,339	5,527	(3,189)	(57.7)%
Other charges and provisions	**(1,055)**	**(954)**	**(102)**	**10.7%**
Integration costs	(1,464)	(664)	(800)	n.m.
Net income from investments	(1,365)	(844)	(521)	61.7%
Profit (Loss) before tax	(1,546)	3,065	(4,611)	n.m.
Income taxes for the period	**(344)**	**(890)**	**545**	**(61.3)%**
Net Profit (Loss)	(1,890)	2,176	(4,066)	n.m.
Profit (Loss) after non-current assets held for sale after tax	**49**	**1,383**	**(1,334)**	**(96.5)%**
Profit (loss) for the period	(1,842)	3,559	(5,400)	n.m.
Minorities	**(7)**	**(118)**	**110**	**(93.9)%**
Net profit (Loss) attributable to the Group before PPA	(1,849)	3,441	(5,290)	n.m.
Purchase Price Allocation effect	**(50)**	**(68)**	**18**	**(26.6)%**
Goodwill Impairment	(886)	–	(886)	n.m.
Net profit (Loss) attributable to the Group	(2,785)	3,373	(6,158)	n.m.

[1] Figures from the unaudited consolidated report on operations of, and reconciled with, the 2020 Consolidated Financial Statements.

Operating income

The following tables set forth a breakdown of our operating income for the periods indicated.

Operating income breakdown	For the year ended December 31,		Change	Change %
	2021[1]	2020 (restated)[1]	2021 vs 2020 (restated)	2021 vs 2020 (restated)
	(in millions of €)			*Change %*
Net interest	9,060	9,441	(381)	(4.0)%
Dividends and other income from equity investments	520	415	105	25.2%
Net interest income	**9,580**	**9,856**	**(276)**	**(2.8)%**
Net fees and commissions	6,692	5,968	724	12.1%
Net trading, hedging and fair value income	1,638	1,412	226	16.0%
Net other expenses/income	45	(104)	149	n.m.
Net non-interest income	**8,375**	**7,276**	**1,099**	**15.1%**
Operating income	**17,954**	**17,132**	**822**	**4.8%**

[1] Figures from the unaudited consolidated report on operations of, and reconciled with, the 2021 Consolidated Financial Statements.

Operating income breakdown	For the year ended December 31,		Change 2020 vs. 2019 (restated)	Change % 2020 vs. 2019 (restated)
	2020[1]	2019 (restated)[1]		
		(in millions of €)		*Change %*
Net interest	9,441	10,071	(631)	(6.3)%
Dividends and other income from equity investments	415	637	(222)	(34.8)%
Net interest income	**9,856**	**10,708**	**(853)**	**(8.0)%**
Net fees and commissions	5,976	6,304	(328)	(5.2)%
Net trading income	1,412	1,669	(257)	(15.4)%
Net other expenses/income	(104)	156	(260)	n.m.
Net non-interest income	**7,284**	**8,129**	**(845)**	**(10.4)%**
Operating income	**17,140**	**18,839**	**(1,699)**	**(9.0)%**

[1] Figures from the unaudited consolidated report on operations of, and reconciled with, the 2020 Consolidated Financial Statements

2021 vs 2020 (restated)

In 2021, the Group's operating income was €17,954 million, increasing by 4.8% compared to 2020 (up by 4.8% at constant exchange rates). The increase, sustained mainly by higher Commissions and Trading Profit, reflects a gradually improving macroeconomic context, compared to a 2020 particularly impacted, especially in the first half, by the financial-economic consequences related to the pandemic and by the consequent lockdown initiatives.

In particular, net interest was equal to €9,060 million, decreasing by 4.0% compared to the year ended December 31, 2020 (restated) (down by 3.8% at constant exchange rates).

Dividends and other income from equity investments was €520 million, an increase of 25.2% compared to the year ended December 31, 2020 (restated). Net fees and commissions were €6,692 million for the year ended December 31, 2021, a increase of 12.1% compared to the year ended December 31, 2020 (restated). Net trading income increased by 16.0% to €1,638 million in December 31, 2021. Finally, net other expenses/income for the year ended December 31, 2021 were €45 million, compared to negative €104 million for the year ended December 31, 2020 (restated).

2020 vs 2019 (restated)

For the year ended December 31, 2020, our operating income was €17,140 million, a decrease of 9.0% compared to the year ended December 31, 2019 (restated) (a decrease of 8.3% at constant exchange rates) primarily due to the different economical-financial conditions, resulted from the Covid-19 crisis and the related lockdown measures.

In particular, net interest was equal to €9,441 million, decreasing by 6.3% compared to the year ended December 31, 2019 (restated) (down by 5.3% at constant exchange rates).

Dividends and other income from equity investments was €415 million, a decrease of 34.8% compared to the year ended December 31, 2019 (restated). Net fees and commissions were €5,976 million for the year ended December 31, 2020, a decrease of 5.2% compared to the year ended December 31, 2019 (restated). Net trading income decreased by 15.4% to €1,412 million in December 31, 2020. Finally, net other expenses/income for the year ended December 31, 2020 were negative €104 million, compared to positive €156 million for the year ended December 31, 2019 (restated).

Net interest income

The following tables set forth a breakdown of our net interest income for the periods indicated.

Net interest income breakdown	**For the year ended December 31,**		**Change 2021 vs. 2020**	**Change % 2021 vs. 2020**
	2021[1]	**2020[2]**		
		(in millions of €)		*Change %*
Interest income and similar revenue	12,703	13,182	(479)	(3.6)%
Interest expense and similar charges	(3,612)	(3,685)	73	(2.0)%
Reclassification "loss of control" on FinecoBank S.p.A.	–	–	–	–
Net Interest contribution deriving from trading book instruments	6	3	3	(100.0)%
Derivatives instruments – Economic Hedges – Others – Interest component	(38)	(59)	21	(35,6)%
Net interest	**9,060**	**9,441**	**(381)**	**(4.0)%**
Dividend income and other income from equity investments	520	415	105	25.3%
Net interest income	**9,580**	**9,856**	**(276)**	**(2.8)%**

(1) Figures from the 2021 Consolidated Financial Statements.
(2) Figures from the 2020 Consolidated Financial Statements.

	For the year ended December 31,		**Change 2020 vs. 2019 (restated)**	**Change % 2020 vs. 2019 (restated)**
	2020[1]	**2019 (restated)[1]**		
		(in millions of €)		*Change %*
Interest income and similar revenue	13,182	14,793	(1,611)	(10.9)%
Interest expense and similar charges	(3,685)	(4,521)	836	(18.5)%
Net Interest Margin of industrial companies				
Reclassification "loss of control" on FinecoBank S.p.A.	–	(51)	51	(100)%
Reclassification for IFRS16	3	(131)	134	n.m.
Derivatives instruments – Economic Hedges – Others – Interest component	(59)	(18)	(41)	n.m.
Net interest	**9,441**	**10,071**	**(630)**	**(6.3)%**
Dividend income and other income from equity investments	415	637	(222)	(34.9)%
Net interest income	**9,856**	**10,708**	**(852)**	**(8.0)%**

(1) Figures from the 2020 Consolidated Financial Statements.

2021 vs 2020

For the year ended December 31, 2021, net interest was €9,060 million, a decrease of 4% compared to the year ended December 31, 2020. During 2021 net interest continued to be characterized by the reduction of interests income from on lending to customers, especially visible in Italy, in Eastern Europe countries and in Germany. In particular, Italy customer rates were influenced both by an overall rebalancing of portfolio with a decrease of the short-term products characterised by rates on average higher and by the effect of the continuation of granting state guaranteed loans; the latter, positively contributing to the reduction of the risk profile of the loan portfolio, generally involve more favorable customer rates versus the ordinary ones.

The loan spreads have been negatively affected by the situation, with the decrease of customer loans interest rates being only partially mitigated by the decrease of deposit interest rates.

Loans to customers decresed by €13.0 billion, or down by 2.9%, from €450.5 billion at December 31, 2020 to €437.5 billion at December 31, 2021. This decrease is due as well, to €0.6 billion from the Non Core division, where the initiatives related to the Group rundown strategy of non performing loans (NPE) were continued, with the objective of the complete run down by the year 2022.

The customer loans excluding the repos component, showed in 2021 an increase of €4.5 billion, or up by 1.1% compared to last year (0.8% at constant exchange rates) sustained by the positive trend of the medium long-term components; this dynamic was impacted as at December 31, 2021 by the reclassifications to activities under disposal of the Leasing portfolios, resulted in a decrease of approximately €9.6 billion in Italy and approximately €1.9 billion in Germany. Excluding the reclassified Leasing portfolio, and the repos component, the customer loans stock increased by €17.4 billion versus 2020.

The increase of customer loans excluding repos was sustained by Central Europe, with volumes up by €8.0 billion (up by 9.5% or by 8.4% at constant exchange rates), due to an increase of €5.7 billion in Austria (up by 9.4%) and of €1.8 billion in the Czech Republic (up by 10.3% or by 4.7% at constant exchange rates); also Germany had a positive contribution with an increase of €4.7 billion (€7.4 billion excluding the reclassified Leasing portfolio) up by 3.9%, while Eastern Europe registered an increase of €2.8 billion, up by 7.5% or by 6.2% at constant exchange rates; in Eastern Europe we recorded the increases in Russia (up by 11.5% or by 3.9% at constant exchange rates), in Romania (up by 13.3% or by 15.1% at constant exchange rates) and in Serbia (up by 10.6% or by 10.8% at constant exchange rates). Italy, showing a decrease of €10.3 billion (down by 6.1%), is substantially stable year over year excluding the reclassified Leasing portfolio.

Deposits from customers, equal to €500.5 billion, have been growing by €2.1 billion, or up by 0.4% (up by 0.1% at constant exchange rates) compared to the same period of 2020.

Net of repos, the Deposits from customers increased by 3.7% (up by 3.3% at constant exchange rates) compared to last year.

In detail, deposits from customers net of repos increased in Italy (up by 4.5%), in Central Europe, up by 7.4% (or by 6.4% at constant exchange rates), with Austria up by 5.1%, Czech Republic up by 16.9% (or by 10.8% at constant exchange rates) and Hungary increasing with 7.3% (or by 8.9% at constant exchange rates). Eastern Europe showed an increase of 7.4% (or by 5.3% at constant exchange rates) with Croatia up by 9.7% (or by 9.2% at constant exchange rates), Romania up by 9.6% (or by 11.4% at constant exchange rates) and Serbia up by 19.0% (or by 19.2% at constant exchange rates). Contrarily in Germany the Deposits volumes showed a contraction of 1.7%.

Dividends and other income from equity investments (which include the profits of the companies accounted at equity method) in 2021 amounted to €520 million, increasing by €105 million, or up by 25.2% (up by 25.2% at constant exchange rates) compared with 2020.

The increase is mainly explained by the higher profitability of the Austrian banks in which we have participations (in particularly BKS Bank Ag, Oberbank Ag), by the participation in Yapi Kredi whose contribution to the aforementioned item ceased starting from November 2021 following the classification of this participation among activities under disposal, and to a lesser extent by the result of the Insurance companies in Italy.

2020 vs 2019 (restated)

For the year ended December 31, 2020, net interest was €9,441 million, a decrease of 6.3% compared to the year ended December 31, 2019 (restated). During the year ended December 31, 2020 net interest was negatively affected by a drop of the interest income on lending to customers, as well as by the reduction of the time value component and of the interest on the non-performing loans as a consequence of the rundown of Non-Core portfolio. The Covid-19 crisis generated, in general terms, a growing loans demand in various countries where the Group operates, concurrently with a widespread reduction of the loans interest rates, particularly in the CEE countries and in the corporate investment banking ("**CIB**") division. The rates of the latter, in particular, have been affected by the decrease of the Libor rate, due to the higher loan volumes we achieved an overall growth of the net interest of the division.

The loan spreads have been negatively affected by the situation, with the decrease of customer loans interest rates being only minimally mitigated by the decrease of deposit interest rates.

Loans to customers decreased by €32.0 billion, or 6.6%, from €482.6 billion at December 31, 2019 (restated) to €450.6 billion at December 31, 2020. This decrease is due, among others, to a €1.1 billion decrease recorded by our Non Core division, where the initiatives related to the Group rundown strategy of non-performing loans (NPE) were continued, with the objective of the complete run down by the year 2021.

The customer loans excluding the repos component, showed a contraction as of December 31, 2020 of €9.6 billion, or down by 2.3% compared to last year (down by 1.4% at constant exchange rates). The decrease of the customers loans net of repos was driven by Italy, with the Commercial Banking Division decreasing by 2.0% compared with 2019 (restated) and the Non-Core division decreasing by 58.9% driven by portfolio rundown actions.

Also, CEE division decreased compared with the year ended December 31, 2019, down by 8.4 (at constant exchange rates by 3.2%). Particularly noticeable are the decreases in Russia (down by 32.2%, or down by 11.3% at constant exchange rates), Bosnia (down by 11.4%), Slovenia (down by 9.6%), Romania (down by 4.1%, or down by 2.4% at constant exchange rates) and Croatia (down by 2.0% or down by 0.5% at constant exchange rates).

As at December 31, 2020, customer loans excluding the repos component, were stable in Commercial Banking Germany, 0.0% compared with the same period of last year, Austria decreased by 2.7% and CIB increased by 2.0%, also as a consequence of the relevant liquidity needs of companies, induced by the lockdown restrictions adopted by the countries in order to reduce the spreading of Covid-19.

As of December 31, 2020 deposits from customers, equal to €498.4 billion, increased by 5.9% (up by 6.9% at constant exchange rates) compared to December 31, 2019. The increase was higher for the deposits from customers net of repos, up by 9.4% (up by 10.5% at constant exchange rates) in comparison to the same period of 2019.

More specifically, the deposits from customers net of repos increased in all divisions of the Group, with Commercial Banking Italy Division up by 12.5%, Commercial Banking Germany Division up by 14.7%, Commercial Banking Austria Division up by 7.6% and CIB Division up by 5.2%. The CEE Division recorded a growth of 0.8% (up by 7.5% at constant exchange rates), mainly driven by Serbia (up by 17.4% or up by 17.0% at constant exchange rates), Hungary (up by 14.8% or up by 26.4% at constant exchange rates), Slovenia (up by 8.9%), Bulgaria (up by 5.5%) and Croatia (up by 3.5%, or up by 5.1% at constant exchange rates), while we recorded a decrease in the Czech Republic (down by 0.9%, up by 2.3% at constant exchange rates) and Russia (down by 16.1%, up by 9.7% at constant exchange rates).

Dividends and other income from equity investments decreased by 34.8%, from €637 million for the year ended December 31, 2019 (restated) to €415 million for the year ended December 31, 2020.

The drop is substantially due to the lower contribution of Yapi Kredi, with a remaining share quota, after the disposal, finalised in the first quarter 2020, reduced from 41% to 20% and in the absence of the contribution of Mediobanca S.p.A., compared to the first half of 2019, following the sale of the partecipation in the fourth quarter of 2019 and at last, to the profitability drop of the participated Austrian banks (Bank fuer Tirol und Vorarlberg Actiengesellschaft, BKS Bank Ag, Oberbank Ag), as a consequence of the Covid-19 pandemic.

The tables below set forth a breakdown of our net interest income (including dividends and other income from equity investments) by business segment for the periods indicated.

Net interest income (including dividends) by business segment	**For the year ended December 31,**		**Change 2021 vs. 2020 (restated)**	**Change % 2021 vs. 2020 (restated)**
	2021[1]	**2020 (restated)[1]**		
		(in millions of €)		
Italy	3,751	4,225	(474)	(11.2)%
Germany	2,534	2,394	139	5.8%
CE	1,802	1,690	113	6.7%
EE	1,595	1,633	(38)	(2.3)%
Group Corporate Center	(77)	(63)	(14)	22.5%
Non-core	(25)	(23)	(2)	9.8%
Total Net interest income (including dividends)	**9,580**	**9,856**	**(276)**	**(2,8)%**

[1] Figures from the 2021 Consolidated Financial Statements.

Net interest income (including dividends) by business segment	**For the year ended December 31,**		**Change 2020 vs. 2019 (restated)**	**Change % 2020 vs. 2019 (restated)**
	2020[1]	**2019 (restated)[1]**		
		(in millions of €)		
Commercial Banking Italy	3,028	3,422	(394)	(11.5)%
Commercial Banking Germany	1,527	1,532	(5)	(0.3)%
Commercial Banking Austria	720	868	(148)	(17.0)%
CEE	2,319	2,636	(317)	(12.0)%
Corporate & Investment Banking	2,431	2,260	170	7.5%
Group Corporate Center	(146)	1	(147)	n.m.
Non-core	(23)	(11)	(12)	n.m.
Net interest income (including dividends)	**9,856**	**10,708**	**(853)**	**(8.0)%**

[1] Figures from the 2020 Consolidated Financial Statements.

Italy

Net interest income including dividends of Italy business segment decreased by 11.2 %, or €474 million, from €4,225 for the ended December 2020 (restated) to €3,751 million for the year ended December 31, 2021. Dividends and other income from equity investments increased by 6.5%, or about €9 million, from €146 million for the year ended December 31, 2020 (restated) to €156 million for the year ended December 31, 2021.

Commercial Banking Italy

Net interest income including dividends of the Commercial Banking Italy business segment decreased by 11.5%, or €394 million, from €3,422 million for the ended December 31, 2019 (restated) to €3,028 million for the year ended December 31, 2020. Dividends and other income from equity investments increased by 13.8%, or €17 million, from €123 million for the year ended December 31, 2019 (restated) to €140 million for the year ended December 31, 2020.

Germany

Net interest income including dividends of the Germany business segment increased by 5.8%, or €139 million, from €2,394 million for the year ended December 31, 2020 (restated) to €2,534 million for the year ended December 31, 2021. Dividends and other income from equity investments decreased by €1 million, from €19 million for the year ended December 31, 2020 (restated) to €18 million for the year ended December 31, 2021.

Commercial Banking Germany

Net interest income including dividends of the Commercial Banking Germany business segment decreased by 0.3%, or €5 million, from €1,532 million for the year ended December 31, 2019 (restated) to €1,527 million for the year ended December 31, 2020. Dividends and other income from equity investments decreased by €2 million, from €2 million for the year ended December 31, 2019 (restated) to €0 million for the year ended December 31, 2020.

Central Europe

Net interest income including dividends of the Central Europe business segment increased by 6.7%, or €113 million, from €1,690 million for the year ended December 31, 2020 (restated) to €1,802 million for the year ended December 31, 2021. Dividends and other income from equity investments increased by 73,3%, or €77 million, from €105 million for the year ended December 31, 2020 (restated) to €182 million for the year ended December 31, 2021

Eastern Europe

Net interest income including dividends of the Eastern Europe business segment decreased by 2,3%, or €38 million, from €1,633 million for the year ended December 31, 2020 (restated) to €1,595 million for the year ended December 31, 2021. Dividends and other income from equity investments decreased by 6%, or €1 million, from €22 million for the year ended December 31, 2020 (restated) to €21 million for the year ended December 31, 2021

Commercial Banking Austria

Net interest income including dividends of the Commercial Banking Austria business segment decreased by 17%, or €148 million, from €868 million for the year ended December 31, 2019 (restated) to €720 million for the year ended December 31, 2020. Dividends and other income from equity investments decreased by 42.6%, or €76 million, from €179 million for the year ended December 31, 2019 (restated) to €103 million for the year ended December 31, 2020.

CEE

Net interest income including dividends of the CEE business segment decreased by 12%, or €317 million, from €2,636 million for the year ended December 31, 2019 (restated) to €2,319 million for the year ended December 31, 2020. Dividends and other income from equity investments decreased by 5.6%, or €2 million, from €26 million for the year ended December 31, 2019 (restated) to €24 million for the year ended December 31, 2020.

Corporate & Investment Banking

Net interest income including dividends of the Corporate & Investment Banking business segment increased by 7.5%, or €170 million, from €2,260 million for the year ended December 31, 2019 (restated) to €2,431 million for the year ended December 31, 2020. Dividends and other income from equity investments increased from €1 million for the year ended December 31, 2019 (restated) to €12 million for the year ended December 31, 2020.

Group Corporate Center

Net interest loss including dividends of the Group Corporate Center business segment increased by 22.5%, or €14 million, from a loss of €63 million for the year ended December 31, 2020 (restated) to a loss of €77 million for the year ended December 31, 2021. Dividends and other income from equity investments increased by €21 million, from €123 million for the year ended December 31, 2020 (restated) to €144 million for the year ended December 31, 2021.

Net interest income including dividends of the Group Corporate Center business segment decreased by €147 million, from €1 million for the year ended December 31, 2019 (restated) to negative €146 million for the year ended December 31, 2020. Dividends and other income from equity investments decreased by 55.5%, or €171 million, from €307 million for the year ended December 31, 2019 (restated) to €136 million for the year ended December 31, 2020.

Non-core

Net interest loss of our Non-core business segment was €25 million for the year ended December 31, 2021.

Net interest loss of our Non-core business segment was €23 million for the year ended December 31, 2020.

Net interest loss of our Non-core business segment was €11 million for the year ended December 31, 2019.

Net non-interest income

The tables below set forth the components of our net non-interest income for the periods indicated.

Net non-interest income breakdown	**For the year ended December 31,**		**Change 2021 vs. 2020 (restated)**	**Change % 2021 vs. 2020 (restated)**
	2021[(1)]	**2020 (restated)[(1)]**		
		(in millions of €)		
Fee and commission income	7,963	7,169	794	11.1%
Fee and commission expense	(1,260)	(1,212)	(48)	4.0%
Settlement of specific accruals referred to previous years operations	–	22	(22)	(100.0)%
Non-recoverable expenses incurred for customers financial transactions taxes	(12)	(11)	(1)	9.1%
Net fees and commissions	**6,692**	**5,968**	**724**	**12.1%**
Net trading, hedging and fair value income	**1,638**	**1,412**	**226**	**16.0%**
Other net Operating Income	142	41	101	n.m.
Settlement of specific accruals referred to previous years operations	–	(22)	22	(100.0)%
Result of industrial companies	(7)	(4)	(3)	75.0%
Gains (Losses) on disposal and repurchase of financial assets at amortised cost – performing loans	2	(2)	4	n.m.
Net value adjustments/write-backs on property, plant and equipment in operating lease assets	(100)	(119)	19	(16.0)%
Gains (Losses) on disposals of investments in operating lease assets	8	2	6	n.m.
Net other expenses/income	**45**	**(104)**	**149**	**n.m.**
Net non-interest income	**8,375**	**7,276**	**1,099**	**15.1%**

(1) Figures from the unaudited consolidated report on operations of, and reconciled with, the 2021 Consolidated Financial Statements.

Net non-interest income breakdown	For the year ended December 31, 2020[1]	2019 (restated)[1]	Change 2020 vs. 2019 (restated)	Change % 2020 vs. 2019 (restated)
		(in millions of €)		*Change %*
Fee and commission income	7,169	7,606	(437)	(5.7)%
Fee and commission expense	(1,212)	(1,288)	76	(5.9)%
Settlement of specific accruals referred to previous years operations	22	–	22	n.m.
External services costs related to credit cards in Austria	8	–	8	n.m.
Non-recoverable expenses incurred for customers financial transactions taxes	(11)	(13)	2	(15.4)%
Net fees and commissions	**5,976**	**6,304**	**(328)**	**(5.2)%**
Net trading income	**1,412**	**1,669**	**(257)**	**(15.4)%**
Other net Operating Income	41	373	(332)	(89.0)%
Settlement of specific accruals referred to previous years operations	(22)	–	(22)	n.m.
Result of industrial companies	(4)	(88)	84	(95.5)%
Gains (Losses) on disposal and repurchase of financial assets at amortised cost – performing loans	(2)	(1)	(1)	100.0%
Net value adjustments/write-backs on property, plant and equipment in operating lease assets	(119)	(131)	12	(9.2)%
Gains (Losses) on disposals of investments in operating lease assets	2	4	(2)	(50.0)%
Net other expenses/income	**(104)**	**156**	**(260)**	**n.m.**
Net non-interest income	**7,284**	**8,129**	**(845)**	**(10.4)%**

[1] Figures from the unaudited consolidated report on operations of, and reconciled with, the 2020 Consolidated Financial Statements.

2021 vs 2020 (restated)

Net non-interest income increased by 15.1%, from €7,276 million for the year ended December 31, 2020 (restated) to €8,375 million for the year ended December 31, 2021, primarily due to an increase in net fees and commissions of 2021 amounted to €6,692 million, increasing by 12.1% (up by 12.1% at constant exchange rates) compared to the previous year. In 2021 also the net trading income increased by €226 million, moving from €1,412 million in 2020 (restated) to €1,638 million for the year ended December 31, 2021 (up by 16.0%, or up by 15.4% at constant exchange rate).

2020 vs 2019 (restated)

Net non-interest income decreased by 10.4%, from €8,129 million for the year ended December 31, 2019 (restated) to €7,284 million for the year ended December 31, 2020, primarily due to a decrease in net fees and commissions of 2020 amounted to €5,976 million, decreasing by 5.2% (down by 4.8% at constant exchange rates) compared to the previous year. In 2020 also the net trading income decreased by €257 million, moving from €1,669 million in 2019 (restated) to €1,412 million for the year ended December 31, 2020 (down by 15.4%, or down by 14.4% at constant exchange rate).

Net non-interest income by segment

The tables below set forth a breakdown of our net non-interest income by business segment for the periods indicated.

Net non interest income by business segment	For the year ended December 31, 2021[1]	2020 (restated)[1]	Change 2021 vs. 2020 (restated)	Change % 2021 vs. 2020 (restated)
		(in millions of €)		
Italy	4,664	3,863	801	20.7%
Germany	1,921	1,697	223	13.2%
CE	1,204	1,127	77	6.9%
EE	762	728	34	4.6%
Group Corporate Center	(145)	(116)	(29)	25.3%
Non-core	(31)	(23)	(7)	30.9%
Total Net non interest income	**8,375**	**7,276**	**1,098**	**15.1%**

Note: for CE&EE segment, change % reported at current FX.

[1] Figures from the 2021 Consolidated Financial Statements.

Net non interest income by business segment	For the year ended December 31, 2020[1]	2019 (restated)[1]	Change 2020 vs. 2019 (restated)	Change % 2020 vs. 2019 (restated)
		(in millions of €)		
Commercial Banking Italy	3,313	3,640	(327)	(9.0)%
Commercial Banking Germany	827	872	(45)	(5.2)%
Commercial Banking Austria	643	678	(35)	(5.2)%
CEE	1,103	1,366	(262)	(19.2)%
Corporate & Investment Banking	1,516	1,724	(208)	(12.1)%
Group Corporate Center	(95)	(120)	25	(20.9)%
Non-core	(24)	(30)	7	(21.8)%
Net non interest income	**7,284**	**8,129**	**(845)**	**(10.4)%**

Note: for CEE segment change % reported at current FX

(1) Figures from the 2020 Consolidated Financial Statements

Net fees and commissions

The tables below provide a breakdown of our net fees and commissions for the periods indicated.

Net fees and commissions breakdown	For the year ended December 31, 2021[1]	2020 (restated)[1]	Change 2021 vs. 2020 (restated)	Change % 2021 vs. 2020 (restated)
		(in millions of €)		*Change %*
Financial Instruments	1,240	914	326	35.7%
Corporate Finance	58	34	24	70.6%
Fee based advice	92	75	17	22.7%
Clearing and settlement	(3)	(3)	–	–
Collective portfolio management	178	111	67	60.4%
Custody and administration of securities	106	103	3	2.9%
Central administrative services for collective investment	1	1	–	–
Payment services	699	602	97	16.1%
Distribution of third party services	1,503	1,391	112	8.1%
Structured finance	–	1	(1)	(100.0)%
Loan securization servicing activities	8	7	1	14.3%
Loan commitment given	89	93	(4)	(4.3)%
Financial guarantees	261	248	13	5.2%
Lending transaction	512	477	35	7.3%
Currency trading	188	164	24	14.6%
Other fee income	1,771	1,739	32	1.8%
Total	**6,703**	**5,957**	**746**	**12.5%**

(1) Figures from the 2021 Consolidated Financial Statements.

Item "*Other fee income*" mainly comprise:

- fees for ancillary services linked to current accounts (e.g., token, debt card): €794 million in 2021, €747 million in 2020 (up by 6.3%);
- fees for immediate funds availability: €326 million in 2021, €356 million in 2020 (-8.4%);
- fees for ATM and credit card services not included in collection and payment services: €261 million in 2021, €255 million in 2020 (up by 2.4%);
- fees for current accounts keeping: €120 million in 2021, €119 million in 2020 (up by 0.8%)

Net fees and commissions breakdown	For the year ended December 31, 2020[1]	2019 (restated)[1]	Change 2020 vs. 2019 (restated)	Change % 2020 vs. 2019 (restated)
		(in millions of €)		*Change %*
Net Guarantees	386	364	22	6.0%
Credit derivatives	–	1	(1)	(100)%
Management brokerage and consultancy services	2,813	3,004	(191)	(6.4)%
Collection and payments services	600	703	(103)	(14.7)%
Securitization servicing	8	4	4	100%
Factoring	72	83	(11)	(13.3)%
Management of current accounts	1,305	1,290	15	1.2%
Other services	759	858	(99)	(11.5)%
Security lending	14	11	3	27.3%
Total	**5,957**	**6,318**	**(361)**	**(5.7)%**

(1) Figures from the 2020 Consolidated Financial Statements.

Item "other services" mainly comprise:

- fees on loans granted: €311 million in 2020, €332 million in 2019 (-6.3%);
- fees for foreign transactions and services of €70 million in 2020, €76 million in 2019 (-7.9%);
- fees for various services provided to customers (e.g. treasury, merchant banking, etc.) of €56 million in 2020, €54 million in 2019 (up by 3.7%);
- fees for ATM and credit card services not included in collection and payment services, amounting to €255 million in 2020, €308 million in 2019 (-17.2%).

2021 vs 20120 (restated)

Net fees and commissions increased by 12.56%, from €5,957 million for the year ended December 31, 2020 (restated) to €6,703 million for the year ended December 31, 2021, primarily due to an increase in Financial Instruments (up by €326 million); the positive trend reflects the sustained dynamic of the commercial activity in a macroeconomic context of recovery compared to a 2020 mainly impacted by the lockdown periods, especially in the first half of the year. 2020 vs 2019 (restated).

2020 vs 2019 (restated)

Net fees and commissions decreased by 5.7%, from €6,318 million for the year ended December 31, 2019 (restated) to €5,957 million for the year ended December 31, 2020, primarily due to a decrease in management brokerage and consultancy services (down by €191 million).

Net fees and commissions by segment

The tables below set forth a breakdown of our net fees and commissions by business segment for the periods indicated.

Net fees and commissions by business segment	For the year ended December 31, 2021[1]	2020 (restated)[1]	Change 2021 vs. 2020 (restated)	Change % 2021 vs. 2020 (restated)
		(in millions of €)		
Italy	4,225	3,676	549	14.9%
Germany	1,074	965	109	11.3%
CE	933	883	50	5.7%
EE	512	484	28	5.7%
Group Corporate Center	(57)	(46)	(10)	22.1%
Non-core	4	6	(2)	(31.2)%
Total Net fees and commissions	**6,692**	**5,968**	**724**	**12.1%**

Note: for CE&EE segment, change % reported at current FX.

(1) Figures from the 2021 Consolidated Financial Statements.

Net fees and commissions by business segment	For the year ended December 31, 2020[1]	2019 (restated)[1]	Change 2020 vs. 2019 (restated)	Change % 2020 vs. 2019 (restated)
		(in millions of €)		
Commercial Banking Italy	3,377	3,652	(275)	(7.5)%
Commercial Banking Germany	709	716	(7)	(1.0)%
Commercial Banking Austria	578	605	(27)	(4.5)%
CEE	715	834	(119)	(14.3)%
Corporate & Investment Banking	620	555	65	11.7%
Group Corporate Center	(28)	(68)	40	(59.2)%
Non-core	6	10	(5)	(45.1)%
Net fees and commissions	**5,976**	**6,304**	**(328)**	**(5.2)%**

Note: for CEE segment change % reported at current FX
(1) Figures from the 2020 Consolidated Financial Statements.

Net trading income

The tables below set forth a breakdown of our Net trading income by business segment for the periods indicated.

Net trading income by business segment	For the year ended December 31, 2021[1]	2020 (restated)[1]	Change 2021 vs. 2020 (restated)	Change % 2021 vs. 2020 (restated)
		(in millions of €)		*Change %*
Italy	420	358	62	17.3%
Germany	736	600	136	22.7%
Central Europe	227	196	31	15.8%
Eastern Europe	234	235	(1)	(0.4)%
Group Corporate Center	53	28	25	89.3%
Non-core	(32)	(4)	(28)	n.m.
Total net trading income	**1,638**	**1,412**	**226**	**16.0%**

(1) Figures from the 2021 Consolidated Financial Statements.

Net trading income by business segment	For the year ended December 31, 2020[1]	2019 (restated)[1]	Change 2020 vs. 2019 (restated)	Change % 2020 vs. 2019 (restated)
		(in millions of €)		*Change %*
Commercial Banking Italy	41	79	(38)	(48.6)%
Commercial Banking Germany	72	59	12	20.9%
Commercial Banking Austria	30	34	(5)	(13.8)%
CEE	371	495	(124)	(25.1)%
Corporate & Investment Banking	874	1,051	(178)	(16.9)%
Group Corporate Center	30	(31)	60	n.m.
Non-core	(4)	(20)	15	(77.8)%
Total net trading income	**1,412**	**1,669**	**(257)**	**(15.4)%**

Note: for CEE segment change % reported at current FX
(1) Figures from the 2020 Consolidated Financial Statements.

2021 vs 2020 (restated)

Net trading income increased by 16.0% or €226 million from €1,412 million for the year ended December 31, 2020 (restated) to €1,638 million for the year ended December 31, 2021. The increase is mainly derived from XVA contribution and from client's activity, negatively impacted in the first quarter of last year by the market trends in the Covid-19 pandemic crisis peak period. The final result is impacted as well by the positive contribution of fair value valuation of some shares and equity investments held in portfolio.

2020 vs 2019 (restated)

Net trading income decreased by 15.4% or €257 million from €1,669 million for the year ended December 31, 2019 (restated) to €1,412 million for the year ended December 31, 2020. The drop is mainly derived from client's activity, particularly from the operations on stock market, partially mitigated by the results of the activities non-related to customers, mainly thanks to earnings on sales of securities measured at fair value through other comprehensive income and to the results of the operations on exchange rates derivatives.

Operating costs

The tables below set forth a breakdown of our operating costs for the periods indicated.

Operating Costs breakdown	For the year ended December 31, 2021[1]	2020 (restated)[1]	Change 2021 vs. 2020 (restated)	Change % 2021 vs. 2020 (restated)
		(in millions of €)		*Change %*
Payroll costs	(6,022)	(5,968)	(54)	0.9%
Other administrative expenses	(3,190)	(3,215)	25	(0.8)%
Recovery of expenses	548	523	25	4.8%
Write downs of tangible and intangible assets	(1,133)	(1,137)	4	(0.4)%
Operating costs	**(9,797)**	**(9,797)**	**–**	**–**

[1] Figures from the unaudited consolidated report on operations of, and reconciled with, the 2021 Consolidated Financial Statements.

Operating Costs breakdown	For the year ended December 31, 2020[1]	2019[2]	Change 2020 vs. 2019	Change % 2020 vs. 2019
		(in millions of €)		*Change %*
Payroll costs	5,968	6,146	(178)	(2.9)%
Other administrative expenses	3,223	3,279	(56)	(1.7)%
Recovery of expenses	(523)	(592)	69	(11.7)%
Write downs of tangible and intangible assets	1,137	1,096	41	3.7%
Operating costs	**9,805**	**9,929**	**(124)**	**(1.2)%**

Note: for CEE segment change % reported at current FX

[1] Figures from the consolidated report on operations of, and reconciled with, the 2020 Consolidated Financial Statements.

[2] Figures from the consolidated report on operations of, and reconciled with, the 2019 Consolidated Financial Statements.

2021 vs 2020 (restated)

Group's operating costs in 2021 were equal to €9,797 million, stable when compared to 2020 (by -0.0% or up by 0.1% at constant exchange rates), mainly thanks to the continuation of the staff resizing initiatives and the constant control of the administrative expenses, which allowed the full compensation of both the increase of the variable component of the staff expenses, related to the positive economic performance of the Group, and the higher costs for IT projects.

In detail, staff expenses of 2021 were €6,022 million, increasing by 0.9% compared with prior year (up by 1.0% at constant exchange rates). This result, mainly explained by the normalization of the variable component of the staff expenses, benefited however from the positive effects generated by the persistent dynamic of employee's reduction, characterized by a drop of 3,536 FTEs (equivalent to a drop of 2,763 FTEs average) compared to 2020, and equal to a decrease of 4.3%. Secondly, the staff expenses of 2021 benefited as well from the positive impact deriving from the voluntary offer of capitalization of pension liabilities (Defined Benefit Obligations) carried out in Austria and Italy during the year.

Other administrative expenses in 2021 amounted to €3,190 million, down by €26 million in comparison with prior year (down by 0.8% or down by 0.7% at constant exchange rates). This was due a substantial decrease of the Covid-19 pandemic related costs which characterized 2020 and of the credit recovery expenses, the latter due to the non-performing exposures portfolio rundown actions. Expenses related to personnel continued to decrease, both as a result of further staff reductions and of the protraction of the restrictive policies adopted by the Group during last year to counterbalance the Covid-19 (particularly related to travel expenses). Decreasing year over year are also real estate expenses (which in Italy benefited also from branch closure) and consulting expenses, thanks to further optimization initiatives. All these savings have more than offset the higher IT expenses related to new projects and undertaken initiatives. The expense recoveries in 2021 amounted to €548 million, an increase compared to the €523 million of last year (up by 4.8%), mainly thanks to higher recoveries of indirect taxes.

Finally, in 2021 were accounted write-downs on tangible and intangible assets for €1,133 million, essentially stable in comparison to the €1,137 million posted of 2020 (down by €4 million or by 0.4%). The aforementioned write-downs consist mainly of amortizations.

2020 vs 2019

Our operating costs were €9,805 million for the year ended December 31, 2020, a decrease of 1.2% compared to the year ended December 31, 2019 (both at current and constant exchange rates). This was primarily thanks to the continuation of the staff resizing initiatives and the administrative expenses control actions. The year was impacted by approximate €136 million of extraordinary costs connected to Covid-19, net of which the decreasing compared to the same period of the prior year would have been down by 2.6%.

Payroll costs were €5,968 million for the year ended December 31, 2020, decreasing by 2.9% compared to the year ended December 31, 2019 due to approximate €123 million savings on the variable component, jointly with positive effect of the persistent dynamic of employee's reduction, characterized by a drop of 2,138 FTEs (equivalent to a drop of 1,282 FTEs average) compared to the same period of 2019, equal to a decrease of 2.5%.

Other administrative expenses, in the year ended December 31, 2020 amounted to €3,223 million, decreasing by 1.7% in comparison to the year ended December 31, 2019 (both at current and constant exchange rates). Lower costs have been recorded mainly among the expenses related to personnel (in particular on the travel expenses thanks to the restrictive policies to mitigate the effect of Covid-19 adopted by the Group) and communication and marketing expenses, that more than mitigated the extraordinary protection expenses from Covid-19 that the Group had to account for in this period, particularly expenses for the acquisition of sanitary protection equipment, building disinfection, interventions on the IT infrastructure and security systems, donations.

The expenses recovery in the year ended December 31, 2020 amounted to €523 million, decreasing in comparison to €592 million of the year ended December 31, 2019 down by 11.7%. In particular, the drop was mainly related to the credit inquiries of the Non Core Division, as a consequence of the rundown actions that have diminished the non-performing exposures and that, consequently, implied the drop of the correspondent expense recoveries.

Finally, the amortization, depreciation and impairment losses on intangible and tangible assets in the year ended December 31, 2020 amounted to €1,137 million, increasing by €41 million (up 3.7%) in comparison to the €1,096 million posted in 2019.

Operating costs by segment

The tables below set forth a breakdown of our operating costs by business segment for the periods indicated.

Operating costs by segment	**For the year ended December 31,**		**Change 2021 vs. 2020 (restated)**	**Change % 2021 vs. 2020 (restated)**
	2021[(1)]	**2020 (restated)[(1)]**		
		(in millions of €)		
Italy	(3,997)	(4,001)	4	(0.1)%
Germany	(2,692)	(2,719)	27	(1.0)%
CE	(1,664)	(1,633)	(31)	1.9%
EE	(1,013)	(1,012)	(1)	0.1%
Group Corporate Center	(357)	(318)	(40)	12.4%
Non-core	(74)	(115)	42	(36.0)%
Operating costs	**(9,797)**	**(9,797)**	**1**	**0.0%**

Note: for CE&EE segment change % reported at current FX

(1) Figures from the 2021 Consolidated Financial Statements

Operating costs by segment	For the year ended December 31, 2020[1]	2019 (restated)[1]	Change 2020 vs. 2019 (restated)	Change % 2020 vs. 2019 (restated)
		(in millions of €)		
Commercial Banking Italy	(3,668)	(3,782)	114	(3.0)%
Commercial Banking Germany	(1,651)	(1,626)	(25)	1.6%
Commercial Banking Austria	(991)	(969)	(22)	2.3%
CEE	(1,486)	(1,535)	50	(3.2)%
Corporate & Investment Banking	(1,525)	(1,549)	24	(1.6)%
Group Corporate Center	(369)	(292)	(77)	26.6%
Non-core	(115)	(177)	62	(34.9)%
Operating costs	**(9,805)**	**(9,929)**	**124**	**(1.2)%**

Note: for CE&EE segment change % reported at current FX

(1) Figures from the 2020 Consolidated Financial Statements.

Italy

Operating costs of the Italy business segment decreased by 0.1%, or €4 million, from €4,001 million for the year ended December 31, 2020 (restated) to €3,997 million for the year ended December 31, 2021, absorbing Digital investments.

Commercial Banking Italy

Operating costs of the Commercial Banking Italy business segment decreased by 3%, or €114 million, from €3,782 million for the year ended December 31, 2019 (restated) to €3,668 million for the year ended December 31, 2020, mainly thanks to lower FTEs fully offsetting the renewal of the national labour contract.

Germany

Operating costs of the Germany business segment decreased by 1%, or €27 million, from €2,719 million for the year ended December 31, 2020 (restated) to €2,692 million for the year ended December 31, 2021, with efficiencies more than offsetting normalisation of variable compensation

Commercial Banking Germany

Operating costs of the Commercial Banking Germany business segment increased by 1.6%, or €25 million, from €1,626 million for the year ended December 31, 2019 (restated) to €1,651 million for the year ended December 31, 2020, driven by wage drift and Covid-19 related additional expenses partly offset by lower variable expenses and lower Non HR costs.

Central Europe

Operating costs of the Central Europe business segment increased by 1.9%, or €31 million, from €1,633 million for the year ended December 31, 2020 (restated) to €1,664 million for the year ended December 31, 2021, meaningfully below inflation, mainly due to cost savings in Austria.

Eastern Europe

Operating costs of the Eastern Europe business segment increased by 0,1%, or €1 million, from €1,012 million for the year ended December 31, 2020 (restated) to €1,013 million for the year ended December 31, 2021.

Commercial Banking Austria

Operating costs of the Commercial Banking Austria business segment increased by 2.3%, or €22 million, from €969 million for the year ended December 31, 2019 (restated) to €991 million for the year ended December 31, 2020, due to a pension-related one-off in HR costs.

CEE

Operating costs of the CEE business segment decreased by 3.2%, or €50 million, from €1,535 million for the year ended December 31, 2019 (restated) to €1,486 million for the year ended December 31, 2020, primarily due to better HR costs.

Operating profit

The tables below set forth a breakdown of our operating profit by business segment for the periods indicated.

Operating profit by segment	For the year ended December 31, 2021[1]	2020 (restated)[1]	Change 2021 vs. 2020 (restated)	Change % 2021 vs. 2020 (restated)
		(in millions of €)		*Change %*
Italy	4,418	4,088	330	8.1%
Germany	1,763	1,373	390	28.4%
Central Europe	1,343	1,184	159	13.4%
Eastern Europe	1,343	1,349	(6)	(0.4)%
Group Corporate Center	(580)	(497)	(83)	16.7%
Non core	(130)	(162)	32	(19.8)%
Operating profit	**8,158**	**7,335**	**823**	**11.2%**

[1] Figures from the 2021 Consolidated Financial Statements.

Operating profit by segment	For the year ended December 31, 2020[1]	2019 (restated)[1]	Change 2020 vs. 2019 (restated)	Change % 2020 vs. 2019 (restated)
		(in millions of €)		*Change %*
Commercial Banking Italy	2,673	3,280	(607)	(18.5)%
Commercial Banking Germany	703	778	(76)	(9.8)%
Commercial Banking Austria	371	577	(205)	(35.6)%
CEE	1,937	2,466	(530)	(21.5)%
Corporate & Investment Banking	2,422	2,436	(14)	(0.6)%
Group Corporate Center	(610)	(410)	(200)	48.7%
Non-core	(161)	(218)	56	(25.9)%
Operating profit	**7,335**	**8,910**	**(1,575)**	**(17.7)%**

Note: for CEE segment change % reported at current FX

[1] Figures from the 2020 Consolidated Financial Statements.

2021 vs 2020 (restated)

Thanks to the sustained operating income recovery and to the continuous expenses control, the Group's gross operating profit of €8,158 million showed an increase of 11.2 % in comparison to the same period last year (up by 11.1% at constant exchange rates).

The cost income ratio decreased to 54.6%, showed an improvement of 2.6 percentage points compared 2020.

2020 vs 2019 (restated)

Operating profit was €7,335 million for the year ended December 31, 2020, a 17.7% decrease compared to the year ended December 31, 2019 (restated), primarily due to the decline of the operating income.

The cost income ratio of the year ended December 31, 2020 amounted to 57.2%, worsening by 4.5 percentage points over the same period of 2019.

Operating loss related to our Non-core segment for the year ended December 31, 2020 was €161 million, compared to a loss of €218 million for the year ended December 31, 2019 (restated).

Other Charges and provisions

2021 vs 2020 (restated)

As of December 31, 2021, other charges and provisions were €1,386 million, an increase compared to the amount of €1,055 million recorded in 2020.

This item includes provisions for legal cases and estimated liabilities of various nature totaling a negative amount of €349 million, in addition to the systemic charges, amounting to a negative of €1,037 million. The latter include the contributions to the Single Resolution Fund (SRF), the harmonized guarantees schemes charges (Deposits Guarantee Scheme – DGS) and the non-harmonized ones, as well as the Bank Levies.

2020 vs 2019 (restated)

As of December 31, 2020, other charges and provisions were €1,055 million, an increase of 10.7% compared to our provision for the year ended December 31, 2019 (restated) (€954 million). For the year ended December 31, 2020, our provisions for risks and charges consisted of legal cases and estimated liabilities of various nature totaling €97 million, in addition to the systemic charges, amounting to €958 million. The latter include the contributions to the Single Resolution Fund (SRF), the harmonised guarantee schemes charges (i.e Deposits Guarantee Scheme – DGS) and the non-harmonised ones, as well as the Bank Levies.

Integration Costs

2021 vs 2020 (restated)

Integration costs were €1,337 million for the year ended December 31, 2021, of which a negative amount of €1,023 million are severance costs related to the new Strategic Plan ("**UniCredit unlocked**") in Italy, Germany and Central Europe. This amount is comparable with the negative amount of €1,464 million recorded in 2020 when, in the first half of the year, were accounted the severance charges for the Italian perimeter personnel related to "Team 23" plan, amounting to a negative amount of €1,347 million.

2020 vs 2019 (restated)

Integration costs were €1,464 million for the year ended December 31, 2020, compared to €664 million for the year ended December 31, 2019 (restated), primarily due to charges for severance of the personnel related to Team 23 Plan amounting to €1,347 million.

Net write-downs of loans and provisions for guarantees and commitments

The tables below set forth a breakdown of our net write-downs of loans and provisions for guarantees and commitments by business segment for the periods indicated.

Net Write downs of Loans and Provisions for Guarantees and Commitments by business segment	**For the year ended December 31,**		**Change 2021 vs. 2020 (restated)**	**Change % 2021 vs. 2020 (restated)**
	2021[(1)]	**2020 (restated)[(1)]**		
		(in millions of €)		*Change %*
Italy	(1,033)	(2,891)	1,858	(64.3)%
Germany	(118)	(728)	610	(83.8)%
Central Europe	(261)	(598)	337	(56.4)%
Eastern Europe	(281)	(775)	494	(63.7)%
Group Corporate Center	(3)	(3)	–	–
Non-core	61	(1)	62	n.m.
Net Write-downs of Loans and Provisions for Guarantees and Commitments	**(1,634)**	**(4,996)**	**3,362**	**(67.3)%**

(1) Figures from the 2021 Consolidated Financial Statements.

Net Write downs of Loans and Provisions for Guarantees and Commitments by business segment	For the year ended December 31, 2020[1]	2019 (restated)[1]	Change 2020 vs. 2019 (restated)	Change % 2020 vs. 2019 (restated)
		(in millions of €)		*Change %*
Commercial Banking Italy	(2,681)	(1,041)	(1,640)	n.m.
Commercial Banking Germany	(359)	(100)	(259)	n.m.
Commercial Banking Austria	(245)	(41)	(204)	n.m.
CEE	(974)	(453)	(521)	n.m.
Corporate & Investment Banking	(733)	(109)	(623)	n.m.
Group Corporate Center	(4)	(6)	2	(30.7)%
Non-core	(1)	(1,632)	1,631	(99.9)%
Net Write-downs of Loans and Provisions for Guarantees and Commitments	**(4,996)**	**(3,382)**	**(1,614)**	**47.7%**

(1) Figures from the 2020 Consolidated Financial Statements.

2021 vs 2020 (restated)

Net write-downs on loans and provisions for guarantees and commitments of the Group in 2021 amounted to €1,634 million, compared to €4,996 million of 2020 (down by 67.3% or down by 67.3% at constant exchange rates).

Such trend was positively impacted by the dynamic of the non-performing loans portfolio, with Italy being able to benefit from lower flows to default and Germany which recorded recoveries on Corporate counterparties; at the same time, €131 million of writebacks were recognized following the update of the IFRS9 macro-economic scenario; particularly recoveries were booked in the second quarter of 2021, while in the fourth quarter the bank adopted a managerial overlay to grant a substantial neutrality from the impact of the macro-economic scenario update, in light of the uncertainty linked to the pandemic evolution.

The Group gross impaired loans as December 31, 2021 amounted to €16.3 billion, in sharp decline (€5.0 billion) compared to the €21.2 billion of December 31, 2020 driven by the effect of the realised disposures, by the classification to activities under disposal of loans portfolios related to leasing legal entities in Italy, Germany and Slovenia and by other actions carried out for the purpose of risk reduction.

Thanks to this reduction, the gross non-performing loans on total loans ratio improved from 4.6% of December 2020 to 3.6% of December 2021.

Gross bad exposure stock amounted to €4.5 billion, decreasing by €3.1 billion compared to December 2020 (€7.6 billion), benefiting from the disposals, the classification to activities under disposal, the write-offs and the recoveries carried out during the year.

The Group coverage ratio of the gross non-performing loans as at 31 of December 2021 was 54.0%, decreasing in comparison to the 59.9% (down by 5.8 percentage points) of December 2020, affected firstly by the lower weight of NPE loans (characterized by a higher coverage rate) on total gross impaired loans, and secondly by the positive evolution of the non-performing loans portfolio quality, also following the disposals and closures realized during the current year

2020 vs 2019 (restated)

Net write-downs of loans and provisions for guarantees and commitments increased by 47.7%, from €3,382 million for the year ended December 31, 2019 (restated) to €4,996 million for the year ended December 31, 2020.

In the year ended December 31, 2020 Commercial Banking Italy recorded a cost of risk of 201 basis points (worsening by 125 basis points in comparison to the same period of 2019), Commercial Banking Germany of 41 basis points, Commercial Banking Austria of 55 basis points, CIB of 51 basis points and CEE Division of 150 basis points.

For the year ended December 31, 2020 gross impaired loans decreased by €4.0 billion compared to the year ended December 31, 2019 (restated), thanks to the continuous proactive risk reduction measures. Thanks to this decrease, the gross non-performing loans on total loans ratio improved, moving from 5.0% as of December 31, 2019 to 4.6% on December 31, 2020. Gross bad exposures stock was at €7.6 billion, decreasing by €4.9 billion from December 2019 (€12.5 billion).

Our coverage ratio of the gross non-performing loans for the year ended December 31, 2020 (59.9%) decreased by 5.4 basis points compared to 65.2% for the year ended December 31, 2019.

Loans to customers

Please note that on 2 February 2022, the National Assembly of Republic of Slovenia approved a law aimed at restructuring consumer loans denominated in CHF, or those contractually linked to CHF, originated between 28 June 2004 and December 31, 2010, effectively retroactively introducing a 10% exchange rate cap which limits the amount to be repaid by customers, as capital or interest, following revaluation of the CHF against the EUR[4]

Loans to Customers-Asset Quality	Bad exposures	Unlikely to pay	Non-performing past due	Total non-performing	Performing	Total Loans
			(in millions of €, except ratios)			
As of December 31, 2021[1][4]						
Gross Exposure	4,495	10,927	845	**16,268**	434,434.	**450,702**
as a percentage of total loans	*1.0%*	*2.4%*	*0.2%*	***3.6%***	*96.4%*	
Writedowns	3,374	5,091	321	**8,787**	4,371	**13,158**
as a percentage of face value	*75.1%*	*46.6%*	*38.0%*	***54.0%***	*1.0%*	
Net Exposure	1,121	5,836	524	7,481	430,063	**437,544**
as a percentage of total loans	*0.3%*	*1.3%*	*0.1%*	***1.7%***	*98.3%*	
As of December 31, 2020[2]						
Gross Exposure	7,613	12,874	759	**21,246**	446,157	**467,403**
as a percentage of total loans	*1.6%*	*2.8%*	*0.2%*	***4.6%***	*95.5%*	
Writedowns	5,967	6,492	256	**12,716**	4,138	**16,853**
as a percentage of face value	*78.4%*	*50.4%*	*33.7%*	***59.9%***	*0.9%*	
Net Exposure	1,645	6,381	503	**8,530**	442,019	**450,550**
as a percentage of total loans	*0.4%*	*1.4%*	*0.1%*	***1.9%***	*98.1%*	
As of December 31, 2019[3]						
Gross Exposure	12,491	11,934	870	**25,295**	476,333	**501,628**
as a percentage of total loans	*2.5%*	*2.4%*	*0.2%*	***5.0%***	*95.0%*	
Writedowns	9,535	6,675	293	**16,503**	2,552	**19,055**
as a percentage of face value	*76.3%*	*55.9%*	*33.7%*	***65.2%***	*0.5%*	
Net Exposure	2,956	5,259	577	**8,792**	473,782	**482,574**
as a percentage of total loans	*0.6%*	*1.1%*	*0.1%*	***1.8%***	*98.2%*	

(1) Figures from the unaudited consolidated report on operations of, and reconciled with, the 2021 Consolidated Financial Statements.

(2) Figures from the unaudited consolidated report on operations of, and reconciled with, the 2020 Consolidated Financial Statements.

(3) Figures from the unaudited consolidated report on operations of, and reconciled with, the 2019 Consolidated Financial Statements.

(4) On 14 April 2021, the National Council of Republic of Slovenia filed with the National Assembly a legislative proposal on limiting and distributing currency risk among creditors and borrowers of loans in Swiss francs (CHF). The proposal for the introduction of the new law aimed at restructuring consumer loans denominated in CHF or those contractually linked to CHF, originated between 28 June 2004 and December 31, 2010, effectively retroactively introducing a 10% exchange rate cap which limits the amount to be repaid by customers, as capital or interest, following revaluation of the CHF against the EUR. During 2021, the following events occurred:

- on 25 May 2021, the Slovenian Government submitted to the National Assembly a negative opinion stating that it would not support the law proposal;
- on 26 November 2021, the European Central Bank released an opinion (CON/2021/36) on the modification of Swiss franc loan agreements; among other comments, the opinion stated that "introducing measures with retroactive effect undermines legal certainty and is not in line with the principle of legitimate expectations and may also interfere with acquired rights".

On 5 January 2022, the National Assembly's Legislative Office issued an opinion highlighting material constitutional deficiencies of the proposal for the introduction of the new law, mainly related to retroactivity, rule of law, right to private property and free enterprise. Despite the above, on 2 February 2022, the National Assembly approved the law, subject to publication in the Official gazette, and effective 15 days (vacatio legis) after the publication in the Official gazette. On the basis of the above, no provision was recognized as of December 31, 2021 regarding the entry into force of the aforementioned law. The approval of the law by the National Assembly was deemed to be a non-adjusting event under IAS10, as the virtual certainty of the law enactment, which is the condition required by IAS37 for recognition and measurement of provisions determined by the introduction of new laws, was not met as at December 31, 2021, and only emerged in February 2022 with the approval by the National Assembly. The Group is evaluating the features of the law; in the event its enactment will result in a negative economic effect, the estimated impact on the Group CET1 ratio would not exceed a mid-single digit.

The carrying value of non-performing exposures was €7.5 billion as of December 31, 2021 compared to €8.5 billion as of December 31, 2020, accounting for 1.7% of customer loans, compared to 1.9% as of December 31, 2020.

The carrying value of non-performing exposures was €8.5 billion as of December 31, 2020 compared to €8.8 billion as of December 31, 2019, accounting for 1.9% of customer loans, compared to 1.8% as of December 31, 2019.

Net (loss)/income from investments

2021 vs 2020

Net loss from investments in 2021 was €2,565 million, in comparison to a net loss from investments of €1,365 million recorded in 2020.

The 2021 amount was mainly impacted by the negative amount of €554 million related to the classification as under disposal of the Leasing business, an additional negative amount of €155 million derived from the sale on the market of 2% of the participation in Yapi ve Kredi Bankasi A.S. mainly stemming from the recognition on the income statement of the negative FX reserve connected and a negative amount of €1,537 million was originated by the deconsolidation of the remaining quota of 18%, as a consequence of the loss of significant influence resulting from the withdrawal of the 2 UniCredit representatives from the Board of Directors of Yapi which determined the recognition on the income statement of the negative FX reserve.

The results of 2020 were negatively impacted mainly by €1,576 million related to the sales of 20,95% of Yapi ve Kredi Bankasi A.Ş. and the resulting unwinding of Joint Venture agreements with Koç Financial Services and positively impacted by €516 million of capital gains connected with Real estate disposal in Germany.

2020 vs 2019 (restated)

Net loss from investments includes: (i) gains (losses) on financial assets on amortized (debt securities) and financial assets at fair value (through other comprehensive income) (debt securities); (ii) gains (losses) on disposal of investments; (iii) gains (losses) on equity investments and on disposals of investments. For the year ended December 31, 2020, net loss from investments was €1,365 million, compared to a net loss investments of €844 million for the year ended December 31, 2019 (restated). This increase was primarily affected by negative €1,576 million related to the disposal of 20.95% of Yapi ve Kredi Bankasi A.S., and to the agreements for the conclusion of the Joint Venture with Koç Financial Services and by €526 million for gains on real estate sales in Germany. In 2019 have been instead posted some charges mainly related to the agreements for the conclusion of the Joint Venture with Koç Financial Services and the disposal of 9.02% of Yapi ve Kredi Bankasi A.Ş, to the Ocean Breeze disposal and to Non Core division's assets devaluations.

Profit/(loss) before tax

The tables below set forth a breakdown of our profit/(loss) before tax (including minorities) by business segment for the periods indicated.

	For the year ended December 31,		Change 2021 vs. 2020 (restated)	Change % 2021 vs. 2020 (restated)
Profit/(loss) before tax breakdown	**2021[1]**	**2020 (restated)[1]**		
		(in millions of €)		*Change %*
Italy	1,988	(612)	2,600	n.m.
Germany	521	996	(475)	(47.7)%
Central Europe	548	282	266	94.3%
Eastern Europe	939	401	538	n.m.
Group Corporate Center	(2,629)	(2,273)	(356)	15.7%
Non-core	(132)	(339)	207	(61.1)%
Profit/(loss) before tax	**1,236**	**(1,546)**	**2,782**	**n.m.**

[1] Figures from the 2021 Consolidated Financial Statements.

Profit/(loss) before tax breakdown	For the year ended December 31, 2020[1]	2019 (restated)[1]	Change 2020 vs. 2019 (restated)	Change % 2020 vs. 2019 (restated)
		(in millions of €)		*Change %*
Commercial Banking Italy	(1,339)	1,732	(3,071)	n.m.
Commercial Banking Germany	256	863	(607)	(70.3)%
Commercial Banking Austria	(77)	326	(402)	n.m.
CEE	723	1,716	(994)	(57.9)%
Corporate & Investment Banking	1,471	2,098	(626)	(29.8)%
Group Corporate Center	(2,242)	(1,403)	(839)	59.8%
Non-core	(339)	(2,267)	1.928	(85.0)%
Profit/(loss) before tax	**(1,546)**	**3,065**	**(4,611)**	**n.m.**

(1) Figures from the 2020 Consolidated Financial Statements.

2021 vs 2020 (restated)

Our profit before tax was €1,236 million for the year ended December 31, 2021, compared to a loss before tax of €1,546 million for the year ended December 31, 2020 (restated), an increase of €2,782 million of which a profit of €1,367 million related to our Core segment (compared to a loss of €1,207 million of 2020 (restated)) and a loss of €132 million related to our Non-core segment (compared to a loss of €339 million in 2020 (restated).

2020 vs 2019 (restated)

Our loss before tax was €1,546 million for the year ended December 31, 2020, compared to a profit before tax of €3,064 million for the year ended December 31, 2019 (restated), a decrease of €4,611 million of which a loss of €1,207 million related to our Core segment (compared to a profit of €5,335 million of 2019 (restated) and a loss of €339 million related to our Non-core segment (compared to a loss of €2,267 million in 2019 (restated).

Income taxes

2021 vs 2020 (restated)

In 2021, the Group's income taxes line resulted in a positive amount of €330 million, in comparison to the negative amount of €344 million in 2020; the amount of the current year was positively impacted by €1,164 million connected to the registration of new deferred tax assets from tax losses carried forward, consequences of the update of the sustainability test on the base of the new projections of the "UniCredit unlocked" Strategic Plan, approved by the Board of Directors) on December 8, 2021 meeting and presented to the market on the next day. Other taxes, on the other hand, are negative, reflecting overall the higher profitability achieved by the Group in 2021, net of non-recurring items that are not tax deductible.

2020 vs 2019 (restated)

Income taxes amounted to €344 million for the year ended December 31, 2020, compared to €890 million as of December 31, 2019 (restated).

Profit from discontinued operations net of taxes in the year ended December 31, 2020 was €49 million in comparison to €1,383 million of the same period of 2019. The 2019 figure included non-recurring items to be excluded from the calculation of the underlying profit of €1,287 million connected to the FinecoBank S.p.A. sale and related deconsolidation.

Purchase price allocation effects

2021 vs 2020 (restated)

As of December 31, 2021 purchase price allocation was €1 million, compared to €50 million recorded in 2020. The amount accounted in 2020 is almost entirely (a negative of €49 million) related to non-recurring operating income from the real estate sale in Germany.

2020 vs 2019 (restated)

As of December 31, 2020, purchase price allocation was negative €50 million, compared to negative €68 million for the year ended December 31, 2019 (restated), mainly due to the real estate sale in Germany.

Net profit/(loss) attributable to the Group

2021 vs 2020 (restated)

For the year ended December 31, 2021 the net profit attributable to the Group amounted to €1,540 million, compared to the loss of €2,785 million for the year ended December 31, 2020.

The net profit of the Group was negatively impacted by the accounting of some non-recurring items amounting, net of taxes and minority interest, to a negative amount of €2,361 million; particularly were recorded:

- with negative impact the following main impacts:
  - €1,644 million related to the sale on the market of 2% of the participation in Yapi Ve Kredi Bankasi A.S. and to the deconsolidation of the remaining quota of 18%, as a consequence of the loss of significant influence resulting from the withdrawal of the 2 representatives of the Group from the Board of Directors of Yapi also considering the FX hedging effects. The 18% stake, classified as a financial instrument mandatory at fair value, will be sold to Koç Holding A.S. "Koç" which has confirmed to the Group the irrevocable decision to exercise the right of first offer pursuant to the agreement signed in 2019 between the Group and Koç. The completion of the sale of the 18% stake to Koç is subject to obtaining any applicable regulatory approvals in the relevant jurisdictions and is expected to occur in the first quarter of 2022;
  - €554 million related to classification under disposal of the leasing legal entities in Italy, Germany and Slovenia;
  - €370 million from additional loan loss provisions following the update of the internal calculation models derived from the implementation of the European regulation;
  - €735 million for severances in Italy, Germany and Austria;
  - €221 million for other integration costs.
- With positive impact, €1,164 million related to the recognition with reference to the Italian fiscal perimeter of new Deferred Tax Assets (DTA) from tax loss carry forward derived from the update of the sustainability test also on the base of the new Strategic Plan projection.

This trend was positively impacted by the higher revenues as well as the lower Loan Loss Provisions, which were significantly higher in 2020 also in relation to the overlay provisions connected with the emerging of the Covid-19 pandemic crisis.

Net of non-recurring items, the Group achieved a profit underlying of €3,900 million for the year ended on December 31, 2021, compared to €1,264 million for the year ended on December 31, 2020.

2020 vs 2019 (restated)

For the year ended December 31, 2020, net loss attributable to the Group was €2,785 million, a decrease of €6,158 million compared to €3,373 million net profit for the year ended December 31, 2019 (restated), primarily due to non-recurring items of which, in particular, the devaluation of goodwill of CIB division for €878 million.

The net loss of the Group in 2020 was also impacted by the accounting of some non-recurring items, amounting to about -€4 billion net of taxes and minorities; more specifically:

- with negative impact, -€1,272 million (-€1,347 million gross) due to severance for the personnel in Italy, as planned by "Team 23", -€1,576 million (including transfer charges for -€3 million) for charges related to the sales of 20.95% of Yapi ve Kredi Bankasi A.Ş. and resulting unwinding of Joint Venture agreements, -€99 million for negative profits on investment stemmed out from impairment of real estate assets of the Non Core division;
- - €500 million (-€535 million gross) for loan loss provisions related to the effects quantification of the new European rules concerning the Definition of Default, -€878 million for devaluation of goodwill of CIB division carried out in the fourth quarter 2020 and additional -€20 million (-€18 million gross) for other write-downs;
- with positive impact, €296 million (€466 million gross, including -€49 million of PPA) connected with real estate disposal in Germany.

Similarly, on the 2019 net result, the following non-recurring items, amounting to a total of approximately -€1.3 billion net of taxes and minorities, had an effect:

- with negative impact, -€194 million (-283 million gross) for changes related to disposal of Ocean Breeze Group, €1,055 million of increased writedowns of "Non Core" non performing credit exposures resulting from the update of Group rundown strategy, -€365 million related to agreements for the conclusion of the Joint Venture with Koç Financial Services and the disposal of 9.02% of Yapi ve Kredi Bankasi A.Ş., -€319 million (-€436 million gross) integration costs for leaving incentives of workers in Germany and Austria, -€208 million (-€222 million gross) for write-downs recognised on intangible assets, -€203 million (-€204 million gross) for assets devaluation of Non Core division and a total of -€214 million for other net investment losses
- with positive effect, €1,176 million (€1,178 million gross, including -€62 million of PPA) from disposal of FinecoBank S.p.A. (including the related deconsolidation for €1,287 million, valuation of the trademark and pledges provided) and €79 million (€103 million gross) for adoption of fair value model and revaluation model for the measurement of Group Real Estate portfolio respectively held for investment and used in business.

Net of the mentioned non-recurring items, the Group recorded an underlying net profit of €1,264 million for the year ended on December 31, 2020, compared with €4,675 million of underlying net profit for year ended on December 31, 2019.

As already mentioned before, this trend was also negatively impacted by the already mentioned loan loss provisions on loans (overlay) for -€2.2 billion (-€2.0 billion net of tax and minorities).

Financial Condition

Capital Adequacy

Balance Sheet Data

We obtain the resources necessary to finance our activities mainly from traditional customer deposits, the issuance of bonds and use of the interbank market, which includes also refinancing operations with central banks.

On December 31, 2021 UniCredit confirmed borrowing via the ECB's latest TLTRO III operation €106.8 billion at Group level, in line with the maximum allowance, of which: €56.4 billion by UniCredit S.p.A., €31.4 billion by UniCredit Bank AG, €16.9 billion by UniCredit Bank Austria AG and €2.1 billion by CEE banks.

This debt through TLTRO II provides a deadline plan of June 29, 2022 for €12.6 billion and June 28, 2023 for €94.2 billion.

With respect to the operations of TLTRO III, moreover, as of December 31, 2021, we had, within a three-month period, securities eligible for further ECB Refinancing Operation of approximately €54.5 billion for the Bank (UniCredit International Bank Luxembourg SA included), approximately €12.5 billion for UCB AG (UniCredit Luxembourg SA included) and approximately €3.8 billion for UC Bank Austria, in each case net of discounts provided for access to refinancing operations with the ECB.

The tables below set forth certain balance sheet data as of December 31, 2021, 2020 and 2019

	For the year ended December 31,		Change , 2021 vs	Change % 2021 vs
Condensed Balance Sheet Data	**2021[1]**	**2020[1] (restated)**	**2020**	**2020**
	(in millions of €)			*Change %*
Total assets	916,671	931,456	(14,785)	(1.6)%
Loans to customers	437,544	450,550	(13,006)	(2.9)%
Deposits from customers and debt securities in issue	**596,402**	**600,964**	**(4,562)**	**(0.8)%**
of which deposits from customers	*500,504*	*498,440*	*2,064*	*0.4%*
of which securities in issue	*95,898*	*102,524*	*(6,626)*	*(6.5)%*
Deposits from banks	162,561	172,465	(9,904)	(5.7)%
Loans to banks	82,938	96,519	(13,581)	(14.1)%
Net interbank balance	**(79,623)**	**(75,946)**	**(3,677)**	**4.8%**
Group shareholders' equity	**61,628**	**59,507**	**2,121**	**3.6%**

(1) Figures from the unaudited consolidated report on operations of, and reconciled with, the 2021 Consolidated Financial Statements

	For the year ended December 31,		Change 2020 vs	Change % 2020 vs
Condensed Balance Sheet Data[1]	**2020[1]**	**2019[2]**	**2019**	**2019**
	(in millions of €)			*Change %*
Total assets	931,456	855,647	75,809	8.9%
Loans to customers	450,550	482,574	(32,024)	(6.6)%
Deposits from customers and debt securities in issue	**600,964**	**566,871**	**34,093**	**6.0%**
of which deposits from customers	*498,440*	*470,570*	*27,870*	*5.9%*
of which securities in issued	*102,524*	*96,301*	*6,223*	*6.5%*
Deposits from banks	172,465	135,563	36,902	27.2%
Loans to banks	111,814	97,888	13,926	14.2%
Net interbank balance	**(60,651)**	**(37,675)**	**(22,976)**	**61.0%**
Group shareholders' equity	**59,507**	**61,416**	**(1,909)**	**(3.1)%**

(1) Figures from the unaudited consolidated report on operations of, and reconciled with, the 2020 Consolidated Financial Statements.
(2) Figures from the unaudited consolidated report on operations of, and reconciled with, the 2019 Consolidated Financial Statements.

The tables below contain the loans and receivables with customers' reconciliation between reclassified balance sheet and mandatory reporting schedules as of December 31, 2021, 2020 and 2019.

Loans to customers' reconciliation	**As of December 31, 2021[1]**
	(in millions of €)
Item 40. Loans and receivables with customers	502,215
Reclassification of debt securities in other financial assets	(66,464)
Reclassification of leasing assets IFRS16 in Other financial assets	(68)
Reclassification of loans from Other financial assets	1,862
Loans and receivables with customers (reclassified)	437,544

(1) Figures from the 2021 Consolidated Financial Statements.

Loans to customers' reconciliation	**As of December 31, 2020[1]**
	(in millions of €)
Item 40. Loans and receivables with customers	506,012
Reclassification of debt securities in other financial assets	(57,277)
Reclassification of leasing assets IFRS16 in Other financial liabilities	(60)
Reclassification of loans from Other financial assets	1,876
Loans and receivables with customers (reclassified)	450,550

(1) Figures from the 2020 Consolidated Financial Statements

Loans to customers' reconciliation	**As of December 31, 2019[1]**
	(in millions of €)
Item 40. Loans and receivables with customers	524,794
Reclassification of debt securities in other financial assets	(45,093)
Reclassification of leasing assets IFRS16 in Other financial liabilities	(56)
Reclassification of loans from Other financial assets	2,929
Loans and receivables with customers (reclassified)	482,574

(1) Figures from the 2019 Consolidated Financial Statements

December 31, 2021 compared to December 31, 2020

As of December 31, 2021, loans were €437.5 billion, a decrease of 2.9% compared to € 450.6 billion as of December 31, 2020.

As of December 31, 2021, customer deposits were € 500.5 billion, an increase of € 2.1 billion (0.4%), compared to € 498.4 billion as of December 31, 2020.

As of December 31, 2021, securities in issue were € 95.9 billion, a decrease of 6.5% compared to € 102.5 billion as of December 31, 2020.

As of December 31, 2021, deposits from banks were € 162.6 billion, a decrease of 5.7% compared to € 172.5 billion as of December 31, 2020.

As of December 31, 2021, loans to banks were € 82.9 billion, a decrease of 14.1% compared to € 96.5 billion as of December 31, 2020.

For the reasons explained above, the net inter-bank balance as of December 31, 2021, was € 79.6 billion, an increase of 4.8% compared to € 75.9 billion as of December 31, 2020.

As of December 31, 2021, our shareholders' equity was € 61.6 billion, an increase of €2.1 billion (3.6%) compared to € 59.5 billion as of December 31, 2020 as a result of:

- change in capital:
  - withdrawal from the specifically constituted reserve for the issue of the shares connected to the medium term incentive plan for Group personnel following the resolution of the Board of Directors of 10 February 2021.

- use of share premium reserve for:
  - the coverage of the entire loss of UniCredit S.p.A. from the 2020 financial year (-€ 2,732 million);
  - the increase of the Legal reserve (-€55 million);
  - the coverage of the negative components related to the payment of AT1 coupons (-€ 322 million);
  - the allocation to specific unavailable reserve in relation to the purchases of treasury shares in execution of First Buy-Back Programme 2021 (-€179 million);
  - the allocation to specific unavailable reserve for the maximum amount of authorised purchases in execution of Second Buy-Back Programme (-€652 million).
- change in reserves, including those one in treasury shares arising from:
  - attribution to the reserve of the result of the previous year excluding the loss of UniCredit S.p.A., net of other allocations;
  - coverage of the negative reserves to eliminate the components related to the payment of AT1 coupons (+€ 322 million) , the increase of the Legal reserve (+€55 million), the allocation of a portion of the Share Premium Reserve to set up the specific unavailable reserve for the execution of the First Buy-Back Programme 2021 (+€179 million) and of the "Second Buy-Back Programme 2021" (+€652 million) for the maximum amount of authorized purchases; consequently the unavailable reserve (-€181 million) was used to offset the negative item Treasury shares (+€181 million) following the cancellation of the shares, including treasury shares already held in portfolio before the start of the buy-back executing the resolutions of the Shareholders' Meeting of UniCredit S.p.A. of 15 April 2021;
  - purchase of No.17,416,128 shares in the item "Treasury shares" in execution of the First Buy-Back Programme 2021 (-€179 million) and with subsequent cancellation (as described above) and purchase of No.15,048,642 shares performed till December 31, 2021 in execution of the "Second Buy-Back Programme 2021" (-€199 million);
  - change in reserves connected to Share Based Payments;
  - charge to reserves for the cash-out related to the usufruct contract signed with Mediobanca S.p.A. on UniCredit shares for the issuance of convertible securities denominated "Cashes" relating to the last payment referring to the results of the year 2019;
  - recognition in reserves from allocation of profit of the cumulated gains (losses) arising from the disposal of equities measured at fair value through Other Comprehensive Income and from the repurchase of financial liabilities designated at fair value occurred during the period. This amount includes also the recycling to reserves from allocation of profit of the eventual amount previously reported in revaluation reserve;
  - withdrawal from the specifically constituted reserves, for the capital increase connected to the medium term incentive plan for Group personnel following the resolution of the Board of Directors of 10 February 2021;
  - distribution of dividends from profit reserves as approved by Shareholders' Meeting of 15 April 2021;
  - allocation to the reserves of the coupon paid to subscribers of the Additional Tier 1 notes, net of the related taxes;
  - other changes.
- change in valuation reserves related to:
  - actuarial gains (losses) on defined-benefit plans; exchange rate differences;
  - tangible assets;
  - the valuation of companies carried at equity;
  - hedging for financial risks;
  - financial assets and liabilities valued at fair value;
  - non-current assets classified held-for-sale;
  - change in equity instruments: issue of Additional Tier1 recognised net of the related transaction costs and placement fees (+€744 million) and early redemption of the Additional Tier 1 instruments issued in 2014, net of the related placement costs (-€990 million); and
- change of the profit for the year compared with that of December 31, 2020 for € 4,325 million.

December 31, 2020 compared to December 31, 2019

As of December 31, 2020, loans were €450.6 billion, a decrease of 6.6% compared to €482.6 billion as of December 31, 2019.

As of December 31, 2020, customer deposits were €498.4 billion, an increase of €27.9 billion (5.9%), compared to €470.6 billion as of December 31, 2019.

As of December 31, 2020, securities in issue were €102.5 billion, an increase of 6.5% compared to €96.3 billion as of December 31, 2019.

As of December 31, 2020, deposits from banks were €172.5 billion, an increase of 27.2% compared to €135.6 billion as of December 31, 2019.

As of December 31, 2020, loans to banks were €111.8 billion, an increase of 14.2% compared to €97.9 billion as of December 31, 2019.

For the reasons explained above, the net inter-bank balance as of December 31, 2020, was €60.7 billion, an increase of 61.0% compared to €37.7 billion as of December 31, 2019.

As of December 31, 2020, our shareholders' equity was €59.5 billion, a decrease of €1.9 billion (3.1%) compared to €61.4 billion as of December 31, 2019 as a result of:

- change in capital:
  - withdrawal from the specifically constituted reserve for the issue of the shares connected to the medium term incentive plan for Group personnel following the resolution of the Board of Directors of 5 February 2020.
- use of share premium reserve for:
  - the coverage of the entire loss of UniCredit S.p.A. from the 2019 financial year (-€555 million);
  - the coverage of the negative components related to the payment of AT1 coupons (-€525 million) and to the first time adoption of the IFRS9 (-€2,759 million).
- change in reserves, including those one in treasury shares arising from:
  - attribution to the reserve of the result of the previous year excluding the loss of UniCredit S.p.A., net of other allocations;
  - coverage of the negative reserves to eliminate the components related to the payment of AT1 coupons (+€525 million) and to the first time adoption of the IFRS9 (+€2,759 million) by use of the Share Premium reserve;
- change in reserves connected to Share Based Payments;
  - allocation to the reserves of the coupon paid to subscribers of the Additional Tier 1 notes, net of the related taxes;
  - withdrawal from the specifically constituted reserves, for the capital increase connected to the medium term incentive plan for Group personnel following the resolution of the Board of Directors of 5 February 2020;
  - the charge to reserves for the disbursements made in connection with the usufruct contract signed with Mediobanca S.p.A. on UniCredit shares supporting the issuance of convertible securities denominated "Cashes" and other related fees;
  - other changes.
- change in valuation reserves related to:
  - the valuation of companies carried at equity;
  - non-current assets classified held-for-sale;
  - tangible assets;
  - hedging for financial risks;
  - financial assets and liabilities valued at fair value;
  - actuarial gains (losses) on defined-benefit plans;
  - exchange rate differences;
- issue of Additional Tier1 recognised net of the related transaction costs and placement fees for €1,239 million;
- change of the profit (loss) for the year compared with that of December 31, 2019 for negative €6,158 million.

Loan portfolio

The tables below set forth our net losses/recoveries on credit impairment, broken down into receivables from banks and loans and advances to customers as of December 31, 2021, 2020 and 2019.

Condensed Balance Sheet Data	As of December 31, 2021[1]	As of December 31, (restated) 2020[1]
	(in millions of €)	
A. Net impairment losses for credit risk relating to financial assets at amortised cost		
a) Loans and advances to banks	2	14
b) Loans and advances to customers	(2,169)	(4,654)
Total A	**(2,167)**	**(4,640)**
B. Net change for credit risk relating to financial assets at fair value through other comprehensive income		
a) Debt securities	(18)	(16)
b) Loans	–	–
Total B	**(18)**	**(16)**
Grand Total (A+B)	**(2,185)**	**(4,656)**

(1) Figures from the 2021 Consolidated Financial Statements.

Condensed Balance Sheet Data	As of December 31, 2020[1]	As of December 31, 2019[2]
	(in millions of €)	
A. Net impairment losses for credit risk relating to financial assets at amortised cost		
a) Loans and advances to banks	14	(5)
b) Loans and advances to customers	(4,654)	(3,473)
Total A	**(4,640)**	**(3,478)**
B. Net change for credit risk relating to financial assets at fair value through other comprehensive income		
a) Debt securities	(16)	(11)
b) Loans	–	–
Total B	**(16)**	**(11)**
Grand Total (A+B)	**(4,656)**	**(3,489)**

(1) Figures from the 2020 Consolidated Financial Statements.
(2) Figures from the 2019 Consolidated Financial Statements.

As of December 31, 2021, net impairment losses for credit risk relating to financial assets at amortised cost was € 2,167 million, while net change for credit risk relating to financial assets at fair value through other comprehensive income was negative €18 million.

As of December 31, 2020, net impairment losses for credit risk relating to financial assets at amortised cost was €4,640 million, while net change for credit risk relating to financial assets at fair value through other comprehensive income was negative €16 million.

As of December 31, 2019, net impairment losses for credit risk relating to financial assets at amortised cost was €3,478 million, while net change for credit risk relating to financial assets at fair value through other comprehensive income was negative €11 million.

Balance sheet loans and advances to customers

December 31, 2021 compared to December 31, 2020

As of December 31, 2021, net exposure in terms of non-performing loans with customers was € 7.5 billion, a decrease of 12.3 % compared to € 8.5 billion as of December 31, 2020.

Similarly, the percentage of impaired loans of balance sheet loans and receivables to customers (net book values) was 1.7 % as of December 31, 2021, stable compared to December 31, 2020.

As of December 31, 2021, the coverage percentage of impaired loans was 54.0 %, a decrease of 584 basis points compared to 59.9% as of December 31, 2020. With regard to bad loans only, the coverage percentage as of December 31, 2021 was 75.1% (a decrease of 333 basis points compared to 78.4 % as of December 31, 2020), while, for unlikely to pay loans, the coverage percentage was 46.6 % a decrease of 384 basis points compared to 50.4 % as of December 31, 2020.

The coverage percentage of performing loans as of December 31, 2021, was 1.0%, compared to December 31, 2020 when it was 0.9%.

December 31, 2020 compared to December 31, 2019

As of December 31, 2020, net exposure in terms of non-performing loans with customers was €8.5 billion, a decrease of 3.0% compared to €8.8 billion as of December 31, 2019.

Similarly, the percentage of impaired loans of balance sheet loans and receivables to customers (net book values) was 1.9% as of December 31, 2020, stable compared to December 31, 2019.

As of December 31, 2020, the coverage percentage of impaired loans was 59.9%, a decrease of 539 basis points compared to 65.2% as of December 31, 2019. With regard to bad loans only, the coverage percentage as of December 31, 2020 was 78.4% (an increase of 206 basis points compared to 76.3% as of December 31, 2019), while, for unlikely to pay loans, the coverage percentage was 50.4% a decrease of 550 basis points compared to 55.9% as of December 31, 2019.

The coverage percentage of performing loans as of December 31, 2020, was 0.9%, compared to December 31, 2019 when it was 0.5%.

See "*– Factors Affecting Results of Operations – Evolution of non-performing loans*."

Off Balance Sheet Arrangements

Guarantees and Commitments

The tables below contain the guarantees and commitments issued by us as of December 31, 2020.

	As of December 31,		
	2021[1]	**2020[2]**	**2019[3]**
	(in millions of €)		
1) Loan commitments given	**174,622**	**173,473**	**162,706**
a) central banks	19	18	24
b) governments and other public sector entities	6,242	7,741	6,767
c) banks	2,405	2,443	5,001
d) other financial companies	29,456	30,705	25,353
e) non-financial companies	124,824	121,353	113,707
f) households	11,676	11,213	11,854
2) Financial guarantees given	**53,943**	**49,421**	**54,885**
a) central banks	34	55	64
b) governments and other public sector entities	252	297	358
c) banks	9,119	7,767	9,502
d) other financial companies	4,715	5,171	4,938
e) non-financial companies	39,345	35,687	39,554
f) households	478	444	469
3) Other guarantees given	**22,811**	**20,381**	**19,988**
a) central banks	**–**	–	–
b) governments and other public sector entities	4	6	6
c) banks	1,530	2,574	1,948
d) other financial companies	2,418	2,204	2,269
e) non-financial companies	18,842	15,578	15,748
f) households	17	19	17
4) Other commitments	**99,237**	**100,375**	**94,235**
a) central banks	405	958	747
b) governments and other public sector entities	1,245	973	1,148
c) banks	17,051	12,685	13,799
d) other financial companies	13,468	21,553	16,870
e) non-financial companies	61,930	58,991	57,099
f) households	5,138	5,215	4,572
Total	**350,613**	**343,650**	**331,814**

(1) Figures from the 2021 Consolidated Financial Statements.
(2) Figures from the 2020 Consolidated Financial Statements.
(3) Figures from the 2019 Consolidated Financial Statements.

Structured Credit Products

We operate in the market of structured credit securities ("**SCS**") acting as originator, sponsor, and investor, depending on the circumstances. We monitor their fair value and their economic value of SCS portfolios.

A standardized monthly Independent Price Verification ("**IPV**") process has been approved and has been in force on a monthly basis since March 2008 for our various Group companies, in relation to the structured credit securities portfolios acquired by us and relating to operations performed by third parties. The process is coordinated by our Risk Management department. Under the IPV process, financial instruments are classified into three classes (fair value hierarchy levels) according to the inputs used to calculate the fair value and representing, by extension, their liquidity and price reliability level. The classifications are: level one for instruments where there are listed prices that can be obtained from markets active at the reference date; level two for instruments whose value is calculated from inputs (i.e., prices or credit spreads of comparable securities) that can be observed on the market at the reference date; and level three for instruments whose value is determined from inputs that cannot be observed directly on the market. Under current market conditions, structured credit securities are usually classified as level two or three.

These valuation models are inherently complex and the assumptions, estimates and valuations on which they are based often take into account uncertain and unpredictable data, including expected cash flows, borrower solvency and the appreciation or depreciation of assets, which require periodic updates to reflect new trends or changes in market conditions.

In light of the current market situation, the fair values of many of the securities that we have purchased from third parties and included in SCS portfolios have decreased significantly compared to their book values. Therefore, any sales of these securities at prices below their book value and, with respect to the securities belonging to our banking book, any impairment charges required to be recognized under IFRS when a security's economic value falls below its book value could lead to significant negative effects on our financial situation.

Origination

Our origination consists of the sale of on-balance sheet receivables portfolios to vehicles set up as securitization companies under Law 130/99 or similar non-Italian legislation.

The buyer finances the purchase of the receivables portfolios by issuing bonds of varying seniority and transfers its issue proceeds to us. The yield and maturity of the bonds issued by the buyer necessarily depend on the expected cash flows from the assets being sold. As additional security to bondholders, these transactions may include special types of credit enhancements, including, for example, subordinated loans, financial guarantees, standby letters of credit or overcollateralization.

Our most common objectives in carrying out these transactions are:

- to originate securities that can be used to secure repos with the Bank of Italy and the ECB (i.e. counterbalancing capacity);
- to obtain funding through the placement of securities on the market. This also allows a diversification of the funding sources and of the investors' basis with improvements in reducing the cost of Group's funding;
- to free up economic and regulatory capital by carrying out transactions that reduce capital requirements under current rules by reducing credit risk of the underlying portfolio;
- to reduce the exposures towards non-performing customers;
- to optimise the recoveries of exposures portfolios towards non-performing customers, referring to specific asset classes; and
- other purposes related for example to corporate re-organization, M&A or divestment's assets where the true sale securitization is instrumental to the deleveraging and assets transfer

We carry out both traditional securitizations whereby the receivables portfolio is sold to an SPV and synthetic securitizations which use financial guarantees to purchase protection over all or part of the underlying credit risk of the portfolio.

We have also carried out traditional securitizations, acquiring all liabilities issued by the special purpose vehicles for a total of € 27.7 billion of underlying assets as of December 31, 2021 ("**self-securitizations**").

In addition, we have two covered bond programs (OBG or Italian covered bonds) as medium and long-term funding tools, subject, in line with the Supervisory Provisions, to periodical checks regarding:

- the quality, suitability and integrity of the assets guaranteeing the bonds;
- compliance with the maximum ratio between the covered bonds issued and the assets given as a guarantee;
- compliance with the assignment limits and the integration methods;
- the effectiveness and the adequacy of the risk cover offered by any derivative contracts agreed with regard to the transaction; and
- the annual balance between the financial flows produced by the cover pool and those absorbed by the Italian covered bonds issued.

As at December 31, 2021 the series of covered bonds issued under the two programmes totalled 27 and were worth €23,856 million, of which €18,200 million was repurchased by UniCredit S.p.A.

Under traditional securitizations, we retain the first loss in the form of junior bonds or similar exposure and, in some cases, provide additional, special credit enhancements as described above. This enables us to benefit from the portion of the sold receivables' yield in excess of the yield due to the senior and mezzanine tranches.

Retention by us of the first loss risk and the corresponding yield results in most of the risk and return on the portfolio being retained by us. Consequently, these transactions are recognized in the financial statements as loans, no profits arising out of the transfer of the assets are recognized and the sold receivables are not de-recognized.

Synthetic securitizations also entail retention of the receivables subject to credit default protection on the balance sheet. The swap is recognized in the accounts, as well as any other purchased interest.

The tables below set out our retained net cash exposure under securitizations in which we were the originator, subdivided according to whether or not the receivables were de-recognized in the accounts.

Exposures deriving from the securitization of own assets

Exposures deriving from the securitization of own assets	As of December 31, 2021[1]	As of December 31, 2020[2]	As of December 31, 2019[3]
		(in millions of €)	
Assets sold and de-recognized	1,689	1,684	1,710
Assets sold but not de-recognized	1,205	1,480	1,604
Synthetic transactions	4,041	2,516	3,885
Total	**6,935**	**5,680**	**7,199**

(1) Figures from the 2021 Consolidated Financial Statements.
(2) Figures from the 2020 Consolidated Financial Statements.
(3) Figures from the 2019 Consolidated Financial Statements.

The exposure as of December 31, 2021 can be broken down by level of subordination as follows:

- exposures in the junior tranche of € 0.9 billion;
- exposures in the mezzanine tranche of € 0.3 billion; and
- exposures in the senior tranche of € 5.7 billion.

The exposure as of December 31, 2020 can be broken down by level of subordination as follows:

- exposures in the junior tranche of €1.0 billion;
- exposures in the mezzanine tranche of €0.34 billion; and
- exposures in the senior tranche of €4.4 billion.

The exposure as of December 31, 2019 can be broken down by level of subordination as follows:

- exposures in the junior tranche of €0.9 billion;
- exposures in the mezzanine tranche of €0.5 billion; and
- exposures in the senior tranche of €5.8 billion.

The tables below set forth retained tranches broken down according to the level of subordination:

Type of Securitised Assets/Exposure	Balance-sheet Exposure					
	December 31, 2021[1]					
	Senior		Mezzanine		Junior	
	Carrying value	*Write-downs/ Write-backs*	*Carrying value*	*Write-downs/ Write-backs*	*Carrying value*	*Write-downs/ Write-backs*
			(in millions of €)			
A. Totally derecognized	1,614	–	54	–	21	–
B. Partially derecognized	–	–	9	–	9	7
C. Not-derecognized	4,125	–	243	–	861	119

(1) Figures from the 2021 Consolidated Financial Statements.

Type of Securitised Assets/Exposure	Balance-sheet Exposure					
	December 31, 2020[1]					
	Senior		Mezzanine		Junior	
	Carrying value	*Write-downs/ Write-backs*	*Carrying value*	*Write-downs/ Write-backs*	*Carrying value*	*Write-downs/ Write-backs*
	(in millions of €)					
A. Totally derecognized	1,595	–	61	–	28	–
B. Partially derecognized	–	–	8	–	1	(19)
C. Not-derecognized	2,769	–	295	–	923	(138)

[1] Figures from the 2020 Consolidated Financial Statements.

Type of Securitised Assets/Exposure	Balance-sheet Exposure					
	December 31, 2019[1]					
	Senior		Mezzanine		Junior	
	Carrying value	*Write-downs/ Write-backs*	*Carrying value*	*Write-downs/ Write-backs*	*Carrying value*	*Write-downs/ Write-backs*
	(in millions of €)					
A. Totally derecognized	1,489	–	169	–	52	–
B. Partially derecognized	–	–	33	–	1	1
C. Not-derecognized	4,259	–	323	–	873	(124)

[1] Figures from the 2019 Consolidated Financial Statements.

Type of Securitised Assets/Exposure	Guarantees given					
	December 31, 2021[1]					
	Senior		Mezzanine		Junior	
	Net exposure	*Write-downs/ Write-backs*	*Net exposure*	*Write-downs/ Write-backs*	*Net exposure*	*Write-downs/ Write-backs*
	(in millions of €)					
A. Totally derecognized						
B. Partially derecognized	–	–	–	–	–	–
C. Not-derecognized	–	–	–	–	–	–

[1] Figures from the 2021 Consolidated Financial Statements.

Type of Securitised Assets/Exposure	Guarantees given					
	December 31, 2020[1]					
	Senior		Mezzanine		Junior	
	Net exposure	*Write-downs/ Write-backs*	*Net exposure*	*Write-downs/ Write-backs*	*Net exposure*	*Write-downs/ Write-backs*
	(in millions of €)					
A. Totally derecognized	–	–	–	–	–	–
B. Partially derecognized	–	–	–	–	–	–
C. Not-derecognized	–	–	–	–	–	–

[1] Figures from the 2020 Consolidated Financial Statements.

Type of Securitised Assets/Exposure	**Guarantees given**					
	December 31, 2019[1]					
	Senior		**Mezzanine**		**Junior**	
	Net exposure	*Write-downs/ Write-backs*	*Net exposure*	*Write-downs/ Write-backs*	*Net exposure*	*Write-downs/ Write-backs*
	(in millions of €)					
A. Totally derecognized	–	–	–	–	–	–
B. Partially derecognized	–	–	–	–	–	–
C. Not-derecognized	258	–	–	–	–	–

(1) Figures from the 2019 Consolidated Financial Statements.

Type of Securitised Assets/Exposure	**Guarantees given**					
	December 31, 2021[1]					
	Senior		**Mezzanine**		**Junior**	
	Net exposure	*Write-downs/ Write-backs*	*Net exposure*	*Write-downs/ Write-backs*	*Net exposure*	*Write-downs/ Write-backs*
	(in millions of €)					
A. Totally derecognized	–	–	–	–	–	–
B. Partially derecognized	–	–	–	–	–	–
C. Not-derecognized	–	–	–	–	–	–

(1) Figures from the 2021 Consolidated Financial Statements.

Type of Securitised Assets/Exposure	**Guarantees given**					
	December 31, 2020[1]					
	Senior		**Mezzanine**		**Junior**	
	Net exposure	*Write-downs/ Write-backs*	*Net exposure*	*Write-downs/ Write-backs*	*Net exposure*	*Write-downs/ Write-backs*
	(in millions of €)					
A. Totally derecognized	–	–	–	–	–	–
B. Partially derecognized	–	–	–	–	–	–
C. Not-derecognized	–	–	–	–	–	–

(1) Figures from the 2020 Consolidated Financial Statements.

Type of Securitised Assets/Exposure	**Guarantees given**					
	December 31, 2019[1]					
	Senior		**Mezzanine**		**Junior**	
	Net exposure	*Write-downs/ Write-backs*	*Net exposure*	*Write-downs/ Write-backs*	*Net exposure*	*Write-downs/ Write-backs*
	(in millions of €)					
A. Totally derecognized	–	–	–	–	–	–
B. Partially derecognized	–	–	–	–	–	–
C. Not-derecognized	9	–	–	–	–	–

(1) Figures from the 2019 Consolidated Financial Statements.

Other Consolidated SPVs

SPVs which do not perform securitization transactions of our assets, but which we control are consolidated as well, even if they do not belong to the banking group.

The consolidation of these vehicles is required by IFRS 10.

We act as a promoter (sponsor) through UniCredit Bank AG, of special purpose entities which issue commercial papers (Asset Backed Commercial Paper Conduit) established in order to fund the credit portfolios of customers through access to the securitization market (Multi Seller Customer Conduits).

As of December 31, 2021, the total amount of exposures in which we had the role of sponsor was € 5.5 billion, broken down into asset backed commercial paper and loans for € 1.9 billion and undrawn credit lines for € 3.6 billion.

As of December 31, 2020, the total amount of exposures in which we had the role of sponsor was €6.1 billion, broken down into asset backed commercial paper and loans for €2.3 billion and undrawn credit lines for €3.8 billion.

As of December 31, 2019, the total amount of exposures in which we had the role of sponsor was €6.3 billion, broken down into asset backed commercial paper and loans for €3.2 billion and undrawn credit lines for €3.1 billion.

Customer conduits require the formation and management of a bankruptcy-remote company (i.e., one that would be immune from any financial difficulties of the originator) that directly or indirectly buys receivables created by companies outside our Group.

The receivables underlying these transactions are not bought directly by us, but by a purchase company that in turn is wholly funded by the conduit by means of commercial paper or medium-term notes.

In some circumstances, purchase companies fund further SPVs which buy loan portfolios.

The main purpose of these transactions is to give corporate clients access to the securitization market and thus to lower funding costs that would be borne with direct funding.

The conduit's purchase of assets is financed by short-term commercial paper and medium-term note issues.

Payment of interest and redemption of the securities issued by the conduit therefore depends on cash flow from the receivables purchased (credit risk) and the ability of the conduit to roll over or replace its market funding on maturity (liquidity risk).

To guarantee prompt redemption of the securities issued by the conduit, these transactions are guaranteed by a standby letter of credit covering the risk of default of both the specific assets and the whole program.

The underwriters of issued securities also benefit from security provided by specific liquidity lines which the conduit may use if it is unable to place new commercial paper to repay maturing paper (e.g., during market turmoil).

These liquidity lines may not, however, be used to guarantee redemption of securities issued by the conduit in the event of default by the underlying assets.

In our role as sponsor, we select the asset portfolios purchased by conduits or purchase companies and provide administration of the assets, standby letters of credit and liquidity lines.

For these services, we receive fees and also benefits from the spread between the return on the assets purchased by the SPV and the securities issued.

The tables below set forth the exposures that we have sponsored as of December 31, 2021, 2020 and 2019.

Exposures sponsored	**As of December 31, 2020[1]**	**As of December 31, 2020[2]**	**As of December 31, 2019[3]**
		(in millions of €)	
Balance sheet exposures	1,936	2,291	3,155
Credit facilities	3,569	3,779	3,110
Total	**5,505**	**6,070**	**6,265**

(1) Figures from the 2021 Consolidated Financial Statements.
(2) Figures from the 2020 Consolidated Financial Statements.
(3) Figures from the 2019 Consolidated Financial Statements.

"Credit facilities" represents the difference between the total credit lines granted and the amount of commercial paper underwritten by us. This figure is the additional risk exposure incurred by us and arises from commercial paper purchased by third parties and commitments to purchase further assets under the program.

"Balance sheet exposures" are commercial paper purchased by us. These exposures are fully consolidated and, therefore, not visible in the consolidated accounts.

In addition to the activity described above, we have involvements in special purpose entities that are consolidated because they have both control over the underlying assets and exposure to variability of returns arising from the structured entities' activities as a result of the financial instruments subscribed.

Our consolidated structured entities belong to one of the following categories:

- *Leasing*: These structured entities are set up by us to meet the needs of customers interested in entering into finance leasing. We provide funding to these structured entities, both in form of equity and in form of loans. Such funding is used to buy assets (real estate, equipment, etc.) that are leased to a customer under a finance leasing contract.
- *Project Finance*: These structured entities are set up in order to finance capital intensive projects according to the need of specific customers. Typically the funds needed to develop the project are provided by the customer in the form of equity and by us in the form of loans. We consolidate such structured entities as a result of deterioration of the creditworthiness of the customer and subsequent acquisition of the right to manage the project.
- *Real Estate*: These structured entities have been set up in order to fund real estate projects used in the business by us.
- *Funding*: These structured entities are set up by us to gather funding in specific markets that is guaranteed by a group entity. This funding is then transferred to the group entity that guarantees it.
- *Investment Funds*: These structured entities are open ended and closed ended investment funds in which we have acquired control.
- *Warehousing*: These structured entities are set up in order to subsequently perform securitization transactions. In particular, they purchase mortgages in specific markets and from different originators until a "critical mass" is reached that allows the securitization to be performed. The purchases of mortgages are funded through loans provided by us.

According to the line-by-line consolidation method, we recognize the assets and the liabilities held by consolidated vehicles toward third party entities in our consolidated financial statements.

The following tables provide on-balance sheet and off-balance sheet, non-revocable credit line and financial guarantees provided by our companies to consolidated structured entities. These exposures are eliminated in the consolidation process.

	As of December 31, 2021[1]	
Balance sheet items/SPV type	**Total assets**	**Off-balance Sheet exposures**
	(in millions of €)	
Leasing SPV	1,476	–
Project Finance SPV	–	–
Real Estate SPV	20	10
Funding SPV	–	–
Investment Funds	316	–
Warehousing SPV	–	–
Total	**1,812**	**10**

(1) Figures from the 2021 Consolidated Financial Statements.

	As of December 31, 2020[1]	
Balance sheet items/SPV type	**Total assets**	**Off-balance Sheet exposures**
	(in millions of €)	
Leasing SPV	1,879	–
Project Finance SPV	–	–
Real Estate SPV	21	10
Funding SPV	323	–
Investment Funds	290	–
Warehousing SPV	–	–
Total	**2,513**	**10**

(1) Figures from the 2020 Consolidated Financial Statements.

Balance sheet items/SPV type	As of December 31, 2019[1] Total assets	Off-balance Sheet exposures
	(in millions of €)	
Leasing SPV	2,145	–
Project Finance SPV	5	18
Real Estate SPV	23	10
Funding SPV	222	–
Investment Funds	97	–
Warehousing SPV	–	–
Total	**2,492**	**28**

(1) Figures from the 2019 Consolidated Financial Statements.

Other non-consolidated SPVs

We have exposure to unconsolidated structured entities as a result of:

- investments in securitizations established by third-parties such as RMBS, CMBS, CDO, CBO/CLO and other ABS;
- credit lines and other off balance sheet exposures provided to non-consolidated purchase companies; and
- lending activities to structured entities or investments in quotas issued by funds that are structured entities under the IFRS12 definition.

With reference to investments in securitization established by third-parties, we also invest in structured credit products issued by special-purpose entities that are not consolidated pursuant to the accounting rules in force, insofar as such instruments do not bear most of the risk or receive most of the returns associated with the activity carried out by these special-purpose entities.

In line with the development of the financial markets and, specifically, the securitization market, the Global ABS Portfolio was transformed from a separate portfolio in liquidation to strategic investment portfolio for the Group in 2011 and was integrated into the Markets Strategic Portfolio ("**MSP**"), managed with a view to generating a profit margin and creating an appreciable capital return through long-term investments in fixed-income securities.

The development of client-related operations is also an integral part of MSP activities and includes actions to strengthen the customer base and support securitizations. This portfolio is subject to monitoring and reporting by the business and risk management functions. All activities relating to the MSP are carried out in conformity with established policies and procedures, specifically credit approval procedures.

The analysis of investments in ABS focuses specifically on the following elements:

- Structural analysis of all internal and external risks inherent in a similar investment, e.g., Default Risk, Dilution Risk, Residual Value Risk, Servicer Risk, Interest Rate Risk, Liquidity Risk, Commingling Risk, Legal Risk, Adequacy of performance triggers, etc. These risks may differ according to the underlying assets class;
- Analysis of the underlying portfolio, including the analysis of all performance indicators significant for each underlying asset class;
- Cash flows/quantitative analysis/modelling; and
- Credit rating and experience of the participants e.g. vendor/servicer – financial soundness, capacity and availability to service assets.

The following table provide the exposure resulting from the main "in-house" securitization transaction broken down by type of securitized asset and by type of exposure.

Type of Securitised Assets/Exposure	**Balance-sheet exposure**					
	December 31, 2021					
	Senior		**Mezzanine**		**Junior**	
	Carrying value	*Write-downs/ Write-backs*	*Carrying value*	*Write-downs/ Write-backs*	*Carrying value*	*Write-downs/ Write-backs*
	(in millions of €)					
A. Totally derecognized	**1,614**	**–**	**54**	**–**	**21**	**–**
A.1 Residential mortgages	778	–	3	–	–	–
A.2 Loans to SME	364	–	50	–	21	–
A.3 Leasing	472	–	1	–	–	–
B. Partially derecognized	**–**	**–**	**9**	**–**	**9**	**7**
B.1 Loans to SME	–	–	9	–	9	7
C. Not-derecognized	**4,125**	**–**	**243**	**–**	**861**	**119**
C.1 Residential mortgages	742	–	151	–	565	43
C.2 Loans to SME	3,383	–	92	–	255	76
C.3 Leasing	–	–	–	–	41	–

The following table provide the exposure resulting from the main third-party securitization transaction broken down by type of securitized asset and by type of exposure.

Type of Securitised Assets/Exposure	**Balance-sheet exposure**					
	December 31, 2021					
	Senior		**Mezzanine**		**Junior**	
	Carrying value	*Write-downs/ Write-backs*	*Carrying value*	*Write-downs/ Write-backs*	*Carrying value*	*Write-downs/ Write-backs*
	(in millions of €)					
A.1 Residential mortgages	1,427	–	20	–	–	–
A.2 Commercial mortgage	25	–	27	–	–	–
A.3 Loans to SME(*)	3,393	–	4	–	29	–
A.4 Leasing	12	–	–	–	–	–
A.5 Consumer loans	3,740	–	–	–	–	–
A.6 Other retail exposures	354	–	–	–	2	–
A.7 trade receivables(*)	2,414	–	–	–	2	–

(*) Included exposures of subsidiaries subject to consolidation, but not belonging to the banking group.

With reference to lending activities and investments in quotas issued by funds, the unconsolidated structured entities which we are exposed to belong to the following categories:

- Acquisition and Leveraged Finance structured entities are set up to provide funding for the acquisition of a target business, where sponsors participate with equity contribution and lenders structure their facilities according to the cash flow profile of the target. We provide funding to these structured entities according to the applicable internal credit policies that also define the level of equity that has to be provided by the sponsor. We have no control over these structured entities because we neither manage the company whose acquisition is being financed nor are significantly exposed to the associated variability.
- Leasing structured entities are set up to buy an asset and rent it to customers (based on a financial leasing contract). The funding is provided through loans and the structured entities are the owners of the asset. At the end of the contract, the asset is usually sold to the customer at a price usually equal to the residual value. We provide funding to these structured entities according to the applicable internal credit policies. In particular, the contracts governing such transactions and associated guarantees ensure that we have no control over these structured entities because we neither manage the activities of the structured entities nor are significantly exposed to variability of returns of the leased assets.
- Market Related structured entities are set up in order to allow customers to invest into financial instruments having features, in terms of currency of denomination or interest rate, different from those offered in the market. In this context, we maintain exposure against these vehicles though we do not transfer the main risks of the underlying instruments. Notes issuing structured entities are structured entities that issue security different from ABS that are

backed up by certain types of assets. These include covered bonds issued by third parties. We do not control these structured entities as we have neither the ability to manage the underlying assets nor retain significant exposures to their variability of return.

- Project Finance structured entities are structured entities set up for the financing of capital intensive business initiatives, where customers participate with equity contributions. We provide funding to these structured entities according to the applicable internal credit policies that also define the level of equity that has to be provided by the sponsor. We have no control over these structured entities because we neither manage the assets being financed nor are significantly exposed to the resulting variability.
- Real Estate structured entities are set up for the financing of specific real estate initiatives. In these structures, the customers, typically commercial and residential development companies, institutional investors and housing companies, set up the structured entities, set up the SPV and provide the equity while we provide funding according to the applicable internal credit policies that also define the level of equity that has to be provided by the sponsor. We have no control over these structured entities because we neither manage the assets being financed nor are significantly exposed to the resulting variability.
- Shipping and Aircraft structured entities are set up for the building or the acquisition of a ship or an aircraft that is then used by the customer in the context of its business activities. We provide funding to these structured entities according to the applicable internal credit policies that also define the level of equity that has to be provided by the sponsor. We have no control over these structured entities because we neither manage the assets being financed nor are significantly exposed to the resulting variability.
- Warehousing structured entities support subsequent securitisation transactions through the purchase of mortgages in specific markets and from different originators until a "critical mass" that allows to perform such securitisation is reached.
- Investment Funds comprise open-ended and closed-ended investment funds in which we have subscribed for quotas or provided loans.

The following tables provide information on assets, liabilities and off-balance sheet exposures recognized in our balance sheet as of December 31, 2021, 2020 and 2019.

The maximum exposure to loss has been calculated by grossing up the difference between assets and liabilities with off balance sheet positions, credit lines and financial guarantees held toward the above-mentioned structured entities.

As of December 31, 2021[3]

(in millions of €)

Balance sheet items/SPV type	Accounting Portfolio (Assets)[1]	Total Assets (A)	Accounting Portfolio (Liabilities)[2]	Total Liabilities (B)	Net Accounting Value (C=A-B)	Maximum Exposure to loss (D)	Difference between maximum exposure to loss and accounting value (E=D-C)
Acquisition and Leveraged Finance SPV		**497**		**39**	**458**	**701**	**243**
	HFT	–	Deposits	39			
	DFV	–	Securities	–			
	MFV	–	HFT	–			
	FVOCI	–	DFV	–			
	AC	497		–			
Leasing SPV		**35**		**4**	**31**	**31**	**–**
	HFT	–	Deposits	4			
	DFV	–	Securities	–			
	MFV	–	HFT	–			
	FVOCI	–	DFV	–			
	AC	35		–			
Market Related SPV		**252**		**6**	**246**	**246**	**–**
	HFT	–	Deposits	6			
	DFV	–	Securities	–			
	MFV	–	HFT	–			
	FVOCI	–	DFV	–			
	AC	252		–			
Notes Issuing Vehicles		**37**		**8**	**29**	**67**	**38**

As of December 31, 2021[3]

(in millions of €)

Balance sheet items/SPV type	Accounting Portfolio (Assets)[1]	Total Assets (A)	Accounting Portfolio (Liabilities)[2]	Total Liabilities (B)	Net Accounting Value (C=A-B)	Maximum Exposure to loss (D)	Difference between maximum exposure to loss and accounting value (E=D-C)
	HFT	15	Deposits	8			
	DFV	–	Securities	–			
	MFV	–	HFT	–			
	FVOCI	–	DFV	–			
	AC	22		–			
Project Finance SPV		**2,767**		**661**	**2,106**	**2,320**	**214**
	HFT	–	Deposits	661			
	DFV	–	Securities	–			
	MFV	–	HFT	–			
	FVOCI	–	DFV	–			
	AC	2,767		–			
Real Estate SPV		**3,578**		**615**	**2,963**	**3,433**	**470**
	HFT	–	Deposits	615			
	DFV	–	Securities	–			
	MFV	–	HFT	–			
	FVOCI	–	DFV	–			
	AC	3,578		–			
Shipping and Aircraft SPV		**81**		**–**	**81**	**106**	**25**
	HFT	–	Deposits	–			
	DFV	–	Securities	–			
	MFV	–	HFT	–			
	FVOCI	–	DFV	–			
	AC	81		–			
Warehousing SPV		**–**		**–**	**–**	**–**	**–**
	HFT	–	Deposits	–			
	DFV	–	Securities	–			
	MFV	–	HFT	–			
	FVOCI	–	DFV	–			
	AC	–		–			
		9,912		**5,178**	**4,734**	**6,280**	**1,546**
Investment Funds	HFT	2,424	Deposits	5,163			
	DFV	–	Securities	2			
	MFV	1,475	HFT	13			
	FVOCI	–	DFV	–			
	AC	6,013					
Total		**17,159**		**6,511**	**10,648**	**13,184**	**2,536**

(1) HFT (Financial assets held for trading), FVO (Financial assets at fair value through profit or loss), HTM (Available for Sale Financial assets), AFS (Held to maturity Investments) and LAR (Loans to Customers).

(2) Deposits (Deposits from customers), Securities (Debt securities in issue), HFT (Financial liabilities held for trading) and FVO (Financial liabilities at fair value through profit or loss).

(3) Figures from the 2021 Consolidated Financial Statements.

As of December 31, 2020[3]

(in millions of €)

Balance sheet items/SPV type	Accounting Portfolio (Assets)[1]	Total Assets (A)	Accounting Portfolio (Liabilities)[2]	Total Liabilities (B)	Net Accounting Value (C=A-B)	Maximum Exposure to loss (D)	Difference between maximum exposure to loss and accounting value (E=D-C)
Acquisition and Leveraged Finance SPV		**44**		**10**	**34**	**117**	**83**
	HFT	–	Deposits	10			
	DFV	–	Securities	–			
	MFV	–	HFT	–			
	FVOCI	–	DFV	–			
	AC	44		–			
Leasing SPV		**52**		**–**	**52**	**52**	**–**
	HFT	–	Deposits	–	–	–	–
	DFV	–	Securities	–	–	–	–
	MFV	5	–	–	–	–	–
	FVOCI	–	DFV	–	–	–	–
	AC	47		–	–	–	–
Market Related SPV		**186**		**9**	**177**	**204**	**27**
	HFT	6	Deposits	9	–	–	–
	DFV	–	Securities	–	–	–	–
	MFV	–	HFT	–	–	–	–
	FVOCI	–	DFV	–	–	–	–
	AC	180		–	–	–	–
Notes Issuing Vehicles		**21**		**–**	**21**	**49**	**28**
	HFT	3	Deposits	–	–	–	–
	DFV	–	Securities	–	–	–	–
	MFV	–	HFT	–	–	–	–
	FVOCI	–	DFV	–	–	–	–
	AC	18		–	–	–	–
Project Finance SPV		**1,725**		**583**	**1,142**	**1,339**	**197**
	HFT	–	Deposits	583	–	–	–
	DFV	–	Securities	–	–	–	–
	MFV	–	HFT	–	–	–	–
	FVOCI	–	DFV	–	–	–	–
	AC	1,725		–			
Real Estate SPV		**3,327**		**485**	**2,842**	**2,996**	**154**
	HFT	–	Deposits	485	–	–	–
	DFV	–	Securities	–	–	–	–
	MFV	–	HFT	–	–	–	–
	FVOCI	54	DFV	–	–	–	–
	AC	3,273					
Shipping and Aircraft SPV		**87**		**2**	**85**	**133**	**48**
	HFT	–	Deposits	2	–	–	–
	DFV	–	Securities	–	–	–	–
	MFV	–	HFT	–	–	–	–
	FVOCI	–	DFV	–	–	–	–
	AC	87		–	–	–	–
Warehousing SPV		**–**		**–**	**–**	**–**	**–**

As of December 31, 2020[3]

(in millions of €)

Balance sheet items/SPV type	Accounting Portfolio (Assets)[1]	Total Assets (A)	Accounting Portfolio (Liabilities)[2]	Total Liabilities (B)	Net Accounting Value (C=A-B)	Maximum Exposure to loss (D)	Difference between maximum exposure to loss and accounting value (E=D-C)
	HFT	–	Deposits	–	–	–	–
	DFV	–	Securities	–	–	–	–
	MFV	–	HFT	–	–	–	–
	FVOCI	–	DFV	–	–	–	–
	AC	–		–	–	–	–
Investment Funds		**8,675**		**13,711**	**(5,036)**	**(3,877)**	**1,159**
	HFT	2,227	Deposits	13,677	–	–	–
	DFV	–	Securities	2	–	–	–
	MFV	1,345	HFT	32	–	–	–
	FVOCI	–	DFV	–	–	–	–
	AC	5,103	–	–			
Total		**14,117**		**14,800**	**(683)**	**1,013**	**1,696**

(1) HFT (Financial assets held for trading), FVO (Financial assets at fair value through profit or loss), HTM (Available for Sale Financial assets), AFS (Held to maturity Investments) and LAR (Loans to Customers).

(2) Deposits (Deposits from customers), Securities (Debt securities in issue), HFT (Financial liabilities held for trading) and FVO (Financial liabilities at fair value through profit or loss).

(3) Figures from the 2020 Consolidated Financial Statements.

As of December 31, 2019[3]

(in millions of €)

Balance sheet items/SPV type	Accounting Portfolio (Assets)[1]	Total Assets (A)	Accounting Portfolio (Liabilities)[2]	Total Liabilities (B)	Net Accounting Value (C=A-B)	Maximum Exposure to loss (D)	Difference between maximum exposure to loss and accounting value (E=D-C)
Acquisition and Leveraged Finance SPV		**275**		**30**	**245**	**643**	**398**
	HFT	–	Deposits	30			
	DFV	–	Securities	–			
	MFV	–	HFT	–			
	FVOCI	–	DFV	–			
	AC	275		–			
Leasing SPV		**69**		**–**	**69**	**69**	**–**
	HFT	–	Deposits	–			
	DFV	–	Securities	–			
		–	HFT	–			
	FVOCI	–	DFV	–			
	AC	69		–			
Market Related SPV		**467**		**6**	**461**	**462**	**1**
	HFT	–	Deposits	6			
	DFV	–	Securities	–			
	MFV	–	HFT	–			
	FVOCI	–	DFV	–			
	AC	467					
Notes Issuing Vehicles		**107**		**–**	**107**	**135**	**28**

As of December 31, 2019[3]

(in millions of €)

Balance sheet items/SPV type	Accounting Portfolio (Assets)[1]	Total Assets (A)	Accounting Portfolio (Liabilities)[2]	Total Liabilities (B)	Net Accounting Value (C=A-B)	Maximum Exposure to loss (D)	Difference between maximum exposure to loss and accounting value (E=D-C)
	HFT	–	Deposits	–			
	DFV	–	Securities	–			
	MFV	–	HFT	–			
	FVOCI	–	DFV	–			
	AC	107					
Project Finance SPV		**1,522**		**562**	**960**	**1,181**	**221**
	HFT	–	Deposits	562			
	DFV	–	Securities	–			
	MFV	–	HFT	–			
	FVOCI	–	DFV	–			
	AC	1,522					
Real Estate SPV		**3,660**		**476**	**3,184**	**3,432**	**248**
	HFT	–	Deposits	476			
	DFV	–	Securities	–			
	MFV	–	HFT	–			
	FVOCI	56	DFV	–			
	AC	3,604					
Shipping and Aircraft SPV		**110**		**2**	**108**	**149**	**41**
	HFT	–	Deposits	2			
	DFV	–	Securities	–			
	MFV	–	HFT	–			
	FVOCI	–	DFV	–			
	AC	110					
Warehousing SPV		**–**		**–**	**–**	**–**	**–**
	HFT	–	Deposits	–			
	DFV	–	Securities	–			
	MFV	–	HFT	–			
	FVOCI	–	DFV	–			
	AC	–					
Investment Funds		**9,007**		**5,887**	**3,120**	**4,422**	**1,302**
	HFT	2,781	Deposits	5,800			
	DFV	–	Securities	2			
	MFV	1,136	HFT	85			
	FVOCI	–	DFV	–			
	AC	5,090					
Total		**15,217**		**6,963**	**8,254**	**10,493**	**2,239**

(1) HFT (Financial assets held for trading), DFV (Financial assets designated at fair value), MFV (Financial assets mandatorily at fair value), FVOCI (Financial assets at fair value through other comprehensive income) and AC (Financial assets at amortized cost).

(2) Deposits (Deposits from customers), Securities (Debt securities in issue), HFT (Financial liabilities held for trading) and DFV (Financial liabilities designated at fair value).

(3) Figures from the 2019 Consolidated Financial Statements.

Critical Accounting Policies

The preparation of the Consolidated Financial Statements and the Interim Financial Statements requires our management to apply accounting methods and policies that are based on difficult or subjective judgments, estimates based on past experience, and assumptions determined to be reasonable and realistic based on the relevant circumstances. The application of these estimates and assumptions affects the reported amounts of our assets and liabilities and the disclosure of our contingent assets and liabilities at the balance sheet date, as well as our reported amounts of income and expenses during the reporting period. Given the uncertainty surrounding the assumptions and conditions upon which the estimates are based, our actual results may differ from these estimates.

RISK MANAGEMENT

Overview

UniCredit Group monitors and manages its risks through tight methodologies and procedures proving to be effective through all phases of the economic cycle.

The steering, coordination and control role of the Group's risks is performed by the Parent Company's Risk Management function.

The structure's "Risk Management" mission, under the responsibility of the Group Risk Officer (Group CRO) is to:

- optimise the quality of the Group's assets, minimizing the risk cost in accordance with the risk/profitability goals set for the business areas;
- ensure the strategic steering and definition of the Group's risk management policies;
- define and supply the Heads of the Business Functions and Entities with the criteria for assessing, managing, measuring, monitoring and communicating risk. It also ensures that the procedures and systems designed to control risk at Group and individual Entity level are coherent;
- help build a risk culture across the Group by training and developing highly qualified staff, in conjunction with the competent COOs functions;
- help to find ways to rectify asset imbalances, where needed in conjunction with Group CFO;
- help the Business Functions achieve their goals, including by assisting in the development of products and businesses (e.g., innovation of credit products, competitive opportunities linked to Basel accords, etc.);
- support the CEO in defining the Group Risk Appetite proposal, to be shared in the Group Risk Committee and submitted for approval to the Board of Directors, as preliminary and preparatory step for the yearly and multi-yearly budget plan pertaining to the Group CFO. The Group Risk Appetite will include a series of parameters defined by the CRO, with the contribution of Group CFO and other relevant functions; each parameter can be complemented by limits and thresholds proposed by the CRO and targets proposed by the Group CFO and/or by the relevant Group functions, each respecting their mission and internal regulations. The Group CRO is responsible for ensuring the overall coherence of the proposed parameters and values. Furthermore, Group CRO is responsible for ensuring the CEO and the Board of Directors the coherence of the Group Risk Appetite with the Group strategic guidelines, as well as the coherence of the budget goals with the Group Risk Appetite setting and the periodical monitoring of the RAF. Group CFO remains responsible for monitoring the performances of the Group and of the business functions, in order to identify possible underperforming areas and the related corrective measures;
- supporting the Chief Executive Officer in the management and supervision of Internal Control System ("ICS"), in particular promoting and monitoring the initiatives impacting the overall Internal Control System.

Such mission is accomplished by coordinating the Group's risk management as a whole. More specifically, it involves carrying out the following macro-functions:

- governing and checking credit, cross-border, market, balance sheet, liquidity, operational and reputational risks for the Group as well as any other risks relating to Basel II Pillar II (e.g., strategic, real estate, financial investment, business risks), by defining risk strategies and limits, developing risk measurement methodologies, performing stress tests and portfolio analysis;
- supervising, on a Group level and for UniCredit S.p.A., Basel accords related activities;
- coordinating the internal capital measurement process within the "Internal Capital Adequacy Assessment Process" ("**ICAAP**") and coordinating activities for drawing up the "ICAAP Regulatory Report";
- performing internal validation activities, at Group level, on systems for measuring, credit, operating and market risks, or Pillar II risks, on related processes and data quality and IT components, as well as on models for pricing financial instruments, in order to check that they conform to regulatory requirements and in-house standards, overseeing consequently the non-compliance risk regarding to such regulatory requirements;
- ensuring that the competent Bodies/ Functions get adequate reports;
- developing the strategy and oversee the management, process, targets and disposals of Non-Performing Exposures/ NPE, repossessed assets and any other distressed assets for the entire Group. The Group CRO define the criteria/rules for identifying the exposures and assets for sale and portfolio targets;
- drafting and managing risk policies, both at Group level (Group Rules) and at Parent Company level, on the performance of risk-related activities for which UniCredit SpA is competent as well as ensuring the monitoring;
- performing second-level checks on the risks of the treasury and credit treasury portfolios within the Group and the Parent Company;

- assigning ratings for banks and for the Group's major exposures, carrying out the relevant mapping, at Group level, and managing the "rating override" process with regard to Group-wide rating systems as well as those for measuring the credit risk of UniCredit SpA's counterparts;
- defining the minimum standards and guidelines for validating IT infrastructures and data quality, credit risks, operating risks and Pillar II risks, for feeding Group and Parent Company reports on credit risk and for feeding credit risk measurement models;
- analysing and controlling, at Italian perimeter level, credit, operating and reputational risks generated by the activities of Italy Division;
- carrying out the functional coordination of Legal Entities in its area of competence.

Moreover, the Group Risk Officer has direct responsibilities for UniCredit S.p.A. for coordinating and managing credit granting activities as well as the post-deliberation phases, ensuring the monitoring of credit exposures, credit collection and the operational management of restructuring and workout activities. This translates into the following responsibilities[18]:

- coordinating and managing credit-granting activities, assessing the creditworthiness of UniCredit S.p.A.'s counterparties, deciding on credit files within the powers delegated and formulating proposals to the competent decision-making Bodies (including the CE & EE Division Files)
- coordinating and handling the post-decision phase and ensuring that outstanding positions and the credit portfolio of UniCredit S.p.A. are properly monitored (including the CE & EE Division Files)
- coordinating and managing restructuring and workout files including the Debt to Equity and Debt to Asset transactions and the related equity participations/assets;
- evaluating, monitoring and making supervision, at Group level, of the Large Credit Transactions[19] and managing the Global Credit Model of Financial Institutions, Banks and Sovereigns (FIBS). Furthermore, it is responsible for the assessment, approval and daily management of Country Risks and Cross-Border credit risk-taking;
- contributing to the management of risks through the definition and improvement of credit processes (e.g. underwriting, monitoring, collection e loan administration) for the perimeter of UniCredit S.p.A., in line with strategic guidelines and credit policies.

In order to strengthen the capacity of independent steering, coordination and control of Group risks, to improve the efficiency and the flexibility on the risk decision process and to address the interaction among the relevant risk stakeholders, specific Committees are in place:The Group Executive Committee (GEC), the Group Financial and Credit Risk Committee (GFRC) and Group Non Financial Risks and Controls Committee (GNFRC) support the CEO in the role of steering, coordinating and monitoring the strategic and all categories of risks (included compliance risk), at Group level, as well as defining the Group Recovery Plan. The Group Executive Committee (GEC) – "Risk" session, which has approval as well as consulting and proposal functions, aims at supporting the CEO in its role of steering, coordinating and monitoring all categories of risks (included compliance risk), managing and overseeing the internal control system also at a Group level, as well as discussing and approving strategic risk topics such as Group Risk Appetite Framework, ICAAP, ILAAP, SREP, key highlights from Internal Control Systems, NPE, ESG.The Group Executive Committee (GEC) – "Group Recovery Plan" session support the CEO to deal with the Group Recovery Plan, defining the proposal to be submitted to the Board of Directors' final decision and to solve issues emerged during the production and the maintenance of the Plan The "Group Financial and Credit Risks Committee" (GFRC) supports the CEO in the steering, coordination and control of the risks at Group level and consists of the following sessions: (i) Credit Risk session, responsible for defining policies, operational limits and methodologies for the measurement, management and control of the credit risks, (ii) Rating approval session, responsible for approving rating overrides (iii) Market Risk session, responsible for approving strategies, policies and methodologies for Market Risks and for the monitoring of related risks, (iv) ALCO session, responsible for approving strategies, policies and methodologies for Financial Risks and for the monitoring of risks related to Fund Transfer Pricing.The Group Non-Financial Risks and Controls Committee (GNFRC) supports the CEO in the role of steering and monitoring the Non-Financial Risks (NFRs) at Group level, also overseeing the related internal control system (ICS). The GNFRC enables the coordination among the three lines of defence with the aim to identify and share Group priorities concerning Non-Financial Risks (e.g. events, regulations or emerging risks), assessing and monitoring the effectiveness of initiatives put in place in order to address them. Without prejudice to the role reserved to the Board of Directors by the provisions in being at the time, the GNFRC, in order to support the CEO in implementing the strategic guidelines and the Group general Risk Management policies is responsible for:

- defining and approving policies, operational limits and methodologies for the measurement, management and control of Non-Financial Risks, as well as for the definition of the methodologies for the measurement, management, and control of Non-Financial Risks (Operational and Reputational Risk) internal capital;
- promoting the annual managerial self-assessment processes and evaluating its results, in order to ensure a systematic approach to operational risk assessment and to the supervision of the Internal Control System;

[18] Where applicable, the below listed responsibilities are inclusive of the Foreign Branches of UniCredit S.p.A.,as detailed in the Organizational Book—Application.

[19] Defined in the Group Credit Risk Management Framework

- overseeing Group Non-Financial Risks profile, emerging threats as well as the internal control system robustness at Group level, through the monitoring of most relevant events and incidents, weaknesses and shortcomings, also addressing and prioritizing – when needed – potential corrective actions;
- evaluating and providing guidelines for the management of risk relevant (e.g. reputational, security, data protection) single customer transactions or third party contracts, and for definition and implementation of business continuity plans.

Group Transactional Committee (GTC) – Group Credit Committee Session (GCC) is in charge of evaluating and approving competent credit proposals referring to all files, including restructuring/workout ones, status classification of files, relevant strategies and corrective actions to be taken for watch list files, specific limits for transactions relating to Debt Capital Markets on trading book, single issuer exposures limits on trading book, temporary / annual breaches to Single Names Concentration Risk Limits within the thresholds defined by Group regulation Debt to Equity transactions and transactions relating to Equity participations deriving from Debt to Equity transactions; the Debt Capital Market (DCM) transactions issuing Non-Binding Credit Opinion, ECM Risk transactions above specific threshold levels of transaction's value
Group Transactional Committee (GTC) – "Group Transactional Credit Committee Session" (GTCC) has the responsibility – within its assigned sub delegations of powers for credit activities and the related thresholds – to assess and approve the underwriting and the review of the credit lines and to evaluate and approve the loan loss provisions, asset value adjustments and releases of capital and/ or capitalized interests related to the Corporate Investment Banking and FIBS portfolio, reviewing and assessing debt and debt related placement transactions on the primary market for which UniCredit S.p.A. or a Group Legal Entity provides its commitment according to the sub delegation powers, by analyzing the market risks and the credit risk linked to the transactions. Additionally the Committee is responsible (with approval function within the delegated powers: decision-making and/or issuing of non-binding opinions to the Group legal entities, and/or consulting function) for files to be approved by upper Bodies, for credit proposals referring to all the files, including restructuring, INC or workout ones, status classification of files relevant strategies and corrective actions to be taken for watching list files, single issuer exposure limits on trading book, Debt-to-Equity transactions and/or actions/rights-execution relating to equity participations resulting from Debt-to-Equity transactions, Debt-to-Assets transactions and/or actions/rights execution related to asset resulting from Debt-to-Asset transactions, proposal of distressed asset disposal, in accordance with the regulated specifications and limitations, the Debt Capital Market (DCM) transactions issuing Non-Binding Credit Opinion (NBCO), ECM Risk transactions above specific threshold levels of transaction's value ; in addition, the GTCC approves or submits for approval to Group Credit Committee of temporary/annual breaches to Single Names Concentration Risk Limits within the thresholds defined by dedicated Group regulation

Description of Risks

Factors that generate credit risk

During the ongoing credit and business activities, the Group is exposed to the risk that an unexpected change in a counterparty's creditworthiness may generate a corresponding unexpected change in the value of the associated credit exposure and may thus result in a partial or full write-off. This risk is always associated to the traditional lending practice, regardless of the form of the credit facility (whether cash or credit commitments, secured or unsecured, etc.).

The main reasons of a default lie in the borrower's failure to fulfil its credit obligation (due to the lack of liquidity, for insolvency reasons, etc.), as well as the occurrence of macro-economic and political events that are affecting the debtor's operating and financial conditions. Other banking operations, in addition to traditional lending and deposit activities, can constitute other credit risk factors. In this view, "non-traditional" credit risk may arise from:

- subscription of derivative contracts;
- purchase and selling of securities, futures, currencies or commodities;
- holding third-party securities.

The counterparties in these transactions or issuers of securities held by Group legal entities could default as a result of insolvency, political and economic events, lack of liquidity, operational deficiencies or other reasons. Defaults of a large number of transactions, or of one or more large transactions, could have a material adverse impact on the Group's activities, financial condition and operating profits.

The Group therefore monitors and manages the specific risk of each counterparty as well as the overall risk of loan portfolios through procedures, functions and rules that steer, govern and standardise the assessment and management of credit risk, in line with the Group principles and best practice.

Organisational structure

The credit risk management in the UniCredit group under responsibility of Group Risk Management, responsible for steering, governance, control of credit risk and for the operational credit management, which internally have different organisational levels:

- functions with responsibilities at Group level;
- functions with responsibilities at Country level.

Regarding Group Risk Management, Parent Company functions with responsibilities at Group level include:

Group Credit Risk

The structure has the following mission:

Responsible for the overall steering and governance of the credit risk at Group level, including, e.g., Group credit risk strategies setting monitoring and controlling, control risk framework and methodologies, overall asset quality planning and monitoring, NPE strategy, large credit transactions and FIBS group-wide assessment- monitoring-oversight, country risks & cross-border risks, credit risk models governance and roadmap, it is also responsible for ensuring risk control activities in the Asia & Pacific area.

The structure of "Group Credit Risk" breaks down in the following structures:

- Group NPE;
- Credit Models & Risk Policies and Standards;
- Credit Risk Strategies, Monitoring and Controls;

Group Credit Transactions.

Group NPE

The structure has the following mission:develop the strategy, oversee the management, the monitoring, the process and set targets and execute disposals and platforms of Non-Performing Exposures/ NPE, repossessed assets and any other distressed assets for the entire Group. NPE is also responsible for the assessment of transactions regarding counterparties classified as restructuring or workout above defined thresholds.

Credit Models & Risk Policies and Standards

The structure has the following mission:responsible for guaranteeing at Group level the coordination and steering of the overall landscape of Pillar 1 Credit risk models as well as the related methodologies.

Furthermore, it's responsible for defining rules and guidelines for the lending activity and for evaluating of the proposals regarding the revision of the credit processes which are submitted by other Group competent functions as well as for cooperating with other Group competent functions on Risk Weighted Assets/ RWA contents.

Credit Risk Strategies, Monitoring and Controls

The structure has the following mission: it is responsible, at Group level, for credit risk strategies definition, monitoring and controlling, through the execution of the second level controls and the definition of the areas of higher risk within the credit processes of Group portfolio.

It is responsible, within the credit processes, for the definition and application of the "risk assessment" methodology" in order to identify the risk areas and the mitigation actions to be implemented.

The structure is also responsible for controlling the risks underlying Persons in conflict of interest, by monitoring and verifying predefined key indicators. The structure is also in charge of the internal reporting activity towards Related Parties Committee, to which it as given evidence for each Related Party category (defined in accordance with the existing regulations of Bank of Italy, Consob and IAS) of the prudential limits absorbed, focusing on the main counterparties identified according to Reporting thresholds.

Group Credit Transactions

The structure has the following mission: it is responsible for the Group-wide assessment, monitoring and oversight of Large Credit Transactions and Financial Institutions, Banks and Sovereigns (hereinafter also "FIBS") global credit model management. Furthermore, it is responsible for the assessment, approval and daily management of Country Risks and Cross-Border credit risk-taking.

Define and manage the framework of Groupwide lending processes (e.g. FIBS Underwriting, GAM) in terms of methodology, training support and IT tools ensuring alignment with other related frameworks and GRM guidelines.

Group Internal Validation

The structure has the following mission:

responsible for validating, at Group level, the risk measurement methodologies, the related processes, the IT components and the data quality, for Pillar I and Pillar II risks, the main managerial models, as well as Group Risk Reporting, as defined

in the Global Policy on Internal Validation, providing adequate reporting for Company Bodies and the Supervisory Authority as well as for assessing, monitoring and reporting, at Group level, the model risk for the models in scope of the Model Risk Management (MRM) framework, providing adequate reporting for competent committees and the Board of Directors.

Group Strategic & Integrated Risks

The structure has the following mission:

responsible, at Group level, for integrated risk strategies definition, risk appetite and stress testing, monitoring and controlling, the integrated view across Pillar I and II risks to Top Management.

Furthermore, it is responsible to embed the ESG risks into the risk management framework.

GRM Office & Strategy

The structure has the following mission:

The structure is responsible for managing and monitoring major initiatives and projects within the Competence Line, implementing managerial decisions and handling of budget planning and costs analysis, promoting training projects and risk culture initiatives

Risk CE&EE

The structure has the following mission:

responsible for the management and control of credit operations activities and for credit risk steering in relation to Central Europe and Eastern Europe (CE&EE) portfolio booked in UniCredit S.p.A. and for the comprehensive view and the coordination of the management of different types of risks (e.g. credit, financial, operational, liquidity, reputational risks) in regard to CE&EE portfolio booked in UniCredit S.p.A. and CE&EE Legal Entities, together with the risk management responsible functions.

With respect to credit risk, the following specific Committees are active:

- **the Group Executive Committee ("GEC") – "Risk" session**, which has approval as well as consulting and proposal functions, aims at supporting the CEO in its role of steering, coordinating and monitoring all categories of risks (included compliance risk), managing and overseeing the internal control system also at a Group level, as well as discussing and approving strategic risk topics such as Group Risk Appetite Framework, ICAAP, ILAAP, SREP, key highlights from Internal Control Systems, NPE, ESG.
- **the "Group Financial and Credit Risks Committee" ("GFRC")** supports the CEO in the steering, coordination and control of the risks at Group level and consists of the following sessions: **(i) Credit Risk session**, responsible for defining policies, operational limits and methodologies for the measurement, management and control of the credit risks, **(ii) Rating approval session**, responsible for approving rating overrides **(iii) Market Risk session**, responsible for approving strategies, policies and methodologies for Market Risks and for the monitoring of related risks**, (iv) ALCO session**, responsible for approving strategies, policies and methodologies for Financial Risks and for the monitoring of risks related to Fund Transfer Pricing.
- **Group Transactional Committee ("GTC") – Group Credit Committee Session ("GCC")** has consulting and proposal functions for the definition of the CEO's proposals for the Board of Directors for the following topic: Debt-to-Equity transactions or transactions related to Equity participations resulting from Debt-to-Equity transactions for which the powers to approve or issue a Non-Binding Credit Opinion (NBCO) have not been delegated to the Group Transaction Credit Committee.

The GCC has approval/NBCO function (decision-making and/or issuing of non-binding opinions to the Group Legal Entities), within the delegated powers, for:

- Sub-delegation to the Personnel of the Bank, without the right to further sub-delegate, the powers to take decisions in the matters referred to in subparagraphs A, N, O, Q and R of the Delegation of Powers by the Board of Directors;
- credit proposals referring to all files, including restructuring / workout ones;
- status classification of files;
- relevant strategies and corrective actions to be taken for watchlist files;
- specific limits for transactions related to Debt Capital Markets on Trading book;
- single issuer exposures limits on Trading book;
- temporary/annual breaches to Single Names Concentration Risk Limits within the thresholds defined by Group regulation of competence;

- Debt to Equity transactions and transactions related to Equity participations deriving from Debt-to-Equity transactions;
- the Debt Capital Market (DCM) transactions issuing Non-Binding Credit Opinion (NBCO);
- ECM Risk transactions above specific threshold levels of transaction's value.

Group Transactional Committee ("**GTC**") – "Group Transactional Credit Committee Session" ("**GTCC**") has approval/NBCO functions (decision-making and/or issuing of non-binding opinions to the Group Legal Entities) within the delegated powers for:

- credit proposals referring to all files, including the Group NPE files;
- classification status of files;
- relevant strategies and corrective actions to be taken for watch-list counterparties;
- single issuer exposure limits on Trading book;
- Debt to Equity transactions and/ or actions/rights-execution related to equity participations resulting from Debt to Equity transactions;
- Debt to Assets transactions and /or actions/rights execution related to asset resulting from Debt to Asset transactions;
- proposal of distressed asset disposal, in accordance with the regulated specifications and limitations in force;
- the Debt Capital Market (DCM) transactions issuing Non Binding Credit Opinion (NBCO);
- on semiannual basis, the "DCM pre-approved list": list of a selected group of names and respective commitment amounts for which there is no need to have the NBCO on the single transaction;
- temporary/annual breaches to Single Names Concentration Risk Limits within the thresholds defined by dedicated Group regulation.
- ECM Risk transactions above specific threshold levels of transaction's value.

Trading financial derivatives: end-of-period notional amounts

The table below shows the notional amounts of financial derivatives according to classification within the accounting trading portfolio applied in the separate financial statements of the Legal Entities belonging to the Banking Group as of December 31, 2021 and 2020.

	As of December 31, 2021		As of December 31, 2020	
Derivative Instrument Types/Underlyings	**Over the Counter[1]**	**Organised Markets[1]**	**Over the Counter[2]**	**Organised Markets[2]**
	(in millions of €)			
1. Debt securities and interest rate indexes	**4,755,594**	**74,668**	**3,254,923**	**45,170**
a) Options	226,380	29,675	229,387	15,828
b) Swap	3,566,233	–	2,694,810	–
c) Forward	945,177	–	329,632	–
d) Futures	17,131	44,993	825	29,342
e) Others	673	–	269	–
2. Equity instruments and stock indexes	**27,444**	**93,089**	**26,975**	**93,028**
a) Options	13,690	67,132	21,198	66,177
b) Swap	13,431	–	5,613	–
c) Forward	–	–	–	–
d) Futures	–	25,941	–	26,842
e) Others	323	16	164	9
3. Gold and currencies	**447,463**	**298**	**436,444**	**363**
a) Options	49,168	–	58,346	–
b) Swap	164,539	–	155,292	–
c) Forward	95,486	131	95,938	222
d) Futures	–	167	–	141
e) Others	138,270	–	126,868	–
4. Commodities	**8,531**	**12,778**	**5,853**	**9,243**
5. Other underlyings	**7,155**	**6,880**	**4,548**	**3,396**
Total	**5,246,187**	**187,713**	**3,728,743**	**151,200**

(1) Figures from the 2021 Consolidated Financial Statements.
(2) Figures from the 2020 Consolidated Financial Statements.

Derivative Instrument Types/Underlyings	As of December 31, 2020 Over the Counter[1]	As of December 31, 2020 Organised Markets[1]	As of December 31, 2019 Over the Counter[2]	As of December 31, 2019 Organised Markets[2]
		(in millions of €)		
1. Debt securities and interest rate indexes	**3,254,923**	**45,170**	**2,674,760**	**40,663**
a) Options	229,387	15,828	203,665	153
b) Swap	2,694,810	–	2,219,031	–
c) Forward	329,632	–	250,537	3
d) Futures	825	29,342	1,511	40,507
e) Others	269	–	16	–
2. Equity instruments and stock indexes	**26,975**	**93,028**	**31,420**	**74,811**
a) Options	21,198	66,177	24,843	46,749
b) Swap	5,613	–	6,468	–
c) Forward	–	–	–	–
d) Futures	–	26,842	–	28,062
e) Others	164	9	109	–
3. Gold and currencies	**436,444**	**363**	**461,067**	**79**
a) Options	58,346	–	67,346	–
b) Swap	155,292	–	163,804	–
c) Forward	95,938	222	102,155	–
d) Futures	–	141	–	79
e) Others	126,868	–	127,762	–
4. Commodities	**5,853**	**9,243**	**6,103**	**8,810**
5. Other underlyings	**4,548**	**3,396**	**2,908**	**2,968**
Total	**3,728,743**	**151,200**	**3,176,258**	**127,331**

(1) Figures from the 2020 Consolidated Financial Statements.
(2) Figures from the 2019 Consolidated Financial Statements.

Banking book: end of period notional amounts – Hedging derivatives

The tables below, which refer to the Banking Group, show the notional amounts of hedging financial derivatives classified in the banking book.

Derivative Instrument Types/Underlyings	As of December 31, 2021 Over the Counter[1]	As of December 31, 2021 Clearing House[1]	As of December 31, 2020 Over the Counter[2]	As of December 31, 2020 Clearing House[2]
		(in millions of €)		
1. Debt securities and interest rate indexes	**343,837**	**3,893**	**246,979**	**987**
a) Options	1,433	–	1,678	–
b) Swap	263,510	–	126,796	–
c) Forward	2,800	–	–	–
d) Futures	76,094	3,893	118,505	987
e) Others	–	–	–	–
2. Equity instruments and stock indexes	**–**	**–**	**–**	**–**
a) Options	–	–	–	–
b) Swap	–	–	–	–
c) Forward	–	–	–	–
d) Futures	–	–	–	–
e) Others	–	–	–	–
3. Gold and currencies	**8,490**	**–**	**6,711**	**–**
a) Options	–	–	–	–
b) Swap	5,701	–	6,541	–
c) Forward	2,789	–	170	–
d) Futures	–	–	–	–
e) Others	–	–	–	–
4. Commodities	**–**	**–**	**–**	**–**
5. Other underlyings	**–**	**–**	**–**	**–**
Total	**352,327**	**3,893**	**253,690**	**987**

(1) Figures from the 2021 Consolidated Financial Statements.
(2) Figures from the 2020 Consolidated Financial Statements.

Derivative Instrument Types/Underlyings	As of December 31, 2020 Over the Counter[1]	As of December 31, 2020 Clearing House[1]	As of December 31, 2019 Over the Counter[2]	As of December 31, 2019 Clearing House[2]
		(in millions of €)		
1. Debt securities and interest rate indexes	**246,979**	**987**	**342,404**	**7,585**
a) Options	1,678	–	1,691	–
b) Swap	126,796	–	136,592	–
c) Forward		–	553	–
d) Futures	118,505	987	203,568	7,585
e) Others	–	–	–	–
2. Equity instruments and stock indexes	**–**	**–**	**–**	**–**
a) Options	–	–	–	–
b) Swap	–	–	–	–
c) Forward	–	–	–	–
d) Futures	–	–	–	–
e) Others	–	–	–	–
3. Gold and currencies	**6,711**	**–**	**8,395**	**–**
a) Options		–	13	–
b) Swap	6,541	–	8,382	–
c) Forward	170	–	–	–
d) Futures	–	–	–	–
e) Others	–	–	–	–
4. Commodities	**–**	**–**	**–**	**–**
5. Other underlyings	**–**	**–**	**–**	**–**
Total	**253,690**	**987**	**350,799**	**7,585**

(1) Figures from the 2020 Consolidated Financial Statements.
(2) Figures from the 2019 Consolidated Financial Statements.

Trading financial derivatives: gross positive fair value – breakdown by product

The table below shows the distribution by product of the gross positive financial derivatives' fair values according to classification within the accounting trading portfolio applied in the separate financial statements of the Legal Entities belonging to the Banking Group.

Transaction Types/Underlyings	Positive Fair Value As of December 31, 2021 Over the Counter[1]	Positive Fair Value As of December 31, 2021 Organised Markets[1]
	(in millions of €)	
Trading financial derivatives		
a) Options	3,589	4,513
b) Interest rate swaps	60,729	–
c) Cross currency swap	4,923	–
d) Equity swaps	–	–
e) Forward	4,081	–
f) Futures	47	2,561
g) Others	3,349	3
Total	76,718	7,077

(1) Figures from the 2021 Consolidated Financial Statements.

Transaction Types/Underlyings	Positive Fair Value As of December 31, 2020 Over the Counter[1]	Positive Fair Value As of December 31, 2020 Organised Markets[1]	Positive Fair Value As of December 31, 2019 Over the Counter[2]	Positive Fair Value As of December 31, 2019 Organised Markets[2]
		(in millions of €)		
Trading financial derivatives				
a) Options	5,029	3,892	6,478	2,329
b) Interest rate swaps	66,342	–	48,181	–
c) Cross currency swap	5,171	–	4,320	–
d) Equity swaps	–	–	–	–
e) Forward	2,884	–	1,322	–
f) Futures	47	1,424	45	738
g) Others	1,822	2	1,512	2
Total	**81,295**	**5,318**	**61,858**	**3,069**

(1) Figures from the 2020 Consolidated Financial Statements.
(2) Figures from the 2019 Consolidated Financial Statements.

Trading financial derivatives: gross negative fair value – breakdown by product

The table below presents distribution by product of the gross negative financial derivatives' fair values according to classification within accounting trading portfolio applied in the separate financial statements of the Legal Entities belonging to the Banking Group.

Transaction Types/Underlyings	Negative Fair Value As of December 31, 2021 Over the Counter[1]	Negative Fair Value As of December 31, 2021 Organised Markets[1]
	(in millions of €)	
Trading financial derivatives		
a) Options	4,470	5,686
b) Interest rate swaps	58,151	–
c) Cross currency swap	4,239	–
d) Equity swaps	–	–
e) Forward	5,071	–
f) Futures	–	4,816
g) Others	5,198	7
Total	**77,129**	**10,509**

(1) Figures from the 2021 Consolidated Financial Statements.

Transaction Types/Underlyings	Negative Fair Value As of December 31, 2020 Over the Counter[1]	Negative Fair Value As of December 31, 2020 Organised Markets[1]	Negative Fair Value As of December 31, 2019 Over the Counter[2]	Negative Fair Value As of December 31, 2019 Organised Markets[2]
		(in millions of €)		
Trading financial derivatives				
a) Options	6,999	4,530	6,417	2,642
b) Interest rate swaps	62,025	–	46,663	–
c) Cross currency swap	4,451	–	3,975	–
d) Equity swaps	–	–	–	–
e) Forward	2,932	–	1,670	–
f) Futures	1	2,301	1	1,060
g) Others	2,141	4	1,589	–
Total	**78,549**	**6,565**	**60,315**	**3,702**

(1) Figures from the 2020 Consolidated Financial Statements.
(2) Figures from the 2019 Consolidated Financial Statements.

Trading credit derivatives: end of period notional amounts

The table below shows the notional values of credit derivatives according to the classification within the accounting trading portfolio applied in the separate financial statements of the Legal Entities belonging to Banking Group.

Category of Transaction	Trading derivatives: With a single Counterparty	Trading derivatives: With more than one Counterparty (Basket)
	(in millions of €)	
1. Protection buyer's contracts		
a) Credit default products	894	7,641
b) Credit spread products	–	–
c) Total rate of return swap	64	–
d) Other	–	–
Total as of December 31, 2021[1]	**958**	**7,641**
2. Protection seller's contracts		
a) Credit default products	862	6,199
b) Credit spread products	–	–
c) Total rate of return swap	377	–
d) Other	–	–
Total as of December 31, 2021[1]	**1,239**	**6,199**

(1) Figures from the 2021 Consolidated Financial Statements.

Category of Transaction	Trading derivatives: With a single Counterparty	Trading derivatives: With more than one Counterparty (Basket)
	(in millions of €)	
1. Protection buyer's contracts		
a) Credit default products	1,325	3,374
b) Credit spread products	–	–
c) Total rate of return swap	–	–
d) Other	–	–
Total as of December 31, 2020[1]	**1,325**	**3,374**
2. Protection seller's contracts		
a) Credit default products	1,219	2,346
b) Credit spread products	–	–
c) Total rate of return swap	864	–
d) Other	–	–
Total as of December 31, 2020[1]	**2,083**	**2,346**

(1) Figures from the 2020 Consolidated Financial Statements.

Category of Transaction	Trading derivatives: With a single Counterparty	Trading derivatives: With more than one Counterparty (Basket)
	(in millions of €)	
1. Protection buyer's contracts		
a) Credit default products	2,769	2,402
b) Credit spread products	–	–
c) Total rate of return swap	780	–
d) Other	–	–
Total as of December 31, 2019[1]	**3,549**	**2,402**
2. Protection seller's contracts		
a) Credit default products	2,116	2,219
b) Credit spread products	–	1,000
c) Total rate of return swap	972	–
d) Other	–	–
Total as of December 31, 2019[1]	**3,088**	**3,219**

(1) Figures from the 2019 Consolidated Financial Statements.

Trading credit derivatives: gross positive fair value – breakdown by product

The table below shows the distribution by product of the gross positive credit derivatives' fair values according to classification within the accounting trading portfolio applied in the separate financial statements of the Legal Entities belonging to the Banking Group.

Portfolios/Derivative Instrument Types	Positive Fair Value: As of December 31, 2021[1]	As of December 31, 2020[2]	As of December 31, 2019[3]
		(in millions of €)	
a) Credit default products	204	80	79
b) Credit spread products	–	–	–
c) Total rate of return swap	2	2	35
d) Other	–	–	–
Total	**206**	**82**	**114**

(1) Figures from the 2021 Consolidated Financial Statements.
(2) Figures from the 2020 Consolidated Financial Statements.
(3) Figures from the 2019 Consolidated Financial Statements.

Trading credit derivatives: gross negative fair value – breakdown by product

The table below shows the distribution by product of the gross negative credit derivatives' fair values according to classification within the accounting trading portfolio applied in the separate financial statements of the companies belonging to the Banking Group.

Portfolios/Derivative Instrument Types	Positive Fair Value: As of December 31, 2021[1]	As of December 31, 2020[2]	As of December 31, 2019[3]
		(in millions of €)	
a) Credit default products	251	134	103
b) Credit spread products	–	–	–
c) Total rate of return swap	84	157	157
d) Other	–	–	–
Total	**335**	**291**	**260**

(1) Figures from the 2021 Consolidated Financial Statements.
(2) Figures from the 2020 Consolidated Financial Statements.
(3) Figures from the 2019 Consolidated Financial Statements.

Country Risk

Country risk is the risk of losses caused by events identified at a foreign level and not at level of specific transaction, counterparty or counterparty group. It is therefore a collection of risks that mainly includes sovereign risk, transfer and convertibility risk, delivery risk, risk-related business environment and jurisdiction, political and geopolitical risk, and economic risk.

Country risk is primarily managed by determining the appropriate maximum risk levels ("**country plafonds**") that can be assumed by the entities belonging to the Group towards all counterparties in a given country (sovereigns, government entities, banks, financial institutions, corporate customers, small businesses, individuals, project finance, etc.), for cross-border transactions.

Country risk management processes are mainly concentrated at the Bank in terms of both methodological aspects and the decision-making process, in order to ensure a uniform assessment and monitoring approach, particularly for the rating assignment – probability of default ("**PD**") and loss given default ("**LGD**") – as well as control of risk concentration.

The country rating assignment (both in terms PD and LGD) is performed using the specific internal rating model. The analysis, focused on both qualitative and quantitative factors, is an integral part of the final rating calculation process. In case the rating resulting from the model does not appropriately reflect the credit profile of the country, an override is requested from the competent body. Both the calculation of PD and LGD values are mandatory and must be assigned before any decision on cross-border credit transactions is taken. The rating has to be updated at least once a year or whenever any material information impacting the country creditworthiness becomes available.

Group-wide cross-border country risk plafonds are calculated at single country level, in a top-down/bottom-up process considering, among other factors, the risk of the country (including the rating), the size of the country, the amount of business opportunities, the guidance of the valid Risk Appetite Framework as well as the current exposure and country plafond utilization. Cross-border plafonds are renewed at least on a yearly basis. The evolution of country risk, including the macroeconomic and political risk assessment, is constantly monitored. Country risk monitoring activities aim at detecting and promptly reacting to the symptoms of possible deterioration of the risk quality of a country with cross-border credit exposures. Necessary countermeasures may also be defined. As one of the countermeasures, the Internal Ratings of the mentioned countries may be updated to reflect any changes in country risk assessment.

With specific reference to the sovereign risk, direct counterparty risk to sovereigns (and central administrations) is managed through the normal counterparty approval process. Limits and exposures to sovereigns – in both the trading and banking books – are managed in a prudent way to ensure such limits/exposures are sized primarily by both regulatory and liquidity requirements of the Group.

With reference to the Group's sovereign exposures, the book value of sovereign debt securities as of December 31, 2021 amounted to €114,690 million (€110,542 million as of December 31, 2020), of which over 84% was concentrated in eight countries; Italy, with €43,121 million, represents about 38% of the total.

Breakdown of Sovereign Debt Securities by Country and Portfolio

For each of the eight countries, the tables below show the nominal value, the book value and the fair value of the exposures broken down by portfolio as of the dates indicated.

Country/Portfolio	As of December 31, 2021 Nominal Value[1]	Book Value[1]	Fair Value[1]
	(in millions of €)		
Italy	**41,703**	**43,121**	**43,477**
Financial assets/liabilities held for trading (net exposures)[*]	(1,050)	(1,755)	(1,755)
Financial assets designated at fair value	0	0	0
Financial assets mandatorily at fair value	50	62	62
Financial assets at fair value through other comprehensive income	19,071	20,293	20,293
Financial assets at amortised cost	23,632	24,521	24,877
Spain	**16,504**	**17,222**	**17,323**
Financial assets/liabilities held for trading (net exposures)[*]	1,105	1,173	1,173
Financial assets designated at fair value	–	–	–
Financial assets mandatorily at fair value	–	–	–
Financial assets at fair value through other comprehensive income	4,454	4,680	4,680
Financial assets at amortised cost	10,945	11,369	11,470
Germany	**10,794**	**11,075**	**11,097**
Financial assets/liabilities held for trading (net exposures)[*]	846	948	948
Financial assets designated at fair value	–	–	–
Financial assets mandatorily at fair value	3,522	3,564	3,564
Financial assets at fair value through other comprehensive income	2,674	2,753	2,753
Financial assets at amortised cost	3,752	3,810	3,832
Japan	**10,290**	**10,462**	**10,465**
Financial assets/liabilities held for trading (net exposures)[*]	–	–	–
Financial assets designated at fair value	–	–	–
Financial assets mandatorily at fair value	–	–	–
Financial assets at fair value through other comprehensive income	6,682	6,730	6,730
Financial assets at amortised cost	3,608	3,732	3,735
United States of America	**4,154**	**4,318**	**4,318**
Financial assets/liabilities held for trading (net exposures)[*]	1,074	1,101	1,101
Financial assets designated at fair value	–	–	–
Financial assets mandatorily at fair value	–	–	–
Financial assets at fair value through other comprehensive income	3,058	3,195	3,195
Financial assets at amortised cost	22	22	22
Austria	**3,888**	**4,171**	**4,169**
Financial assets/liabilities held for trading (net exposures)[*]	180	239	239
Financial assets designated at fair value	–	–	–
Financial assets mandatorily at fair value	100	134	134
Financial assets at fair value through other comprehensive income	3,464	3,648	3,648
Financial assets at amortised cost	144	150	148
France	**3,474**	**3,783**	**3,772**
Financial assets/liabilities held for trading (net exposures)[*]	747	978	978
Financial assets designated at fair value	221	243	243
Financial assets mandatorily at fair value	191	221	221
Financial assets at fair value through other comprehensive income	1,867	1,887	1,887
Financial assets at amortised cost	448	454	443
Romania	**2,312**	**2,417**	**2,327**
Financial assets/liabilities held for trading (net exposures)[*]	126	123	123
Financial assets designated at fair value	–	–	–
Financial assets mandatorily at fair value	–	–	–
Financial assets at fair value through other comprehensive income	652	687	687
Financial assets at amortised cost	1,534	1,607	1,517
Total on-balance sheet exposures	**93,119**	**96,569**	**96,948**

(*) Including exposures in credit derivatives.

(1) Figures from the 2021 Consolidated Financial Statements.

Country/Portfolio	As of December 31, 2020 Nominal Value[1]	Book Value[1]	Fair Value[1]
	(in millions of €)		
Italy	**40,612**	**42,638**	**43,544**
Financial assets/liabilities held for trading (net exposures)[*]	(209)	(607)	(607)
Financial assets designated at fair value	–	–	–
Financial assets mandatorily at fair value	50	65	65
Financial assets at fair value through other comprehensive income	19,707	21,501	21,501
Financial assets at amortised cost	21,064	21,679	22,585
Spain	**14,961**	**16,080**	**16,171**
Financial assets/liabilities held for trading (net exposures)[*]	237	265	265
Financial assets designated at fair value	–	–	–
Financial assets mandatorily at fair value	–	–	–
Financial assets at fair value through other comprehensive income	6,684	7,223	7,223
Financial assets at amortised cost	8,040	8,592	8,683
Germany	**12,894**	**13,215**	**13,291**
Financial assets/liabilities held for trading (net exposures)[*]	331	371	371
Financial assets designated at fair value	–	–	–
Financial assets mandatorily at fair value	5,633	5,720	5,720
Financial assets at fair value through other comprehensive income	2,904	3,029	3,029
Financial assets at amortised cost	4,026	4,095	4,171
Japan	**7,820**	**7,868**	**7,871**
Financial assets/liabilities held for trading (net exposures)[*]	–	–	–
Financial assets designated at fair value	–	–	–
Financial assets mandatorily at fair value	–	–	–
Financial assets at fair value through other comprehensive income	4,895	4,929	4,929
Financial assets at amortised cost	2,925	2,939	2,941
Austria	**4,219**	**4,698**	**4,703**
Financial assets/liabilities held for trading (net exposures)[*]	93	178	178
Financial assets designated at fair value	–	–	–
Financial assets mandatorily at fair value	105	150	150
Financial assets at fair value through other comprehensive income	3,975	4,324	4,324
Financial assets at amortised cost	46	46	51
United States of America	**3,086**	**3,364**	**3,364**
Financial assets/liabilities held for trading (net exposures)[*]	208	234	234
Financial assets designated at fair value	–	–	–
Financial assets mandatorily at fair value	–	–	–
Financial assets at fair value through other comprehensive income	2,823	3,075	3,075
Financial assets at amortised cost	55	55	55
France	**2,684**	**3,140**	**3,142**
Financial assets/liabilities held for trading (net exposures)[*]	630	884	884
Financial assets designated at fair value	186	220	220
Financial assets mandatorily at fair value	302	402	402
Financial assets at fair value through other comprehensive income	1,381	1,446	1,446
Financial assets at amortised cost	185	188	190
Romania	**2,238**	**2,375**	**2,415**
Financial assets/liabilities held for trading (net exposures)[*]	190	202	202
Financial assets designated at fair value	–	–	–
Financial assets mandatorily at fair value	–	–	–
Financial assets at fair value through other comprehensive income	828	910	910
Financial assets at amortised cost	1,220	1,263	1,303
Total on-balance sheet exposures	**88,514**	**93,378**	**94,500**

[*] Including exposures in credit derivatives.
[1] Figures from the 2020 Consolidated Financial Statements.

Country/Portfolio	As of December 31, 2019 Nominal Value[1]	Book Value[1]	Fair Value[1]
	(in millions of €)		
Italy	**42,238**	**43,849**	**44,691**
Financial assets/liabilities held for trading (net exposures)[*]	(505)	(981)	(981)
Financial assets designated at fair value	–	–	–
Financial assets mandatorily at fair value	50	62	62
Financial assets at fair value through other comprehensive income	19,543	21,045	21,045
Financial assets at amortised cost	23,150	23,723	24,565
Spain	**16,023**	**17,415**	**17,429**
Financial assets/liabilities held for trading (net exposures)[*]	81	103	103
Financial assets designated at fair value	–	–	–
Financial assets mandatorily at fair value	–	–	–
Financial assets at fair value through other comprehensive income	11,144	11,961	11,961
Financial assets at amortised cost	4,798	5,351	5,365
Germany	**11,019**	**11,259**	**11,299**
Financial assets/liabilities held for trading (net exposures)[*]	(40)	(42)	(42)
Financial assets designated at fair value	–	–	–
Financial assets mandatorily at fair value	7,510	7,641	7,641
Financial assets at fair value through other comprehensive income	2,514	2,623	2,623
Financial assets at amortised cost	1,035	1,037	1,077
Japan	**6,178**	**6,223**	**6,226**
Financial assets/liabilities held for trading (net exposures)[*]	–	–	–
Financial assets designated at fair value	–	–	–
Financial assets mandatorily at fair value	–	–	–
Financial assets at fair value through other comprehensive income	3,110	3,134	3,134
Financial assets at amortised cost	3,068	3,089	3,092
Austria	**5,119**	**5,669**	**5,673**
Financial assets/liabilities held for trading (net exposures)[*]	102	169	169
Financial assets designated at fair value	–	–	–
Financial assets mandatorily at fair value	105	142	142
Financial assets at fair value through other comprehensive income	4,819	5,264	5,264
Financial assets at amortised cost	93	94	98
United States of America	**3,610**	**3,715**	**3,715**
Financial assets/liabilities held for trading (net exposures)[*]	126	125	125
Financial assets designated at fair value	–	–	–
Financial assets mandatorily at fair value	–	–	–
Financial assets at fair value through other comprehensive income	3,484	3,590	3,590
Financial assets at amortised cost	–	–	–
Romania	**2,010**	**2,099**	**2,099**
Financial assets/liabilities held for trading (net exposures)[*]	107	113	113
Financial assets designated at fair value	–	–	–
Financial assets mandatorily at fair value	–	–	–
Financial assets at fair value through other comprehensive income	1,903	1,986	1,986
Financial assets at amortised cost	–	–	–
Hungary	**1,750**	**1,980**	**1,981**
Financial assets/liabilities held for trading (net exposures)[*]	68	76	76
Financial assets designated at fair value	–	–	–
Financial assets mandatorily at fair value	–	–	–
Financial assets at fair value through other comprehensive income	1,465	1,674	1,674
Financial assets at amortised cost	217	230	231
Total on-balance sheet exposures	**87,947**	**92,209**	**93,113**

[*] Including exposures in credit derivatives.
[1] Figures from the 2019 Consolidated Financial Statements.

Breakdown of Sovereign Loans by Country

The tables below show the total amount as of the dates indicated of loans booked in financial assets at amortised cost portfolio given to countries towards which the overall exposure exceeds €130 million, representing about 94% of the total as of December 31, 2021.

Country	As of December 31, 2021[1]
	(in millions of €)
Austria(*)	7,222
Italy	6,506
Germany(**)	4,730
Croatia	2,607
Qatar	621
Slovakia	242
Egypt	240
Kenya	238
Hungary(***)	221
Turkey	216
Slovenia	206
Bulgaria	179
Bosnia and Herzegovina	170
Czech Republic	168
Indonesia	160
Trinidad and Tobago	133
Total on-balance sheet exposures	**23,859**

Notes:
(*) Of which € 29 million in financial assets mandatorily at fair value.
(**) Of which €662 million in financial assets mandatorily at fair value.
(***) Of which €7 million in financial assets mandatorily at fair value.
(1) Figures from the 2021 Consolidated Financial Statements.

As at December 31, 2021, also included loans to Supranational Organisations amounting to €5,652 million financial assets held for trading.

Country	As of December 31, 2020[1]
	(in millions of €)
Germany(*)	7,827
Italy	6,166
Austria(**)	5,345
Croatia	2,594
Qatar	477
Hungary(***)	476
Slovakia	283
Kuwait	245
Kenya	237
Bulgaria	194
Slovenia	183
Egypt	182
Turkey	170
Czech Republic	167
Indonesia	166
Bosnia and Herzegovina	158
Laos	139
Total on-balance sheet exposures	**25,009**

Notes:
(*) Of which € 2,873 million in financial assets held for trading and those mandatorily at fair value.

(**) Of which €31 million in financial assets mandatorily at fair value.
(***) Of which €8 million in financial assets mandatorily at fair value.
(1) Figures from the 2020 Consolidated Financial Statements.

Country	As of December 31, 2019(1)
	(in millions of €)
Germany(*)	6,758
Austria(**)	6,312
Italy	4,970
Croatia	2,441
Qatar	389
Hungary(***)	219
Slovenia	214
Indonesia	193
Bulgaria	189
Kenya	176
Turkey	163
Laos	162
Bosnia and Herzegovina	155
Total on-balance sheet exposures	**22,341**

Notes:
(*) Of which €2,744 million in financial assets held for trading and those mandatorily at fair value.
(**) Of which €354 million in financial assets held for trading and those mandatorily at fair value.
(***) Of which €10 million in financial assets mandatorily at fair value.
(1) Figures from the 2019 Consolidated Financial Statements.

Governance and Policies

Specific credit governance rules define the allocation of responsibilities and mechanisms of interaction between the Bank and the Group companies with respect to credit risk management topics and ensure compliance of the overall Group Credit Risk Management framework with the regulatory framework to which is the Bank subject to. In this context, the Bank is assigned with the role of guidance, support and control for the following areas: credit rules (principles, policies, and processes), credit strategies and credit risk limits, models development, rating systems validation, large exposures management, monitoring and reporting portfolio credit risk.

In particular, Group companies are required to request a non-binding opinion to the Group Risk Management functions or Group Credit Committees (Local Italy Credit Committee opinion for Italy-based companies) before granting new or reviewing existing credit lines to individual borrowers or economic groups, whenever they exceed defined thresholds, also with reference to compliance with the credit risk concentration limits being measured with respect to the regulatory capital.

According to the role assigned to the Bank, specifically to the Group Risk Management function under Group governance, "Credit Risk Governance" define group-wide rules and principles for guiding, governing and standardizing the credit risk assessment and management, in line with the regulatory requirements and the Group's best practice.

The general rules are supplemented by policies governing specific subjects (e.g., business areas, segment activities, type of counterpart/transaction). Such policies are divided into two categories:

- policies on Group-wide topics, drafted and issued by the Bank and sent to all the Group companies. Some examples are the policies on FIBS counterparts, on country risk limits, on Project Finance and Acquisition & Leveraged Finance transactions, on "Commercial Real Estate Financing (CREF")", on Commodity Trade Finance (CTF) and on "Structured Trade and Export Finance (STEF")"; and
- policies developed locally by companies of the Group. Such documents provide detailed credit rules for specific regions, subsidiaries, etc., if required by local market peculiarities, and are applicable only within the specific perimeter of the relevant Group companies.

At the Group companies and the Bank level, the policies (if necessary) are further detailed through Group or Local Process Regulation and Group Operational Regulation, describing specific rules and instructions for the management of day-to-day activities.

Credit policies have generally a static approach and are revised when necessary. Therefore, they are supplemented with credit risk strategies that are updated at least annually and define customers/products, industry segments and geographical areas that will form the target of the Group companies' and the Group's relevant credit business.

Management and Measurement

Besides the methodologies summarized in the rating systems, the Group Risk Management function leverages on portfolio models enabled to measure credit risk for Pillar 2 purposes on an aggregated portfolio basis and, to identify the contribution of single sub-portfolio or obligor to the overall risk.

There are two fundamental portfolio credit risk measures that are calculated and evaluated on a time horizon of one year:

- Expected Loss ("**EL**");
- Credit Value at Risk ("**Credit VaR**");

The estimate of Credit VaR at overall portfolio level is derived from the distribution of losses obtained by Monte Carlo simulation on the horizon of one year, considering the correlations among counterparties. The total loss in each default scenario is the sum of the individual losses, being defined as the product of LGD TTC (Loss Given Default Through the Cycle) and EAD (Exposure At Default) for transactions related to defaulted counterparts. For most liquid exposures classified at amortised cost, in each simulated scenario, the loss estimation related to their simulated creditworthiness deterioration is added to the total loss related to the counterparts simulated in default.

Within the Credit VaR framework, the Expected Loss ("**EL**") at portfolio level is defined as the sum of the product of PD, LGD (both TTC) and EAD for each obligor in the considered portfolio plus a migration risk charge related to the expected creditworthiness deterioration for the most liquid exposures classified at amortised cost.

The Value at Risk ("**VaR**") represents the monetary threshold of the losses distribution which is overcome only with a given probability level (a 99.9% confidence level VaR implies that the loss threshold is exceeded in 1 case out of 1,000). Economic capital is derived from Value at Risk subtracting the Expected Loss and it is an input for determining Internal Capital set up to cover potential unexpected losses from all the sources of risk.

The measures of economic capital based on Credit VaR are also a fundamental input for the design and application of credit strategies, the analysis of credit limits and risk concentration. The Economic Capital calculation engine is also one of the instruments used for the analysis of stress testing of the credit portfolio.

The internal Credit VaR model is also subject to assessment in the context of Pillar II validation.

The calculation of the credit economic capital is available on a single technological platform (Group Credit Portfolio Model, GCPM), with a shared methodology for the structures of UniCredit S.p.A. and the main entities of the Group. In order to assess the credit risk-transfer created by securitisation transactions originated by the Group, an engine (Structured Credit Analyzer) has also been developed, which simulates the loss distribution of the securitized portfolio and of the tranches, both for synthetic securitisations (in which the risk is transferred through guarantees/credit derivatives) and for traditional ones (where the assets are sold to a special purpose vehicle).

Reporting and Monitoring

The Group Risk Management is responsible for setting the adequate levels of risks the Bank is willing to have in line of its Risk Appetite Framework and consequently steering, monitoring and control of all these risks.

Within the Group Risk Management, the reporting and monitoring activities are assigned to different functions:

- The "Credit Risk Reporting Standards" (within the "Group Credit Risk—Credit Risk Strategies, Monitoring and Controls" structure) responsible for the definition of the credit risk reporting framework, both regarding the definition of rules, standards and taxonomies and regarding the design of the reporting elaboration processes. Furthermore, it is responsible for the preparation of the regulatory reporting for the credit component of competence of "Credit Risk Strategies, Monitoring and Controls" structure. Furthermore, it is responsible to analyze the credit risk regulation evolution, evaluating the related impacts, as well as ensure the governance of the managerial data system, issuing the related guidelines and ensuring the implementation al Group level.

The " Credit Risk Strategies & Monitoring" (within the "Group Credit Risk—Credit Risk Strategies, Monitoring and Controls" structure) is responsible for the definition and monitoring of the Credit Risk strategies at Group level, with breakdown at Divisional/LE level. The structure is also responsible for processing the periodical analysis, assessment and monitoring in order to give to the Top management and/ or competent Bodies, a consolidated view of the Group credit risk profile. In this context it is also steering and coordinating at Group level the local forecast and budget process on credit risk metrics (in alignment with CFO/ finance functions), consolidating figures at Group level..The "Price Control & Structured Entities Risk" (within the "Group Financial Risk" structure) responsible, among others, for the monitoring and for the reporting on Group Structured Entities perimeter

The Reporting framework has been also refined to have a comprehensive and consolidated view on credit risk profile. For example "Integrated Credit Risk Report" is produced quarterly and addressed to top management;

- The "Group Risk Appetite and Integrated Risks" is responsible for setting Group Risk Appetite and cascading it at local level. Moreover, the structure is also responsible for providing the Top Management, Management bodies and Regulators with an integrated view of risks affecting the Group on a quarterly basis ("RAF and Integrated Risk Report").

The Group's risk reporting and monitoring activities meet the Risk Data Aggregation and Reporting Principles as defined by the Paper n. 239 issued by the Basel Committee on Banking Supervision (BCBS 239), achieving the goal of streamlining risks in terms of data quality, completeness, timeliness, convergence towards single reporting on Integrated risks and process to support their consolidation.

Risk monitoring and reporting practices at Group level have benefited from the completion of the initiatives performed – starting from 2013 – within PERDAR project, launched to ensure compliance with the Principles of "Risk Data Aggregation & Reporting" issued by the Basel Committee. In more detail, the Group has activated various activities to embed Basel Principles (BCBS239, from now on PERDAR principles) into risk data aggregation processes and policies, as well as into the supporting IT Architecture; through the definition of an overarching data governance framework and the enhancement of the existing Group-wide IT infrastructure, the application of PERDAR principles has ensured significant improvements in the reporting processes pertaining to all the key risk areas. Moreover, throughout the years, the fulfillment of PERDAR compliance evolved from a stand-alone project perspective towards an overarching conceptual framework applied to each new data-driven initiative.

This has represented a key factor for a progressive optimization of the risk reporting towards Top Management, Corporate Bodies and Supervisors in terms of quality of data provided, homogeneous risk taxonomies, disclosure completeness, timeliness and frequency of reporting.

Market Risk

Market risk derives from the effect that changes in market variables (interest rates, securities prices, exchange rates, etc.) can cause to the economic value of the Group's portfolio, including the assets held both in the Trading book, as well as those posted in the Banking book, both on the operations characteristically involved in commercial banking and in the choice of strategic investments. Market risk management within UniCredit group accordingly includes all the activities relating to cash transactions and capital structure management, both for the Parent company, as well as for the individual entities of the Group.

From a regulatory perspective, market risk stems from all the positions included in banks' trading book as well as from commodity and foreign exchange risk positions in the whole balance sheet.

Therefore, the risks subject to market risk capital requirements include but are not limited to:

- default risk, interest rate risk, credit spread risk, equity risk, foreign exchange (FX) risk and commodities risk for trading book instruments;
- FX risk and commodities risk for banking book instruments.

From a managerial perspective, the Group extends the definition of Market Risk to include Fair value through Profit and Loss (i.e., FVtPL) and Other Comprehensive Income (i.e. FVtOCI assets, net of Micro Fair Value Hedges) portfolios, which are therefore monitored and limited through a set of market-risk specific metrics.

Amortised Cost (AC) securities are also included in the scope with the aim to check the consistency with the Investment Plan.

The current organisational model guarantees the ability to steer, coordinate and control the activities of some aggregated risks (so-called Portfolio Risks), through dedicated responsibility centres (Portfolio Risk Managers), completely focused and specialised on such risks, under a Group and interdivisional perspective.

According to this organisation, the structure at first level of reporting to "Group Risk Management", dedicated to market risk governance is the "Group Financial Risk" department.

Market Risk – Risk Management Strategies and Processes

The Parent Company's Board of Directors lays down strategic guidelines for taking on market risks by calculating capital allocation for the Parent company and its subsidiaries, depending on risk appetite and value creation objectives in proportion to the risks assumed.

The Parent company has defined Global Rules to manage and control market risk, including strategies and processes to be followed. Market risk strategies are set by the Parent company at least on an annual basis, in line with the definition of the overall Group Risk appetite and then cascaded to the legal entities. Market risk appetite is also fundamental for the development of the Group's business strategy, ensuring the consistence between the budgeted revenues and the setting of Value-at-Risk limits.

In this context, on an annual basis Market Risk Management function of the Parent Company agrees with the local Market Risk functions possible changes to the Group Market Risk Framework. Changes to the Group Market Risk Framework can include changes to the perimeter for the calculation of managerial market risk metrics and methodological changes in the limit monitoring framework.

For this purpose, Market Risk Management of the Parent Company gathers the information needed to set up the Group Market Risk Strategy for the following year. In particular, Group Market Risk Management receives from the competent function the Group Risk Appetite Framework, which sets, among others, Market Risk KPIs and from local Market Risk functions the list of legal entities (LEs)/Business Lines allowed to assume market risk exposures, the severities of the related limits and the proposals for the review of market risk levels.

Based on these inputs, the Group Market Risk strategy is defined including the following information:

- the proposed Market Risk Takers Map;
- limits and Warning Levels (WLs) proposal in accordance with the proposed Market Risk Takers Map;
- any change occurred to the risk limit framework compared to the previous year;
- overview on the macroeconomic scenario and related risks for the Group;
- market risk RWA history and expected development;
- market risk KPIs benchmarking;
- the business strategy and key initiatives to support the limit proposal.

After that all the Group relevant Bodies have approved the Group Market Risk Strategy and given the relevant NBOs for local market risk limits, the approval is communicated to the local functions.

In terms of monitoring, the LEs carry out periodical activities (e.g., daily monitoring of VaR, weekly monitoring of Regulatory VaR, IRC and SVaR, monthly monitoring of Stress Test Warning Level) under the coordination of the Parent company Market Risk Management function and the breaches are timely escalated locally to Senior Management and to the Parent company.

Ultimately, it has to be highlighted that detailed Global Rules on market risk strategy definition, limits setting, monitoring, escalation and reporting activities are in place and applied at Group level.

Risk Management Strategies and Processes – Trading Book

In accordance with the Capital Requirements Regulation, and as defined in the current policy "Eligibility Criteria for the Regulatory Trading book assignment", the Trading book is defined as all positions in financial instruments and commodities held either with trading intent, or in order to hedge positions held with trading intent. Books held with trading intent are composed of:

- positions arising from client servicing and market making;
- positions intended to be resold in the short term;
- positions intended to benefit from actual or expected short-term price differences between buying and selling prices or from other price or interest rate variations.

In addition, Trading book may include internal or intra-group hedging derivatives transferring risk from Banking book into Trading book, entitled to manage the relevant risk and having access to the derivatives market.

The essential requirement for the Regulatory Trading book assignment is a clear "trading intent", as defined above, which the trader has to commit to and has to confirm on an ongoing basis. Additionally, the so called "tradability", "marketability" and "hedge-ability" requirements have to be assessed in order to evaluate the appropriateness for the Trading book assignment:

- tradability refers to positions free of restrictions on their tradability and coherently reflected within the "Trader Mandate" of the risk taker;
- marketability refers to the positions for which a reliable Fair Value can be evaluated based to the largest extent on independently verified observable market parameters;
- hedge-ability refers to positions for which a hedge could be put in place. The hedge-ability is meant to concern the "material" risks of a position which implies not necessarily that all the various risk features are to be hedge-able.

When opening a new book, the book manager makes the proposal whether the book should be managed as a Trading book or a Banking book based on the planned trading activity. This has to be in line with the bank's internal rules and criteria for the assignment to either Trading book or Banking book. The book manager is required to clearly declare the trading intent and therefore to explain the business strategy behind the request for the Regulatory Trading assignment. The book manager is then responsible for all the positions held in his book and the eligibility criteria are expected to be fulfilled on an ongoing basis.

Concerning the monitoring phase, to demonstrate adequate trading intent, the following minimum criteria must be fulfilled at book level and are checked at least on a quarterly basis:

- minimum of 5 trades during the past 90 trading days;
- minimum of 5% of the volume of each book traded during the past 90 trading days with reference to the last day of the period.

In case a breach of the trading intent criteria, the possibility to re-classify the book must be assessed.

With reference to the methodology used to ensure that the policies and procedures implemented for the management of the Trading book are appropriate, first of all it has to be noted that any new/updated regulation has to be preliminary shared with the main impacted functions/Legal Entities in order to collect their feedback. The competent Group function also assesses the compliance risks with reference to the regulations falling within its direct scope of competence. In addition, before the issuance, the owner of the rule submits to the competent Body/function for the approval.

The financial instruments (an asset or a liability, cash or derivative) held by the Group are exposed to changes over time driven by moves of market risk factors. The market risk factors are classified in the following five standard market risk asset classes:

- Credit risk: the risk that the value of the instrument decreases due to credit spreads changes, issuer correlation and recovery rates;
- Equity risk: the risk that the value of the instrument decreases due to increase/decrease of index/stock prices, equity volatilities, implied correlation;
- Interest rate risk: the risk that the value of the instrument decreases due to interest rates changes, basis risk, interest rates volatility;
- Currency risk: the risk that the value of the instrument decreases due to foreign exchange rates changes, foreign exchange rates volatility;
- Commodity risk: the risk that the value of the instrument decreases due to changes of the commodity prices, for example gold, crude oil, commodity prices volatility

Market risk in UniCredit group is measured and limited mainly through two sets of metrics: Broad Market Risk measures and Granular Market Risk measures:

- **Broad Market Risk measures**: these measures are meant to set a boundary to the regulatory capital absorption and to the economic loss accepted for FVOCI and/or FVTPL exposures. Limitations on Broad Market Risk measures must be reviewed at least annually in the context of the drafting of the Group and Local Market Risk Strategies and must be consistent with assigned budget of revenues, the defined risk-taking capacity (ICAAP process) and Group Risk Appetite KPIs. The set of all limitations on Broad Market Risk measures assigned to a specific market risk taker must be consistent with each other.
- The consistency must be checked whenever a level for a Broad Market Risk Measure is defined. The legal entity Market Risk Function needs to provide evidence of such consistency when required. Broad Market Risk measures are:
- Value at Risk ("VaR"), the potential 1-day loss in value of a portfolio for a 99% single-tail confidence interval; calculated through historical simulation in full revaluation using the last 250 equally weighted daily observations;
- Stressed VaR ("SVaR"), the VaR of a portfolio calculated using a 250-day period of significant financial stress;
- Incremental Risk Charge ("IRC"), the amount of regulatory capital aimed at addressing the credit shortcomings (migration and default risks) that can affect a portfolio in one year at a 99.9% confidence level;
- 60 days PL, set as the 60 calendar days rolling period Accumulated Economic P&L without resetting at year end; the limitation on this metrics is called Loss Warning Level ("LWL");
- Worst Stress test result, defined as the worst conditional loss on a given portfolio resulting from the application of a predefined set of scenarios; the limitation on this metrics is called Stress Test Warning Level ("STWL"); for all STWL included in the Market Risk Taker Maps, Parent company monitoring is based on the set of scenarios defined in the Group Market Risk Strategy; legal entities are allowed to add specific scenarios for local monitoring purposes.
- The Group has undertaken a progressive review of Market Risk measure scope and, starting from 2019, Warning Levels for 60 days PL and Worst Stress test result have been defined on FVtPL and FVtOCI perimeters.
- **Granular Market Risk measures:** these measures allow a more detailed and stringent control of risk exposures than Broad Market Risk measures. Limitations on Granular Market Risk measures (so-called Granular Market Limits, GMLs) are specific limits to individual risk factors or group of risk factors:
    - sensitivity levels, which represent the change in the market value of a financial instrument due to small moves of the relevant market risk asset classes/factors. Among others, and not limited to, particularly relevant considering the asset and liability structure of the commercial bank are the Basis Point Value Sensitivity, that measures the change in the present value of the interest rate sensitive positions resulting from a 1bp parallel shift to interest rate, and the Credit Point Value Sensitivity, that measure the change in the present value of the credit risk sensitive positions resulting from a 1bp parallel shift to credit spread (per issuer, rating or industry);
    - stress scenario levels, which represent the change in the market value of a financial instrument due to large moves of the relevant market risk asset classes/factors;
    - nominal levels, which are based on the notional value of the exposure.
    - The main objectives of Granular Market Limits are:
    - supporting the management of market risk;
    - ensuring desk's focus to exposure under their mandate;
    - restricting risk concentration, i.e. preventing the build-up of positions that, although consistent with allocated VaR limits, could become unmanageable in case of turmoil or in case of reduced market liquidity;
    - complementing VaR when it does not cover sufficiently a specific risk factor;
    - facilitating interaction with traders, who manage their books according to sensitivities or scenario analysis;

- limiting P&L volatility due to a specific risk factor;
- complementing the compliance framework (e.g., Volcker rule and the German Trennbanken act).

The Granular Market Limits must be consistent with limitations on Broad Market Risk measures.

To cover also Amortised Cost securities, the new Market Risk Strategy has introduced new notional and CPV granular limits on Regulatory Banking book perimeter. This ensures the monitoring of Credit spread risk in the Banking book, which originates mainly from government bond portfolios held for liquidity purposes. The main credit spread exposure relates to Italian sovereign risk in the Italian perimeter.

As for Banking book FX risk, the FX Management & Control Global Policy in force requires every legal entity to setup local processes and controls to transfer the transactional exchange risk exposures to one single unit, generally in the Markets department, mandated to manage the open exposure within the allotted limits and the general market risk appetite.

Finally, the Group is exposed to FX risk in relation to the holding of subsidiaries, associates and joint ventures presenting their financial statements in currencies different than EUR (Structural FX Risk). To limit the impacts of the FX rates movements on the Capital ratios volatility, a RAF KPI on Structural FX risk is set at Group level to identify an appropriate level of risk the Group is willing to maintain and thresholds that in case of breaches require the activation of the proper escalation mechanisms. Group risk management strategy could envisage the steering of the FX risk exposure in the LEs or the booking in the Holding of positions deliberately taken to hedge the capital ratio from FX volatility. On a yearly basis, this strategy is presented to the relevant Group committees and approved by the BoD.

The general policy is to hedge the foreign currency exposures from dividends and contributions to consolidate profit (loss) considering hedging cost and market circumstances. The FX exposure is hedged using forwards and options that are classified as Trading book. This general rule is valid for the Parent company. The hedge strategy is reviewed by the relevant risk committees on a regular basis

Risk Management Strategies and Processes – Banking Book

The main components of market risk in the banking book are credit spread risk, pure interest rate risk and foreign exchange risk.

Credit spread risk originates mainly from government bond portfolios held for liquidity purposes. The market risk of the bond portfolio is limited based on notional, sensitivity measures and VaR. The main credit spread exposure is related to Italian sovereign risk in the Italian perimeter.

The second risk type is the interest rate risk. The exposure is measured in terms of economic value sensitivity and the net interest income sensitivity. Daily the treasury function manages the interest rate risk from commercial transactions within operational limits set by the relevant risk committees. The exposure is measured and monitored daily by the risk management functions. The Group Financial Risk Committee is responsible for the interest rate strategy for the strategic position. This includes the decision of investing the net position of non-interest earning assets and non-interest bearing liabilities. The management of Banking Book interest rate risk aims to optimize, in an on-going scenario, the risk/return profile and long term value creation while reducing adverse impacts on bank's earnings and regulatory capital coming from interest rates volatility.

The main target of IRRBB strategy is the reduction of net interest income volatility in a multiyear horizon. The strategy does not imply any intended directional or discretional positioning to generate additional earnings, unless approved by relevant bodies and separately monitored. The only exceptions is for those functions authorised to carry interest rates positions within an approved level of limitations. The management strategy on the structural mismatch involving non-interest earning assets and non-interest bearing liabilities (free funds), aims to balance the trade-off between a stable flow of earnings in a multiyear horizon and the opportunity cost of having a fixed rate investment. The interest rate management strategy takes into account the main impact from prepayments. Based on historical prepayment data as well as trend analysis the prepayment behavior is estimated. In Italy the prepayment expected profile is implicitly taken into account by treasury while hedging for commercial assets interest risk. The prepayment risk for the German mortgage portfolio is driven by interest rate levels and by customer behavior independent of the level of the interest rate. The interest rate-sensitive prepayments are rather small at the current interest rate level and are hedged with swaptions. The not interest rate sensitive prepayments are hedged via swaps according to the Interest Rate Risk strategy of the bank. The prepayment risk in the loan portfolio of Austria and CEE countries, except for Hungary and Russia, is deemed residual therefore no prepayment hedging strategy is applied.

The overall interest risk exposure on Banking Book perimeter is periodically reported, at least on a monthly basis, to the Group Financial Risk Committee.

The committee's involvement in interest rate risk management includes:

- the definition of granular interest rate Banking Book limits;
- the initial approval and fundamental modifications for the measurement and control system of Banking Book interest rate risks with the support of internal validation function (where necessary);
- optimizing the Group profile for Banking Book interest rate risk;
- the definition of the operative strategies of balance sheet (e.g., replicating portfolio) and application of the internal transfer prices within the Italian perimeter;

- consulting and suggestion functions to Group Risk & Internal Control Committee with respect to the contribution to Risk Appetite Framework, and
- Global Policy for Interest Rate Banking Book definition and changes of behavioral models for Interest Rate Banking Book and other critical/important issues with potential impact on Banking Book interest rate.

A third risk type is FX risk. The sources of this exposure refer mainly to capital investment in foreign currency. The current strategy is not to hedge the capital. The general policy is to hedge the foreign currency exposure related to dividends and P&L taking into account hedging cost and market circumstances. The exposure is most relevant for CEE Legal Entities. The FX exposure is hedged using forwards and options that are classified as Trading Book. This general rule is valid for the parent company. The hedge strategy is reviewed by the relevant risk committees on a periodic basis.

Structure and Organization

The Group Financial Risk department is responsible, at Group level, for the definition of the strategies of financial risk management of the Group to be submitted to the competent functions/ Bodies (i.e., liquidity risk, balance sheet interest rate risk, market risk and counterpart risk), ensuring that the control of the risks taken by UniCredit S.p.A. Foreign Branches are monitored and reported to the Group Chief Risk Officer and to the Senior Management. In addition, the structure governs the Group activities aimed to ensure the independent control of the prices and of the Front Office relevant parameters, for the fair value calculation.

The structure breaks down as follows:

- "**Market & Trading Credit Risk Management**", responsible for governing and checking either at Group level and UniCredit S.p.A. level (with the inclusion of the Foreign Branches) and of the Regional Center Italy (when applicable), the market risks and the counterparty risks;
- "**Price Control & Structured Entities Risk**", responsible for steering and controlling, for the whole Group, the independent price verification processes (IPV) market conformity, pricing policy and MIFID II market risk for products distributed to the commercial network. It is also responsible for the controls requested by internal and external regulations, related to Structured Entity (Special Entities/ SE/ SPE);
- "**Financial Risk Methodologies & Models**", responsible for developing and maintaining Group methodologies, models and architectures regarding financial risks and behavioral models of the risks of the commercial banking book, as well as validating pricing models;
- **"Liquidity and Interest Rate Risk Management**", responsible for governing and controlling the liquidity risk and balance sheet interest rate risk, either at Group level and UniCredit S.p.A. level (including the Foreign Branches) and the Country Italy (when applicable).

The relevant Committees of reference are:

- Group Financial and Credit Risk Committee (GFRC) – Financial Risk session
- Group Executive Committee (GEC) – Risk Session

The "Group Financial and Credit Risk Committee (GFRC) – Financial Risk session" meets monthly and is responsible for approving strategies, policies and methodologies for Financial Risks and for the monitoring of risks related to Fund Transfer Pricing, across Liquidity Reference Banks, Business Functions and Legal Entities, with the aim to optimize the usage of financial resources (e.g., liquidity and capital) in coherence with Risk Appetite and Business Strategies. It is also responsible for the approval of the Financial Plan, Funding Plan, Ordinary Counterbalancing Capacity Plan and Contingency Funding Plan to be submitted to the Board by the CEO as well as for evaluating the impact of transactions significantly affecting the overall financial risk portfolio profile.

The "Group Executive Committee (GEC) – Risk Session" which has approval as well as consulting and proposal functions, meets monthly and aims at supporting the CEO in its role of steering, coordinating and monitoring all categories of risks (included compliance risk), managing and overseeing the internal control system also at a Group level, as well as discussing and approving strategic risk topics such as Group Risk Appetite Framework, ICAAP, ILAAP, SREP, key highlights from Internal Control Systems, NPE, ESG.

Risk measurement and reporting systems – trading book

In the second half of 2021, UniCredit group continued to improve and consolidate market risk models to properly measure, represent and control the Group risk profile, reflecting these changes in the reporting activity. As regards market risk measurements, further details can be reported in paragraph "Internal Model for Price, Interest Rate and Exchange Rate Risk of the Regulatory Trading book", while for both monthly and daily reporting process, Global Process Regulation are periodically updated.

Within the organisational context described above, the policy implemented by UniCredit group within the scope of market risk management is aimed at gradually adopting and using common principles, rules and processes in terms of appetite for risk, limit calculations, model development, pricing and risk model scrutiny.

The Group Financial Risk department is specifically required to ensure that principles, rules and processes are in line with industry best practice and consistent with standards and uses in the various countries in which they are applied.

The main tool used by UniCredit group to measure market risk on trading positions is Value at Risk (VaR), calculated using the historical simulation method. Further details on risk valuation models are included in the following chapter.

Group Financial Risk defines market risk reporting standards, both in terms of contents and recurrence, and provides timely information to the Senior Management and regulators regarding the market risk profile at consolidated level.

In addition to VaR and Basel 2 risk measures, stress tests represent an important risk management tool that provides UniCredit with an indication of how much capital might be needed to absorb losses in case of large financial shocks. Stress testing forms an integral part of the Internal Capital Adequacy Assessment Process (ICAAP), which requires UniCredit to undertake rigorous, forward-looking stress testing that identifies possible events or changes in market conditions that could adversely impact the bank.

Risk measurement and reporting systems – banking book

The primary responsibility of the monitoring and control of risk management for market risk in the banking book lies in the Bank's competent bodies. For instance, the Bank is in charge of monitoring market risks for the banking book at the consolidated level. As such, it defines structure, data and frequency of the necessary Group reporting.

Economic value perspective: variation in interest rates can affect the economic value of assets and liabilities. The economic value of the bank can be viewed as the present value of the bank's expected net cash flows, defined as the expected cash flows on assets minus the expected cash flows on liabilities; a relevant risk measure from this perspective is the economic value sensitivity per time bucket for a 1 basis point rate shock. This measure is reported to the relevant committees to assess the economic value impact of various changes in the yield curve. In addition, the economic value sensitivity is computed for all the Shock requested in the Supervisory Outlier Test and for a +200 basis points parallel shock is included.

Earnings at Risk perspective: the focus of the analysis is the impact of changes of interest rates on net interest income that is the difference between revenues generated by interest sensitive assets and the cost related to interest sensitive liabilities. An example of a measure of risks used is net interest income sensitivity for a +100 basis point parallel shock in rates. It provides an indication of the impact on the net interest income over the next 12 months if such shock should occur. Additional stress test scenarios are performed on a regular basis to estimate the basis risk and non-parallel shocks.

Next to the set of limits and warning levels for interest rate risk, restrictions and exposure measures are in place for other market risk types such as foreign exchange risk, option risk, basic risk and credit spread fluctuations.

Hedging policies and risk mitigation – trading book

The mitigation of Trading book risk is performed through the Market Risk Strategy, where Broad and Granular Limits are defined. The effective limit utilization is provided to Group Financial and Credit Risk Committee (through the Market Risk Overview report) and related breaches are escalated to the competent Body, according to the severity assigned by the Market Risk Strategy. The escalation process is ruled by the Global Policy "Market Risk Limits" which defines the nature of the various thresholds/limits applied, as well as the relevant bodies to be involve establishing the most appropriate course of action to restore exposure within the approved limits.

A set of risk indicators is also provided to the Group Executive Committee (and subsequently to the Internal Control & Risk Committee and to the BoD) on a quarterly basis through the Group Risk Appetite Framework (RAF) and Integrated Risk Report (IRR), which includes Regulatory VaR, Stressed VaR and IRC trend for Group and legal entities (UniCredit S.p.A, UniCredit Bank AG and UniCredit Bank Austria AG), Sovereign and non-Sovereign (ABS, Financials and Corporates) Exposure.

If required, focus is provided to relevant Committees on the activity of a specific business line/desk to ensure the highest level of understanding and discussion of the risks in certain areas which are deemed to deserve particular attention.

Hedging policies and risk mitigation – banking book

The Group Financial Risk Committee evaluates the main market risk drivers monthly. Group Risk Management reports to the committee on the banking book risk measures both from a value and income perspective. It proposes and monitors limits and warning levels that have been approved by the relevant competent bodies.

Breaches of limits and warning levels are reported, upon occurrence, to the relevant bodies. Consequently, the escalation process is activated in line with the procedures set in the policy, to establish the most appropriate course of action to restore exposure within the approved limits.

Execution of structural hedges to mitigate the interest rate risk exposure on client business is the responsibility of the treasury functions. Strategic transactions in the banking book is managed by the Asset and Liability Management department (ALM).

Liquidity Risk

Liquidity risk is defined as the risk that we may find ourselves unable to fulfill our expected or unexpected payment obligations (by cash or delivery) without jeopardizing our day-to-day operations or our financial condition. The risk may be triggered by various internal or external factors.

The Key Principles of our Liquidity Risk Management Model

The liquidity reference banks

We aim to maintain liquidity at a level that enables us to fund our operations at the best rate conditions under normal operating circumstances, and to remain always in a position to meet payment obligations.

To this end, the Group complies accurately with the legal and regulatory provisions imposed by the national central banks and by the national authorities of each country where it operates.

In addition to local legal and regulatory requirements, the Group, through us and under the responsibility of our Group Risk Management, defines policies and metrics to be applied at the Group-wide level, to ensure that the liquidity position of any company meets the requirements of the Group. For these reasons, the Group is organized on a managerial perspective, according to the concept of the liquidity reference banks.

The liquidity reference banks are Group companies that act in their responsibility as a liquidity hub. They are in charge:

- of the liquidity management and concentration process of liquidity flows of the Group companies falling within their perimeter of responsibility;
- of the funding optimization carried out on the relevant local markets and are responsible for coordinating access to short-and long-term markets of the Group companies belonging to their perimeter; and
- finally, of the implementation of our liquidity rules at local level in line with our Governance Guideline and Policy and with local regulations.

Each liquidity reference bank monitors and has oversight over the liquidity positions of the Group companies it refers to and ensures that each company falling within its perimeter has a sufficient level of liquidity to meet its individual and joint obligations as they come due.

A particularly important role is played by us, as a "supervisory and overarching liquidity reference bank" with our role of steering, coordinating and controlling all the aspects regarding liquidity for the whole Group. We have the responsibility to set the overall Group risk appetite and sub-allocate the limits in agreement with the liquidity reference banks and/or Group companies. We, moreover, act as the liquidity reference bank for Italy.

The principle of "self-sufficiency"

This organization model allows self-sufficiency of the group by accessing the local and global markets for liquidity in a controlled and coordinated way, whilst optimizing: (i) the liquidity surpluses and deficits within the Group's companies; and (ii) the overall costs of funding across the Group According to Group policies, structural liquidity surpluses can be up-streamed to the Bank, unless legal requirements prevent it. The "Liquidity Management & Control Group Policy" provides that each Group company with market access has to increase its liquidity self-sufficiency, thereby fostering the exploitation of its strengths: each Group company (including the liquidity reference bank) should be self-sufficient in terms of liquidity in its local currency, either on its own or by leveraging on the relevant liquidity reference bank. This principle is reflected in a specific "limit structure." Limits are set both at Group and at individual level, with the purpose of avoiding/ controlling significant imbalances among Group companies.

The adoption of the Single Point of Entry by the Group implies that the Holding Company provides internal MREL to all the other subsidiaries within Europe, representing the only exception to the self-sufficiency principle.

The liquidity available at country level could be subject to restrictions due to legal, regulatory and political constraints. The so-called "Large Exposure Regime", applied throughout Europe, along with specific national laws like the "German Stock Corporation Act", are examples of legal constraints to the free circulation of funds within a cross-border banking Group.

As a general rule, the Large Exposure Regime, which came into force on December 31, 2010, limits interbank exposures to a maximum of 25% of eligible capital; this rule is also applicable to intra-group exposures.

However, there are significant differences in the way in which this EU regulation has been implemented in the various countries.

In many CEE countries, the limit of 25% of free funds is valid, with some countries showing even stricter rules; in Austria, according to the national law, the "25% of eligible capital" is not applied to exposures towards the parent company, if located in the European Economic Area; finally, in Germany, the national regulator has set up a process to apply for a waiver, exempting intra-group exposures from the large exposure limitation.

In the absence of official limits valid at national level, Austrian and German regulators reserve the right to judge the exposure level on a case-by-case basis. In the current economic environment, in many of the territories in which we operate, banking regulatory authorities are adopting measures aimed at reducing the exposure of their national banking system towards foreign jurisdictions with potential negative impacts on the ability of the Group to finance its activities.

For these reasons, the "Liquidity Management & Control Group Policy" provides for a further principle in order to enhance a sound liquidity risk management; that is, each Group company with market access has to increase its liquidity self-sufficiency, thereby fostering the exploitation of its strengths. In addition, the Group rule states that each Group company (including the liquidity reference bank) should be self-sufficient in terms of liquidity in its local currency, either on its own or by leveraging on the relevant liquidity reference bank. This self-sufficiency principle is reflected in a specific "limit structure." Limits are set both at Group and at individual level, with the purpose of avoiding/controlling significant imbalances among Group companies.

This type of organization promotes the self-sufficiency of the Group companies by allowing them to access the local and global markets for liquidity in a controlled and coordinated way, whilst optimizing: (i) the liquidity surpluses and deficits within the Group's companies; and (ii) the overall costs of funding across the Group.

The adoption of the Single Point of Entry by the Group implies that the Holding Company provides internal MREL to all the other subsidiaries within Europe, representing the only exception to the self-sufficiency principle.

Roles and responsibilities

At Group level, three main functions are identified in the management of the liquidity: the Group Risk Management competence line, the Group Chief Financial Office competence line, and the "Treasury" function (within the "Markets" business unit), each with different roles and responsibilities. In particular, the operational responsibilities reside in the Group Chief Financial Office competence line and the Treasury functions, while the Risk Management function has responsibilities of independent controls and independent reporting compared to the operational functions (in line with the current requirements of the Bank of Italy).

More specifically, our Group Treasury acts as the main coordinator in the management of infra-group flows, stemming from liquidity deficits or surplus of the various Group companies, and applies the appropriate transfer prices to such funds movements. By doing so, Group Treasury ensures a disciplined and efficient access to the markets.

Group Chief Financial Office competence line is responsible for the coordination of the overall financial planning process at the Group, liquidity reference banks and relevant Group company level, aiming to efficiently ensure the stability and the sustainability of the financial structure through time, and by addressing assets and liabilities composition and maturities, in compliance with the limits and triggers set for liquidity and balance sheet metrics. It is also responsible for the execution of the medium- and long-term funding strategy of the Group (including securitization operations), coordinating the access to national and international capital markets for all the liquidity reference banks and relevant Group companies and exploiting local market opportunities in order to reduce the costs of funding and diversify the financing sources.

Optimization of liquidity risks is pursued through the setting of specific limits on the standard banking activity of transforming short, medium and long-term maturities. This is implemented in accordance with the legal and regulatory framework in each country and internal rules and policies of the Group companies through management models in place within the individual liquidity centers. Such models are subject to analyses carried out by the local risk management or equivalent structure with the same responsibilities in coordination with our Risk Management to ensure that they comply with the metrics and the objectives of our liquidity framework.

Moreover, the regional rules must conform to national law and regulatory requirements.

Risk measurement and reporting systems

Techniques for Risk Measurement

The different types of liquidity risk managed by the Bank are:

- "short-term liquidity risk" refers to the risk of non-conformity between the amounts and/or the maturities of cash inflows and cash outflows in the short term (below one year).
- "market liquidity risk" is the risk that the Bank may face a considerable (and unfavorable) price change generated by exogenous or endogenous factors and incur losses as a result of the sale of assets deemed to be liquid. In the worst case, the Bank might not be able to liquidate such positions.
- "intraday liquidity risk" appears when the Bank is not able to meet payment and settlement obligations on a timely manner basis under both normal and stressed conditions.
- "structural liquidity risk" is defined as the inability to raise the necessary funds to maintain an adequate ratio between medium- to long-term (over one year) assets and liabilities at a reasonable pricing level, in a stable and sustainable way, without affecting the daily operations or the financial condition of the Bank. It could have a potential impact on the cost of funding (own credit and market funding spreads), affecting future income of the Bank.
- "contingency risk" or "stress liquidity" is related to future and unexpected obligations (i.e., draw on committed facilities, deposits withdrawal or increase in collateral pledging) which could require the Bank to have a greater amount of liquidity compared to what is considered the amount needed to run the ordinary business.
- "intragroup liquidity risk" is the risk that might arise from an excessive exposure to or dependency on specific Group counterparts.
- "funding concentration risk" arises when the Bank leverages on such a limited number of funding sources that the withdrawal of one or more such sources could trigger liquidity problems.
- "foreign exchange liquidity risk" is generated by the current and projected liquidity mismatch between cash inflows and cash outflows in foreign currencies (foreign exchange refinancing risk) or related with the maturity distribution of the assets and liabilities in foreign currencies (foreign exchange structural mismatch risk).

Liquidity risk, for its particular nature, is addressed by means of gap analyses, liquidity stress testing, and complementary measures (mainly through a set of indicators: e.g., loan to deposit gap, liquidity coverage ratio). In particular, gap analyses are performed within two distinct time timeframes:

- liquidity imbalance mismatch approach on a daily basis, which controls the short-term liquidity risk arising from the overnight up to a 12-month maturity; and
- gap ratios on a monthly basis, which control the medium- to long-term risk (structural liquidity) from a 12-month maturity onwards.

The liquidity framework

Our liquidity framework is based upon the liquidity risk mismatch model which is characterized by the following fundamental principles:

- short-term liquidity risk management (operational liquidity), which considers the events that will impact upon our liquidity position from one day up to one year. The primary objective is to maintain our capacity to fulfil the ordinary and extraordinary payment obligations while minimizing the relevant costs.
- structural liquidity risk management (structural risk), which considers the events that will impact upon our liquidity position over one year. The primary objective is to maintain an adequate ratio between medium- to long-term liabilities and medium- to long-term assets, with a view to avoid pressures on short-term funding sources (both current and future), while in the meantime optimizing the cost of funding.
- stress tests:liquidity risk is a low probability, high impact event. Therefore stress testing is an excellent tool to reveal potential vulnerabilities in the balance sheet. The Bank uses several scenarios ranging from general market crisis to idiosyncratic crisis, and a combination hereof.

In this context, the mismatch model takes into account all assets, liabilities, off-balance sheet positions and both present and future events which generate certain or potential cash flows for the Group, thereby protecting the Group banks/companies from risks related to the transformation of maturity.

Moreover, the liquidity risk is included in our RAF through some specific liquidity indicators. One of these is the funding gap (an improved loan-to-deposit gap), which is calculated on a monthly basis and which measures to what extent the commercial loan portfolio is financed through commercial liabilities.

Short-term liquidity management

Short-term liquidity management aims at ensuring that we remain in a position to fulfill our cash payment obligations, whether expected or unexpected, focused on the exposure for the first 12 months.

The standard measures taken for such purposes are the following:

- management of the access to payment systems (operational liquidity management); and
- management of cash payments to be made and monitoring of the level of liquidity reserves and the extent of their utilization (analysis and active management of the maturity ladder).

These principles are applicable at the Group level and have to be used across the liquidity reference banks.

The operative maturity ladder is composed of the net contractual cash flows (in/outflows) affecting the cash position at central banks or “Nostro Account.” Therefore, these flows impact directly the “core liquidity” of the bank, over pre-defined time buckets.

The operative maturity ladder, calculated for all the relevant currencies, is composed of the following building blocks:

- primary gap, which shows the net wholesale refinancing requirements over the various time-buckets of the horizon;
- counterbalancing capacity, which shows the amount of unencumbered securities that are accepted as collateral by central banks and/or market counterparties. The counterbalancing capacity is considered at its “liquidity value” (i.e., the market value minus the applicable haircut);
- cumulative gap, which is the sum of the previous components; and
- reservation for unexpected flows, which consists of liquidity adjustment to the operative maturity ladder, to consider a buffer that can be used by the Treasury to refinance unexpected outflows impacting the central bank position (included in the short-term buckets). The reservation for unexpected flows takes into account the volatility of the funding needs of the commercial asset portfolio, the volatility of the commercial funding sources, including potential concentration effects and the change of liquidity value of the counterbalancing capacity due to observed market price changes.

The operative maturity ladder is included in the RAF, with a limit of 0 on the three-month bucket.

We also adopt the cash horizon as a synthetic indicator of the short-term liquidity risk levels. The cash horizon identifies the number of days after which the relevant Group company is no longer able to meet its liquidity obligations as expressed in the operative maturity ladder, after having exhausted the available counterbalancing capacity.

As far as the regulatory view is concerned, the short term liquidity risk is controlled also through the use of the Liquidity Coverage Ratio. The necessity to meet the LCR requirement is effectively taken into account both in the Group Funding Plan as well as within the Group Risk Appetite framework, where the limits for the metric is set at a level that ensure the Group to be always above the minimum regulatory requirements of 100%.

Structural liquidity management

Our structural liquidity management aims to limit refinancing exposures above one year and thus reducing refinancing needs in the shorter term. The maintenance of an adequate ratio between medium- to long-term liabilities and assets aims to avoid pressures on short-term sources, whether present or future.

The standard measures taken for such purposes are the following:

- the spreading of the maturity of funding operations in order to reduce the usage of less stable funding sources, while in the meantime optimizing the cost of funding (integrated management of strategic liquidity and tactical liquidity);
- the financing of growth through strategic funding activities, setting the most appropriate maturities (annual funding plan); and
- the balancing of medium- to long-term wholesale funding requirements with the need to minimize costs, by diversifying sources, national markets, currencies of issuance and instruments used (realization of the annual funding plan).

The main metric used to measure the medium/long-term position is the Net Stable Funding Ratio (NSFR) as described by the Basel 3 regulation. It corresponds to the ratio between the available amount of stable funding and the required amount of stable funding. The Group has already set the limits in the metric at a level that ensures it will be always above the minimum requirement of 100%.

Another structural metric, aimed at measuring the funding needs originated from the commercial activity of the Bank, is the funding gap. It measures the need for funding that the Bank has to finance in the wholesale market. The indicator is integrated in the RAF with the aim of monitoring and managing the level of funding coverage of net loans to customers originating from funding sources not exclusively obtained through treasury/finance activity.

Liquidity Stress Test

Stress testing is a risk management technique used to evaluate the potential effects on an institution's financial condition of a specific event and/or movement in a set of financial variables. As a forward-looking tool, liquidity stress testing evaluates the institution's liquidity risk. In particular, the results of the stress tests are used to:

- assess the adequacy of liquidity limits both in quantitative and qualitative terms;
- plan and carry out alternative funding transactions for purposes of off-setting liquidity outflows;
- structure/modify the liquidity profile of our assets; and
- provide support to the development of the liquidity contingency plan.

In order to execute stress tests that are consistent across the liquidity centers, we have a centralized approach to stress testing, requiring each local liquidity center to run the same scenario set under the coordination of the Group Risk Management. We run liquidity scenarios and sensitivity analyses on a regular basis, the latter by assessing the impact on an institution's financial condition of a move in one particular risk factor, whereas scenario tests tend to consider the impact of simultaneous moves in a number of risk factors, based on a hypothetical, well-defined and consistent stress scenario.

Operational Risk

Operational risk is the risk of loss due to errors, infringements, interruptions, damages caused by internal processes or personnel or systems or caused by external events. This definition includes legal and compliance risks, but excludes strategic and reputational risk.

For example, losses arising from the following can be defined as operational: internal or external fraud, employment practices and workplace safety, client claims, products distribution, fines and penalties due to regulation breaches, damage to the company's physical assets, business disruption and system failures and process management.

Group Operational Risk Framework

We set the operational risk management framework as a combination of policies and procedures for the identification, the assessment and measurement, the addressing and mitigation, the monitoring and reporting of the operational risk of the Group and of the controlled entities.

The operational risk policies, applying to all Group entities, are common principles defining the roles of the company bodies, the operational risk management function as well as the relationship with other functions involved in operational risk monitoring and management.

We coordinate our Group entities according to the internal regulation and the Group operational risk control rulebook.

A specific Risks Committee Group Non-Financial Risks and Controls Committee (GNFRC) is set up to monitor risk exposure, mitigating actions, measurement and control methods within the Group.

The methodologies for data classification and completeness verification, scenario analysis, risk indicators, monitoring and reporting, capital at risk measurement, Risk and Control Self Assessments and Operational Risks Mitigation Strategies are set by the Group Non-Financial Risks (GNFR) structure and applied to all Legal Entities.

A pivot element of the risk control framework is the operational risk management application, allowing the collection of the data required for operational risk control and capital measurement.

The compliance of the Group operational risk control and measurement system with external regulations and Group standards is assessed through an internal validation process under the responsibility of our Group Internal Validation structure and is independent from the Group Non-Financial Risks structure.

Since March 2008, we have used the "Advanced Measurement Approach" model for calculating operational risk capital. The use of this method has been rolled out to the main entities of the Group.

Effects arising from Covid-19 pandemic

Referring to operational risks, analysis were carried out in order to identify risks arising from process changes adopted time by time to protect the health of employees and customers.

With reference to the operational risks identified, the effectiveness of the risk mitigation measures was then assessed also through a comparative analysis between different Group Legal Entities.

In addition, specific second-level controls were activated to oversee those areas that were subject to the most significant changes: the outcome of these checks did not highlight any significant criticality. A specific monitoring of operational incidents linked, even indirectly, to the entire Covid-19 epidemic has been created in order to promptly intercept potential process criticalities or inappropriate behaviours.

Organizational Structure

Senior management is responsible for approving all aspects relating to our Group operational risk framework and verifying the adequacy of the measurement and control system and is regularly updated on changes to the risk profile and operational risk exposure, with support from the appropriate risk committees if required.

The Group Non-Financial Risks and Controls Committee (GNFRC) supports the CEO in the role of steering and monitoring the Non-Financial Risks (NFRs) at Group level, also overseeing the related internal control system (ICS).

The GNFRC enables the coordination among the "three lines of defence" with the aim to identify and share Group priorities concerning Non-Financial Risks (e.g. events, regulations or emerging risks), assessing and monitoring the effectiveness of initiatives put in place in order to address them.

Without prejudice to the role reserved to the Board of Directors by the provisions in being at the time, the GNFRC, in order to support the CEO in implementing the strategic guidelines and the Group general Risk Management policies is responsible for:

- defining and approving policies, operational limits and methodologies for the measurement, management and control of Non-Financial Risks, as well as for the definition of the methodologies for the measurement, management, and control of Non-Financial Risks (Operational and reputational Risk) internal capital;
- promoting the annual managerial self-assessment processes and evaluating its results, in order to ensure a systematic approach to operational risk assessment and to the supervision of the Internal Control System;
- overseeing Group Non-Financial Risks profile, emerging threats as well as the internal control system robustness at Group level, through the monitoring of most relevant events and incidents, weaknesses and shortcomings, also addressing and prioritizing – when needed – potential corrective actions;
- evaluating and providing guidelines for the management of risk relevant (e.g. reputational, security, data protection) single customer transactions or third party contracts, and for definition and implementation of business continuity plans.

With particular reference to the operational risk, GNFRC committee meets with approval, consulting and information functions for:

- general governance policies for the different types of NFRs;
- Group policies and methodologies – for the measurement, management and control of the NFRs as well as for the measurement and control of the related internal capital;

- Group insurance strategies proposed by the competent functions.
- Consulting and information:
- main NFRs, for the industry and for the Group, and overall strategies for their optimization;
- relevant Group and local Legal Entities issues (also emerging by the activities carried out by local GNFRC Committees) concerning NFR and ICS, evaluating weaknesses and shortcomings and – if needed – recommending and prioritizing corrective actions, as well as monitoring main implementation plans milestones;
- external events having potential impact on Group NFRs profile, and best practices and / or lessons learned deriving from events, assessments and action plans – defined by the Group Legal Entities;
- periodical reporting provided by Risk Management on operational losses (with particular focus on events having relevant financial impacts), near misses, Risk Weighted Assets, Indicators and Scenario Analysis;
- Compliance and Risk Management evidences on second level controls carried out, as well as on current and expected impacts of regulations monitored;
- Group relevant risks / criticalities highlighted by Internal Audit function, for specific cases and in relation to specific areas or geographies;
- strategic guidelines on Group Risk Appetite proposals including capitalization targets and capital allocation criteria for Group Non-Financial Risks;
- monitoring the information flows on the exercise of the powers sub-delegated by the CEO according to the current Delegation of Powers by the Board of Directors and on the new sub delegation granted;
- Internal Validation annual Regulatory Report on operational risk.

In 2021, within the review of the Group Committees, the Group Non Financial Risks and Controls Committee (GNFRC) – Reputational Risk dedicated session has been established.

The Committee meets with approval functions, according to the regulations in place, for the following topics:

- Governance policies and guidelines for the management of the reputational risk on sensitive sectors and customer relationships;
- Binding Opinions, whenever a relevant reputational risk is present on specific single transactions / relationships – as foreseen by the Internal Regulations – to be provided to UniCredit S.p.A. functions;
- Non-Binding Opinions, whenever a relevant reputational risk is present on specific single transactions / relationships – as foreseen by the Internal Regulations – on cases submitted by Local NFRC, to be provided to other Group Legal Entities.
- The Committee meets with consulting and information functions for the following topics, evaluating and providing guidelines with reference to:
- Reputational risk relevant emerging trends or material events, for their implications on Group and Local strategies, initiatives, transactions, projects, customers or other business activities, leveraging on evidences and assessments provided by Risk Management, Compliance, Legal, Group ESG Strategy & Impact Banking, Group Institutional Affairs and Group Identity and Communication;
- Group relevant risks / criticalities highlighted by Internal Audit function, for specific cases and in relation to specific areas or geographies;
- Periodical reporting provided by Group competent structures on the business activities and decisions taken in relation to the defined sensitive sectors.

UniCredit group developed a proprietary methodology for the quantification of reputational risk and the consequent calculation of the Value-at-Risk (VaR) for such a risk.

The methodology estimates the semi-elasticity between the "media sentiment" referred to UniCredit (summarised into the Media Tonality Index, provided by an external company, PRIME Research, qualified in Reputation Intelligence and Media Monitoring) and the market expectations regarding the Group expected future profits, which are derived from equity prices via the reverse engineering of a dividend discount model, once sterilised from the effects affecting the whole European banking sector.

The Reputational VaR represents the maximum (at 99.9% confidence level) potential reduction of future earnings as derived from the estimated model parameters and the distribution of the Media Tonality Index.

In order to evaluate the strength or the potential criticalities related to the ICS, the GNFRC evaluates the significant or critical elements emerging from reports produced by External Regulators (i.e. ECB, SSM, Bank of Italy, Consob, etc.), from other Group Functions with control duties or operating within the ICS (e.g. ICT, Security, Operations, Procurement and Cost Management) and External Auditors.

Group Non Financial Risks structure (GNFR) is responsible for the governance and control of operational and reputational risks (including operational risks bordering on credit risk, alias Cross Credit risks) of the Group and for evaluating its

exposure to operational and reputational risks, providing frameworks, methodologies and coordination of risk assessment activities and guaranteeing their continual and independent monitoring. The structure is furthermore responsible for defining strategies to mitigate such risks and containing the related losses and risk weighted assets. The structure is responsible for ensuring integrated analysis and reporting, involving and in alignment with the other control functions (i.e. Compliance, Audit) on the main operational and reputational risks of the Group.

The structure is also responsible for the governance and control of ICT/ Cyber Risks, through the definition of the framework for the management of ICT/ Cyber risks, the coordination and monitoring of the Group Entities in its implementation, the measurement, assessment and control of ICT/ Cyber risks for UniCredit S.p.A.

The structure is organized as follow:

- Operational Risks Analytics and Oversight is responsible to define principles and rules at Group level for identification, assessment, control and reporting of operational risk, monitoring their correct application by Legal Entities. The structure is also responsible for defining operational and reputational risk capital measurement methodologies, conducting analysis of the Group's exposure to operational risk also based on operational risks analytics models. The structure is furthermore responsible for the definition of Risk Appetite Framework/ RAF metrics of competence as well as for the related periodical monitoring.
- Reputational & Operational Risks Strategies & Mitigation is responsible to define the priority operational risk strategic areas, coordinating and monitoring the definition and planning of related relevant risks mitigation actions by the Legal Entities of the Group. The structure defines and provides methodologies for the evaluation of operational risks and controls (i.e. Risk and Control Self-Assessments -RCSA) on processes, products and projects performed by the Legal Entities of the Group. The structure is also responsible to define the methodologies for assessing the reputational risk related to activities performed by the Group, providing reputational risk assessments for UC S.p.A. and Non-Binding opinions for the other Legal Entities of the Group.
- Operational Risk Processes Assessment is responsible to oversee the operational risks for the Holding and Global functions perimeter, supporting the identification, management and monitoring of operational risks, also through the coordination of specific risk assessment activities on processes, products and projects. The structure is also responsible for the governance, identification and monitoring of the operational related credit risk for the Group ("cross credit risk"), coordinating and supporting dedicated risk assessments on business and governance processes and the related communication within Group and Local committees.
- Ict & Cyber Risk is responsible to define and monitor the most relevant ICT and Cyber Risks areas within the Operational Risk Framework, in coherence with the Risk Appetite Framework and Group strategic objectives; the structure is also responsible to identify, evaluate and control ICT & Cyber risks, and to coordinate and monitor their correct management by the Group Legal Entities

Internal Validation Process

In compliance with regulations, an internal validation process for the operational risk control and measurement system has been set up for the Group and for the relevant Legal Entities in order to verify the compliance with regulations and Group standards. This process is under the responsibility of Group Internal Validation department.

Group methodologies for measuring and allocating the capital at risk and the IT system are validated at the Group level by the above mentioned department, as well as the implementation of the operational risk control and management system

within the relevant Entities, which is firstly analysed through a self-assessment performed by local Operational Risk Management functions, following the technical instructions and policies issued by Group Internal Validation. The results of the local self-assessments are annually verified by Group Internal Validation, which also performs additional analysis on data and documentation. Such evidences are the basis for the release of specific Validation Reports to the relevant subsidiaries. The local self-assessment, together with the opinion of Group Internal Validation and Internal Audit report are submitted to the Legal Entities' competent governing bodies.

The validation outcomes on the operational risk control and measurement system, both at the Group and controlled Entities level, are annually consolidated with the annual validation report which, with the annual Internal Audit report, is presented to the UniCredit S.p.A. Board of Directors.

Reporting

A reporting system has been developed by the Group to keep senior management and the management body regularly informed on the Group operational risk exposure and the risk mitigation actions.

In particular, weekly reports are provided on operational losses trend and the main initiatives undertaken to prevent or mitigate operational risk in the various business areas and main operational risk events. Quarterly updates are provided on capital-at-risk figures and RAF metric monitoring.

Operational loss reports, submitted to Group Non-Financial Risks and Controls Committee are periodically provided to Regulators.

Operational risk management and mitigation

The identification of the Group and Legal Entity Operational Risk Mitigation Strategies (Group and Legal Entity ORMS) is performed through a set of recurring yearly activities at Group and Legal Entities level to assess the Group and Legal Entities risk profile and define the most appropriate mitigation actions to reduce the risk.

The main ones are the following:

Strategies

Group ORMS constitute a steering instrument for Group and Local Entities, aimed at assuring operational risk sustainability through a structured and proactive approach to risk mitigation and at strengthening the controls framework for specific process areas. Group ORMS are submitted for approval to GNFRC and the Holding Company Board of Directors: once approved, the Group ORMS become effective and shall be sent to the LEs to be submitted for the validation by Local Risk Committee and for approval by Local competent Bodies, together with the Local ORMS.

The Group and local ORMS are defined through:

- the Preliminary Self-Risk Assessment, a qualitative evaluation on selected forward-looking key risk drivers performed yearly by local ORMs leveraging on a list of key risk drivers provided by GNFR;
- the definition of Group Operational Risk priorities (also named Top Operational Risks – TOR, which are based on the identification of the most relevant operational risks, chosen after the qualitative evaluation on selected forward-looking key risk drivers and the analysis of risks highlighted by Legal Entities, performed yearly – jointly with GNFR – aimed at shaping an integrated view of risk control activities;
- the identification of Group ORMS, which define the mitigation actions linked to the Operational Risk Priorities and to their main weak points/points of concerns.

The Local ORMS are identified through the definition of the mitigation actions linked to both the Operational Risk priorities with their main weak points/points of concerns and the specific additional Operational Risks, relevant at local level.

During the year, the status of the mitigation actions plan related to Group and Local ORMS, is monitored on a regular basis, following a risk-based approach, reporting any relevant deviation to the competent Committees at Group / local level, as appropriate, for information and discussion; the local ORMs will also provide regular reporting to GNFR for information.

Operational Risk Permanent WorkGroup (PWG)

The "Global Operational Regulation Group Operational Risk Mitigation Strategies" rules the PWG, an inter-functional working group established in the Legal Entities, which aims at identifying the root causes of Operational Risks and reduce the Operational Risk exposure of the Legal Entity, leveraging mainly on the expertise of the Operational Risk and the other competent functions (e.g. Compliance, Security, Business functions, etc.) involved time by time.

The meetings, called at least quarterly, contribute to identify the risks, propose the mitigation actions and monitor their status.

ELOR (Expected Losses on Revenues) Monitoring

ELOR (operational losses on revenues) is a ratio estimated, for the Group and for the main Legal Entities, with a statistical model, based on the historical losses time series and forward looking factors, as numerator, and the budget revenues, as denominator.

ELOR is monitored on quarterly basis using the actual losses on actual revenues booked in each quarter. The comparison between the thresholds estimated at the beginning of the year and the actual calculated on each quarter allows a close monitoring by the parent company of changes or reactions put in place by the legal entities to reduce and prevent risks. These analyses are also used to evaluate the impact of mitigation actions implemented in the past and as a base for future strategies and mitigation activities, as well as the improvement of existing ones.

A disciplined approach in monitoring expected losses and implementing remedial actions will ensure consistency with best practice standards, increasing accountability and alignment between business and risk control functions.

Insurance as risk mitigation

The Operational Risk Management function is involved in the decision process for insurance coverage with analyses regarding the exposure to operational risks, effectiveness of deductibles and of policy limits. It regularly informs management on insurance related matters connected to operational risks. The role of the Operational Risk Management function in insurance management is defined in the "Global Operational Regulation Group Operational Risk Mitigation Strategies".

Any relevant change to insurance hedging strategies is proposed by to the relevant Risk Committee for approval.

The operational risks commonly insured in the Group are damages to physical assets, frauds and liability toward third parties.

Stress test

Starting from 2017, the Group is performing regular stress testing for operational risk, including complex scenarios as part of the Firm-wide Stress test exercise defined within the Group Stress Test Council, with the aim to verify the response of the loss model and the resulting capital at risk to changes in the underlying macro-economic factors data set. Scenarios are proposed by Research Department, discussed and finalised within the Group Stress Test Council. Firm wide Scenarios will be run twice a year, or on demand if it is required, in order to assess the potential risks driven by changes in the macro-economic environment.

Risk capital measurement and allocation mechanism

UniCredit Group developed an internal model for measuring the capital requirements. It is based on internal loss data, external loss data (collected from the international consortium ORX – Operational Riskdata eXchange Association), scenario loss data and risk indicators.

Capital requirement is calculated at Group level, considering the risk classes. For each risk class, severity and frequency of loss data are separately estimated to obtain the annual loss distribution.

Through an allocation mechanism, the individual Legal Entities' capital requirements are identified, reflecting the Entities exposure to operational risk.

The allocation mechanism is based on two steps:

- the Group capital requirement is allocated to model Hubs (sets of similar Legal Entities, in terms of geographical area or business type) proportionally to their relative Standardised Approach (TSA), Operational losses and stand-alone capital at risk figure;
- the Hub capital at risk is then allocated to individual Legal Entities on the basis of their TSA, historical loss profile and scenarios.

Other Risks and Risk Aggregation

Among the Group's risks there are other risks relating to Pillar II that are Business Risk, Real Estate Risk, Financial Investment Risk and Reputational Risk. For each risk, the Economic Capital calculation is performed adopting a confidence level equal to the regulatory level (99.90%) and a one-year time horizon.

Business Risk

Business risk is defined as adverse, unexpected changes in business volume and/or margins on a one-year time horizon; in this context the margin is defined as the difference between earnings and costs not explained by risk factors already included, e.g., in credit, market, operational risk. Business risk can result, above all, from changes in the competitive situation or customer behavior, but may also result from changes in the reference regulatory framework.

The exposure data used to calculate business risk are taken from the income statements of each Entity of the Group for which the risk is significant. Volatility and correlations are estimated from the time series of relevant items of Income statement reports.

The Business risk calculation is performed on a quarterly basis for monitoring and for planning purposes according to the relevant time scheduling.

Real Estate Risk

Real estate risk is defined as the potential loss resulting from market value fluctuations of the Group's real estate portfolio, including real estate Special purpose vehicles. It does not take into consideration properties held as collateral which are evaluated inside credit risk.

The relevant data for the real estate risk calculation include general information relating to properties and area or regional price indexes for each property to enable calculation of volatility and correlation in the model.

The Real Estate Risk calculation is performed on a quarterly basis for monitoring purposes with a portfolio updated semi-annually and for planning purposes according to the relevant time schedule.

Financial Investment Risk

Financial investments risk stems from the equity investments held in companies not included in the Group consolidation perimeter and not encompassed in the Market Risk managerial framework.

The relevant portfolio mainly includes listed and unlisted shares, private equity, units of mutual, hedge and private equity funds. For all the Group equity positions, capital charges maybe calculated using either a PD/LGD-based approach or a market-based one. Listed equity holdings and funds, which are a subset of Financial Investment risk are treated relying on the Market Risk Internal Model infrastructure. The unlisted component is evaluated into the Group Credit Portfolio Model (GCPM). The calculation of the risk is based on a Value at Risk (VaR) model calculated at 99.90% confidence level and is executed inside credit and market risk models according to the nature of the underlying portfolio. The Financial investments risk is calculated on a quarterly basis for monitoring and for planning purposes according to the relevant time schedule.

Risk Aggregation

The Internal Capital represents the capital needed to face the potential losses inherent in the Group's business activities and takes into consideration all the Pillar II risk types identified by the Group and which are quantifiable in terms of Economic Capital: credit, market, operational, reputational, business, financial investments and real estate risks. The effect of the diversification among risk types ("inter-risk diversification") and of the diversification at portfolio level ("intra-risk diversification") is also considered. In addition, a Capital add-on is calculated as prudential cushion in order to account for Model Risk uncertainty,

As for its components, the Internal Capital is calculated on a one-year time horizon and adopting a confidence level equal to the regulatory level (99.90%). For monitoring purposes, the Internal Capital is calculated quarterly and disclosed to Senior Management quarterly through RAF Monitoring &Integrated Risk reporting; it is also calculated for planning purposes according to the relevant time schedule.

Reputational Risk

Reputational Risk is defined as the current or prospective risk to earnings and capital arising from the adverse perception of the image of the financial institution on the part of customers, counterparties (including also debt-holders, market analysts, other relevant parties), shareholders / investors, regulators or employees (stakeholders).

Reputational Risk is a secondary risk generated as a "knock-on effect" from risk categories, such as credit, market, operational and liquidity risks and all others risks types (e.g., business risk, strategy risk, ESG risk). Reputational Risk could be generated also from material events.

Since 2010, we have adopted the Group Reputational Risk Governance Guidelines, which aim at defining a general set of principles and rules for assessing and controlling reputational risk.

Reputational risk management is under the responsibility of Group Risk Management, Group Operational & Reputational Risks structure.

The Reputational Risk Management is implemented within the Group through a dedicated set of policies to:

- identify sources of reputational risk (e.g., when entering deals, products or lines of activities); in particular, specific policies are currently in place for some sensitive industry, such as "Defense / Weapons", "Nuclear", "Mining", "Coal sector", "Oil & Gas" and "Water infrastructure (dam)";
- give guidelines for reputational risk assessment and measurement, monitoring and reporting to the competent corporate Bodies (e.g., GORRIC);
- rule the necessary escalation / decision-making processes (e.g., material events escalation process).

The overall reputational risk management framework relies on the following pillars:

- the involvement of Corporate Governing Bodies, in all the relevant decisions regarding the Reputational Risk management (i.e., escalation mechanisms);
- the independence of the function in charge of Reputational Risk management and control from the risk taking functions;
- an effective system of controls, in terms of roles and responsibilities for different control levels (first, second and third lines of defense model);
- the presence of Reputational Risk Committee in order to assess the topics related to the business activity that could affect significantly the Reputational Risk profile of the Banks.

Internal Capital Adequacy Assessment Process (ICAAP) and Risk Appetite

UniCredit Group assesses its capital adequacy on a going concern approach, ensuring that an adequate level of capital is maintained to continue business activities as usual even in case of severe loss events, like those caused by an economic downturn.

The Group's approach to ICAAP consists of the following phases:

1. Risk identification and mapping;
2. Risk measurement and stress testing;

3. Risk appetite setting and capital allocation;

4. Monitoring and reporting.

1. Risk identification and mapping

The first step is the identification and mapping of all risks embedded in the Group and in the relevant Legal Entities, with particular focus on the risks not explicitly covered by the Pillar 1 framework. The output of this activity is the Group Risk Map which includes all the risk types quantifiable by Internal Capital.

2. Risk measurement and Stress Testing

The second phase is the identification of the internal methodologies for measurement and quantification of the different risk profiles, resulting into the calculation of Group Internal Capital. The Internal Capital measures are supported by aggregated – stress tests, which are a fundamental part of a sound risk management process. The aim of stress testing is to assess the bank's viability with respect to exceptional but plausible events. The impact of adverse economic scenarios is assessed on the capital position (solvency stress test) and/or the liquidity position (liquidity stress test) of the Group.

3. Risk Appetite setting and capital allocation

Risk Appetite is a key managerial instrument used with the purpose of setting the adequate levels of risk the Bank is willing to have and consistently steering its business evolution (see the RAF section below for details). The Group capital plays a crucial role in the main corporate governance processes that drive strategic decisions, as target and risk tolerance thresholds, in terms of regulatory and internal capital. It is also a key element of the Risk Appetite Framework of the Group.

4. Monitoring and Reporting

Capital adequacy evaluation is a dynamic process that requires regular monitoring to support the decision making process. The Bank monitors its main risk profile with a frequency coherent with the nature of each single risk; on top of this, a quarterly reporting of integrated risks and Risk Appetite evolution is performed and reported to the relevant Risk Committees and Governing Bodies, in order to set and implement an efficient and effective ICAAP framework.

Capital adequacy is assessed considering the balance between the assumed risks and the available capital both in a regulatory and in an economic perspective. With respect to the economic perspective and to Going concern approach, capital adequacy is assessed by comparing the amount of financial resources available to absorb losses and to ensure the business continuity of the Group, the so-called *Available Financial Resources* ("**AFR**"), with the economic capital internally estimated, (*Internal Capital* - "**IC**"). The AFR are computed according to the Group accounting principles and consistent with prudential regulation, in fact the regulatory capital (Own Funds) is the basis for the AFR quantification. The Group capital instruments that are included in the AFR satisfy the following three criteria:

- loss absorbency in Going Concern approach;
- permanence;
- flexibility of payments.

The ratio between AFR and IC is the "Risk Taking Capacity" ("**RTC**"). This ratio must be above 100% (AFR>IC) in order to avoid that risk exposures are higher than the Available Financial Resources. RTC is one of the key indicators included in the Group RAF dashboard on which the Bank leverages to guide the selection of the desired risk-return profile in alignment with its business strategies.

A milestone of the ICAAP is the Risk Appetite, which in the UniCredit group is defined as the level of risk that the Group is willing to take and the risk-return profile it fixes to achieve in pursuing its strategic objectives and business plan, taking into account the interest of its stakeholders (e.g., customers, policymakers, regulators, shareholders) as well as capital and other regulatory and law requirements. The Group Risk Appetite is approved on an annual basis by the Board of Directors and is regularly monitored and reported, at least quarterly, to the relevant committees, with the aim of ensuring the consistency with the risk return profile set by the Board of Directors. At local level, the risk appetite is set for the main Legal Entities and approved by the local competent functions.

The main goals of UniCredit group's Risk Appetite are:

- assessing explicitly the risks, and their interconnections, that the UniCredit group is willing to accept or should avoid on a one year horizon; Risk Appetite targets should be consistent with the ones defined in the strategic multi-year plan;
- specifying the types of risk UniCredit group intends to assume by setting the targets, triggers and limits, under both normal and stressed operating conditions;
- ensuring an "ex ante" risk-return profile consistent with long term sustainability, in coherence with a multi-year strategic plan/budget;
- ensuring that the business develops within the risk tolerance set by the Holding Company Board of Directors, also in respect of national and international regulations;

- supporting the evaluation of future strategic options with reference to risk profile; and
- addressing internal and external stakeholders' views on risk profile coherent with strategic positioning.

The Group Risk Appetite is defined consistently with UniCredit group business model. For this purpose, Group Risk Appetite is integrated in the budget process, in order to guide the selection of the desired risk-return profile in alignment with the Strategic Plan guidelines and at inception of the budget process. UniCredit Compensation Policy is consistent with Group risk appetite to allow the effective implementation of risk reward remuneration for bonus definition and payments.

The structure of the risk appetite in UniCredit includes the Group Risk Appetite Statement and the Group Risk Appetite KPIs Dashboard. The Risk Appetite statement defines the positioning of the bank in terms of strategic targets and related risk profiles to address internal and external stakeholders' expectations and includes:

- a guidance on the overall key boundaries for the Group in terms of focus of activity;
- a definition of the desired risk-return profile, in coherence with the Group's overall strategy;
- an indication on strategies to manage key risks within the perimeter of the Group;
- qualitative statements for not quantifiable risks in order to ensure prevention/early intervention on emerging risks.

The quantitative elements of the risk appetite framework instead are represented by a Dashboard, composed by a set of KPIs, based on the analysis of the expectations of UniCredit group internal and external stakeholders, which addresses the following dimensions, including material risks to which the Group is exposed:

- Regulatory KPIs: to guarantee at any time the fulfilment of the KPIs requested by Regulators (e.g., Common Equity Tier 1 Ratio, Liquidity Coverage Ratio);
- Managerial KPIs: to include KPIs which are key from strategic and Risk Appetite standpoint defined to ensure the steering of all key financial risks (e.g. Credit Risk, Liquidity and Interest Rate Risk, Market and Sovereign Risks), Profitability, Non-Financial Risks (e.g. Operational Risk, ICT and Cyber Risk, Compliance Risk) and Climate and Environmental Risks.

For each of the above dimensions, one or more KPIs are identified, in order to quantitatively measure the position of the Group in different ways: absolute values, ratios, sensitivities to defined parameters.

Various levels of thresholds are defined such to act as early warning indicators anticipating potential risk situations that are intended to be promptly escalated at relevant organisational level. In the event that specific Risk Appetite thresholds are met, the necessary management measures have to be adopted for effectively adjusting the risk profile. The following thresholds are identified (on certain KPIs, not all the thresholds may be meaningful):

- **Targets** represent the amount of risk the Group is willing to take on in normal conditions in coherence with Group Ambition. They are the reference thresholds for the development and steering of the business;
- **Triggers** represent, from a managerial standpoint, the maximum acceptable level of deviation from the defined target thresholds, or more generally a Warning Level, and are set consistently to assure that the Group can operate, even under stress conditions; and
- **Limits** are hard points that represent, from a statutory standpoint, the maximum acceptable level of risk for the Group.

Thresholds setting is evaluated by the relevant competent functions, also through managerial decision by the Board of Directors, respecting regulatory and supervisory requirements and also taking into account stakeholders' expectations and positioning versus peers. In addition, the Group has a series of transversal operative limits and metrics that cover the main risk profiles in order to supplement the Risk Appetite Framework.

SELECTED STATISTICAL AND OTHER INFORMATION

The following tables set forth certain selected statistical and other information regarding our banking operations derived from the Consolidated Financial Statements. The Bank of Italy requires the presentation of certain financial information solely with respect to our banking activities, referred to as the "Banking Group", rather than for the "Group", as defined in section "Presentation of Financial Information". For each of the tables below we have specified when information relates to the "Banking Group" only.

The Banking Group financial information and the Group financial information differ in the following ways:

The Group financial information includes non-banking and non-financial entities in our Group (consolidated line by line), while these are consolidated with the equity method into the Banking Group for the Banking Group financial information; and

Jointly controlled entities conducting banking, financial and instrumental business are consolidated at equity into our Group for the Group financial information, while they are consolidated on a proportional basis into the Banking Group for the Banking Group financial information.

The following information is included for analytical purposes and should be read in conjunction with the Consolidated Financial Statements and related notes thereto incorporated by reference or included elsewhere in this Offering Memorandum, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Presentation of Financial Data and Other Information."

Average Balances and Interest Rates

The following tables set forth our average balances and related amounts of interest income and interest expenses for the periods indicated. For purposes of these tables, average balances have been determined based on quarterly figures reported in accordance with IFRS, using end-of-quarter data after intra-group eliminations.

	As of December 31,					
	2021			2020		
	Average balance[1]	Interest[*]	Average Yield/ Rate[2]	Average balance[1]	Interest[*]	Average Yield/ Rate[2]
	(in millions of €)					
Assets						
Interest Earning Assets						
Financial instruments excluding loans[3]	300,079	1,666	0.3%	282,205	1,699	0.4%
Loans and receivables with banks	90,172	373	0.3%	89,221	424	0.4%
Loans and receivables with customers	460,232	8,750	1.1%	462,850	9,825	1.2%
Total interest Earning Assets	**850,483**	**10,789**	**0.8%**	**834,276**	**11,948**	**0.8%**
Other assets[4]	45,630	1,914	1.1%	40,808	1,234	0.9%
Total Assets	**896,113**	**12,703**	**0.8%**	**875,084**	**13,182**	**0.9%**
Liabilities						
Interest Bearing Liabilities						
Deposits from banks	153,754	(167)	(0.1)%	159,680	(302)	(0.2)%
Deposits from customers	474,818	(632)	(0.1)%	487,786	(726)	(0.1)%
Securities in issue	99,497	(1,995)	(1.1)%	88,874	(2,205)	(1.3)%
Financial liabilities held for trading and designated at fair value	58,630	(847)	(0.8)%	58,413	(846)	(0.8)%
Total Interest Bearing Liabilities	**786,699**	**(3,641)**	**(0.3)%**	**794,752**	**(4,079)**	**(0.3)%**
Other liabilities[4]	40,869	29	0.7%	35,971	394	0.6%
Shareholders' Equity	60,933	–	0.0%	58,712	–	0.0%
Total Liabilities and Shareholders' Equity	**888,500**	**(3,612)**	**(0.2)%**	**889,435**	**(3,685)**	**(0.3)%**
Net Interest and Similar Income[5]		**9,091**	**0.6%**		**9,497**	**0.6%**
Loan-deposit rate spread (customers and securities)[6]			0.8%			0.9%
Interest bearing assets and interest bearing liabilities spread[7]			0.5%			0.5%

(*) Figures from the 2021 Consolidated Financial Statements.

(1) The average balances are based on quarterly data from the unaudited consolidated report on operations of, and reconciled with, the 2021 Consolidated Financial Statements.

(2) The average rate has been computed dividing the interests by the related balance-sheet item. A positive value represents interest income for the Group, while a negative value represents interest expenses for the Group.

(3) It includes cash and cash equivalents, held for trading financial assets and financial investments.

(4) "Other assets" and "Other liabilities" include the hedging derivatives and the related interests.

(5) Interest column values are computed as interest income less interest expense. Average yield values are computed as average interest rate divided by total assets less average interest rate divided by total liabilities and equity.
(6) Average interest rate applied to credits with customers less average interest rate applied to debits and securities in issue with customers.
(7) Average yield of interest earning assets less average yield of interest bearing liabilities.

	As of December 31,					
	2020[9]			2019[8]		
	Average balance[1]	Interest[*]	Average Yield/ Rate[2]	Average balance[1]	Interest[*]	Average Yield/ Rate[2]
	(in millions of €)					
Assets						
Interest Earning Assets						
Financial instruments excluding loans[3]	268,772	1,699	0.6%	241,846	2,290	1.0%
Loans and receivables with banks	115,505	424	0.4%	85,234	751	0.9%
Loans and receivables with customers	471,638	9,825	2.1%	476,131	11,179	2.4%
Total interest Earning Assets	**855,915**	**11,948**	**1.4%**	**803,211**	**14,220**	**1.8%**
Other assets[4]	44,159	1,234	2.8%	46,772	573	1.2%
Total Assets	**900,074**	**13,182**	**1.5%**	**849,982**	**14,793**	**1.7%**
Liabilities						
Interest Bearing Liabilities						
Deposits from banks	165,645	(302)	(0.2)%	137,088	(588)	(0.4)%
Deposits from customers	474,125	(726)	(0.2)%	463,144	(1,124)	(0.2)%
Securities in issue	98,803	(2.205)	(2.2)%	92,648	(2,314)	(2.5)%
Financial liabilities held for trading and designated at fair value	59,384	(846)	(1.4)%	55,716	(996)	(1.8)%
Total Interest Bearing Liabilities	**797,957**	**(4.079)**	**(0.5)%**	**748,596**	**(5,022)**	**(0.7)%**
Other liabilities[4]	41,251	394	1.0%	40,931	501	1.2%
Shareholders' Equity	60,866	–	0.0%	60,456	–	0.0%
Total Liabilities and Shareholders' Equity	**900,074**	**(3,685)**	**(0.4)%**	**849,983**	**(4,521)**	**(0.5)%**
Net Interest and Similar Income[5]		**9,497**	**1.1%**		**10,272**	**1.2%**
Loan-deposit rate spread (customers and securities)[6]			1.6%			1.7%
Interest bearing assets and interest bearing liabilities spread[7]			0.9%			1.1%

(1) The average balances are based on quarterly data from the consolidated reports and accounts as of December 31, 2020 and 2019.
(2) The average rate has been computed dividing the interests by the related balance-sheet item. A positive value represents interest income for the Group, while a negative value represents interest expenses for the Group.
(3) It includes cash and cash equivalents, held for trading financial assets and financial investments.
(4) "Other assets" and "Other liabilities" include the hedging derivatives and the related interests.
(5) Interest column values are computed as interest income less interest expense. Average yield values are computed as average interest rate divided by total assets less average interest rate divided by total liabilities and equity.
(6) Average interest rate applied to credits with customers less average interest rate applied to debits and securities in issue with customers.
(7) Average yield of interest earning assets less average yield of interest bearing liabilities.
(8) Figures from the 2020 Consolidated Financial Statements.
(9) Figures from the 2019 Consolidated Financial Statements.

Interest Rate Data

	Year ended December 31, 2021 compared to year ended December 31, 2020 (restated)			
	Volume[1]	Yield/ Rate[2]	Volume and Yield/ Rate[3]	Total net Change[4]
		(in millions of €)		
Assets				
Interest Earning Assets				
Financial instruments excluding loans	66	(169)	3	(100)
Loans and receivables with banks	4	(107)	(2)	(105)
Loans and receivables with customers	(32)	(463)	37	(458)
Total Interest Earning Financial Instruments	**136**	**(751)**	**(48)**	**(663)**
Other assets	45	82	10	136
Total Assets	**179**	**(700)**	**(6)**	**(527)**
Liabilities				
Interest Bearing Liabilities				
Deposits from banks	11	96	(1)	105
Deposits from customers	16	146	(40)	122
Securities in issue	(134)	107	16	(11)
Financial liabilities held for trading and designated at fair value	(2)	6	(4)	0
Total Interest Bearing Liabilities	**25**	**238**	**(47)**	**216**
Other liabilities	30	18	4	52
Shareholders' Equity	–	–	–	–
Total Liabilities and Shareholders' Equity	**2**	**267**	**(1)**	**268**
Net Interest and Similar Income	–	–	–	(259)

(1) Average balance of the period less average balance of the previous period multiplied by the average yield of the previous period.
(2) Average yield of the period less average yield of the previous period multiplied by the average balance of the previous period.
(3) "Total net change" less "Volume" less "Yield/Rate."
(4) Net interest and similar income of the period less net interest and similar income of the previous period.

	Year ended December 31, 2020 compared to year ended December 31, 2019			
	Volume[1]	Yield/ Rate[2]	Volume and Yield/ Rate[3]	Total net Change[4]
		(in millions of €)		
Assets				
Interest Earning Assets				
Financial instruments excluding loans	256	(774)	(73)	(591)
Loans and receivables with banks	266	(435)	(159)	(327)
Loans and receivables with customers	(106)	(1,286)	37	(1,354)
Total Interest Earning Financial Instruments	933	(2,972)	(233)	(2,272)
Other assets	(32)	730	(37)	661
Total Assets	872	(2,380)	(103)	(1,611)
Liabilities				
Interest Bearing Liabilities				
Deposits from banks	(123)	343	66	286
Deposits from customers	(26)	417	8	398
Securities in issue	(154)	250	13	109
Financial liabilities held for trading and designated at fair value	(66)	206	10	150
Total Interest Bearing Liabilities	(331)	1.198	76	943
Other liabilities	4	(106)	(4)	(107)
Shareholders' Equity	–	–	–	–
Total Liabilities and Shareholders' Equity	(265)	1,020	82	836
Net Interest and Similar Income	–	–	–	(775)

(1) Average balance of the period less average balance of the previous period multiplied by the average yield of the previous period.
(2) Average yield of the period less average yield of the previous period multiplied by the average balance of the previous period.
(3) "Total net change" less "Volume" less "Yield/Rate."
(4) Net interest and similar income of the period less net interest and similar income of the previous period.

Net Interest Spread and Margin

The following tables show our average interest-earning assets, average interest-bearing liabilities and net interest income and illustrates the comparative net interest margin and net interest spread for the periods indicated.

	As of and for the year ended December 31,	
	2021	**2020 (restated)**
	(in millions of €, except ratios)	
Total average interest-earning assets[1]	850,483	834,276
Total average interest-bearing liabilities[1]	786,699	794,752
Net Interest and Similar Income[2]	4,924	5,183
Average yield on average interest-earning assets[3]	0.8%	0.8%
Average rate on average interest-bearing liabilities[3]	(0.3)%	(0.3)%
Net interest spread[3]	0.5%	0.5%
Net interest margin[3]	0.6%	0.6%

(1) The average balances are based on quarterly data from the consolidated reports and accounts as of December 31, 2021.
(2) Interest column values are computed as interest income less interest expense. Average yield values are computed as average interest rate divided by total assets less average interest rate divided by total liabilities and equity.
(3) The average rate has been computed dividing the interests by the related balance-sheet item. A positive value represents interest income for the Group, while a negative value represents interest expenses for the Group.

	As of and for the year ended December 31,	
	2020	**2019**
	(in millions of €, except ratios)	
Total average interest-earning assets[1]	855,915	803,211
Total average interest-bearing liabilities[1]	797,957	748,596
Net Interest and Similar Income[2]	9,497	10,272
Average yield on average interest-earning assets[3]	1.4%	1.8%
Average rate on average interest-bearing liabilities[3]	(0.5)%	(0.7)%
Net interest spread[3]	0.9%	1.1%
Net interest margin[3]	1.1%	1.2%

(1) The average balances are based on quarterly data from the consolidated reports and accounts as of December 31, 2020 and 2019.
(2) Interest column values are computed as interest income less interest expense. Average yield values are computed as average interest rate divided by total assets less average interest rate divided by total liabilities and equity.
(3) The average rate has been computed dividing the interests by the related balance-sheet item. A positive value represents interest income for the Group, while a negative value represents interest expenses for the Group.

Securities Portfolio

As of December 31, 2021, the total amount of portfolio securities was equal to €177.6 billion, representing 19.4 % of our total assets.

As of December 31, 2020, the total amount of portfolio securities was equal to €168.6 billion, representing 18.1% of our total assets.

As of December 31, 2019, the total amount of portfolio securities was equal to €167.0 billion, representing 19.5 % of our total assets.

The following table provides a breakdown of our securities portfolio at the dates indicated.

	As of December 31, 2021[1]	As of December 31, 2020[2]	Change% 2021 vs 2020
		(in millions of €)	
Debt securities	**163,464**	**156,072**	**4.73%**
Financial assets held for trading	13,701	10,857	26.2%
Financial assets designated at fair value	279	226	23.5%
Other financial assets mandatorily at fair value	7,411	10,841	(31.6)%
Financial assets at fair value through other comprehensive income	67,088	71,138	(5.7)%
Loans and advances to banks	8,521	5,733	48.6%
Loans and advances to customers	66,464	57,277	16.0%
Equity instruments	**10,269**	**8,932**	**14.97%**
Financial assets held for trading	7,728	6,549	18.0%
Other financial assets mandatorily at fair value	1,065	784	35.8%
Financial assets at fair value through other comprehensive income	1,476	1,599	(7.7)%
Units in Investment Funds	**3,882**	**3,560**	**9.0%**
Financial assets held for trading	2,425	2,227	8.9%
Other financial assets mandatorily at fair value	1,457	1,333	9.3%
Total Securities Portfolio	**177,615**	**168,564**	**5.4%**
Financial assets held for trading	23,854	19,633	21.5%
Financial assets designated at fair value	279	226	23.5%
Other financial assets mandatorily at fair value	9,933	12,958	(23.3)%
Financial assets at fair value through other comprehensive income	68,564	72,737	(5.7)%
Loans and advances to banks	8,521	5,733	48.6%
Loans and advances to customers	66,464	57,277	16.0%

(1) Figures from the 2021 Consolidated Financial Statements.
(2) Figures from the 2020 Consolidated Financial Statements.

	As of December 31, 2020[1]	As of December 31, 2019 [2]	Change% 2020 vs 2019
		(in millions of €)	
Debt securities	**156,072**	**155,205**	**0.6%**
Financial assets held for trading	10,857	14,390	(24.6)%
Financial assets designated at fair value	226	–	100%
Other financial assets mandatorily at fair value	10,841	13,949	(22.3)%
Financial assets at fair value through other comprehensive income	71,138	77,949	(8.7)%
Loans and advances to banks	5,733	3,824	49.9%
Loans and advances to customers	57,277	45,093	27.0%
Equity instruments	**8,932**	**7,928**	**12.7%**
Financial assets held for trading	6,549	5,633	16.3%
Other financial assets mandatorily at fair value	784	542	44.6%
Financial assets at fair value through other comprehensive income	1,599	1,753	(8.8)%
Units in Investment Funds	**3,560**	**3,915**	**(9.1)%**
Financial assets held for trading	2,227	2,780	(19.9)%
Other financial assets mandatorily at fair value	1,333	1,135	17.4%
Total Securities Portfolio	**168,564**	**167,048**	**0.9%**
Financial assets held for trading	19,633	22,803	13.9%
Financial assets designated at fair value	226	–	n.m.
Other financial assets mandatorily at fair value	12,958	15,626	(17.1)%
Financial assets at fair value through other comprehensive income	72,737	79,702	(8.7)%
Loans and advances to banks	5,733	3,824	49.9%
Loans and advances to customers	57,277	45,093	27.0%

(1) Figures from the 2020 Consolidated Financial Statements.
(2) Figures from the 2019 Consolidated Financial Statements.

The following table shows our financial assets classified by issuer as of December 31, 2021[(1)].

	Financial assets held for trading	Financial assets designated at fair value	Other financial assets mandatorily at fair value	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total
			(in millions of €)			
A. Financial assets (non-derivatives)						
Debt securities	**13,701**	**279**	**7,411**	**67,088**	**74,985**	**163,464**
– Central Banks	–	–	3	–	–	3
Governments and other Public Sector Entities	11,195	279	4,104	53,165	53,549	122,292
Banks	733	–	2,769	10,142	8,521	22,165
Other financial companies	1,007	–	521	2,437	9,269	13,234
of which: insurance companies	–	–	81	–	–	81
Non-financial companies	766	–	14	1,344	3,646	5,770
Equity instruments	**7,728**	**–**	**1,065**	**1,476**	**–**	**10,269**
Banks	365	–	254	615	–	1,234
Other financial companies	615	–	260	567	–	1,442
of which: insurance companies	174	–	–	29	–	203
Non-financial companies	6,748	–	551	290	–	7,589
Other issuers	–	–	–	4	–	4
Investment fund units	**2,425**	**–**	**1,457**	**–**	**–**	**3,882**
Loans	**15,431**	**–**	**1,918**	**–**	**518,633**	**535,982**
Central Banks	231	–	–	–	59,465	59,696
Governments and other Public Sector Entities	5,739	–	768	–	24,559	31,066
Banks	388	–	57	–	23,417	23,862
Other financial companies	1,535	–	90	–	53,902	55,527
of which: insurance companies	–	–	–	–	1,319	1,319
Non-financial companies	7,538	–	559	–	228,670	236,767
Households	–	–	444	–	128,620	129,064
Total A	**39,285**	**279**	**11,851**	**68,564**	**593,618**	**713,597**
B. Derivative instruments						
Central counterparties	6,209	–	–	–	–	6,209
Other	34,615	–	–	–	–	34,615
Total B	**40,824**	**–**	**–**	**–**	**–**	**40,824**
Total (A+B)	**80,109**	**279**	**11,851**	**68,564**	**593,618**	**754,421**

(1) Figures from the 2021 Consolidated Financial Statements

The following table shows our financial assets classified by issuer as of December 31, 2020 (restated)[1].

	Financial assets held for trading	Financial assets designated at fair value	Other financial assets mandatorily at fair value	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total
			(in millions of €)			
A. Financial assets (non-derivatives)						
Debt securities	**10,857**	**226**	**10,841**	**71,138**	**63,010**	**156,072**
– Central Banks	–	–	4	–	–	4
Governments and other Public Sector Entities	7,386	226	6,383	56,970	45,231	116,196
Banks	1,204	–	3,980	10,272	5,733	21,189
Other financial companies	1,488	–	463	2,473	9,000	13,424
of which: insurance companies	–	–	57	–	–	57
Non-financial companies	779	–	11	1,423	3,046	5,259
Equity instruments	**6,549**	**–**	**784**	**1,599**	**–**	**8,932**
Banks	671	–	25	871	–	1,567
Other financial companies	592	–	257	470	–	1,319
of which: insurance companies	195	–	–	30	–	225
Non-financial companies	5,286	–	503	256	–	6,045
Other issuers	–	–	–	2	–	2
Investment fund units	**2,227**	**–**	**1,333**	**–**	**–**	**3,560**
Loans	**7,910**	**–**	**1,936**	**–**	**545,195**	**555,041**
Central Banks	83	–	–	–	64,270	64,353
Governments and other Public Sector Entities	2,155	–	830	–	23,429	26,414
Banks	394	–	60	–	32,190	32,644
Other financial companies	1,071	–	57	–	69,073	70,201
of which: insurance companies	–	–	–	–	4,208	4,208
Non-financial companies	4,207	–	661	–	232,695	237,563
Households	–	–	328	–	123,538	123,866
Total A	**27,543**	**226**	**14,894**	**72,737**	**608,205**	**723,605**
B. Derivative instruments						
Central counterparties	4,463	–	–	–	–	4,463
Other	40,699	–	–	–	–	40,699
Total B	**45,162**	**–**	**–**	**–**	**–**	**45,162**
Total (A+B)	**72,705**	**226**	**14,894**	**72,737**	**608,205**	**768,767**

[1] Figures from the 2021 Consolidated Financial Statements.

The following table shows our financial assets classified by issuer as of December 31, 2020[1].

	Financial assets held for trading	Financial assets designated at fair value	Other financial assets mandatorily at fair value	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total
			(in millions of €)			
A. Financial assets (non-derivatives)						
Debt securities	**10,857**	**226**	**10,841**	**71,138**	**63,010**	**156,072**
– Central Banks	–	–	4	–	–	4
Governments and other Public Sector Entities	7,386	226	6,383	56,970	45,231	116,196
Banks	1,204	–	3,980	10,272	5,733	21,189
Other financial companies	1,488	–	463	2,473	9,000	13,424
of which: insurance companies	–	–	57	–	–	57
Non-financial companies	779	–	11	1,423	3,046	5,259
Equity instruments	**6,549**	**–**	**784**	**1,599**	**–**	**8,932**
Banks	671	–	25	871	–	1,567
Other financial companies	592	–	257	470	–	1,319
of which: insurance companies	195	–	–	30	–	225
Non-financial companies	5,286	–	503	256	–	6,045
Other issuers	–	–	–	2	–	2
Investment fund units	**2,227**	**–**	**1,333**	**–**	**–**	**3,560**
Loans	**7,910**	**–**	**1,936**	**–**	**560,538**	**570,384**
Central Banks	83	–	–	–	67,801	67,884
Governments and other Public Sector Entities	2,155	–	830	–	23,429	26,414
Banks	394	–	60	–	43,955	44,409
Other financial companies	1,071	–	57	–	69,082	70,210
of which: insurance companies	–	–	–	–	4,208	4,208
Non-financial companies	4,207	–	661	–	232,728	237,596
Households	–	–	328	–	123,543	123,871
Total A	**27,543**	**226**	**14,894**	**72,737**	**623,548**	**738,948**
B. Derivative instruments						
Central counterparties	4,463	–	–	–	–	4,463
Other	40,699	–	–	–	–	40,699
Total B	**45,162**	**–**	**–**	**–**	**–**	**45,162**
Total (A+B)	**72,705**	**226**	**14,894**	**72,737**	**623,548**	**784,110**

[1] Figures from the 2020 Consolidated Financial Statements.

The following table shows our financial assets classified by issuer as of December 31, 2019[1].

	Financial assets held for trading	Financial assets designated at fair value	Other financial assets mandatorily at fair value	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total
			(in millions of €)			
A. Financial assets (non-derivatives)						
Debt securities	**14,390**	**–**	**13,949**	**77,949**	**48,917**	**155,205**
– Central Banks	–	–	3	1,366	–	1,369
Governments and other Public Sector Entities	8,914	–	8,221	62,692	34,120	113,947
Banks	2,629	–	5,008	10,098	3,824	21,559
Other financial companies	1,935	–	656	2,267	9,136	13,994
of which: insurance companies	4	–	58	–	51	113
Non-financial companies	912	–	61	1,526	1,837	4,336
Equity instruments	**5,633**	**–**	**542**	**1,753**	**–**	**7,928**
Banks	620	–	23	1,000	–	1,643
Other financial companies	370	–	308	546	–	1,224
of which: insurance companies	156	–	–	24	–	180
Non-financial companies	4,643	–	210	205	–	5,058
Other issuers	–	–	–	2	–	2
Investment fund units	**2,780**	**–**	**1,135**	**–**	**–**	**3,915**
Loans	**6,126**	**–**	**2,974**	**–**	**577,564**	**586,664**
Central Banks	50	–	–	–	46,583	46,633
Governments and other Public Sector Entities	2,047	–	1,130	–	20,998	24,175
Banks	153	–	45	–	51,262	51,460
Other financial companies	1,308	–	495	–	90,290	92,093
of which: insurance companies	–	–	–	–	2,618	2,618
Non-financial companies	2,568	–	923	–	242,515	246,006
Households	–	–	381	–	125,916	126,297
Total A	**28,929**	**–**	**18,600**	**79,702**	**626,481**	**753,712**
B. Derivative instruments						
Central counterparties	2,724	–	–	–	–	2,724
Other	31,627	–	–	–	–	31,627
Total B	**34,351**	**–**	**–**	**–**	**–**	**34,351**
Total (A+B)	**63,280**	**–**	**18,600**	**79,702**	**626,481**	**788,063**

[1] Figures from the 2019 Consolidated Financial Statements.

Maturity Profile

The following tables sets forth our securities portfolio and loans and receivables with banks and customers by maturity based on residual life as of December 31, 2021, 2020 and 2019.

	As of December 31, 2021[1]									
	On demand	1 to 7 days	7 to 15 days	15 days to 1 months	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Unspecified maturity
					(in millions of €)					
Government Securities	26	–	942	568	1,655	4,161	11,355	64,345	35,428	–
Other debt securities	46	72	155	490	847	937	2,020	18,949	18,820	130
Units in investment funds	1,361	–	–	–	–	–	–	–	–	2,468
Banks	24,689	10,026	4,767	2,019	5,963	3,879	2,189	4,192	319	25,796
Customers	43,363	10,817	6,185	15,729	26,819	22,230	37,586	161,552	140,916	6,303
Total	**69,485**	**20,915**	**12,049**	**18,806**	**35,284**	**31,207**	**53,150**	**249,038**	**195,483**	**34,697**

[1] Figures from the 2021 Consolidated Financial Statements.

	As of December 31, 2020[1]									
	On demand	**1 to 7 days**	**7 to 15 days**	**15 days to 1 months**	**1 to 3 months**	**3 to 6 months**	**6 months to 1 year**	**1 to 5 years**	**Over 5 years**	**Unspecified maturity**
					(in millions of €)					
Government Securities	31	1	82	729	2,849	3,755	8,763	71,020	25,085	3
Other debt securities	12	4	332	247	721	917	2,272	17,780	17,295	292
Units in investment funds	1,256	–	–	–	–	–	–	–	4	2,273
Banks	44,537	4,820	9,350	2,583	11,970	4,268	2,616	5,500	899	26,492
Customers	41,697	13,953	11,052	13,717	29,103	30,522	32,165	152,354	137,853	2,745
Total	**87,533**	**18,778**	**20,816**	**17,276**	**44,643**	**39,462**	**45,816**	**246,654**	**181,136**	**31,805**

[1] Figures from the 2020 Consolidated Financial Statements.

	As of December 31, 2019[1]									
	On demand	**1 to 7 days**	**7 to 15 days**	**15 days to 1 months**	**1 to 3 months**	**3 to 6 months**	**6 months to 1 year**	**1 to 5 years**	**Over 5 years**	**Unspecified maturity**
					(in millions of €)					
Government Securities	38	101	41	556	1,429	2,453	9,766	56,197	32,882	–
Other debt securities	17	1,752	394	1,267	2,532	1,952	3,123	28,397	28,310	256
Units in investment funds	1,267	–	–	–	–	–	–	–	–	3,611
Banks	33,575	9,020	10,284	7,790	25,157	8,647	5,744	10,646	8,576	27,978
Customers	66,152	28,527	17,774	22,122	42,141	25,774	36,710	161,025	147,847	2,773
Total	**101,049**	**39,400**	**28,493**	**31,735**	**71,259**	**38,826**	**55,343**	**256,265**	**217,615**	**34,618**

[1] Figures from the 2019 Consolidated Financial Statements.

Currencies

The following tables set forth our portfolio securities and loans and receivables with banks and customers by currency at the periods indicated.

	Currencies					
	As of December 31, 2021[1]					
	US Dollars	**Swiss Franc**	**Japan Yen**	**British Pound**	**Czech Crown**	**Other Currencies**
			(in millions of €)			
Financial assets	**40,162**	**8,713**	**10,791**	**3,279**	**437**	**2,671**
Debt securities	12,593	361	10,462	555	–	301
Equity securities	1,853	294	102	991	–	697
Loans to banks	4,435	2,592	65	112	102	442
Loans to customers	21,250	5,443	162	1,614	334	1,219
Other financial activities	31	23	–	7	1	12

[1] Figures from the 2021 Consolidated Financial Statements.

	Currencies					
	As of December 31, 2020[1]					
	US Dollars	Swiss Franc	Japan Yen	British Pound	Czech Crown	Other Currencies
	(in millions of €)					
Financial assets	**32,286**	**8,144**	**8,193**	**3,499**	**155**	**152,820**
Debt securities	9,373	250	7,868	693	–	23,442
Equity securities	1,351	277	24	602	–	431
Loans to banks	3,862	1,977	83	247	123	33,465
Loans to customers	17,668	5,645	218	1,950	32	95,211
Other financial activities	32	45	–	7	–	271

[1] Figures from the 2020 Consolidated Financial Statements.

	Currencies					
	As of December 31, 2019[1]					
	US Dollars	Swiss Franc	Japan Yen	Turkish Lira	Poland Zloty	Other Currencies
	(in millions of €)					
Financial assets	**41,781**	**8,983**	**6,650**	**3,659**	**848**	**138,978**
Debt securities	8,929	315	6,223	1,065	347	25,219
Equity securities	920	208	22	166	2	244
Loans to banks	6,358	1,277	124	89	267	14,028
Loans to customers	25,554	7,133	280	2,335	231	99,251
Other financial activities	21	50	–	5	–	235

[1] Figures from the 2019 Consolidated Financial Statements.

Loan Portfolio

The following tables summarize our loans and receivables portfolio by borrowers/issuers at the periods indicated.

	As of December 31					
	2021[1]	2020 (restated)[1]	2020[2]	2019[3]	Change % 2021 vs 2020 (restated)	Change % 2020 vs 2019
	(in millions of €)					
Loans and receivables with banks	82,938	96,519	111,814	97,888	-14.1%	14.2%
% of total assets	9.0%	10.4%	12.0%	11.4%		
Loans and receivables with customers	437,544	450,550	450,550	482,574	-2.9%	-6.6%
% of total assets	47.7%	48.4%	48.4%	56.4%		
Total	**520,482**	**547,069**	**562,364**	**580,462**	**-4.9%**	**-3.1%**

[1] Figures from the unaudited consolidated report on operations of, and reconciled with, the 2021 Consolidated Financial Statements.
[2] Figures from the unaudited consolidated report on operations of, and reconciled with, the 2020 Consolidated Financial Statements.
[3] Figures from the unaudited consolidated report on operations of, and reconciled with, the 2019 Consolidated Financial Statements.

Loans to and Deposits from Customers

The following tables summarize our loans to and deposits from customers (excluding Repos) by business segment as of December 31, 2021, 2020 and 2019.

	As of December 31,			
	Loans and receivables with customers		Deposits from customers	
	2021[1]	2020 (restated)[1]	2021[1]	2020 (restated)[1]
	(in millions of €)			
Italy	157,514	167,810	199,123	190,594
Germany	125,509	120,795	131,756	133,973
Central Europe	92,543	84,516	92,962	86,575
Eastern Europe	40,676	37,829	49,223	45,824
Group Corporate Center	2,869	3,068	3,223	2,459
Non-core	194	775	473	518
Total	**419,305**	**414,793**	**476,761**	**459,944**

[1] Figures from the 2021 Consolidated Financial Statements.

	As of December 31,			
	Loans and receivables with customers		Deposits from customers	
	2020[1]	2019 (restated)[1]	2020[1]	2019 (restated)[1]
	(in millions of €)			
Commercial Banking Italy	132,311	134,974	172,372	153,283
Commercial Banking Germany	87,168	87,172	102,957	89,798
Commercial Banking Austria	43,308	44,521	52,121	48,454
CEE Division	61,879	67,534	71,287	70,745
CIB	87,721	85,970	58,229	55,349
Group Corporate Centre	1,631	2,295	2,459	2,332
Non-core	775	1,886	518	488
Total	**414,793**	**424,352**	**459,944**	**420,449**

[1] Figures from the 2020 Consolidated Financial Statements.

Risk Elements in Loan Portfolio

The risk elements in the loan portfolio are represented based on Italian regulations and industry practice and on applicable local regulations and industry practices in the other countries in which we operate.

In particular, our loan portfolio is classified into two main categories: performing loans and non-performing loans. Non-performing loans include bad loans, unlikely to pay loans, and past-due.

The following tables set forth information about the quality of our loan portfolio as of December 31, 2021, 2020 and 2019. All figures are net of Loan Loss Provisions.

	December 31, 2021[1] [*]	December 31, 2020[2] [*]	December 31, 2019[3] [*]
		(in millions of €)	
Bad loans	1,121	1,645	2,956
Unlikely to pay	5,836	6,381	5,259
Non-performing past-due	524	503	577
Total non-performing loans	**7,481**	**8,530**	**8,792**
Performing loans	430,063	442,019	473,782
Total	**437,544**	**450,550**	**482,574**

(1) Figures from the unaudited consolidated report on operations of, and reconciled with, the 2021 Consolidated Financial Statements.
(2) Figures from the unaudited consolidated report on operations of, and reconciled with, the 2020 Consolidated Financial Statements.
(3) Figures from the unaudited consolidated report on operations of, and reconciled with, the 2019 Consolidated Financial Statements.
(*) Total loans to customers exclude the receivables arising from subleases recognised due to the application of IFRS16.

Loan Portfolio by Contractual Maturity

The following tables present the contractual maturity distribution for our loan portfolio at the indicated dates. These tables are based on financial assets included in all portfolios and carried at contractual value.

	As of December 31, 2021[1]									
	On demand	1 to 7 days	7 to 15 days	15 days to 1 months	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Unspecified maturity
					(in millions of €)					
Banks	24,689	10,026	4,767	2,019	5,963	3,879	2,189	4,192	319	25,796
Customers	43,363	10,817	6,185	15,729	26,819	22,230	37,586	161,552	140,916	6,303
Total	**68,052**	**20,843**	**10,952**	**17,748**	**32,782**	**26,109**	**39,775**	**165,774**	**141,235**	**32,099**

(1) Figures from the 2021 Consolidated Financial Statements.

	As of December 31, 2020[1]									
	On demand	1 to 7 days	7 to 15 days	15 days to 1 months	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Unspecified maturity
					(in millions of €)					
Banks	44,537	4,820	9,350	2,583	11,970	4,268	2,616	5,500	899	26,492
Customers	41,697	13,953	11,052	13,717	29,103	30,522	32,165	152,354	137,853	2,745
Total	**86,234**	**18,773**	**20,402**	**16,300**	**41,073**	**34,790**	**34,781**	**157,854**	**138,752**	**29,237**

(1) Figures from the 2020 Consolidated Financial Statements.

	As of December 31, 2019[1]									
	On demand	1 to 7 days	7 to 15 days	15 days to 1 months	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Unspecified maturity
					(in millions of €)					
Banks	33,575	9,020	10,284	7,790	25,157	8,647	5,744	10,646	8,576	27,978
Customers	66,152	28,527	17,774	22,122	42,141	25,774	36,710	161,025	147,847	2,773
Total	**99,727**	**37,547**	**28,058**	**29,912**	**67,298**	**34,421**	**42,454**	**171,671**	**156,423**	**30,751**

(1) Figures from the 2019 Consolidated Financial Statements.

Credit Exposures by Customer Group Economic Sector

The following tables set forth information of on-balance sheet exposure to customers of the Banking Group by customer group as of the dates indicated. Exposures include all on-balance sheet financial assets, claimed from customers, irrespective of their portfolio allocation.

	Governments and other public sector Entities		Financial companies		Financial companies (of which insurance companies)		Non-financial companies		Households	
	Net Exposure	Overall Writedowns	Net Exposure	Overall Writedowns	Net Exposure	Overall Writedowns	Net Exposure	Overall Writedowns	Net Exposure	Overall Writedowns
					(in millions of €)					
Cash exposure	–	–	–	–	–	–	–	–	–	–
Bad exposures	2	30	92	233	1	–	893	2,483	327	967
Unlikely to pay	366	35	501	472	1	–	4,080	4,240	1,444	890
Non-performing past-due	41	5	–	–	–	–	109	66	379	254
Performing exposures	152,989	84	68,612	282	1,401	1	249,655	3,210	127,354	1,759
Total December 31, 2021[(1)]	**153,398**	**154**	**69,205**	**987**	**1,403**	**1**	**254,737**	**9,999**	**129,504**	**3,870**

(1) Figures from the 2021 Consolidated Financial Statements

	Governments and other public sector Entities		Financial companies		Financial companies (of which insurance companies)		Non-financial companies		Households	
	Net Exposure	Overall Writedowns	Net Exposure	Overall Writedowns	Net Exposure	Overall Writedowns	Net Exposure	Overall Writedowns	Net Exposure	Overall Writedowns
					(in millions of €)					
Cash exposure	–	–	–	–	–	–	–	–	–	–
Bad exposures	3	31	151	410	1	–	1,221	4,135	367	1,597
Unlikely to pay	391	14	634	435	1	–	4,579	5,571	1,063	989
Non-performing past-due	53	1	1	–	–	–	134	50	316	205
Performing exposures	142,154	122	83,184	262	4,268	1	238,092	1,955	122,364	1,908
Total December 31, 2020[(1)]	**142,601**	**168**	**83,970**	**1,107**	**4,270**	**1**	**244,026**	**11,711**	**124,110**	**4,699**

(1) Figures from the 2020 Consolidated Financial Statements

	Governments and other public sector Entities		Financial companies		Financial companies (of which insurance companies)		Non-financial companies		Households	
	Net Exposure	Overall Writedowns	Net Exposure	Overall Writedowns	Net Exposure	Overall Writedowns	Net Exposure	Overall Writedowns	Net Exposure	Overall Writedowns
					(in millions of €)					
Cash exposure	–	–	–	–	–	–	–	–	–	–
Bad exposures	8	54	200	408	3	2	2,633	8,114	446	1,690
Unlikely to pay	152	14	395	351	1	–	4,282	6,073	1,046	891
Non-performing past-due	3	1	1	–	–	–	525	218	385	245
Performing exposures	141,187	84	105,580	179	2,752	1	255,928	1,553	128,579	1,139
Total December 31, 2019[(1)]	**141,350**	**153**	**106,176**	**938**	**2,756**	**3**	**263,368**	**15,958**	**130,456**	**3,965**

(1) Figures from the 2019 Consolidated Financial Statements

Loans to Customers by Product Type

The tables below show the loans and receivables from customers by product type, net of impaired assets, as of December 31, 2021, 2020 and 2019.

	As of December 31, 2021[1]	
	Stage 1 and Stage 2	Stage 3
	(in millions of €)	
Current accounts	24,953	683
Reverse Repos	18,239	–
Mortgages	182,348	2,923
Credit cards and personal loans, including wage assignment	16,324	311
Lease loans	4,283	167
Factoring	13,437	129
Other loans	168,687	3,235
Debt securities	66,451	13
Total net loans to customers	**494,722**	**7,461**

[1] Figures from the 2021 Consolidated Financial Statements

	As of December 31, 2020 (restated)[1]	
	Stage 1 and Stage 2	Stage 3
	(in millions of €)	
Current accounts	24,901	755
Reverse Repos	35,757	–
Mortgages	175,452	2,849
Credit cards and personal loans, including wage assignment	16,054	334
Lease loans	15,962	789
Factoring	12,103	133
Other loans	159,995	3,589
Debt securities	57,242	35
Total net loans to customers	**497,466**	**8,484**

[1] Figures from the 2021 Consolidated Financial Statements

	As of December 31, 2020[1]	
	Stage 1 and Stage 2	Stage 3
	(in millions of €)	
Current accounts	24,901	757
Reverse Repos	35,757	–
Mortgages	175,466	2,852
Credit cards and personal loans, including wage assignment	16,054	335
Lease loans	15,962	789
Factoring	12,103	133
Other loans	159,995	3,631
Debt securities	57,242	35
Total net loans to customers	**497,480**	**8,532**

[1] Figures from the 2020 Consolidated Financial Statements

	As of December 31, 2019[1]	
	Stage 1 and Stage 2	**Stage 3**
	(in millions of €)	
Current accounts	31,857	1,073
Reverse Repos	58,222	–
Mortgages	166,004	3,099
Credit cards and personal loans, including wage assignment	17,824	307
Lease loans	17,314	1,320
Factoring	13,554	176
Other loans	166,172	2,779
Debt securities	45,054	39
Total net loans to customers	**516,001**	**8,793**

(1) Figures from the 2019 Consolidated Financial Statements

Customers by Country

The following tables set forth the geographic breakdown of the Banking Group's exposure to customers based on the country borrower or ultimate guarantor of the exposure as of the dates indicated. Exposures include all on-balance sheet financial assets, claimed from customers, irrespective of their portfolio allocation.

	Italy		Other European Countries		America		Asia		Rest of the World	
	Net Exposure	**Total Writedowns**	**Net Exposure**	**Total Writedowns**	**Net Exposure**	**Total Writedowns**	**Net Exposure**	**Total Writedowns**	**Net Exposure**	**Total Writedowns**
					(in millions of €)					
Bad exposures	632	1,978	657	1,636	7	30	18	49	–	20
Unlikely to pay	2,985	3,048	2,914	2,422	115	86	12	76	365	5
Non-performing past-due	374	197	154	128	1	–	–	–	–	–
Performing	234,952	3,023	324,153	2,231	12,630	33	16,721	44	10,154	4
Total December 31, 2021[1]	**238,943**	**8,246**	**327,878**	**6,417**	**12,753**	**149**	**16,751**	**169**	**10,519**	**29**

(1) Figures from the 2021 Consolidated Financial Statements

	Italy		Other European Countries		America		Asia		Rest of the World	
	Net Exposure	**Total Writedowns**	**Net Exposure**	**Total Writedowns**	**Net Exposure**	**Total Writedowns**	**Net Exposure**	**Total Writedowns**	**Net Exposure**	**Total Writedowns**
					(in millions of €)					
Bad exposures	793	4,055	918	2,031	18	34	12	12	1	41
Unlikely to pay	2,820	4,440	3,259	2,387	165	76	28	96	395	10
Non-performing past-due	326	153	127	98	–	4	51	1	–	–
Performing	247,567	2,314	309,199	1,853	10,882	45	13,878	22	4,268	13
Total December 31, 2020[1]	**251,506**	**10,962**	**313,503**	**6,369**	**11,065**	**159**	**13,969**	**131**	**4,664**	**64**

(1) Figures from the 2020 Consolidated Financial Statements

	Italy		Other European Countries		America		Asia		Rest of the World	
	Net Exposure	Total Write-downs	Net Exposure	Total Write-downs	Net Exposure	Total Write-downs	Net Exposure	Total Write-downs	Net Exposure	Total Write-downs
					(in millions of €)					
Bad exposures	1,729	6,813	1,479	3,329	28	35	19	26	32	63
Unlikely to pay	3,786	5,494	1,840	1,762	85	55	1	1	163	17
Non-performing past-due	396	157	511	306	5	–	1	1	1	–
Performing	271,432	1,245	329,139	1,667	13,356	23	11,969	15	5,378	5
Total December 31, 2019[1]	**277,343**	**13,709**	**332,969**	**7,064**	**13,474**	**113**	**11,990**	**43**	**5,574**	**85**

Stage 1: includes, as required by IFRS 9, (i) newly issued or acquired credit exposures, (ii) exposures for which credit risk has not significantly deteriorated since initial recognition, (iii) exposures having low credit risk (low credit risk exemption).
Stage 2: includes, as required by IFRS 9, credit exposures that, although performing, have seen their credit risk significantly deteriorating since initial recognition.
Stage 3: includes, as required by IFRS 9, impaired credit exposures.
(1) Figures from the 2019 Consolidated Financial Statements.

Banks by Country

The following tables set forth the geographic breakdown of the Banking Group's exposure to banks based on the country borrower or ultimate guarantor of the exposure as of the dates indicated. Exposures include all on-balance sheet financial assets, claimed from customers, irrespective of their portfolio allocation.

	Italy		Other European Countries		America		Asia		Rest of the World	
	Net Exposure	Total Writedowns	Net Exposure	Total Writedowns	Net Exposure	Total Writedowns	Net Exposure	Total Writedowns	Net Exposure	Total Writedowns
					(in millions of €)					
Bad exposures	–	–	–	–	–	4	–	1	–	–
Unlikely to pay	–	–	–	–	–	–	–	–	–	–
Non-performing past-due	–	–	–	–	–	–	–	–	–	–
Performing	87,771	2	100,169	10	7,054	1	7,930	3	1,257	–
Total December 31, 2021[1]	**87,771**	**2**	**100,169**	**10**	**7,054**	**5**	**7,930**	**4**	**1,257**	**–**

(1) Figures from the 2021 Consolidated Financial Statements.

	Italy		Other European Countries		America		Asia		Rest of the World	
	Net Exposure	Total Writedowns	Net Exposure	Total Writedowns	Net Exposure	Total Writedowns	Net Exposure	Total Writedowns	Net Exposure	Total Writedowns
					(in millions of €)					
Bad exposures	–	–	–	–	–	–	–	1	–	–
Unlikely to pay	–	–	–	–	–	4	–	2	–	–
Non-performing past-due	–	–	–	–	–	–	–	–	–	–
Performing	20,599	3	103,689	14	4,164	–	3,785	1	1,274	–
Total December 31, 2020[1]	**20,599**	**3**	**103,689**	**14**	**4,164**	**4**	**3,785**	**4**	**1,274**	**–**

(1) Figures from the 2020 Consolidated Financial Statements.

	Italy		Other European Countries		America		Asia		Rest of the World	
	Net Exposure	**Total Writedowns**	**Net Exposure**	**Total Writedowns**	**Net Exposure**	**Total Writedowns**	**Net Exposure**	**Total Writedowns**	**Net Exposure**	**Total Writedowns**
					(in millions of €)					
Bad exposures	–	–	–	1	–	–	–	1	–	–
Unlikely to pay	–	–	–	–	–	4	–	–	–	–
Non-performing past-due	–	–	–	–	–	–	–	–	–	–
Performing	21,289	2	94,549	26	4,356	1	3,942	14	1,179	2
Total December 31, 2019[1]	**21,289**	**2**	**94,549**	**27**	**4,356**	**5**	**3,942**	**15**	**1,179**	**2**

[1] Figures from the 2019 Consolidated Financial Statements.

Loan Loss Experience – Exposure to Customers

The following table illustrates the changes that occurred in the Banking Group's overall impaired loans for exposure to customers from January 1, 2021 to December 31, 2021(1).

	Bad exposures	**Unlikely to pay**	**Non-performing past-due**
		(in millions of €)	
Opening balance as of January 1, 2021 (gross amount)	**7,915**	**13,676**	**760**
of which sold non-cancelled exposures	464	1,346	7
Increases	**2,350**	**5,311**	**930**
transfers from performing loans	391	3,757	770
transfer from acquired or originated impaired financial assets	–	1	–
transfers from other Non-performing exposures	1,537	209	68
contractual changes with no cancellations	–	1	–
other increases	422	1,343	92
Reductions	**5,238**	**6,959**	**836**
transfers to performing loans	102	953	182
write-offs	1,477	691	3
collections	923	2,469	259
sales proceeds	495	418	3
losses on disposals	18	69	–
transfers to other Non-performing exposures	72	1,394	348
contractual changes with no cancellations	–	4	–
other decreases	2,151	961	41
Closing balance as of December 31, 2021 (gross amount)	**5,027**	**12,028**	**854**
of which sold non-cancelled exposures	105	520	16

[1] Figures from the 2021 Consolidated Financial Statements.

The following table illustrates the changes that occurred in the Banking Group's overall impaired loans for exposure to customers from January 1, 2020 to December 31, 2020[1].

	Bad exposures	Unlikely to pay	Non-performing past-due
		(in millions of €)	
Opening balance as of January 1, 2020 (gross amount)	**13,553**	**13,204**	**1,378**
of which sold non-cancelled exposures	372	840	7
Increases	**2,621**	**7,335**	**736**
transfers from performing loans	533	5,876	668
transfer from acquired or originated impaired financial assets	–	–	–
transfers from other Non-performing exposures	1,453	286	13
contractual changes with no cancellations	–	–	–
other increases	635	1,173	55
Reductions	**8,259**	**6,863**	**1,354**
transfers to performing loans	180	613	165
write-offs	1,726	705	5
collections	1,101	2,036	213
sales proceeds	807	514	4
losses on disposals	136	56	–
transfers to other Non-performing exposures	100	1,219	433
contractual changes with no cancellations	–	6	–
other decreases	4,209	1,714	534
Closing balance as of December 31, 2020 (gross amount)	**7,915**	**13,676**	**760**
of which sold non-cancelled exposures	464	1,346	7

(1) Figures from the 2020 Consolidated Financial Statements.

The following table illustrates the changes that occurred in the Banking Group's overall impaired loans for exposure to customers from January 1, 2019 to December 31, 2019[1].

	Bad exposures	Unlikely to pay	Non-performing past-due
		(in millions of €)	
Opening balance as of January 1, 2019 (gross amount)	**21,883**	**16,984**	**1,374**
of which sold but not derecognized	461	1,034	10
Increases	**5,227**	**6,085**	**1,797**
transfers from performing loans	1,274	2,693	1,700
transfers from acquired or originated impaired financial assets	4	103	–
transfers from other Non-performing exposures	2,717	761	19
contractual changes with no cancellations	–	3	–
other increases	1,232	2,525	78
Reductions	**13,557**	**9,865**	**1,793**
transfers to performing loans	207	870	169
write-offs	3,625	704	5
collections	2,185	2,446	367
sales proceeds	1,899	969	19
losses on disposals	58	80	–
transfers to other Non-performing exposures	139	2,554	804
contractual changes with no cancellations	–	20	–
other decreases	5,444	2,222	429
Closing balance as of December 31, 2019 (gross amount)	**13,553**	**13,204**	**1,378**
of which sold but not derecognized	372	840	7

(1) Figures from the 2019 Consolidated Financial Statements.

Loan Loss Experience – Exposure to Banks

The following table illustrates the changes that occurred in the Banking Group's overall impaired loans for exposure to banks from January 1, 2021 to December 31, 2021[(1)].

	Bad exposures	Unlikely to pay	Non-performing past-due
		(in millions of €)	
Opening balance as of January 1, 2021 (gross amount)	**1**	**6**	**–**
of which sold non-cancelled exposures	–	–	–
Increases	**4**	**–**	**–**
transfers from performing loans	–	–	–
transfers from acquired or originated impaired financial assets	–	–	–
transfers from other categories of Non-performing exposures	4	–	–
contractual changes with no cancellations	–	–	–
other increases	–	–	–
Reductions	**–**	**6**	**–**
transfers to performing loans	–	2	–
write-offs	–	–	–
collections	–	–	–
sales proceeds	–	–	–
losses on disposal	–	–	–
transfers to other Non-performing exposures	–	4	–
contractual changes with no cancellations	–	–	–
other decreases	–	–	–
Closing balance as of December 31, 2021 (gross amount)	**5**	**–**	**–**
of which sold non-cancelled exposures	–	–	–

(1) Figures from the 2021 Consolidated Financial Statements.

The following table illustrates the changes that occurred in the Banking Group's overall impaired loans for exposure to banks from January 1, 2020 to December 31, 2020[(1)].

	Bad exposures	Unlikely to pay	Non-performing past-due
		(in millions of €)	
Opening balance as of January 1, 2020 (gross amount)	**2**	**4**	**–**
of which sold non-cancelled exposures	–	–	–
Increases	**–**	**4**	**–**
transfers from performing loans	–	–	–
transfers from acquired or originated impaired financial assets	–	2	–
transfers from other categories of Non-performing exposures	–	–	–
contractual changes with no cancellations	–	–	–
other increases	–	2	–
Reductions	**1**	**2**	**–**
transfers to performing loans	–	–	–
write-offs	–	–	–
collections	–	2	–
sales proceeds	–	–	–
losses on disposal	–	–	–
transfers to other Non-performing exposures	–	–	–
contractual changes with no cancellations	–	–	–
other decreases	1	–	–
Closing balance as of December 31, 2020 (gross amount)	**1**	**6**	**–**
of which sold non-cancelled exposures	–	–	–

(1) Figures from the 2020 Consolidated Financial Statements.

The following table illustrates the changes that occurred in the Banking Group's overall impaired loans for exposure to banks from January 1, 2019 to December 31, 2019[1].

	Bad exposures	Unlikely to pay	Non-performing past-due
		(in millions of €)	
Opening balance as of January 1, 2019 (gross amount)	**41**	**4**	**–**
of which sold non-cancelled exposures	–	–	–
Increases	**1**	**–**	**–**
transfers from performing loans	–	–	–
transfers from acquired or originated impaired financial assets	–	–	–
transfers from other categories of Non-performing exposures	–	–	–
contractual changes with no cancellations	–	–	–
other increases	1	–	–
Reductions	**40**	**–**	**–**
transfers to performing loans	–	–	–
write-offs	40	–	–
collections	–	–	–
sales proceeds	–	–	–
losses on disposal	–	–	–
transfers to other Non-performing exposures	–	–	–
contractual changes with no cancellations	–	–	–
other decreases	–	–	–
Closing balance as of December 31, 2019 (gross amount)	**2**	**4**	**–**
of which sold non-cancelled exposures	–	–	–

(1) Figures from the 2019 Consolidated Financial Statements.

Loans to Customers – Credit Quality

The following tables show a breakdown of the credit quality of our loans to customers at the indicated dates.

	Gross exposures	As a percentage of total loans	Writedowns	As a percentage of total loans	Carrying value	As a percentage of total loans
			(in millions of €)			
As of December 31, 2021[1]						
Bad loans	4,495	1.0%	3,374	75.1%	1,121	0.3%
Unlikely to pay	10,927	2.4%	5,091	46.6%	5,836	1.3%
Non-performing past-due	845	0.2%	321	38.0%	524	0.1%
Total non-performing loans[2]	**16,268**	**3.6%**	**8,787**	**54.0%**	**7,481**	**1.7%**
Performing loans	434,434	96.4%	4,371	1.0%	430,063	98.3%
Total loans	**450,702**		**13,158**		**437,544**	

(1) Figures from the unaudited consolidated report on operations of, and reconciled with, the 2021 Consolidated Financial Statements.
(2) The non-performing loans perimeter is consistent with the EBA definition of non-performing exposures' perimeter.

	Gross exposures	As a percentage of total loans	Writedowns	As a percentage of total loans	Carrying value	As a percentage of total loans
			(in millions of €)			
As of December 31, 2020[1]						
Bad Exposures	7,613	1.6%	5,967	78.4%	1,645	0.4%
Unlikely to pay	12,874	2.8%	6,492	50.4%	6,381	1.4%
Non-performing past-due	759	0.2%	256	33.7%	503	0.1%
Total non-performing loans[2]	**21,246**	**4.6%**	**12,716**	**59.9%**	**8,530**	**1.9%**
Performing	446,157	95.4%	4,138	0.9%	442,019	98.1%
Total loans	**467,403**		**16,853**		**450,550**	

(1) Figures from the unaudited consolidated report on operations of, and reconciled with, the 2020 Consolidated Financial Statements.
(2) The non-performing loans perimeter is consistent with the EBA definition of non-performing exposures' perimeter.

	Gross exposures	As a percentage of total loans	Writedowns	As a percentage of total loans	Carrying value	As a percentage of total loans
			(in millions of €)			
As of December 31, 2019[1]						
Bad Exposures	12,491	2.5%	9,535	76.3%	2,956	0.6%
Unlikely to pay	11,934	2.4%	6,675	55.9%	5,259	1.1%
Non-performing past-due	870	0.2%	293	33.7%	577	0.1%
Total non-performing[2]	**25,295**	**5.0%**	**16,503**	**65.2%**	**8,792**	**1.8%**
Performing	476,333	95.0%	2,552	0.5%	473,782	98.2%
Total loans	**501,628**		**19,055**		**482,574**	

(1) Figures from the unaudited consolidated report on operations of, and reconciled with, the 2019 Consolidated Financial Statements.
(2) The non-performing loans perimeter is consistent with the EBA definition of non-performing exposures' perimeter.

The following table sets forth our credit quality ratios as of December 31, 2021, 2020 and 2019.

	As of December 31,		
	2021[1]	2020[2]	2019[3]
		(in millions of €)	
Net bad loans to customers/loans to customers	0.3%	0.4%	0.6%
Net non-performing loans to customers/loans to customers	1.7%	1.9%	1.8%
Write-downs as a percentage of gross loans to customers	2.9%	3.6%	3.8%
Net non-performing loans to customers/gross loans to customers	1.7%	1.8%	1.8%

(1) Figures from the unaudited consolidated report on operations of, and reconciled with, the 2021 Consolidated Financial Statements.
(2) Figures from the unaudited consolidated report on operations of, and reconciled with, the 2020 Consolidated Financial Statements.
(3) Figures from the unaudited consolidated report on operations of, and reconciled with, the 2019 Consolidated Financial Statements.

Funding by Type

The following table sets forth a breakdown of our amounts due to banks, due to customers and securities issued at the dates indicated.

	As of December 31, 2021[1]	% of total direct deposits
	(in millions of €)	
Current accounts and demand deposits	420,060	55.2%
Time deposits	50,104	6.6%
Loans (repos included)	26,148	3.4%
Lease Deposits	2,050	0.3%
Other liabilities	4,192	0.6%
Deposits from customers (A)	**502,554**	**66.0%**
Bonds	86,093	11.3%
Other securities	9,805	1.3%
Securities in issue (B)	**95,898**	**12.6%**
Deposits from banks (C)	**162,571**	**21.4%**
Total direct deposits (A+B+C)	**761,023**	

(1) Figures from the 2021 Consolidated Financial Statements.

	As of December 31, 2020[1]	% of total direct deposits
	(in millions of €)	
Current accounts and demand deposits	395,632	51.0%
Time deposits	57,347	7.4%
Loans (repos included)	41,085	5.3%
Lease Deposits	2,310	0.3%
Other liabilities	4,376	0.6%
Deposits from customers (A)	**500,750**	**64.6%**
Bonds	86,604	11.2%
Other securities	15,920	2.1%
Securities in issue (B)	**102,524**	**13.2%**
Deposits from banks (C)	**172,473**	**22.2%**
Total direct deposits (A+B+C)	**775,747**	

(1) Figures from the 2020 Consolidated Financial Statements.

	As of December 31, 2019[1]	% of total direct deposits
	(in millions of €)	
Current accounts and demand deposits	348,060	49.4%
Time deposits	64,923	9.2%
Loans (repos included)	52,957	7.5%
Other liabilities	2,397	0.3%
Deposits from customers (A)	**4,630**	**0.7%**
Bonds	472,967	67.1%
Other securities	88,563	12.6%
Securities in issue (B)	**7,738**	**1.1%**
Deposits from banks (C)	**96,301**	**13.7%**
Total direct deposits (A+B+C)	**135,572**	**19.2%**

(1) Figures from the 2019 Consolidated Financial Statements.

Funding by Maturity

The following tables set forth certain details on the maturity profile of our financial liabilities as of the dates indicated.

	As of December 31, 2021[1]								
	On demand	**Due in 3 months**	**3 to 6 months**	**6 months to 1 year**	**1 to 5 years**	**Over 5 years**	**Over 10 years**	**Unspecified maturity**	**Total**
					(in millions of €)				
Deposits from banks	16,793	20,933	17,097	1,239	101,400	4,546	445	–	155,453
Deposits from customers	426,178	53,819	4,892	8,188	3,455	1,838	1,272	2	499,644
Debt securities	1,166	20,158	7,185	12,797	33,966	18,950	13,856	4	108,082
Other liabilities	1,563	1,579	68	235	499	170	30	1	4,145
Total liabilities	**445,700**	**96,489**	**29,242**	**22,459**	**139,320**	**25,504**	**15,603**	**7**	**774,324**

[1] Figures from the 2021 Consolidated Financial Statements

	As of December 31, 2020[1]								
	On demand	**Due in 3 months**	**3 to 6 months**	**6 months to 1 year**	**1 to 5 years**	**Over 5 years**	**Over 10 years**	**Unspecified maturity**	**Total**
					(in millions of €)				
Deposits from banks	18,721	38,016	5,612	1,713	101,645	5,155	584	1	171,447
Deposits from customers	399,915	74,265	7,211	8,987	5,030	1,450	1,468	–	498,326
Debt securities	1,054	24,725	11,581	9,433	34,340	24,763	9,408	167	115,471
Other liabilities	1,332	316	104	299	2,244	343	33	1	4,672
Total liabilities	**421,022**	**137,322**	**24,508**	**20,432**	**143,259**	**31,711**	**11,493**	**169**	**789,916**

[1] Figures from the 2020 Consolidated Financial Statements

	As of December 31, 2019[1]								
	On demand	**Due in 3 months**	**3 to 6 months**	**6 months to 1 year**	**1 to 5 years**	**Over 5 years**	**Over 10 years**	**Unspecified maturity**	**Total**
					(in millions of €)				
Deposits from banks	22,895	85,344	33,802	4,894	36,917	5,972	1,504	39	191,367
Deposits from customers	369,293	89,633	10,016	12,312	9,740	1,523	1,333	395	494,245
Debt securities	1,212	24,114	12,587	11,968	43,433	27,527	6,510	415	127,766
Other liabilities	2,485	528	228	491	2,384	1,112	289	7	7,524
Total liabilities	**395,885**	**199,619**	**56,633**	**29,665**	**92,474**	**36,134**	**9,636**	**856**	**820,902**

[1] Figures from the 2019 Consolidated Financial Statements

The following table sets forth certain key financial ratios as of the dates indicated.

Ratios	As of December 31, 2021[1] [3]	December 31, 2020[2] [3]	December 31, 2019 (restated)[2]
		(in millions of €, except ratios)	
Cost/Income Ratio[*]	54.6%	57.2%	52.7%
Risk Ratios			
Net bad loans/net loans to customers	0.3%	0.4%	0.4%
Net non-performing loans to customers/net loans to customers	1.7%	1.9%	2.0%
Regulatory Capital and related ratios			
Total Capital (€million)	64,850	67,464	66,982
Total risk-weighted assets (€million)	321,992	325,665	378,718
Common Equity Tier 1 capital ratio	15.82%	15.96%	13.22%
Tier 1 capital ratio (Tier 1 Capital/risk weighted assets)	17.94%	18.22%	14.90%
Total capital ratio (Total Capital/risk weighted assets)	**20.14%**	**20.72%**	**17.69%**

(1) Figures from the unaudited consolidated report on operations of, and reconciled with, the 2021 Consolidated Financial Statements.
(2) Figures from the unaudited consolidated report on operations of, and reconciled with, the 2020 Consolidated Financial Statements.
(3) Starting from 2Q 2020, figures include the transitional arrangements related to IFRS9 as per CRR article 473a.
(*) The ratio between operating expenses and operating income. It is one of the main key performance indicators of the bank's efficiency: the lower the ratio, the more efficient the bank.

The amounts shown are inclusive of transitional adjustments in accordance with the regulatory percentages applicable from time to time.

Ratios	As of December 31, 2021[1] [4]	December 31, 2020[2] [4]	December 31, 2019[3]
		(in millions of €)	
Common Equity Tier 1 Capital	50,933	51,971	50,054
Tier 1 Capital	57,780	59,321	56,414
Total Own Funds	64,850	67,464	66,982
Total risk-weighted assets	**321,992**	**325,665**	**378,718**
Common Equity Tier 1 capital ratio	15.82%	15.96%	13.22%
Tier 1 capital ratio	17.94%	18.22%	14.90%
Total capital ratio	20.14%	20.72%	17.69%
Total risk weighted assets/total assets[1]	**35.13%**	**34.96%**	**44.26%**

(1) Figures from the unaudited consolidated report on operations of, and reconciled with, the 2021 Consolidated Financial Statements, except for the figures on capital and ratios.
(2) Figures from the unaudited consolidated report on operations of, and reconciled with, the 2020 Consolidated Financial Statements, except for the figures on capital and ratios.
(3) Figures from the unaudited consolidated report on operations of, and reconciled with, the 2019 Consolidated Financial Statements, except for the figures on capital and ratios.
(4) Starting from 2Q 2020, figures include the transitional arrangements related to IFRS9 as per CRR article 473a.

BUSINESS

Overview

We are a pan-European Commercial Bank with a unique service offering in Italy, Germany, Central and Eastern Europe. Our purpose is to empower communities to progress, delivering the high quality services, unlocking the potential of our clients and our people across Europe. We serve over 15 million customers worldwide. We are organized in four core regions and two product factories, Corporate and Individual Solutions. This allows us to be close to our clients and use the scale of the entire Group for developing and offering the best products across all our markets.

We are one of the leading banks in Italy and in many of the CE and EE countries in which we operate in terms of total assets.

For the year ended December 31, 2021 and 2020, we generated total consolidated operating income of €17.9 billion and of €17.1 billion, respectively. As of December 31, 2021, we had total consolidated assets of €916.7 billion, deposits from customers (excluding repos) of €476.8 billion and loans to customers of €419.3 billion (excluding repos).

On December 9, 2021, our Board of Directors approved the Strategic Plan setting forth our Strategic Objectives for the period 2022-2024 (UniCredit Unlocked).

As of the date of this Offering Memorandum the Group in structured by geographic area as follows, according to organizational changes announced during May 2021:

- Italy, as a standalone geography reflecting the critical importance of the country;
- Germany, still focused on developing and growing business in the country;
- Central Europe (including Austria, Czech Republic and Slovakia, Hungary, Slovenia);
- Eastern Europe (including Bosnia and Herzegovina, Bulgaria, Croatia, Romania, Serbia, Russia).

This organization ensures Country and local Banks autonomy on specific activities granting proximity to the customers (for all client segment, Retail and Corporate) and efficient decisional processes. All standalone geographies of the Group have dedicated support functions such as: People and Culture, Finance, Digital & Information Office, and Operations. In addition, Compliance, Legal and Risk have established specific regional departments.

Alongside the new 4 business division there are:

- a Group Corporate Centre with the objective to lead, control and support the management of the assets and related risks of the Group as a whole and of the single Group companies in their respective areas of competence; it also includes the Group's Legal Entities that are going to be dismissed
- the Non-Core segment, including non-strategic Italian assets and those with a poor fit to the Group's risk-adjusted return framework; it is reported until full year 2021, date of its complete runoff.

Strengths

We believe that the following strengths have been essential to our success to date and will continue to be important in the future, taking into consideration our current Group perimeter:

- Our pan-European footprint provides us with diversification, client access, multicultural mindset and cross-border operations;
- We are putting in place reunified client segments, a harmonised service model, simplified processes and a common organisational structure group-wide. We are unifying our technology and data platforms and cementing our principles to deliver our clients the best products and services. Our people will be empowered within well-defined behaviour and risk guidelines in order to progress and take ownership of decisions, unlocking talent and taking back market share;
- Our four regions will be supported by two centralised product factories, Corporate and Individual Solutions, leveraging group scale and with a comprehensive offering of best-in-class products for all our clients. These will be developed internally or by partners and will leverage Digital & Data as key enablers for a seamless corporate and retail client experience;

Strategy

We intend to create value putting our clients at the heart of all that we do: connecting our extensive client base and our employees in a unified way across 13 banks and 4 regions in Europe—Italy, Germany, Central Europe and Eastern Europe. The cornerstone of our strategy is leveraging our 13 banks to reap our inherent scale advantage. In addition the combination of the countries where we are present creates a better growth and returns profile, the benefit of diversification and unique optionality.

Our new Strategic Plan, UniCredit Unlocked, delivers the following strategic targets:

- grow in our regions and develop our client franchise, changing our business model and how our people operate

- quality growth both from our existing and new clients;
- develop best-in-class products and services: either in house or with external partners;
- grow capital-light business, focusing on value-added products and services for clients;
- targeted cost efficiency to fund investment and deliver operating leverage.

- deliver economies of scale from our footprint of banks, transforming our technology leveraging Digital & Data and embedding sustainability in all that we do
  - unite our 13 banks in one integrated group;
  - central steering where it adds value; local empowerment within clear risk and behaviour framework;
  - redesign operating model: reclaiming core competencies in house;
  - new way of working: centered around clients and common platforms;
  - leading by example, striving for the same high standards that we seek from those we do business with;
  - equipping ourselves with tools to support our clients and communities navigate the green & social transition.
- drive financial performance via three interconnecting levers largely under management control
  - total costs: deliver a €0.5 billion absolute cost reduction, net of €0.6 billion investments (Digital & Data and Business) and of €0.5 billion inflation, by 2024. Cash investments for €2.8 billion in Digital & Data6 over the life of our plan;
  - allocated capital: generate organic capital of c. 150 bps per annum from increased profitability and capital-light model, optimal capital allocation and active portfolio management driven by RoTE[20] maximisation;
  - net revenue: €1.1 billion of incremental net revenue that delivers profitability above the cost of equity and is mostly driven by fees and recovery of market share.
- new business model allows for strong organic capital generation with materially increased and growing shareholder distributions while maintaining or exceeding a robust CET1 ratio target of 12.5-13 per cent
  - shareholder distribution of at least €16 billion total for 2021-2024, with yearly distributions being consistent with the organic capital generation3 of each relevant year;
  - distribution of €3.7 billion is expected for 2022 (related to FY2021), consisting of a cash dividend of circa 30 per cent of underlying net profit with the balance composed of share buybacks (For further information on underlying net profit, see "*Net profit/(loss) attributable to the Group*.");
- based on Plan assumptions, total distribution related to FY2022 is expected to be in line or greater than FY2021 and to progressively increase starting from FY2023. The FY2022 annual cash dividend is expected at 35 per cent of net profit and thereafter to be at least 35 per cent of net profit with the balance composed of share buybacks.

Strategic Objectives

On December 9, 2021, the Bank's Board of Directors approved our 2022 to 2024 business plan called "UniCredit Unlocked" (the "**Strategic Plan**" or "**Plan**" or "**UniCredit Unlocked**"), which contains a number of strategic, capital and financial objectives (collectively, the "**Strategic Objectives**").

The Strategic Plan was based on 2020 and forecast 2021 perimeter. The Strategic Plan has not been included herein. The Strategic Plan has not been updated to reflect the results of the year ended March 31, 2022. Therefore, prospective investors may find it difficult to make comparisons among the information provided in the Strategic Plan, the Consolidated Financial Statements and/or the Unaudited Pro-Forma Consolidated Financial Information included elsewhere in this Offering Memorandum. Prospective investors are therefore cautioned against placing undue reliance on such comparisons.

The Strategic Objectives include projections for certain operating and capital indicators and other forward-looking statements. The Strategic Objectives are based on various assumptions about future events, actions and business conditions. Our ability to achieve our Strategic Objectives is dependent on many factors which are outside of management's control. Actual results may differ materially from and be more negative than those projected or implied in our Strategic Objectives. Such forward looking information involves risks and uncertainties that could significantly affect expected results. Factors that could cause actual results to differ materially and adversely include but are not limited to those described in "Risk Factors." You should not place undue reliance on the Strategic Objectives or other projections and objectives, which speak only as of the date that they were made and may not be updated. These projections were not prepared by management with a view toward compliance with published guidelines of the Securities and Exchange Commission or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information. See also "*Disclosure Regarding Forward Looking Statements*", "*Risk Factors – Risks Related to Our Business – Our ability to meet the Strategic Objectives depends on a number of assumptions and circumstances, some of which are outside of our controls*"

[20] RoTE means (i) net profit over (ii) average tangible equity excluding AT1, CASHES & DTA from tax loss carry forward contribution

As of the date of this Offering Memorandum the core pillars of UniCredit Unlocked are the following and remain a strategic priority:

- optimise: improving operational and capital efficiency, with €1.5 billion of gross cost savings, of which €0.4 billion from Digital & Data, and 130 bps contribution to CET1 ratio from active portfolio management; expect RWA to decrease over the course of the Plan as active portfolio management more than offsets impact of organic growth and expected regulatory headwinds;
- invest: cash investments for €2.8 billion in Digital & Data[21], 3,600 net new hires in Business and Digital & Data, targeted growth initiatives including ESG; €1.2 billion gross integration costs impact from: Team23 acceleration, technology benefit and simplification & streamlining;
- grow: net revenues at 2 per cent CAGR in the period 2021-2024, of which fees at 4 per cent, and net profit at 10 per cent per year, net of all the optimisation we are undertaking, with underlying growth substantially higher;
- return: RoTE[22] of circa 10 per cent in 2024;
- strengthen: CET1 ratio target of 12.5-13 per cent[23], with 150 bps yearly organic capital generation[24] on average; gross NPE ratio[25] to improve to circa 3.5 per cent and net NPE ratio[26] to remain stable at c. 1.8 per cent in 2024;
- distribute: at least €16 billion total for 2021-2024, consistent with organic capital generation from net profit and RWA evolution. Please consider that all the subsequent details for core pillars of Team 23 plan are presented as of the date of the Strategic Plan presentation on December 3, 2019

Please consider that all the subsequent details for core pillars of UniCredit Unlocked plan are presented as of the date of the Strategic Plan presentation on December 9, 2021.

There are macroeconomic advantages from our positioning, however we are driving the Plan primarily through management actions:

- over the three years, we assume a conservative interest rate scenario based on a broadly stable Euribor 3 month rate;
- our distinctive footprint offers us a number of favorable opportunities: the combination of our countries is expected to deliver GDP growth that is 20 basis points above the eurozone average over the course of the Plan. This is helped by our Central and Eastern European positioning;
- Central and Eastern Europe loan growth is expected at a multiple of GDP due to the relatively low maturity of the market;
- Recovery and Resilience Fund allocation: our countries have access to approximately 50 per cent of the overall fund disbursement.

Our macro assumptions exclude[27] unexpected materially adverse developments such as the Covid-19 pandemic, a situation that we are monitoring closely.

21 Additional investments not fully comparable to previous disclosure due to pricing model changes

22 RoTE means (i) net profit over (ii) average tangible equity excluding AT1, CASHES & DTA from tax loss carry forward contribution

23 Managerial target 2024.

24 Organic capital generation means CET1r evolution deriving from (i) stated net profit excluding DTA from tax loss carry forward contribution and (ii) RWA dynamic net of regulatory headwind.

25 Defined as (i) Gross Non Performing Exposures comprising bad loans, unlikely to pay, and past due; TO (ii) Gross Loans to customers excluding debt securities.

26 Defined as (i) Non Performing Exposures after deduction of provisions comprising bad loans, unlikely to pay, and past due; TO(ii) Loans to customer after deduction of provisions and excluding debt securities.

27 Macro assumptions consider the recent and still existing impacts of Covid-19 with a gradual normalisation over the upcoming years. The scenario does not assume that the current Covid-19 situation will develop in a particularly negative way in the upcoming years.

Key Group Financial Targets

The table below summarizes the Group financial targets for the plan period, presented to the financial community during the Capital Market Day on December 9, 2021, compared to the same financial indicators for the year ended December 31, 2021 and the year ended December 31, 2020.

	For the year ended December 31, 2021	For the year ended December 31, 2020	Ambitions 2024
Net Revenue[28]	16.3 billion	12.1 billion	>17 billion
Fees, % of revenue	37%	35%	c.40%
Cost Income	55%	57%	c.50%
Net Profit[29]	3.5 billion	0.8 billion	>4.5 billion
RoTE	7.3%	1.7%	c.10%
Organic capital generation[30]	200bps	n.a.	c.150bps per annum
CET1 pro-forma[31]	14.13%	14.88%	12.5-13%
Total ESG volumes	n.a.	n.a.	150 billion cumulative 2022-2024

Optimization

We are putting in place reunified client segments, a harmonised service model, simplified processes and a common organisational structure group-wide. We are unifying our technology and data platforms and cementing our principles to deliver our clients the best products and services. Our people will be empowered within well-defined behaviour and risk guidelines in order to progress and take ownership of decisions, unlocking talent and taking back market share.

Corporate and Individual Solutions serving all our clients and regions

Our four regions will be supported by two centralised product factories, Corporate and Individual Solutions, leveraging group scale and with a comprehensive offering of best-in-class products for all our clients. These will be developed internally or by partners and will leverage Digital & Data as key enablers for a seamless corporate and retail client experience:

Corporate Solutions, a true value-added service model, comprising Client Risk Management, Advisory & Capital Markets, Specialised Lending and Transactions & Payments, is differentiated for three main reasons:

- 1 m corporate client base with existing long-standing relationships;
- ability to leverage on existing high quality products;
- cross border positioning allowing us to support clients in trade, transaction and growth ambitions.

Corporate Solutions is expected to generate over €5 billion of 2021 revenues, with an ambition for a 4 per cent CAGR 2021-2024, and increased RoAC to 17 per cent in 2024 from 13 per cent in 2021, through capital-light growth.

Individual Solutions, the right model for our clients and for us, comprises of Life Insurance, Protection, Funds, Portfolio Management and Brokerage & Assets under Custody. The model delivers strong results for all our stakeholders:

- high retention of the value chain and partnering with best-in-class providers;
- targeted scale and leading market share where it counts;
- very high returns that we are well positioned to maximise.

Individual Solutions is expected to generate just over €3 billion of 2021 revenues, with an ambition for a 5 per cent CAGR 2021-2024, and very high returns on attributed capital. Our insurance offering is a core priority and, as we invest in our Business and our IT platforms, with partners supporting us with innovative solutions and products, we will further increase our capital-light revenue stream.

28 Net Revenues: revenue, minus Loan Loss Provisions

29 Net profit: stated net profit adjusted for AT1, CASHES coupons & impacts from DTAs from tax loss carry forward sustainability test (only for the Group)

30 Organic capital generation: CET1r evolution deriving from stated net profit excluding DTAs from tax loss carry forward and RWA dynamic net of regulatory headwinds

31 FY20 pro-forma for ordinary share buyback distribution of 179 million (completed) in 2021 and extraordinary share buyback distribution of 652million(currently in execution and not yet completed). CET1 stated: 15,14% in 2020, 15,03% in 2021

Growing and improving returns across our regions

Our unique pan-European footprint provides us with diversification, client access, multicultural mindset and cross-border operations. All our regions are expected to deliver improved returns through the levers of capital, net revenue and cost, flexed differently per region, with clear initiatives across clients, people and the organisation:

- Italy's business will focus on higher growth and more profitable areas, while optimising capital, reaching the highest ratios among our regions for fees/revenues at c. 55 per cent and net revenues/RWA at c. 6 per cent in 2024, RoAC superior to 12 per cent;
- Germany will lead in efficiency and profitability compared to peers, with returns well above the cost of equity, reaching fees/revenues at c. 30 per cent and net revenues/RWA at c. 5 per cent in 2024, RoAC superior to 10 per cent;
- Central Europe's allocated capital will grow by 5 per cent a year reaching fees/revenues at c. 30 per cent and net revenues/RWA at c. 5 per cent in 2024, RoAC superior to 13 per cent;
- Eastern Europe's allocated capital will grow by 4 per cent per year, post active portfolio management, reaching fees/revenues at c. 20 per cent and net revenues/RWA at c. 6 per cent in 2024, RoAC superior to 16 per cent.

We are investing in the Business by net hiring of 1,500 people across all our regions over the course of the Plan, of which 900 in Italy, 300 in CE & EE, 200 in Germany and 100 in Control functions.

Digital & Data

Digitalisation is central in our strategy and our ultimate ambition is to be a truly digital bank, powered by data in all we do. We will fund this with a higher overall spend, €2.8 billion total over 2022-2024, with clear strategic prioritisation. We plan to hire 2,100 people net in Digital & Data, for an overall 3,600 net new hires, including the 1,500 for the Business.

We will embark on four key projects: User Experience, New Digital Offering, Payment value Chain and Cyber Security. At the same time our Digital & Data priorities are:

- internalised up-skilled workforce and rationalised external organisation & partners, to reclaim core competencies and skillsets, costing less per unit with higher productivity, reducing our reliance on high-cost externals by two thirds out to 2024;
- new way of working with modular and reusable solutions which can be scaled across our Group; global technology, business and data platforms to maximise reusability, scale, cost efficiency and speed;
- investment model amplified through efficiencies and scale, self-funded through cost reductions from internalisation, targeting better spend;
- client approach focused on value creation, organisation structured around products and functions working together to deliver quality at speed.

Sustainability

Sustainability will be embedded in our culture. We will first hold ourselves accountable, striving to reach the same standard we ask of our clients and we will invest in and support the communities within which we operate:

- reduction of our greenhouse gas emission by 60 per cent since 2008, targeting net zero by 2030[32];
- 79 per cent renewable energy usage in our premises, with no single-use plastic items in our buildings by end 2022;
- more than €40 million contribution to corporate citizenship and philanthropic initiatives[33] and to the education of 100,000 young people, while committing to financial support for categories at risk of financial exclusion;
- a commitment to deliver on our ESG global policies and ensure equal pay for equal work, by investing €100 million.
- Navigating the sustainable transition is a key part of empowering communities to progress. In the next three years we target €150 billion new ESG volumes cumulative for 2022-2024. We have established an ESG advisory model for Corporates and Individuals, are financing Innovation for environmental transition and are partnering with key players to enrich and improve ESG offerings across-sectors. Job inclusion and female empowerment are key projects.

History

We were founded following the October 1998 business combination between the Credito Italiano national commercial banking group (established in 1870 with the name of Banca di Genova) and UniCredito S.p.A. (at the time the holding company owning a controlling interest in Banca Cassa di Risparmio di Torino S.p.A., Cassa di Risparmio di Verona Vicenza Belluno e Ancona Banca S.p.A. and Cassa di Risparmio della Marca Trivigiana S.p.A.).

32 2030 target on own emission.

33 Measured by the former London Benchmarking Group (LBG), now business for Societal Impact (B4SI) reporting framework.

Since our formation, we have grown in Italy, Germany, Austria and Eastern Europe through organic growth and acquisitions, consolidating our role in relevant sectors outside Europe and strengthening our international network.

Eastern Europe and Turkey

Our expansion into Eastern Europe began in August 1999, when we bought a 50.1% stake of the share capital of Bank Pekao (later increased to 59.36% and subsequently sold in 2017, as described below), and in July 2000, when we bought a 62.6% stake in the share capital of Splitska Banka. In 2000, we also completed the acquisitions of Pol'nobanka A.S. (now "UniCredit Bank Czech Republic and Slovakia AS") and Bulbank A.D. Since then, our growth in Eastern Europe has gone through various phases of development, with transactions in a number of countries, including Bosnia and Herzegovina, Bulgaria, Croatia, Romania, Czech Republic, Russia, Serbia, Slovakia, Slovenia, Turkey, and Hungary.

We expanded into Turkey in 2002 through Koç Finansal Hizmetler A.Ş. ("**KFS**"), an equal joint venture with the Koç Group, which, at the time, held a controlling stake in Koçbank A.Ş. In addition, in 2005, through KFS, we became a shareholder of YKB, a Turkish bank. In October 2006 the merger of Koçbank A.Ş. into YKB was completed.

On November 30, 2019 we entered into a set of agreements with the Koç Group related to certain shares transfers and to the termination of the existing shareholders agreement related to KFS. Pursuant to these agreements, on February 5, 2020 we sold our stake in KFS to the Koç Group and acquired from KFS a direct stake in YKB equal to 31.93%. On the same date, we sold part of our direct stake in YKB to institutional investors through an accelerated bookbuilding decrising to 20% of the Turkish bank. At the end of 2021, UC (i) reached an agreement with the Koç Group, which exercised its right of first offer, for the disposal of a 18% stake in YKB and (ii) disposed of the remaining 2% stake on the market via a dribble-out. The disposal of the 18% stake is expected to be completed at the end of the first quarter of 2022, subject to regulatory approvals.

Recent developments

The following are significant events which occurred after December 31, 2021:

- In the context of its share buy-back programme communicated to the market on December 9, 2021 and initiated on December 13, 2021, in execution of the authorisation granted by the Shareholders' Meeting of the Company held on April 15, 2021 which approved the share buy-back programme for a maximum amount of € 651,573,111.00 and for a number of UniCredit shares not exceeding 110,000,000 (the "**Second Buy-Back Programme 2021**"), pursuant to art. 2, paragraph 3, of the Delegated Regulation (EU) 2016/1052, UniCredit announced:
  - on January 3, 2022, that it has carried out four transactions, between the December 27, 2022 and December 30, 2022 for a total amount equal to an aggregated volume of 4,471,884 ordinary shares at a weighted average price of € 13.5700;
  - on January 10, 2022, that it has carried out four transactions, between the January 3, 2022 and January 7, 2022 for a total amount equal to an aggregated volume of 1,656,059 ordinary shares at a weighted average price of € 14.0593;
  - on January 17, 2022, that it has carried out four transactions, between the January 10, 2022 and January 14, 2022 for a total amount equal to an aggregated volume of 8,356,038 ordinary shares at a weighted average price of € 13.7706;
  - on January 24, 2022, that it has carried out four transactions, between the January 17, 2022 and January 21, 2022 for a total amount equal to an aggregated volume of 7,023,167 ordinary shares at a weighted average price of € 13.3750;
  - on January 31, 2022, that it has carried out four transactions, between the January 24, 2022 and January 28, 2022 for a total amount equal to an aggregated volume of 4,453,736 ordinary shares at a weighted average price of € 12.9535;
  - on February 21, 2022, that it has carried out one transaction on February 18, 2022 for a total amount equal to an aggregated volume of 693,641 ordinary shares at a weighted average price of € 14.7087;
  - on March 1, 2022 that it has carried out five transactions, between the February 21, 2022 and February 28, 2022 for a total amount equal to an aggregated volume of 10,340,471 ordinary shares at a weighted average price of € 13.4268.
- In the context of its share buy-back programme communicated to the market on May 10, 2022 and initiated on May 11, 2022, in execution of the authorisation granted by the Shareholders' Meeting of the Company held on April 8, 2021 which approved the share buy-back programme for a maximum amount of € 1,580,000,000.00 and for a number of UniCredit ordinary shares not exceeding 215,000,000 (the " **First Tranche of the Buy-Back Programme 2021**"), the First Tranche of the Buy-Back Programme 2021 will be implemented for the purposes set forth in Article 5, paragraph 2, letter a), of Regulation (EU) 596/2014 (the "**MAR**") and the individual purchases shall be made in compliance with Article 132 of the Italian Consolidated Financial Act, Article 144-bis, paragraph 1, letter b), of CONSOB Regulation no. 11971/99, as well as in compliance with Article 5 of

the MAR and Delegated Regulation (EU) 2016/1052. Therefore, the purchase price cannot diverge downwards or upwards by more than 10% from the official price that will be registered by the UniCredit share in the trading session of Euronext Milan, organised and managed by Borsa Italiana S.p.A., on the day prior to the execution of each individual purchase transaction. The First Tranche of the Buy-Back Programme is envisaged to be completed indicatively by the end of July 2022. Unicredit announced:

- on May 5, 2022, that the First Tranche of the Buy-Back Programme 2021 has been authorised by the ECB. For the purpose of executing the First Tranche of the Buy-Back Programme 2021, UniCredit engaged Goldman Sachs International as qualified third-party broker (the "**Broker"**) which will decide on the stock purchases in full independence, also in relation to the timing of the transactions and in compliance with the daily price and volume limits and the terms of the programme (so-called "riskless principal" or "matched principal");
- On May 17, 2022 that it has carried out three transactions, between the May 11, 2022 and May 13, 2022 for a total amount equal to an aggregated volume of 12,876,001 ordinary shares at a weighted average price of € 9.4539;
- On May 23, 2022 that it has carried out three transactions, between the May 16, 2022 and May 20, 2022 for a total amount equal to an aggregated volume of 16,389,185 ordinary shares at a weighted average price of € 9.9121.
- On May 30, 2022 that it has carried out five transactions, between the May 23, 2022 and May 27, 2022 for a total amount equal to an aggregated volume of 6,513,871 ordinary shares at a weighted average price of € 10.596.

- On January 27, 2022 the Board of Directors of UniCredit approved the 4Q21 and FY21 Consolidated Results as at December 31, 2021. Unicredit exceeded 2021 key financial guidance with underlying net profit of €3.9 billion, operating income of €18.0 billion and costs of €9.8 billion, delivered 7.3 per cent RoTE, EPS of €1.58, positive operating leverage of c. 5 p.p. and cost income ratio of 54.6 per cent in FY21 and had a strong capital and liquidity position, with FY21 stated CET1 ratio at 15.03 per cent, pro-forma CET1 ratio at 14.13 per cent and organic capital generation of €6.52 billion. Moreover, meaningful shareholder distribution of c. €3.75 billion, with a proposed cash dividend of c. €1.17 billion and share buyback of c. €2.58 billion. With regards to cost of risk, FY21 stated Cost of Risk at 37 basis points, in-line with guidance.
- On February 15, 2022, the Board of Directors of UniCredit approved the Reports to the Shareholders' Meeting – scheduled on next April 8, 2022 – related to the proposal of:
  - the allocation of the 2021 net profit of UniCredit S.p.A. that envisages—among other items—the distribution of a cash dividend of €1.17 billion corresponding to 0.54 per share (dividend per share calculated on 14 February 2022. The amount is subject to change considering the execution—on going as of the date of this Offering Memorandum – of the "Second Share Buy-Back Programme 2021". UniCredit will communicate the final amount at the end of such programme, and in any case by the date of publication of the Board of Directors' Report to the Shareholders' meeting related to the allocation of the 2021 net profit);
  - the buy-back of UniCredit S.p.A. shares corresponding to a total maximum amount of €2.58 billion.

  Subject to the approval of the Shareholders' Meeting: (i) the cash dividend distribution envisages an ex-dividend date on 19 April 2022, a record date on 20 April 2022 and a payment date on 21 April 2022; (ii) Unicredit intends to start the Share Buy-Back execution as soon as also the authorization of the European Central Bank will be obtained
- On March 8, 2022 Unicredit announced that it has been present in Russia since 2005 and has experience in adapting to, and fully complying with, sanctions. Unicredit is closely monitoring the developments in the country, in full cooperation with regulators, and with dedicated cross expert teams which defined robust and tested contingency plans to protect our people on the ground, our clients in all Europe and our shareholders.

  UniCredit Bank Russia has a self-funded loan position at 2021 year end of €7.8 billion, RWA of € 9.4 billion and equity of €2.5 billion. Net of FX hedges, the direct exposure to UniCredit Bank Russia ("**UCBR**") is reduced to around €1.9 billion.

  Our Russian client cross border exposure[34] as of March 8, 2022 is around €4.5 billion, net of guarantees of around €1 billion by non-Russian State Export Agencies, and accounts for around €3 billion RWA. The exposure is almost entirely to leading Russian multinational corporations and mostly in EUR and USD currencies, with contracts governed by international laws and subject to international courts of law. Counterparties impacted by sanctions in place as of March 8, 2022 represent less than 5% of the total cross border exposure. The main sector exposures of the portfolio are around 30% to oil & gas, around 20% each to transport, and machinery & metals, around 10% to chemicals, around 8% to financial institutions and with the balance to a mix of other sectors.

  We have a mark-to-market derivative exposure to Russian banks as of March 8, 2022 of around €300 million, net of collateral received. The maximum potential loss in the event that the RUB would tend to zero is around €1 billion. In the extreme scenario, where the entirety of its maximum exposure described above is

[34] Exposure at Default including Russian counterparts/Groups not directly booked in UniCredit Bank Russia and Russian counterparts/Groups with country of incorporation outside of Russia.

non-recoverable and zeroed, the impact on UniCredit's 2021 year end CET1 ratio (15.03% inclusive of €1.2 billion accrued dividend) would be around 200bps. Our strong capital position would allow us to absorb such impact without falling below 13% CET1. Whilst we do not consider this extreme scenario as its base case, we are taking a prudent and sustainable approach to our distributions. As such, Unicredit is confirming the 2021 proposed cash dividend of €1.2 billion, maintaining a 2021 CET1 ratio pro-forma above 13% even in the extreme scenario. Furthermore, Unicredit confirm its intention to execute the share buyback up to the previously agreed amount of €2.58 billion[35] [36], subject to our pro-forma 2021 year end CET1 remaining above 13.0%. An ultimate capital impact from Unicredit Russian exposures lower than 200 bps will enable Unicredit to use up to an equivalent amount for the share buyback. Unicredit will provide market updates on the development of the 200bps exposure on a quarterly basis unless the improvement is more than 25 bps at which point we will provide an ad hoc update. Unicredit target's CET1 capital ratio remains within the range of 12.5-13.0%. Unicredit continue to dynamically manage its risk exposure, whilst constantly assessing the potential impact of the conflict on global GDP and public policies.

- On April 1, 2022 Unicredit announced that it has completed the sale of its stake corresponding to 18% of the issued share capital of YKB to Koc Holding A.S.

  The closing of the transaction is expected to have a mid-high single digit positive impact on the UniCredit consolidated CET1 ratio, in the second quarter 2022.

  Following the completion of the transaction, UniCredit S.p.A. is no longer a shareholder of YKB.

- On April 8, 2022, UniCredit postponed the date of the Board of Directors approving the first quarter 2022 results to May 4, 2022, instead of April 27, 2022, in order to allow for incremental time to further manage its cross border exposure to Russia.

- On 21 April 2022, UniCredit announced, with reference to the "€500,000,000 non-cumulative temporary write-down deeply subordinated fixed rate resettable notes" (the **Notes**) ISIN XS1539597499, issued on 21 December 2016, in accordance with the relevant terms and conditions of the Notes, that it will exercise its option to early redeem in whole the Notes on 3 June 2022 (the **First Call Date**). The early redemption of the Notes will be at par, together with accrued and unpaid interests. The interests shall cease to accrue on the First Call Date.

  On 5 May 2022, following the communication received by the Single Resolution Board (**SRB**) and Banca d'Italia, UniCredit announced the following Minimum Requirements for Own Funds and Eligible Liabilities (**MREL**) apply to UniCredit SpA on a consolidated basis. The intermediate binding MREL is confirmed equal to:

  - 20.7 per cent of RWA plus the applicable Combined Buffer Requirement (**CBR**); and
  - 5.9 per cent of Leverage Ratio Exposures (**LRE**).

  The intermediate binding MREL subordinated component, i.e. to be met with subordinated instruments, is confirmed equal to:

  - 21.8 per cent. of RWA plus the applicable CBR; and
  - 5.9 per cent. of LRE [37]

  The fully loaded MREL subordinated component will be equal to:

  - 15.5 per cent. of RWA plus the applicable CBR; and
  - 5.7 per cent. of LRE[16].

  The above subordination requirements take into account the "senior allowance" benefit, which allows to meet part of the subordinated requirement with senior (non-subordinated) instruments

  As of 1Q22, UniCredit is well above these requirements, with MREL eligible liabilities equal to:

  - 26.8 per cent. of RWA; and
  - 8.4 per cent. of LRE.

  The MREL subordinated eligible liabilities are equal to:

  - 21.2 per cent. of RWA; and
  - 6.7 per cent. of LRE.

Organizational Structure

UniCredit Group adopts an organisational and business model that, while guaranteeing the autonomy of countries/local banks on specific activities in order to ensure greater proximity to customers and efficient decision-making processes, maintains a divisional structure for the governance of business/products, as well as global control over Digital and Operation functions.

[35] Legally capped at 10% of share capital

[36] Subject to regulatory, and shareholder approval at the Annual Meeting on April 8, 2022

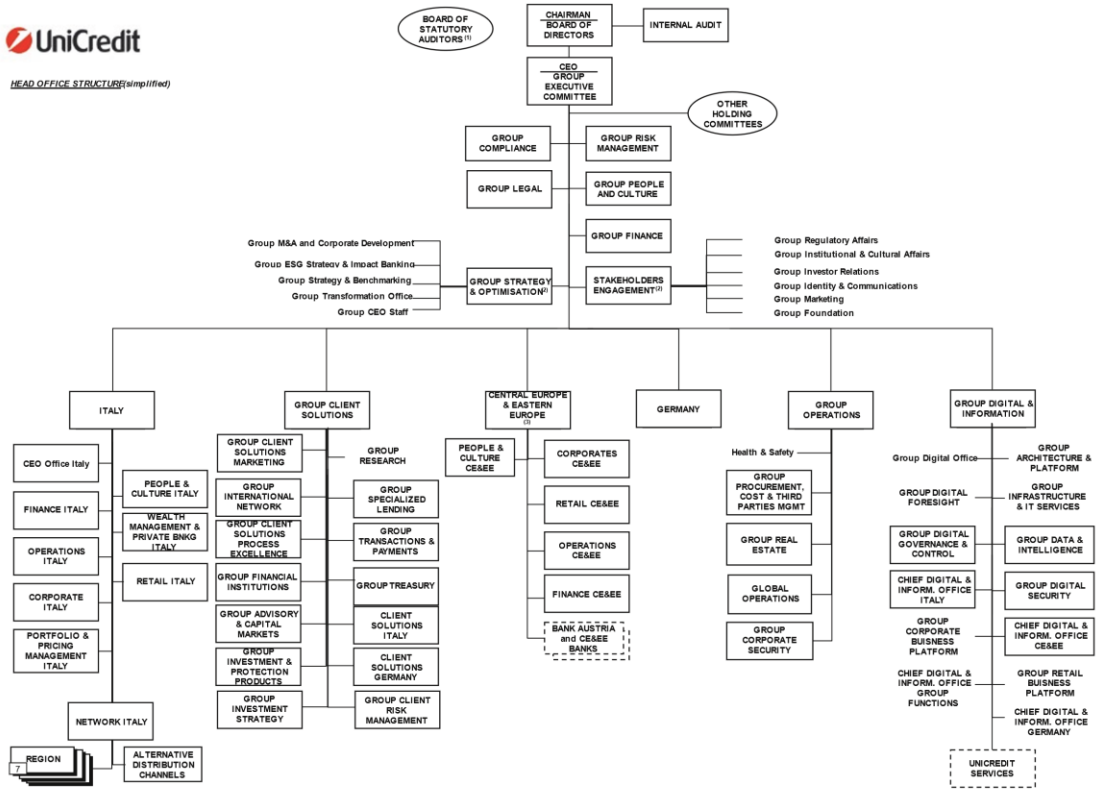
[37] LRE requirement defined and communicated by SRB in line with "SRB approach to CRR discretion on leverage and MREL calibration" published on 22 December 2021 and 7 March 2022

More specifically, the current organisational structure of the Holding Company can be broken down into:

- **Group Finance, Group Risk Management, Group Legal, Group Compliance, Group People and Culture**, the Functions – identified as Competence Lines (CL), together with **Internal Audit** – aimed at guiding, coordinating and controlling – for their area of competence – the management of activities and related risks of the Group as a whole and of the single Legal Entities
- **Italy, Central Europe & Eastern Europe, Group Client Solutions Divisions:** the Business Divisions, responsible for proposing and implementing the business strategies and for maximizing the risk adjusted value creation for the relevant perimeter, concentrate under a sole responsibility all the marketing, service model definition and product development activities referred to the related customer segments/ geographies
- **Group Digital & Information Division** defines and executes the Group Technology, Digital and Data related management and transformation, driving value through the capability of technology and data, embedded into digital solutions that optimize execution and improve customer experience
- **Group Operations**, responsible for the oversight of the operating machine with a specific focus on costs, procurement, real estate, operations performance management, corporate security, in coherence with the defined Group strategies, by ensuring at the same time synergies, savings and operational excellence
- **Group Stakeholder Engagement** governs the Group's reputation and overseeing all communication activities to ensure the delivery of coordinated and consistent messages across multiple stakeholder group (e.g. investor relations, identity and communication activities, relationships with institutional counterparties and with the European Banking Supervisory Authorities – e.g. EBA, ECB – and Bank of Italy)
- **Group Strategy & Optimization**, responsible for supporting strategic initiatives, including the integration of ESG into the Group's strategy.

The Group Strategy & Optimisation and Group Stakeholder Engagement functions represent the "CEO Office" aimed at supporting CEO in the development and implementation of strategic initiatives.

The organizational chart of UniCredit S.p.A. as of December 31, 2021 is set out below:



(1) Set up according to the Legislative Decree no. 231 dated June 8, 2001. On its February 6, 2019 meeting, the UniCredit Board of Directors has resolved on the assignment to the Board of Statutory Auditors of the Supervisory Body functions pursuant to the Legislative Decree no. 231/2001, starting from the renewal of the control body for the 2021-2023 financial years.
(2) Group Strategy and Optimisation and Group Stakeholder Engagement functions represent the "CEO Office" aimed at supporting CEO in the development and implementation of strategic initiatives
(3) Position covered by two Co-Heads

December, 31st 2021

Main markets and competitive positioning

We maintain a leading position in Italy, as well as a strong presence in some of the most affluent geographical areas such as Germany and Austria, and we have leading positions in terms of total assets in most of the CE and EE countries in which we operate

Business Segments

Starting from 2021, we created a new organizational structure that creates a simplified organisation that will enable greater accountability across all businesses and areas. The new organizational structure further integrates technology and digitalisation as a key driver of our future success and provides clarity on key roles and responsibilities.

As of December 31, 2021 our business was divided into the following segments: (i) Italy; (ii) Germany; (iii) Central Europe (Austria, Czech Republic & Slovakia, Hungary, Slovenia); (iv) Eastern Europe (Bosnia and Herzegovina, Bulgaria, Croatia, Romania, Serbia).

The tables below set forth our operating income, operating profit and profit before tax:

- for the year ended December 31, 2021 and 2020 (as recasted taking into account the new organizational structure), as represented according to the business segments adopted by UniCredit start from 2021[38], pursuant to the new organizational structure; and
- for the year ended December 31, 2020 and 2019, as represented according to the business segments adopted by UniCredit before 2021[39], pursuant to the organizational structure previously in place.

	Year ended December 31,	
Operating Income	**2021(1)**	**2020 (restated)(1)**
	(in millions of €)	
Italy	8,415	8,088
Germany	4,454	4,092
Central Europe (Austria, Czech Republic & Slovakia, Hungary, Slovenia)	3.007	2,817
Eastern Europe (Bosnia and Herzegovina, Bulgaria, Croatia, Romania, Serbia)	2,357	2,361
Group Corporate Center	(223)	(179)
Non-Core	(56)	(46)
Total operating income	**17,954**	**17,132**

Note: historical data, not comparable year on year. For comparison refers to dedicated table.
(1) Figures from the 2021 Consolidated Financial Statements.

	Year ended December 31,	
Operating Income	**2020(1)**	**2019 (restated)(1)**
	(in millions of €)	
Commercial Banking Italy	6,341	7,062
Commercial Banking Germany	2,354	2,404
Commercial Banking Austria	1,363	1,546
CEE	3,422	4,001
CIB	3,947	3,985
Fineco	–	–
Group Corporate Center	(241)	(119)
Non-Core	(46)	(41)
Total operating income	**17,140**	**18,839**

Note: historical data, not comparable year on year. For comparison refers to dedicated table.
(1) Figures from the 2020 Consolidated Financial Statements.

38 The new business segments adopted by UniCredit start from 2021 are: (i) Italy; (ii) Germany; (iii) Central Europe (Austria, Czech Republic & Slovakia, Hungary, Slovenia); (iv) Eastern Europe (Bosnia and Herzegovina, Bulgaria, Croatia, Romania, Serbia)

39 The business segments adopted by UniCredit before 2021 were: (i) Commercial Banking Italy; (ii) Commercial Banking Germany; (iii) Commercial Banking Austria; (iv) CEE; (v) CIB; (vi) Group Corporate Center; and (vii) Non-Core.

Operating Profit	Year ended December 31, 2021[1]	2020 (restated)[1]
	(in millions of €)	
Italy	4,418	4.088
Germany	1,763	1,373
Central Europe (Austria, Czech Republic & Slovakia, Hungary, Slovenia)	1,343	1,184
Eastern Europe (Bosnia and Herzegovina, Bulgaria, Croatia, Romania, Serbia)	1,343	1,349
Group Corporate Center	(580)	(497)
Non-Core	(130)	(162)
Total operating income	**8,158**	**7,335**

Note: historical data, not comparable year on year. For comparison refers to dedicated table.
(1) Figures from the 2021 Consolidated Financial Statements.

Operating Profit	Year ended December 31, 2020[1]	2019 (restated)[1]
	(in millions of €)	
Commercial Banking Italy	2,673	3,280
Commercial Banking Germany	703	778
Commercial Banking Austria	371	577
CEE	1,937	2,466
CIB	2,422	2,436
Fineco	–	–
Group Corporate Center	(610)	(410)
Non-Core	(161)	(218)
Total operating income	**7,335**	**8,910**

Note: historical data, not comparable year on year. For comparison refers to dedicated table.
(1) Figures from the 2020 Consolidated Financial Statements.

Profit (Loss) before Tax	Year ended December 31, 2021[1]	2020 (restated)[1]
	(in millions of €)	
Italy	1,988	(612)
Germany	521	996
Central Europe (Austria, Czech Republic & Slovakia, Hungary, Slovenia)	548	282
Eastern Europe (Bosnia and Herzegovina, Bulgaria, Croatia, Romania, Serbia)	939	401
Group Corporate Center	(2,629)	(2,273)
Non-Core	(132)	(339)
Total operating income	**1,236**	**(1,546)**

Note: historical data, not comparable year on year. For comparison refers to dedicated table.
(1) Figures from the 2021 Consolidated Financial Statements.

Profit (Loss) before Tax	Year ended December 31, 2020[1]	2019 (restated)[1]
	(in millions of €)	
Commercial Banking Italy	(1,339)	1,732
Commercial Banking Germany	256	863
Commercial Banking Austria	(77)	326
CEE	723	1,716
CIB	1,471	2,098
Fineco	–	–
Group Corporate Center	(2,242)	(1,403)
Non-Core	(339)	(2,267)
Total operating income	**(1,546)**	**3,065**

Note: historical data, not comparable year on year. For comparison refers to dedicated table.

(1) Figures from the 2020 Consolidated Financial Statements.

Italy

The table below contains certain economic and capital indicators of the Italy business unit for the years ended December 31, 2021 and 2020 (as recasted taking into account the new organizational structure).

	Year ended December 31, 2021[1]	2020 (restated)[1]	Change% 2021-2020 (restated)
	(in millions of €, except percentages)		
Operating income	8,415	8,088	4.0%
Operating costs	(3,997)	(4,001)	(0.1)%
Net operating profit (loss)	3,385	1,196	n.m.
Receivables from customers (excluding Repos and IC)	157,514	167,810	(6.1)%
Collection from customers (excluding Repos and IC)	199,123	190,594	4.5%
Total RWA (final amounts)	**125,751**	**131,198**	**(4.2)%**
Cost/income Ratio(*)	47.5%	49.5%	(2.0)%
Cost of risk bp	55	137	(81)
Employees (number of full time equivalents – final amounts)	28,721	30,429	(5.6)%

(1) Figures from the unaudited consolidated report on operations of, and reconciled with, the 2021 Consolidated Financial Statements.

(*) The ratio between operating expenses and operating income. It is one of the main key performance indicators of the bank's efficiency: the lower the ratio, the more efficient the bank.

Germany

The table below contains certain economic and capital indicators of the Germany business unit for the years ended December 31, 2021 and 2020 (as recasted taking into account the new organizational structure).

	Year ended December 31, 2021[1]	2020 (restated)[1]	Change% 2021-2020 (restated)
	(in millions of €, except percentages)		
Operating income	4,454	4,092	8.9%
Operating costs	(2,692)	(2,719)	(1.0)%
Net operating profit (loss)	1,645	645	n.m.
Receivables from customers (excluding Repos and IC)	125,509	120,795	3.9%
Collection from customers (excluding Repos and IC)	131,756	133,973	(1.7)%
Total RWA (final amounts)	**81,973**	**78,606**	**4.3%**
Cost/income Ratio(*)	60.4%	66.4%	(6.0)%
Cost of risk bp	9	55	(46)
Employees (number of full time equivalents – final amounts)	11,282	11,937	(5.5)%

(1) Figures from the unaudited consolidated report on operations of, and reconciled with, the 2021 Consolidated Financial Statements.

(*) The ratio between operating expenses and operating income. It is one of the main key performance indicators of the bank's efficiency: the lower the ratio, the more efficient the bank.

Central Europe

The table below contains certain economic and capital indicators of the Central Europe business unit for the years ended December 31, 2021 and 2020 (as recasted taking into account the new organizational structure).

	Year ended December 31,		Change%
	2021(1)	**2020 (restated)(1)**	**2021-2020 (restated)**
	(in millions of €, except percentages)		
Operating income	3,007	2,817	6.7%
Operating costs	(1,664)	(1,633)	1.9%
Net operating profit (loss)	1,081	586	84.6%
Receivables from customers (excluding Repos and IC)	92,543	84,516	9.5%
Collection from customers (excluding Repos and IC)	92,962	86,575	7.4%
Total RWA (final amounts)	**56,787**	**49,969**	**13.6%**
Cost/income Ratio(*)	55.3%	58.0%	(2.6)%
Cost of risk bp	30	69	(39)
Employees (number of full time equivalents – final amounts)	10,665	11,072	(3.7)%

(1) Figures from the unaudited consolidated report on operations of, and reconciled with, the 2021 Consolidated Financial Statements.

(*) The ratio between operating expenses and operating income. It is one of the main key performance indicators of the bank's efficiency: the lower the ratio, the more efficient the bank.

Eastern Europe

The table below contains certain economic and capital indicators of the Eastern Europe business unit for the years ended December 31, 2021 and 2020 (as recasted taking into account the new organizational structure).

	Year ended December 31,		Change%
	2021(1)	**2020 (restated)(1)**	**2021-2020 (restated)**
	(in millions of €, except percentages)		
Operating income	2,357	2,361	0.2%
Operating costs	(1,013)	(1,012)	0.1%
Net operating profit (loss)	1,063	574	85.1%
Receivables from customers (excluding Repos and IC)	40,676	37,829	7.5%
Collection from customers (excluding Repos and IC)	49,223	45,824	7.4%
Total RWA (final amounts)	**36,787**	**36,489**	**0.8%**
Cost/income Ratio(*)	43.0%	42.9%	0.1pp
Cost of risk bp	71	189	(118)
Employees (number of full time equivalents – final amounts)	17,762	18,110	1.9%

(1) Figures from the unaudited consolidated report on operations of, and reconciled with, the 2021 Consolidated Financial Statements.

(*) The ratio between operating expenses and operating income. It is one of the main key performance indicators of the bank's efficiency: the lower the ratio, the more efficient the bank.

Distribution network

Our distribution strategy is based on a multi-center approach that allows us to establish ourselves as a locally-oriented operator in the markets in which we operate, entrusting our various banks with the responsibility for the management of the distribution network and customer relations. In addition, we have a presence in various countries through representative offices to manage relations with local multinational and large corporate customers.

We offer products and services through both traditional channels as networks of branches and ATMs located in various countries and virtual channels such as home banking and mobile banking introduced following the market success of smart phones/tablets and apps developed for these devices, and we offer dedicated apps such as UniCredit Mobile Banking.

Branch and ATM Network

As of December 31, 2021, we had a distribution network comprising 3.290 branches[40], of which 2.059 branches were in Italy and 1.231 branches in other countries.

The table below sets forth the number of all UniCredit S.p.A. branches[41] in Italy as of December 31, 2021, by region, along with regional market share.

Region	Our total licenses	Total regional licenses	Percentage of regional branches that are ours
Piemonte	242	1758	13.8%
Valle d'Aosta	12	68	17.6%
Liguria	45	601	7.5%
Lombardia	283	4380	6.5%
Trentino-Alto Adige	37	716	5.2%
Veneto	288	2190	13.2%
Friuli Venezia Giulia	75	614	12.2%
Emilia Romagna	316	2234	14.1%
Toscana	103	1639	6.3%
Umbria	55	353	15.6%
Marche	47	723	6.5%
Lazio	319	1829	17.4%
Abruzzo	24	448	5.4%
Molise	19	88	21.6%
Sardegna	35	519	6.7%
Campania	118	1133	10.4%
Puglia	91	1000	9.1%
Basilicata	7	179	3.9%
Calabria	21	349	6.0%
Sicilia	241	1147	21.0%
Total	2,378	21,968	10.8%

The table below indicates the number of our branches in CE&EE countries as of December 31, 2021.

Country	Branches*
Austria	117
Romania	134
Bulgaria	138
Croatia	105
Bosnia	106
Czech Republic & Slovakia	104
Russia	70
Serbia	72
Hungary	54
Slovenia	18

* Retail branches only

In addition to our branches, we have an ATM network with terminals located mainly in Italy, Germany and Austria, as well as inside, or in the immediate vicinity of, our branches.

Credit brokerage activities in Italy, Germany and Austria

In Italy, Germany and Austria, we are among the leading three banking groups operating in the market. In Italy, in terms of total assets, as of December 31, 2021, we were second only to the Intesa Sanpaolo Group, with a market share of 11.8%[42]. In terms of number of branches, as of December 31, 2021, we were second in Italy with a market share of 10.8%[43].

40 Retail branches only. For Western Europe excluding minor premises, Corporate and Private Banking.

41 Including minor premises, Corporate, Private Banking and other, in order to be aligned with number of branches at system level and related regional share.

42 Source: internal data and based on the consolidated report as of December 31, 2021 of the Intesa Sanpaolo Group.

43 Source: internal reported data and Bank of Italy data, infostat system (https://infostat.bancaditalia.it); branches are referred to UniCredit S.p.A.

In Germany, we were the third[44] largest private bank after Deutsche Bank and Commerzbank, with a market share on total loans of 2.6%[45] as of December 31, 2021, while in Austria, we had a market share on total loans of 13.5%[46] and in Italy of 10.1%. For customer total deposits, as of December 31, 2020, we had a market share of 10.4%[47] in Italy, 3.3%[48] in Germany and 13.0%[49] in Austria.

CE&EE countries

We enjoy an important position in CE&EE, with a distribution network of approximately 978 retail branches as of December 31, 2021[50]. We have maintained our important role being, as of December 31, 2021, among the top five banks in terms of total assets in the majority of countries in which we operate in CE&EE[51], benefiting from the diversification within the area.

The table below contains our market shares in terms of total assets (TA) and our ranking in the major CE&EE countries in which we operated as of December 31, 2021.

Country	Our market share by TA	Our ranking in the country
Austria	11.1%	1[52]
Bosnia – Herzegovina	23.2%	1
Bulgaria	18.9%	1
Croatia	26.6%	1
Czech Republic	9.7%	4[53]
Romania	8.0%	6
Russia	1.0%	12[54]
Serbia	10.7%	3
Slovakia	6.4%	5
Slovenia	6.5%	5
Hungary	7.7%	3

Source: Bank's elaboration of internal data and national central bank data.

For deposits, as of December 31, 2021 (November 21, 2021 for Croatia) we had a CEE market share of 6.5%[55], with a market share of 7% in deposits from NFC and 5.6% in deposits from family units[56]. Our market shares for deposits was particularly significant in Croatia (27.6% in November 2021), Bosnia-Herzegovina (22.8% in December 2021), Bulgaria (18.3% in December 2021)[57] and in Austria (13% in December 2021)[58] as well.

44 Source: internal data and based on the consolidated full year report as of December 31, 2021 of Deutsche Bank and Commerzbank.
45 Source: internal data and Bundesbank data.
46 Source: internal data and OeNB data.
47 Source: reported data and Bank of Italy data (including REPOS).
48 Source: reported data and Bundesbank data.
49 Source: reported data and OeNB data.
50 Source: Bank's calculation based on internal data (the total number of branches and countries includes Austria, Bosnia and Herzegovina, Bulgaria, Czech Republic, Croatia, Hungary, Romania, Russia, Serbia, Slovenia and Slovakia).
51 Source: Bank's elaboration of internal data and national central bank data.
52 Positioning in Austria as of December 2020.
53 Positioning only in Czech Republic. Accounting Czechia&Slovakia together – market share by TA = 7.5%, positioning – #5.
54 Position #3 out of foreign banks in Russia.
55 CE&EE includes Austria and Russia, and excludes Turkey.
56 Source: Bank's elaboration of internal data and national central bank data.
57 Source: Bank's elaboration of internal data and national central bank data.
58 Source: Bank's elaboration of internal data and national central bank data

Main Investments

Investments Made in Tangible Fixed Assets, Intangible Fixed Assets and Equity Investments

The table below summarizes total investments in tangible fixed assets, intangible fixed assets and equity investments made by us for the years ended December 31, 2021, 2020 and 2019.

	Year ended December 31,		
	2021[1]	**2020[2]**	**2019[3]**
Land	2	2	51
Buildings	244	251	460
Office Furniture	13	12	31
Electronic systems	140	152	166
Others	211	230	373
Total investments in tangible fixed assets held for practical use	**610**	**647**	**1,081**
Land	1	17	1
Buildings	5	98	62
Total investments in tangible fixed assets held for investment	**6**	**115**	**63**
Goodwill	–	–	–
Other intangible assets with a finite useful life	187	206	200
Total investments in intangible assets	**187**	**206**	**200**
Total equity investments	**1**	**10**	**20**
Total investments	**804**	**978**	**1,364**

(1) Figures from the 2021 Consolidated Financial Statements.
(2) Figures from the 2020 Consolidated Financial Statements.
(3) Figures from the 2019 Consolidated Financial Statements.

Property, Plant and Equipment

Tangible Fixed Assets

Information regarding our tangible fixed assets valued, respectively, at cost and at fair value or revalued, is given below. Tangible fixed assets valued at cost.

	December 31,			Change%	
	2021[1]	**2020[2]**	**2019**	**2021-2020**	**2020-2019**
			(in millions of €)		
A. Functional asset					
1.1 Owned assets	**1,216**	**1,369**	**1,590**	**(11.2)%**	**(13.9)%**
a) land	–	–	–	n.m.	n.m.
b) buildings	1	1	–	0.0%	100.0%
c) office furniture and fitting	145	166	216	(12.7)%	(23.1)%
d) electronic systems	441	456	468	(3.3)%	(2.6)%
e) other	629	746	906	(15.7)%	(17.7)%
1.2 Right of use of Leased Assets	**1,696**	**1,982**	**2,167**	**(14.4)%**	**(8.5)%**
a) land	10	10	1	0.0%	n.m.
b) buildings	1,651	1,938	2,125	(14.8)%	(8.8)%
c) office furniture and fitting	1	1	1	0.0%	0.0%
d) electronic systems	–	1	1	(100)%	0.0%
e) other	34	32	39	6.3%	(17.9)%
Total A	**2,912**	**3,351**	**3,757**	**(13.1)%**	**(10.8)%**
B. Assets held for investment purposes					
2.1 Owned assets	**–**	**–**	**324**	**n.m.**	**(100.0)%**
a) land	–	–	289	n.m.	(100.0)%
b) buildings	–	–	35	n.m.	(100.0)%
2.2 Financial lease purchases	**–**	**–**	**–**	**n.m.**	n.m.
a) land	–	–	–	n.m.	n.m.
b) buildings	–	–	–	n.m.	n.m.
Total B	**–**	**–**	**324**	**n.m.**	**(100.0)%**
Total (A+B)	**2,912**	**3,351**	**4,081**	**(13.1)%**	**(17.9)%**

(1) Figures from the 2021 Consolidated Financial Statements.
(2) Figures from the 2020 Consolidated Financial Statements.

Tangible fixed assets at fair value or revalued

	December 31,			Change%	
	2021[1]	2020[2]	2019	2021-2020	2020-2019
	(in millions of €)				
A. Functional asset					
1.1 Owned assets	**4,969**	**4,869**	**5,003**	**2.1%**	**(2.7)%**
a) land	2,092	1,980	1,921	5.7%	3.1%
b) buildings	2,877	2,889	3,082	(0.4)%	(6.3)%
c) office furniture and fitting	–	–	–	n.m.	n.m.
d) electronic systems	–	–	–	n.m.	n.m.
e) other	–	–	–	n.m.	n.m.
1.2 Right of use of Leased Assets	**–**	**–**	**–**	**n.m.**	**n.m.**
a) land	–	–	–	n.m.	n.m.
b) buildings	–	–	–	n.m.	n.m.
c) office furniture and fitting	–	–	–	n.m.	n.m.
d) electronic systems	–	–	–	n.m.	n.m.
e) other	–	–	–	n.m.	n.m.
Total A	**4,969**	**4,869**	**5,003**	**2.1%**	**(2.7)%**
B. Assets held for investment purposes					
2.1 Owned assets	**914**	**1,025**	**919**	**(10.8)%**	**11.5%**
a) land	425	456	413	(6.8)%	10.4%
b) buildings	489	569	506	(14.1)%	12.5%
2.2 Financial lease purchases	**72**	**67**	**61**	**7.5%**	**9.8%**
a) land	58	57	39	1.8%	46.2%
b) buildings	14	10	22	40.0%	(54.5)%
Total B	**986**	**1,092**	**980**	**(9.7)%**	**11.4%**
Total (A+B)	**5,955**	**5,961**	**5,983**	**(0.1)%**	**(0.4)%**

(1) Figures from the 2021 Consolidated Financial Statements.
(2) Figures from the 2020 Consolidated Financial Statements.

Real property

As of December 31, 2021, we had €5,955 million (compared with €5,961 million as of December 31, 2020) worth of "property, plant and equipment" that includes both assets used in our operations and for investment.

The Group adopts the fair value model for the measurement of properties held for investment and the revaluation model for the measurement of properties used in business. Such approach is deemed to result in reliable and more relevant information for financial statements' users taking into account:

- the expected disposal by 2025 of real estate assets held for investment (IAS40), as fair value model presents a higher capability to approximate the expected disposal price, accounting for the related effects timely in advance;
- the possibility to better represent the equity of the Group, with regard to real estate assets used in business (IAS16), as revaluation model represents the net equity updated in light of current market conditions.

As at December 31, 2021 fair value of both properties held for investment and properties used in business was re-determined through external appraisals.

With reference to the Group, the update of appraisals has led to an overall positive balance sheet effect of €138 million gross of tax, as detailed below:

- for real estate assets used in business the recognition of an increase in the specific valuation reserve for an amount of €157 million gross of tax effect. In addition to this increase, net losses for -€35 million were recognised in the income statement gross of the tax effect;
- for real estate assets held for investment the recognition of an income statement results equal to €16 million gross of the tax effect.

With reference to UniCredit S.p.A. the update of appraisals has led to an overall positive balance sheet effect of €37 million gross of tax, as detailed below:

- for real estate assets used in business the recognition of an increase in the specific valuation reserve for an amount of €46 million gross of tax effect. In addition to this increase, net gains for €4 million were recognised in the income statement gross of the tax effect;
- for real estate assets held for investment the recognition of an income statement results equal to -€13 million gross of the tax effect.

By reference to the real estate units held as at December 31, 2021 and their corresponding market value overall equal to €5,955 million, has been estimated a sensitivity to the increase/decrease in real estate values of +/-1% equal to approximately €60 million corresponding to approximately +/- 2 basis point of CET1 ratio.

Note that the measurement of inventories of property, plant and equipment to the lower between cost and net realizable value has determined the recognition of a net write-down for -€16 million.

Earthquake in Croatia

The subsidiary Zagrebacka banka d.d. had been involved in the earthquakes occurred in Croatia in March 2020 and in December 2020. In particular, with reference to the earthquake occurred in December 2020, it did not significantly impact the evaluation performed as corroborated by external independent appraiser who performed fair valuations for 2020 year-end of real estates used in business located in the affected area. As well, the five branches located in the Zagreb area did not report structural damages.

Top disposal

During the first half 2020, the Group has sold a real estate complex in Munich composed by both real estate assets held for investment and real estate assets used in business for a sale price equal to €1,012 million. These assets were classified under IFRS5 during 2019 already before December 31, 2019 which is the date of the initial application of the change in the valuation criterion. This circumstance has determined for assets used in business, for which according to IAS8 the change to revaluation model is applied prospectively, in this specific case from December 31, 2019, the recognition of a gain on disposal for €443 million (gross of tax) in the first half 2020 when these properties have been derecognised, as at the date of first application, being classified in IFRS5, they were not subject to the change in valuation criterion. Conversely, for assets held for investments, for which according to IAS8 the change to fair value model is applied retrospectively, the adjustment to the sale price has already been recognised in the last quarter of 2019.

Employees

The table below sets forth the total number of staff employed by us as of December 31, 2021, 2020 and 2019, broken down by professional category.

	As of December 31, 2021	As of December 31, 2020	As of December 31, 2019
A. Employees	**85,675**	**89,455**	**93,073**
a) senior managers	948	1,008	998
b) managers	25,230	25,978	26,489
c) remaining employees staff	59,497	62,469	65,586
B. Other staff	**1490**	**1,381**	**1,441**
Total (A+B)	**87,165**	**90,836**	**94,514**

As of December 31, 2021 our headcount was 87,165 employees. The total number of our employees is generally decreasing, following the implementation of efficiency measures under the scope of our strategic plans. We offer certain of our employees incentive and stock option plans. See "*Management*" for a description of the plans we offer.

Labor relations

We believe that social dialogue contributes to value creation over time by strengthening our capability of collaboration, of listening to and understanding both national and international labour needs.

Social dialogue at UniCredit has reached a high standard over the years thanks to our consistent group-wide approach. It has served as a strong foundation for efficiently dealing with the multiple challenges arising from the market environment and, more recently, with those related to the pandemic.

We believe that the Group fully respects local laws and the terms and conditions of collective agreements supporting employees' rights to exercise freedom of association and/or collective bargaining. This is also accomplished through consistent group-wide monitoring. We are continuously moving forwards in our commitment to implement and disseminate best practices designed to strengthen social dialogue in all Group countries.

At national level, employees' interests may be represented by trade unions, works councils or other representatives in line with the applicable labour laws and local industrial relations systems.

At international level, employees are represented by the European Works Council (EWC) which, since its foundation in 2007, ensures the right to information and consultation on transnational Group topics that could significantly affect workers' interests.

Italy

National collective agreements for the banking sector in Italy are negotiated between the national association of banks, the "Associazione Bancaria Italiana", and the national trade unions. In December 2019, the collective labor agreements applicable to all employee categories, except executives, has been renewed. In Italy, the unionization rate at national level is around 74%, and we are in line as a Group with this Italian banking sector average. In particular, there are five trade unions representing our social partners for negotiations in the Italian banking industry. Collective bargaining between us and union representatives in recent years has permitted us to achieve important targets within the Italian perimeter of our Group, due to a positive and collaborative environment that has minimized labor conflicts and helped us to reduce costs.

During 2021, in the context of the bargaining activities related to the achievement of the goals defined by Transform 2019 MYP, the reorganization of the Italian commercial network has been realized in according to the Strategic Plan. Together with the creation of the Italian bank realized during the year, the reorganization favors a customer orientation approach. We believe that the new business structure through the Markets will strengthen our territorial presence in terms of greater commercial capacity and the reduction of operational / administrative activities. The new structure includes 4 business lines (i) Individuals (ii) Enterprises (iii) Wealth Management & Private Banking and (iv) CIB.

Within the framework of the consolidated industrial relations of our Group and of the constant dialogue between the Parties, the latter met repeatedly and further elements of in-depth analysis were provided on the reasons for the planned reorganisation and the consequent effects on personnel. In the context of these meetings, the consequences for employees deriving from the reorganisation and the measures envisaged for them were analysed.

Therefore, starting from December 13, 2021, and part of a broader simplification processthe following changes was made to the Commercial Network:

- organizational simplification at the regional level, with reduction of hierarchical reports to increase operational efficiency with 69 Retail Areas, 43 Private Areas and 41 Corporate Areas; and
- creation of the Enterprises channel into which, together with the 41 Corporate Areas, the Business Centers renamed and re-aggregated into 60 Small Business Areas will converge. This will allow a wider perimeter of management of commercial volumes and customers.

During 2021, UniCredit continued its work on a strategic project finalized at creating a single Group Pension Fund, rooted in the signature of a key Programmatic Agreement in 2015. This path has been developed over the years through continuous negotiations with UCG's Italian Trade Unions, leading to the confluence of 39 supplementary Pension Funds (resulting from various bank acquisitions in our Group during previous years) into the new Group Pension Fund (Italian perimeter). The new Group Pension Fund has been fully in place in 2021, generating efficiency and risk reduction and promoting a more sustainable approach.

We have also continued to implement national protocols related to the Covid-19 pandemic defined by public/health authorities, as well as by the Italian Banking Association and national trade union organizations. The continuous social dialogue at various levels has represented an intensive work within the Group, with a strong commitment to our colleagues' and clients' health and safety.

Germany

UCB AG is a member of the Private Banking Sector Employers' Association (*Arbeitgeberverband des privaten Bankgewerbes e.V.*, or "**PBSEA**") This association has a leading role in negotiating collective bargaining agreements for the private banking industry in Germany. The currently at UCB AG applicable collective bargaining agreements were last negotiated and agreed upon between the association and trade unions in 2020. The next negotiations on the collective salary agreement will take place in 2021. As a member of the PBSEA, UCB AG is bound by the collective bargaining agreements that apply to the majority of its employees.

The works councils (*Betriebsräte*) elected in several of UCB AG's local branches represent the interests of UCB AG's employees. Employee-related matters in connection with more than one UCB AG branch are in general dealt with by the general works council (*Gesamtbetriebsrat*), while the issues relating to all of the companies in the UCB AG group in Germany are handled by the group works council (*Konzernbetriebsrat*).

As of December 31, 2020, the general works council and the group works council have 25 and 12 members, respectively. Six employee representatives sit on UCB AG's supervisory board. In addition, there are other employee representative bodies such as the committee of executive employees, the youth and apprentice representation and the representation of the severely disabled.

Austria

Bank Austria is a member of the Austrian Association of Banks and Bankers and is bound by the respective collective bargaining agreement applicable to bankers and employees of Austrian banks.

The collective bargaining agreement applies to all of Bank Austria's employees and apprentices.

Employees' interests are represented by works councils elected pursuant to the Austrian Labor Relations Act. Bank Austria has nine works council bodies for salaried staff (one for each province), one works council member representing the interests of young employees and one works council member representing the interests of handicapped employees.

The general interests of Bank Austria's employees are represented by the central works council (*Zentralbetriebsrat*), which has currently 16 members. Moreover, pursuant to the applicable Austrian legal requirements and Bank Austria's articles of association, currently four members of Bank Austria's supervisory board are employee representatives.

Central and Eastern Europe (CE&EE)

Industrial relations vary across the different countries comprising our CE&EE segment in terms of unionization, level of social dialogue and applicable laws and rules.

The unionization rate in the whole area has increased over time, varying from 10% in countries such as Bosnia and Herzegovina, to a high of 57% in Bulgaria.

All countries apply local labor laws and the majority of them have introduced or renewed a national collective agreement, with a validity ranging from one to four years.

All countries manage industrial relations at local level and with a good level of autonomy, under the coordination of HR CE&EE Dept.

Intellectual Property

We utilize and own several trademarks, both institutional and for our products, which are registered in Italy, EU-wide and internationally. One of our most significant trademarks we own is "UniCredit."

LEGAL AND ARBITRATION PROCEEDINGS

As of the date of this Offering Memorandum, we are a defendant in various legal proceedings. Moreover, from time to time, past and present directors, officers and employees may be involved in civil and/or criminal proceedings, the details of which we may not lawfully know about or communicate.

We are also required to appropriately fulfill various legal and regulatory requirements in relation to certain aspects of our activity, such as conflicts of interest, ethical issues, anti-money laundering laws, EU, U.S. and international sanctions, client assets, competition law, privacy and information security rules and others. Actual or alleged failure to do so may lead to additional litigation and investigations and subjects us to damages claims, regulatory fines, other penalties and/or reputational damages. In addition, one or more companies of our Group and/or their current and/or former directors as of the date of this Offering Memorandum are subject or may in the future be subject to investigations by the relevant supervisory or prosecutorial authority in a number of countries in which it operates. These include investigations and/or proceedings relating, *inter alia*, to aspects of systems and controls and instances of actual and potential regulatory infringement by the relevant companies of our Group and/or their clients. Given the nature of our business and its reorganization over time, there is a risk that claims or matters that initially involve one Group company may affect or involve other entities of our Group.

In many cases, there is substantial uncertainty regarding the outcome of the proceedings and the amount of possible losses. These cases include criminal proceedings, administrative proceedings brought by the relevant supervisory or prosecution authorities and/or claims in which the claimed compensation and/or potential liabilities that we are responsible for are not and cannot be determined, either as a result of the manner in which the claim is presented and/or the nature of the actual proceedings. In such cases, until we can reliably estimate the potential outcome, no provisions are made. However, where it is possible to reliably estimate the amount of possible losses and the loss is considered likely, provisions have been made in the financial statements to the extent deemed appropriate by us, or any of our Group companies involved, based on the circumstances of the case and in compliance with IFRS.

To provide for possible liabilities and costs that may result from pending legal proceedings (excluding labor law cases, tax cases and credit recovery actions), as of December 31, 2021, we set aside a provision for risks and charges of €688.4 million, of which €428.1 million for the parent company UniCredit S.p.A. As of December 31, 2021, the total amount of claimed damages relating to judicial proceedings other than labor, tax and credit recovery actions was €9.8 billion, of which approx. €6.4 billion for the proceedings involving the parent company UniCredit S.p.A. This figure is affected by both the heterogeneous nature of the pending proceedings and the number of involved jurisdictions and their corresponding characteristics in which we are named as defendants.

The estimates for reasonably possible liabilities and this provision are based on information available as of the reference date. However, given the many uncertainties inherent in legal proceedings, which involve significant elements of judgment. In particular, in some cases it is not possible to form a reliable estimate, for instance where proceedings have not yet commenced or where the extent of legal and factual uncertainties make any estimate speculative. Therefore a provision may not be sufficient to meet entirely the legal costs and the fines and penalties that may result from pending legal actions.

Set out below is a summary of information relating to matters involving us that are not in the ordinary course of our business.

This section also describes pending proceedings against us and/or other companies of our Group and/or employees (even former employees) that we consider relevant and which, as of the date of this Offering Memorandum, are not characterized by a defined claim or for which the respective claim cannot be quantified.

As of the date of this Offering Memorandum, the nature and total amount of counterclaims made in the context of debt recovery proceedings initiated by us and/or by other Group companies is not significant.

Madoff

We and several of our direct and indirect subsidiaries (the "**Companies**") have been sued in the wake of a Ponzi scheme perpetrated by Bernard L. Madoff through his company Bernard L. Madoff Investments Securities LLC ("**BLMIS**"), which was exposed in December 2008. The Companies were principally connected with Madoff as investment manager and/or investment adviser for the Primeo Fund Ltd (now in liquidation) and other non US funds of funds that had invested in other non US funds with accounts at BLMIS.

Specifically, the Companies (together with a variety of other entities) were named as defendants in a variety of proceedings (both in US and in non US jurisdictions), for a total damage compensation claims of over USD 6 billion (to be later determined over the course of the proceedings). As at the date of this Offering Memorandum, most of the claims brought before US Courts and referring to the Companies have been rejected without any possibility of appeal or dismissal. However, the bankruptcy administrator of BLMIS (the "**SIPA Trustee**") responsible for the Madoff's company liquidation continues to pursue claims related to transfers of money made by BLMIS pre-bankruptcy to an affiliated company, BA Worldwide Fund Management Ltd ("**BAWFM**"), and other similarly situated parties. The potential claim for damages against BAWFM is non-material and, therefore, there are no specific risk profiles for the Companies. In addition, certain current or formerly affiliated persons named as defendants in a proceeding in the United States may seek indemnification from us and our affiliated entities.

As of December 31, 2021 there were several pending civil proceedings against UniCredit Bank Austria AG ("**UCB Austria**") for the total amount of EUR 5 million . While a large majority of the judgments have been favorable to UCB

Austria, the impact of the remaining cases cannot be predicted with certainty, as the related future rulings may be adverse to UCB Austria. UCB Austria has made adequate provisions related to the Madoff's matter.

Proceedings arising out of the purchase of UCB AG by us and the related group reorganization Squeeze-out of UCB AG minority shareholders (Appraisal Proceeding)

In 2008, approximately 300 former minority shareholders of UCB AG filed a request before the District Court of Munich to have a review of the price paid to them by the parent company UniCredit S.p.A., equal to €38.26 per share, in the context of the squeeze out of minority shareholders (Appraisal Proceeding). The dispute mainly concerns the valuation of UCB AG, which is the basis for the calculation of the price to be paid to the former minority shareholders. As of the date of this Offering Memorandum, the proceeding is pending in the first instance. In parallel, five contentious proceedings in which plaintiffs claim damages have been initiated, involving however only insignificant amounts in dispute.

Squeeze-out of UCB Austria's minority shareholders (Appraisal Proceeding)

In 2008, approximately 70 former minority shareholders of UCB Austria commenced proceedings before the Commercial Court of Vienna claiming that the squeeze-out price paid to them, equal to €129.4 per share, was inadequate, and asking the court to review the adequacy of the amount paid (Appraisal Proceeding). As of the date of this Offering Memorandum, the proceeding is pending in the first instance. In parallel, five contentious proceedings in which plaintiffs claim damages have been initiated, involving however only insignificant amounts in dispute.

Financial sanctions matters

On April 15, 2019, we, UCB AG and UCB Austria reached a resolution with the U.S. and New York Authorities regarding investigations concerning historical compliance with applicable U.S. sanctions law and regulations. Following the settlement in April 2019, the U.S. and New York Authorities require an annual external review regarding the evolution of the process implementation. In light of the request, in 2020 the Group appointed an external independent consultant.

Following the interaction with the independent consultant and also considering the mandatory commitments towards the Authorities, the parent company UniCredit S.p.A., UCB AG and UCB Austria AG have implemented additional requirements and controls, about which the banks make periodic reports to the Authorities.

Euro-denominated bonds issued by EU countries

On 31 January 2019 we and UCB AG received a Statement of Objections from the European Commission referring to the investigation by the European Commission of a suspected violation of antitrust rules in relation to European government bonds. The subject matter of the investigation extended to certain periods from 2007 to 2011, and included activities by UCB AG between September and November 2011. The European Commission concluded its investigation by issuance of its decision on 20 May 2021. The decision provides for the imposition of a fine of approx. EUR 69.4 million on us and UniCredit Bank AG. We and UCB AG contest the European Commission's findings and brought an action for the annulment of its decision before the General Court of the European Union on 30 July 2021. The legal proceeding before the General Court of the European Union is ongoing. An oral hearing is expected to take place in the second semester of 2022 or in 2023.

On 11 June 2019, UCB AG and UniCredit Capital Markets LLC were named, among other financial institutions, as defendants in a putative class action already pending in the United States District Court for the Southern District of New York. The third amended class action complaint, filed on 3 December 2019, alleges a conspiracy among dealers of Euro-denominated bonds issued by European central banks to fix and manipulate the prices of those bonds, among other things by widening the bid-ask spreads they quoted to customers. The putative class consists of those who purchased or sold Euro-denominated bonds issued by European central banks in the US between 2007 and 2012. On July 23, 2020, the court granted motions to dismiss the third amended complaint by certain defendants, including UCB AG and UniCredit Capital Markets LLC, without prejudice. Plaintiffs filed their fourth amended class action complaint on 9 February 2021, repleading their claim against UCB AG and UniCredit Capital Markets LLC and other financial institutions. Like earlier pleadings, the fourth amended class action complaint does not include a quantification of damages claimed. Exchange of correspondence concerning motions to dismiss the fourth amended complaint has been completed and in June 2021 defendants have requested a pre-motion conference with the court.

Proceedings related to claims for Withholding Tax Credits

On 31 July 2014, the Supervisory Board of UCB AG concluded its internal investigation into the so-called "cum-ex" transactions (the short selling of equities around dividend dates and claims for withholding tax credits on German share dividends) at UCB AG.

In this context, criminal investigations have been conducted against current or former employees of UCB AG and UCB AG itself as an ancillary party by the Prosecutors in Frankfurt on the Main, Cologne and Munich. With respect to UCB AG, all proceedings originally initiated by the aforesaid prosecution offices were finally closed with payment of a fine or the payment of a forfeiture.

In December 2018, in connection with an ongoing investigation against other financial institutions and former bank employees by the Cologne prosecutor, UCB AG was informed of the initiation of a new investigation in connection with an administrative offence regarding "cum-ex" transactions involving Exchange Traded Funds ("**ETF**"). In April 2019, these investigations were extended to so called Ex/Ex-transactions, in which an involvement of the bank in the sourcing of cum/ex transactions of other market participants on the ex-day is suspected. The facts are being examined internally. UCB AG is cooperating with the Authorities.

On 28 July 2021 the Federal Criminal Court (BGH) rendered a decision through which the principle criminal liability of cum/ex structures had been determined the first time. UCB AG is monitoring the development.

The Munich tax authorities are currently performing a regular field audit of UCB AG for the years 2013 to 2016, which includes, among other things, review of transactions in equities around the dividend record date (so called cum/cum transactions). During these years, UCB AG performed, among other things, securities-lending transactions with different domestic counterparties which include, but are not limited to, different types of cum/cum transactions. It remains to be clarified whether, and under what circumstances, tax credits can be obtained or taxes refunded with regard to different types of transactions carried out close to the dividend record days, and what the further consequences for the bank will be in the event of different tax treatment. It cannot be ruled out that UCB AG might be exposed to tax-claims in this respect by relevant tax-offices or third party claims under civil law. UCB AG is in constant communication with relevant regulatory authorities and the competent tax authorities regarding these matters. In this context, UCB AG is considering the latest view of the German Tax Authorities UCB AG has made provisions.

Proceedings relating to certain forms of banking transactions

Our Group is named as a defendant in several proceedings in matters connected to its operations with clients, which are not specific to UniCredit group, rather affect the financial sector in general.

In this regard, as at December 31, 2021 (i) proceedings against us pertaining to compound interest, typical of the Italian market, had a total claimed amount of €1.1 billion, mediations included; (ii) proceedings pertaining to derivative products, mainly affecting the Italian market (for which the claimed amount against us was €692 million, mediations included) and the German market (for which the claimed amount against UCB AG was €28 million); and (iii) proceedings relating to foreign currency loans, mainly affecting the CE&EE countries (for which the claimed amount was around €162 million).

The proceedings pertaining to compound interest mainly involve damages requests from clients arising from the alleged unlawfulness of the calculation methods of the amount of interest payable in connection with certain banking contracts. As at the date of this Offering Memorandum, we have made provisions that we deem appropriate for the risks associated with these claims.

With regard to the litigation connected to derivative products, several financial institutions, including UniCredit group companies, entered into a number of derivative contracts, both with institutional and non-institutional investors. In Germany and in Italy there are a number of pending proceedings against certain Group companies that relate to derivative contracts concluded by both institutional and non-institutional investors. The filing of such litigations affects the financial sector generally and is not specific to us and our Group companies. As of the date of this Offering Memorandum, we and the involved Group companies have made provisions deemed appropriate based on the best estimate of the impact which might derive from such proceedings.

With respect to proceedings relating to foreign currency("**FX**") loans, in the last decade, a significant number of customers in the Central and Eastern Europe area took out loans and mortgages denominated in a foreign currency. In a number of instances customers, or consumer associations acting on their behalf, have sought to renegotiate the terms of such FX loans and mortgages, including having the loan principal and associated interest payments redenominated in the local currency at the time that the loan was taken out, and floating rates retrospectively changed to fixed rates. In addition, in a number of countries legislation that impacts FX loans was proposed or implemented. These developments resulted in litigation against our subsidiaries in a number of CE&EE countries including Croatia, Slovenia and Serbia.

In 2015, the Republic of Croatia enacted amendments to the Consumer Lending Act and Credit Institutions Act mandating the conversion with retroactive effect of Swiss franc (CHF)-linked loans into Euro-linked (the "**Conversion Amendments**").

In September 2016, UCB Austria and ZagrebačkaBanka ("**Zaba**") initiated a claim against the Republic of Croatia under the Agreement between the Government of the Republic of Austria and the Government of the Republic of Croatia for the promotion and protection of investments in order to recover the losses suffered as a result of the Conversion Amendments. In the interim, Zaba complied with the provisions of the new law and adjusted accordingly all the respective contracts where the customers requested so. The Government of the Republic of Croatia reached an agreement with six local banks, including ZABA and UCB Austria, as a result of which on 30 June 2021 the parties have jointly requested the arbitral tribunal to discontinue the proceeding .

In 2019, the Supreme Court of the Republic of Croatia ruled that the CHF currency clause contained in certain loan and mortgage documentation was invalid. Accordingly, in the course of 2019, court decisions, recent court practice related to FX matters along with the expiration of the statute of limitation for filing individual lawsuits in respect of the invalidity of the interest rate clause, led to a significant increase in the number of new lawsuits against Zaba. In March 2020, the Supreme Court ruled that agreements entered into following the Conversion Amendments whereby customers converted

their CHF mortgages and/or loans into EUR are valid and accordingly no additional payments are due. In October 2020 the Supreme Court, as well as one additional lower court, approached the European Court of Justice with a request for preliminary ruling asking for an interpretation on the applicability of the Directive on unfair terms in consumer contracts and consequently whether a consumer who converted its loan in accordance with the terms of the of the Conversion Amendments is entitled to additional payments. The Supreme Court withdrew its request, while the other case is still pending. In March 2021 the Constitutional Court rejected Zaba's application related to the invalidity of the Swiss franc currency clause. In light of the above, provisions have been booked which are deemed appropriate.

VIP 4 Medienfonds

Various investors in Film & Entertainment VIP Medienfonds 4 GmbH & Co. KG to whom UCB AG issued loans to finance their participation, brought legal proceedings against UCB AG. In the context of the conclusion of the loan agreements, the plaintiffs claim that the Bank provided inadequate disclosure about the fund structure and the related tax consequences. A settlement was reached with the vast majority of the plaintiffs. An outstanding final decision with respect to the question of UCB AG's liability for the prospectus in the proceeding pursuant to the Capital Markets Test Case Act (Kapitalanleger-Musterverfahrensgesetz) which is pending at Munich Higher Regional Court, will affect only a few pending cases.

Claims in relation to a syndicated loan

UCB AG, together with several other financial institutions, has been named as a defendant in complaints filed by the judicial administrator and foreign representative of a Brazilian oil and gas conglomerate in July 2021 in the United States before the District of New York Court claiming damages in connection with the repayment of a syndicated loan for two oil drilling rigs UCB AG participated in that defendants are alleged to have unlawfully obtained.

Vanderbilt related litigations

Claims brought or threatened by or on behalf of the State of New Mexico or any of its agencies or funds

Vanderbilt Financial LLC ("**VCA**") related litigations, where Pioneer Investment Management USA Inc., Pioneer Global Asset Management S.p.A. ("**PGAM**"), at the time controlled by UniCredit S.p.A. and incorporated by the latter in 2017, and the parent company UniCredit S.p.A. (the "**Defendants**") were named as additional defendants by virtue of their corporate affiliation with VCA, including in legal proceedings brought by a former employee of the State of New Mexico (the "**Public Authority**"), who claimed to act as representative of the Public Authority for the losses suffered by the State of New Mexico during the 2006-08 market downturn on investments managed by VCA (mainly CDOs). The total amount of losses claimed in those proceedings is approximately $365 million. In 2012, the Defendants reached a settlement agreement for an amount of $24.25 million and the settlement amount was deposited into escrow at the beginning of 2013. The settlement is contingent on the Court's approval, but that process was temporarily delayed pending the determination by the New Mexico Supreme Court of a legal matter in a separate lawsuit brought against a different set of defendants in other proceedings. The New Mexico Supreme Court issued its ruling on the awaited legal matter in June 2015 and in December 2015 the Defendants and the State of New Mexico renewed their request for Court approval of the settlement. The Court held a hearing in April 2016 and in June 2017 approved the settlement and directed that the claims against VCA and the Defendants be dismissed. A judgment to that effect was entered in September 2017 and a motion by the former State employee seeking to set aside that judgment was denied by the Court in October 2017. Appeals from the judgment and the subsequent order were taken in October and November 2017 and in June 2020, the New Mexico Court of Appeals affirmed that judgment. A motion for rehearing was subsequently denied. In October 2020 the New Mexico Supreme Court declined to hear a further appeal, but the former State employee subsequently petitioned for rehearing, and that motion remains pending. The settlement cannot be effectuated while the appeal remains pending. If the judgment continues to be upheld on appeal, the escrowed amount will be paid over to the State of New Mexico and the Defendants, including UniCredit S.p.A., will all be released from all the claims that were or could have been brought by or on behalf of the State or any of its agencies or funds.

Alpine Holding GmbH

Legal proceedings against UCB Austria arose from bondholders' claims commenced in June/July 2013. The claims stemmed from the insolvency of Alpine Holding GmbH, as UCB Austria acted as joint lead manager, together with another bank, for the undertaking of Alpine Holding GmbH bond issues in 2010 and 2011. Bondholders' claims are mainly referred to prospectus liability of the joint lead manager, whereas a minority of the cases is based on misselling due to allegedly unlawful investment advice. The damage claims amount to €20.21 million. These proceedings are mainly pending in the first instance and may be adverse to UCB Austria.

Most recently, the expert appointed by the Court in the majority of the civil proceedings has issued a report largely in favour of UCB Austria and the other issuing banks. Investors have a different reading of the report and have requested that the expert answers supplementary questions, as did the issuing banks. The processing of the supplementary questions is pending as of the date of this Offering Memorandum. Therefore, the final outcome of the expert report cannot be assessed as ofthe date of this Offering Memorandum.

In addition to the ongoing proceedings against UCB Austria stemming from the Alpine insolvency, additional Alpine-related actions have been threatened and may be filed in the future. The pending or future actions may have negative consequences

for UCB Austria. Despite the favourable expert opinion mentioned above, as at the date of this Offering Memorandum it is impossible to estimate reliably the timing and results of the various actions, nor determine the level of liability, if any.

Valauret S.A.

Civil claim filed in 2004 by Valauret S.A. and Hughes de Lasteyrie du Saillant for losses resulting from the drop in the share price, between 2002 and 2003, including allegations on alleged fraudulent actions by members of the company's Board of directors and others. UCB Austria (as successor to Creditanstalt) was joined as the fourteenth defendant in 2007 based on the fact that it was banker to one of the defendants. The total claimed amount is equal to €129.86 million (plus costs €4.39 million). Furthermore, in 2006, before the action was extended to UCB Austria, the civil proceedings were suspended following the opening of criminal proceedings by the French State that are underway. In December 2008, the civil proceedings were also suspended against UCB Austria. UCB Austria has been informed by the Paris Commercial Court that the case was removed from the Court's register on June 17, 2021, at Valauret's request. Valauret's claim is likely time-barred.

Divania S.r.l.

In 2007, Divania S.r.l. (now in bankruptcy) ("**Divania**") filed a lawsuit in the Court of Bari against UniCredit Banca d'Impresa S.p.A. (then UniCredit Corporate Banking S.p.A. and now UniCredit S.p.A.) alleging violations of law relating, inter alia, to financial products in relation to certain rate and currency derivative transactions entered into between January 2000 and May 2005 first by Credito Italiano S.p.A. and subsequently by UniCredit Banca d'Impresa S.p.A. (now UniCredit S.p.A.), demanding damages in the amount of €276.6 million, legal fees and interest. Divania also seeks the nullification of a 2005 settlement reached by the parties in which Divania had agreed to waive any claims in respect of the transactions. In 2017, the Court of Bari ordered usto pay approximately €7.6 million plus interests and part of the expenses in favour of Divania's bankruptcy trustee and found that it did not have jurisdiction to rule on certain of Divania's claims. We appealed the decision.

Divania filed two additional lawsuits before the Court of Bari: (i) one for €68.9 million in 2009 (subsequently increased to €80.5 million), essentially mirroring the claims brought in its lawsuit filed in 2007; and (ii) a second one for €1.6 million in 2006. With respect to the first lawsuit, in May 2016, the Court of Bari ordered UniCredit S.p.A. to pay approximately €12.6 million plus costs.We appealed. With respect to the second lawsuit, in 2015, the Court of Bari rejected Divania's original claim and the judgment has res judicata effect.

The two proceedings still pending were consolidated and in September 2021 the Court of Appeal of Bari reversed the judgment in the case commenced by Divania in 2007, ordering the latter to return the sum awarded by the first-instance Court plus costs (for a total of €9.3 million) to the UniCredit Group, and confirmed the judgment in the case commenced in 2009 by Divania (which had ordered the UniCredit Group to pay an amount of €13.3 million). The judgment of the Court of Appeal became final between the UniCredit Group and Divania; however, Divania's guarantor may still appeal to the Supreme Court.

I Viaggi del Ventaglio Group (IVV)

In 2011, IVV DE MEXICO S.A., TONLE S.A. and the bankruptcy trustee of IVV INTERNATIONAL S.A. filed a lawsuit against us in the Court of Milan demanding approximately €68 million in damages. In 2014, the bankruptcy trustees of IVV Holding S.r.l. and IVV S.p.A. filed two additional lawsuits against us in the Court of Milan demanding €48 million and €170 million, respectively, in damages.

In October 2019, the bankruptcy trustee of I Viaggi del Ventaglio Resorts Ventaglio Real Estate S.r.l. filed an additional lawsuit in the Court of Milan against us demanding a total of €12.8 million in damages.

The four lawsuits – two of which were settled – pertain to allegedly unlawful conduct with regard to certain loans and certain derivative transactions. At the date of this Offering Memorandum, (i) we won the first case both in the first-instance and on appeal and the case has been settled; (ii) we and the Bankruptcy Trustee reached a settlement agreement approved by the Court for the second case; (iii) the third case is pending in the first-instance and in July 2020 we and the bankruptcy trustee reached a settlement agreement by which the bankruptcy trustee waived its claims against the Bank; the case will continue between us, on one side, and the former statutory auditors and guarantors of the plaintiff, on the other, in light of the contribution claims raised by the latter against us in the context of the same proceedings; and (iv) the fourth case is in its conclusive phase. The settlement of the first two cases led to a reduction of the overall claimed amount to €13.5 million.

Lawsuit brought by "Paolo Bolici"

In May 2014, the company wholly owned by Paolo Bolici sued us in the Court of Rome asking for the return of approximately €12 million for compound interest (including alleged usury component) and €400 million for damages. The company then went bankrupt. We won the case in the first instance and the appeal is pending.

On July 31, 2020, Mr. Bolici's business partner sued us seeking damages based on analogous facts to those alleged in the 2014 proceedings. The Court ruled in favour of the UniCredit Group. As of the date of this Offering Memorandum, the appeal filed by the other party is pending.

Mazza

In 2005 we filed a criminal complaint against a Notary, Mr. Mazza, representatives of certain companies and disloyal employees of the parent company UniCredit S.p.A. in relation to unlawful lending transactions in favour of certain clients for approximately €84 million. The criminal court of first-instance acquitted the defendants.

Following a further appeal, while stating that some accusations were time-barred, the Supreme Court confirmed the court of Appeal's findings on the civil law requests raised by the Bank. Following the acquittal in the first-instance criminal proceedings, Mr. Mazza and other persons involved in the criminal proceedings filed two lawsuits for compensation claims against us: (i) the first (commenced by Mr Mazza with a claimed amount of approximately €15 million) was won by the Bank at first-instance and the judgment is now final; (ii) in the second (commenced by Como S.r.l. and Mr. Colella with a claimed amount of approximately €379 million) case the Court of Rome ruled in our favour and the plaintiffs. In our view these lawsuits currently appear to be unfounded, in particular in light of the criminal judgment by the Court of Appeal of Rome and the civil judgment by the Court of Rome.

So.De.Co. – Nuova Compagnia di Partecipazioni S.p.A.

As part of a restructuring, in 2014, Ludoil Energy S.r.l. ("**Ludoil"**) acquired the "oil" business from Nuova Compagnia di Partecipazione S.p.A. ("**NCP"**). In March 2016, So.DeCo., a wholly owned subsidiary of Ludoil, filed a lawsuit in the Court of Rome against its former directors, NCP, us (in its capacity as holding company of NCP) and the external auditors (PricewaterhouseCoopers S.p.A. and Deloitte & Touche S.p.A.) claiming damages of approximately €94 million for allegedly failing to provision properly for supposed environmental risks and thereby causing the inflation of the sale price paid by Ludoil. In November 2019, the Court rejected So.De.Co.'s claims in their entirety and ordered it to pay costs in favour of the defendants. So.De.Co. appealed the judgment and reduced its claim to approximately €17 million. The appeal is pending. In November 2017 So.De.Co. filed a separate lawsuit against NCP and its former directors. The case is still ongoing. In February 2019, NCP commenced an arbitral proceeding against Ludoil (So.De.Co.'s sole shareholder). The proceedings are still ongoing.

Bitminer Litigation in the Republic of Srpska, Bosnia and Herzegovina

In 2019, a local customer, Bitminer Factory d.o.o. Gradiska ("**Bitminer**"), filed a lawsuit before the District Commercial Court in Banja Luka claiming damages for unjustified termination of its current bank accounts by UniCredit Bank a.d. Banja Luka ("**UCBL**"), a subsidiary of the UniCredit Group in Bosnia and Herzegovina, Republic of Srpska. Bitminer alleged that termination of the accounts obstructed its initial coin offering (ICO) relating to a start-up renewable-energy-powered cryptocurrency mining project in Bosnia and Hercegovina. On 30 December 2021, the first instance court adopted most of Bitminer's claims and ordered UCBL to pay damages in the amount of BAM 256,326,152 (approx. €131.2 million). The appeal was filed in January 2022. The first instance court decision is not final, binding and enforceable. The ultimate liability of UCBL, if any, will be determined only after all ordinary legal remedies have been exhausted, and in any case not before the final and binding decision of the appellate court.

Criminal proceedings

As of the date of this Offering Memorandum, certain entities within our Group and certain of its representatives (including those no longer in office), are involved in various criminal proceedings and/or, as far as we are aware, are under investigation by the competent authorities with regard to various cases linked to banking transactions, including, specifically, in Italy, the offence pursuant to Art. 644 (usury) of the Italian Criminal Code.

As of the date of this Offering Memorandum, these criminal proceedings have had no significant negative impact on our operating results and our capital and financial position and/or the Group, however there is a risk that, if we and/or other UniCredit group entities or their representatives (including those no longer in office) were to be convicted, these events could have an impact on our reputation and/or the reputation of the UniCredit group.

Labour-related litigation

We are party to a number of employment law disputes. In general, all employment law disputes are supported by provisions made to meet any disbursements incurred and, in any case, we do not believe that any liabilities related to the outcome of the pending proceedings could have a significant impact on our economic and/or financial condition.

Lawsuits filed against us by members of the former Cassa di Risparmio di Roma Fund

Lawsuits brought against us aimed to reconstitute the patrimony of the fund, ascertain and quantify social security individual position of each member, are pending before the Supreme Court following previous degree decisions favourable towards the Bank. Claims' value is about €384 million. No disbursement and no provisions have been made as these claims are considered groundless. No provisions were made as these actions are considered to be unfounded.

Diamond offer

Over the years, within the diversification of investments to which the available assets are addressed and also considering in this context those investments with the characteristics of the so-called "safe haven" with a long-term horizon, several of our

customers have historically invested in diamonds through a specialised intermediary company, with which we have stipulated, since 1998, a collaboration agreement as "Introducer", in order to regulate the "reporting" methods of the offer of diamonds by the same company to UniCredit's customers. Since the end of 2016, the liquidity available on the market to meet the requests of customers who intended to divest their diamond assets has contracted to a certain extent until it became nil, with the suspension of the service by the brokerage company. In 2017 we started a "customer care" initiative which envisaged our availability to intervene for the acknowledgement towards the customer of the original cost incurred for the purchase of precious items and the consequent withdrawal of the stones, upon certain conditions. The initiative has been adopted assessing the absence of responsibility for its role as "Introducer"; nevertheless, the AGCM ascertained our responsibility for unfair commercial practice (confirmed in appeal by the Administrative Regional Court in the second half of 2018), imposing, in 2017, a fine of €4 million paid in the same year. Following the appeal filed by UniCredit against such ruling, the Administrative Tribunal in second instance reduced the fine imposed on UniCredit to €2.8 million and sentenced AGCM to return 1.2 million, amount reimbursed in June 2021.

On 8 March 2018, a specific communication was issued from Bank of Italy concerning the "Related activities exercisable by banks", in which large attention was given to the reporting at the bank branches of operations, purchase and sale of diamonds by specialised third-party companies. As at December 31, 2021, we:

- received reimbursement requests for a total amount of about €409 million (cost originally incurred by the clients) from No. 12,225 Customers; according to a preliminary analysis, such requests fulfill the requirements envisaged by the "customer care" initiative; the finalisation of the reimbursement requests is currently carried out, aimed at assessing their effective compliance with the "customer care" initiative, and then proceed with the settlement where conditions recur;
- with reference to the scope outlined in the previous point (about € 409 million), reimbursed No. 11,076 customers for about €384,5 million (equivalent value of original purchases), equal to about 95% of the reimbursement requests said above.

In order to cope with the probable risks of loss related to the repurchases of diamonds, a dedicated Risk and Charges Fund was set up; its quantification was also based on the outcome of an independent study (commissioned to a primary third company) aiming at evaluating the diamonds' value. Finally, the gems purchased are recognised for about €52 million in item "120. Other assets" of the balance sheet. This value is consistent with the main parameters of the reference market, and also reflects the likely effects associated with the liquidity crisis in the sector, heavily affected by the Covid-19 outbreak which characterised the economic scenario in 2021.

On 19 February 2019, the judge in charge of the preliminary investigation at the Court of Milan issued an interim seizure directed to us and other financial institutions aimed at: (i) direct confiscation of the amount of €33 million against us for the offence of aggravated fraud and (ii) indirect as well as direct confiscation of the amount of €72 thousand for the offence of self-laundering against us. From the seizure order it emerges that investigations for the administrative offence under Art. 25-*octies* of Legislative Decree No. 231/2001 are pending against us for the crime of self-laundering.

On 2 October 2019, we and certain individuals received the notice of conclusion of the investigations pursuant to Art. 415-*bis* of the Italian Code of criminal procedure. The notice confirmed the involvement of certain current and former employees for the offence of aggravated fraud and self-laundering. With regard to the latter, self-laundering serves as a predicate crime for the administrative liability of the Bank under Legislative Decree No.231/2001.

In September 2020, a new notice pursuant to Art. 415-bis of the Italian code of criminal procedure was served on certain individuals already involved in the proceedings. The allegations against our individuals only pertain to the offence of fraud. Such new allegations do not modify the overall investigative framework as per the notice served in the autumn of 2019. In June 2021 the public prosecutor issued the formal request of indictment against certain current and former employees and the preliminary hearing has commenced.

Proceedings related to Tax matters

There are a number of tax proceedings involving counterclaims with regard to UniCredit and other companies belonging to the UniCredit Group's Italian perimeter.

Pending cases arising during the period

In June 2021 we filed claims with the Civil Court of Milan, challenging the payment injunctions for COSAP (fee for the occupation of public areas) notified by the Municipality of Milan with reference to the fiscal years 2009, 2010 to 2012 and 2014. By means of that claims the bank objected that the requests made by the Tax Authority for the years subject to assessment became time-barred. Total contested amount €0.1 million.

In March 2021, we challenged before the first-degree Tax Court No.4 payment notices and penalty assessment notices issued by the Salerno Customs Office, notified in February 2021 to us, in its capacity as alleged domiciliary in Italy of a German bank for EU transit of goods and jointly liable party, concerning excise duties and related VAT for the fiscal year 2018, plus interest and penalties for a total amount of €1.2 million. An application was recently submitted to combine these proceedings with other proceedings already started by us, regarding similar payment notices served at the end of 2019, for a total value of €0.1 million.

With regard to two notices of assessment for mortgage tax and stamp duty on renewal of mortgages issued by Istituto Neurotraumatologico Italiano S.p.A. ("INI S.p.A.") in favour of UniCredit S.p.A. (formerly Banca di Roma S.p.A.) on two building complexes securing INI S.p.A.'s overall debt to Banca di Roma, both notices were appealed by us to the first-degree Tax Court. On a preliminary basis, the bank claimed that the deeds are null and void as the Tax Authority's assessment powers have expired, and, subsequently, that the payment request is illegitimate. At present, the judgment is pending. Total contested value €0.3 million. As of June 30, 2021 we raised the following litigation: filed a claim, in September 2020, against a partial denial of an IRES tax refund for the years 2007, 2008 and 2009 following a partial refund in July 2020. The amount of the litigation is €1.9 million, equal to the amount of the credit registered in the accounting books of the bank. The claim aims at receiving the repayment of a share of principal and higher interests accrued on the principal already paid as well as on the share of principal still to be paid. The dispute ended the first-degree Tax Court with an unfavourable decision. UniCredit will appeal the decision in terms of law.

Updates on pending disputes and tax audits

With reference to the year ended December 31, 2021 the following information is reported:

- With regard to the dispute brought by former Banco di Sicilia S.p.A. for denial of a refund request for IRPEG 1984 credit, total value €56.7 million, of which €21.1 million for taxes, receivables accounted in the financial statements for the same amount, in April 2021 the second-degree Tax Court, as the referring Court, following the ruling of the Supreme Court No.18412/2017, that had overturned the appealed decision with referral to the second-degree Tax Court, issued decision No.3401/12/2021 which rejects the Bank's appeal and confirms the first instance judgement stating the denial of the tax refund request. In June 2021 the Bank appealed the latter judgement to the Supreme Court. As requested by IAS37 and taking into account the ruling of the second-degree Tax Court the virtual certainty of the receivables related to refund request for IRPEG 1984 of former Banco di Sicilia S.p.A. was re-assessed leading to their entire derecognition. At the same time, also considering other recent sentences by the Supreme Court about specific and similar topics, an overall re-assessment of main active and passive tax claims was conducted with no material impact on income statement;
- With regard to a set of litigations brought by former Banca Popolare del Molise, regarding a denial of a refund request for IRPEG – ILOR credits, fiscal years 1983, 1985, 1986, 1987 and 1988, as a result of the proceedings brought by us before the Supreme Court against five decisions of the second-degree Tax Court that upheld the Tax Authority's appeal, the Supreme Court acknowledged that the limitation period for the bank's claim had not expired at the time of the refund request and, consequently, overturned the appealed decisions and referred the case back to the second-degree Tax Court. The proceedings will be brought before the second-degree Tax Court within the time period provided by law. Total contested amount €1.9 million;
- With regard to the dispute started by UniCredit S.p.A. for the denial of a refund request for IRES fiscal years 2007, 2008 and 2009 ended the first-degree Tax Court with an unfavourable decision. UniCredit will appeal the decision in terms of law. Total contested amount €1.9 million;
- With regard to the dispute started by former Cassa di Risparmio di Torino against the reject of a refund request for IRPEG and ILOR fiscal year 1984, the Supreme Court with a decision dated 5 November 2021, accepted the appeal by Avvocatura dello Stato providing the referral of the dispute at the second-degree Tax Court in Turin; Total contested amount €3.4 million;
- With regard to the dispute concerning a notice of assessment for VAT (former UniCredit Banca S.p.A.) related to operating costs of business conventions was discussed in the second-degree Tax Court Emilia Romagna; UniCredit is waiting for the issue of decision. Total contested amount €2.3 million;
- With regard to the dispute started by former Banco di Sicilia S.p.A. against the reject of a refund request for further interest – compared to what refunded by the Tax Authority – for ILOR tax credit year 1993 (capital quote was refunded), the second-degree Tax Court in Palermo, who reassumed the litigation after the statement of the Supreme Court, with a decision dated 6 December 2021 postponed the case; Total contested amount €3.5 million;
- With regard to the dispute started by former Gruppo Bancario Credito Romagnolo S.p.A. against the reject on refund request for IRPEG and ILOR tax years 1979 concluded with the Supreme Court final decision without referral dated 13 December 2021, upheld the appeal by Avvocatura dello Stato setting the extinction of the case and the foreclosure for UniCredit S.p.A. to obtain the refund. Total amount €1.8 million;
- With regard to the dispute against the silent-reject Tax Authority Agrigento for tax credit from 770 tax form for year 1986 former Cassa Rurale di Palma di Montechiaro concluded with the Supreme Court definitive decision dated 9 December 2021 rejecting the appeal by Avvocatura dello Stato and confirming definitely the UniCredit's refund right. Total amount €0.1 million;

With reference to the settlement of tax litigations, the following information is reported:

- as to a notice of assessment, served to UniCredit S.p.A. (as incorporating entity of Capitalia S.p.A.), for the registration tax allegedly due at a proportional rate on a civil judgement, the Supreme Court, with the definitive decision No.16783/2021, overturned the appealed decision without referral to the second-degree Tax Court, upholding the claim of the bank and acknowledging as due the registration tax on a fixed basis. The decision was notified to the Tax Authority in order to achieve the refund of the improperly paid tax. Total contested amount €1.7 million;

- the Supreme Court, with the definitive decision No.16204/21, rejected, without referral to the second degree Tax Court, the appeal of the Tax Authority against a decision of the second-degree Tax Court that had declared null and void a notice of assessment requesting the registration tax at a proportional rate on several deeds entered into between UniCredit and SocGen, through its subsidiary SGSS, that have been requalified by the Tax Authority, jointly, according to Art.20, D.P.R. No.131/1986, in terms of transfer of a business unit. The decision of the Supreme Court will be notified to the Tax Authority in order to achieve the refund of the tax paid and no longer due following the cancellation of the tax assessment. Total contested amount: €4.9 million;

- UniCredit S.p.A. filed claims with the first-degree Tax Court against No.4 notices of assessment served in December 2020 by the Municipality of Palermo for municipal property tax ("IMU"), fiscal years 2015-2018, challenging that the higher tax requested is unlawful, total contested amount €1.7 million, of which €1.3 million for taxes. The litigations, for all the contested fiscal years, have been settled out-of-court on May 25, 2021, by the payment of the lower total amount of €0.2 million, of which €0.2 million referred to taxes;

- With regard to a notice of assessment by which the Tax Authority requested the registration tax on an agreement entered into between UniCredit Private Banking S.p.A. and UniCredito Italiano S.p.A. in 2003 relating to the compulsory minimum reserves for credit institutions, provided for at regulatory level by the ECB, the Supreme Court, with the definitive decision No.17486/21, rejected without referral the claim raised by the Tax Authority against the decision of the second-degree Tax Court that had found that the registration tax was not due on the grounds of lack of taxable income. Total contested amount €0.1 million;

- as to a set of litigations pertaining to the registration tax allegedly due for the registration of the rulings that had settled a number of opposition proceedings regarding the liability status of the companies of the "Costanzo Group", that have been mentioned in the financial statements of previous years, a dispute for a total value of €4.1 million is now definitive following a decision of the Supreme Court in favour of the position of the bank, according to which the guarantees mentioned in the civil judgement, on which the registration tax is levied, are free from the latter tax (as provided for by Art.15 of D.P.R. No.601/1973) and rejected without referral the appeal of the Tax Authority.

With regard to a set of litigations concerning tax refund claims following the exercise by Banca Farmafactoring of the right to transfer back the receivables previously transferred to it by us, the following is reported:

- denial of refund request for IRPEG 1989 submitted by former Cassa di Risparmio Reggio Emilia, for an amount of €1.9 million for IRPEG tax and €1.8 for interests: the second-degree Tax Court with a decision issued on 3 January 2022 rejected the Tax Authority appeal confirming the right of UniCredit to obtain €1.9 million refund. The terms of law for appealing the sentence by Tax Authority at the Supreme Court (Corte di Cassazione) are ongoing;

- denial of refund request for IRPEG 1997 submitted by former Banca di Roma S.p.A., for a total amount of €43.5 million: the date for discussing was set on 2 February 2022 at the second-degree Tax Court Lazio;

- denial of refund IRPEG tax credit years 1994-1997 and ILOR year 1996 former Banca Mediterranea – total value €31 million : the second-degree Tax Court Basilicata during the hearing on 22 October 2021, ordered the Tax Authority to deposit the reports on the bases of which the assessment was notified and related to the disputing tax period, and postponed the case;

- denial of higher interests refund request for an amount equal to €0.3 million accrued on the IRPEG 1990 credit of former Cassa di Risparmio di Reggio Emilia, in April 2021, the first-degree Tax Court issued a decision that declared the bank's claim not admissible, arguing that the appealed deed is not challengeable. Given that the Tax Court did not issue a decision specifically on the bank's right to be refunded, the bank decided not to appeal said decision before the second-degree Tax Court as the time period provided by law for submitting a renewal of the refund request is still pending.

With regard to the other disputes concerning the same matter, UniCredit S.p.A. became a party in the proceedings and, at the same time, requested the exclusion of Banca Farmafactoring according to Art.111, Code of Civil Procedure. In relation to the tax audit carried out by the Italian Tax Police ("Guardia di Finanza") on UniCredit Leasing S.p.A. for VAT for the fiscal years from 2014 to 2017, that has been mentioned in the financial statements as at December 31, 2020, with specific reference to the fiscal year 2016, in March 2021, the company was served with a tax audit report. The remarks raised concern alleged VAT infringements in relation to nautical leasing contracts while, for IRES purposes, any violation was found. At present, the company has not been notified with a notice of assessment. As to the fiscal year 2017, the tax audit is ongoing.

With regards to the Tax Audit Tax Audit involving UniCredit Leasing S.p.A. for VAT fiscal years 2016-2017 with purpose the correct fulfil of VAT tax obbligations, in particular for nautical leasing contracts;

- Year 2016: on 2 November 2021 the Tax Authority – *Direzione Regionale della Lombardia – Ufficio Grandi Contribuenti* notified an assessment totaling €1 million. UniCredit Leasing S.p.A. commissioned an external consultant for the follow-up.

- Year 2017: Fiscal Audit is still ongoing.

On December 31, 2020 the total provisions for risks connected to fiscal disputes and fiscal audit amounted to €151.2 million, including €6.3 million for legal fees. On December 31, 2021 the total provisions for risks connected to fiscal disputes and fiscal audit amount to €182.5 million, including €2.9 million for legal fees.

Proceedings related to actions by regulatory authorities

Our Group is subject to complex regulation and supervision by, inter alia, the Bank of Italy, CONSOB, the EBA, the ECB within the European System of Central Banks (ESCB), as well as other supervisory authorities. In this context, the UniCredit Group is subject to normal supervision by the competent authorities. Some supervisory actions have resulted in investigations and charges of alleged irregularities that are in progress as at the date of this Offering Memorandum. The Group has acted to prove the regularity of its operations and does not believe that these proceedings could have relevant effects on the financial situation or profitability of the Issuer and/or the UniCredit Group.

SUPERVISION AND REGULATION

Italy

Banking Regulation

The supervisory regulatory framework is divided according to the source: international, EU, primary and secondary national.

The organization of the banking and financial sector is primarily based on the European framework. For matters involving banking activity and the supervisory tasks of the Bank of Italy, the main European regulatory references can be found in the CRR and the CRD IV, which is applied in the context of the SSM, which is referred to in the paragraphs that follow.

At the level of primary national sources, the fundamental text on banking and credit laws is the Legislative Decree No. 385 of September 1, 1993, as amended (the "**Consolidated Banking Act**"), while the fundamental text on financial market laws is the Consolidated Financial Act.

The Consolidated Banking Act is a law that sets out principles and grants powers, which establish the fundamental rules and define the responsibilities of the credit authorities (Interministerial Credit and Savings Committee ("**CICR**"), Ministry of Economy and Finance ("**MEF**") and the Bank of Italy). Specifically, it grants the power to issue secondary rules on aspects of a technical nature and to adopt measures of a prudential nature.

The secondary sources are represented by: (i) the resolutions of the CICR – which, at the proposal of the Bank of Italy, arranges the principles and criteria for the exercising of the supervision, from the ministerial regulations and the regulations issued by the Bank of Italy (circulars, regulations, supervisory provisions), including, specifically, the Supervisory Provisions issued by the Bank of Italy through Circular 285 of December 17, 2013, as later amended and supplemented ("**Supervisory Provisions**") which incorporate the prudential supervisory provisions applicable to Italian banks and banking groups; (ii) the decrees issued by the Minister of Economy and Finance; (iii) the regulations adopted by the Bank of Italy; and (iv) the resolutions and regulations adopted by CONSOB.

Banks can be established as joint stock companies (*società per azioni*) and limited liability cooperatives (*banche popolari* and *banche di credito cooperativo*).

Banking activity authorization

In compliance with Article 10 of the Consolidated Banking Act, the collection of savings from the public and the provision of credit constitute banking activity subject to licensing requirements. The Bank of Italy and the ECB verify the existence of conditions designed to guarantee the sound and prudent management of the bank, including the intermediary's ability to efficiently operate on the market. The Bank of Italy directly rejects requests for authorization when sound and prudent management is not guaranteed by the verification of the conditions laid down by Article 14 of the Consolidated Banking Act. In other cases, the Bank of Italy submits a draft decision to the ECB, which either grants or refuses authorization. Banks authorized to carry out banking activities and branches of EU banks established in the Republic of Italy are enrolled in a special register kept by the Bank of Italy (Article 13 of the Consolidated Banking Act).

Banking supervision

The authorities responsible for the supervision and regulation of Italian banks (credit authorities) are:

- *European Central Bank*. The ECB, as an European Union independent institution, oversees banking supervision from a European perspective through: (i) the establishment of a common approach to supervision on a daily basis; (ii) recourse to harmonized supervisory initiatives and corrective measures; and (iii) the consistent application of the supervisory regulations and policies. The ECB, in conjunction with the competent national authorities, is responsible for the effective and consistent operation of the SSM and it directly supervises important banks and banking groups in participating countries, while the direct supervision of less important banks and banking groups is conducted by the competent national authorities with a view to unitary supervision steered by the general guidelines and instructions issued by the ECB. The ECB has the right to directly supervise less important banks and banking groups if it believes it to be necessary for guaranteeing the consistent application of high supervisory standards;

- *Bank of Italy*. The Bank of Italy is the central bank of the Republic of Italy and is part of the European System of Central Banks ("**ESCB**"), the EBA, as well as the Eurosystem, which comprises the ECB and central banks of Member States that have adopted the Euro. The Consolidated Banking Act entrusts the Bank of Italy with wide-ranging supervisory, information, regulatory and inspection powers;

  Ministry of Economy and Finance. The MEF has regulatory powers with regard to exercising banking activity. Specifically, the MEF, having consulted the Bank of Italy, issues a decree to adopt provisions regarding the following: (i) the requirements of integrity and the criteria of competence and correctness of the holders of equity investments in the banks, and (ii) the requirements of professionalism, integrity and independence, as well as the criteria of competence and correctness and the limits on the total offices that can be held by representatives of banks. In addition, in the case of irregularities, or losses involving a bank, the MEF, at the request of the Bank of Italy,

adopts provisions for subjecting the bank to resolution measures, extraordinary administration (*amministrazione straordinaria*) or compulsory liquidation proceedings (*liquidazione coatta amministrativa*); and

- *Interministerial Credit and Savings Committee*. The members of the CICR come from the MEF and other ministers responsible for economic matters. The CICR has wide-ranging regulatory powers regarding banking activity, in accordance with the provisions of the Consolidated Banking Act and other laws.
- The Bank of Italy is responsible for, among other things, the adoption of regulations and instructions (both for banks and banking groups) in the following areas: (a) capital adequacy; (b) containing risk in its various configurations; (c) equity investments that may be held; (d) corporate governance, administrative and accounting organization, internal control and remuneration and incentive systems; (e) information to be disclosed to the public on the above-mentioned subjects.

The Bank of Italy, as stated, submits a draft decision to the ECB where sound and prudent management is guaranteed regarding authorization for Italian banks to exercise banking activity, and the ECB either grants or refuses authorization. Moreover, the Bank of Italy maintains full and independent responsibility for: consumer protection, combating money laundering and the funding of terrorism, supervision of payment services and financial instrument markets, supervision of non-banking subjects and branches of banks outside the EU.

The supervisory authorities examine the periodic reports to check that, among other things, capital requirements are complied with by the banks. The supervision also involves the accuracy of the data transmitted, conformity with banking regulations and with the rules of internal organization and management.

If irregularities are discovered during the supervisory activity, the Bank of Italy has the power to impose administrative monetary penalties. This power is exercised alongside other supervisory instruments and is designed to be a deterrent with regard to behavior contrary to the principles of sound and prudent management, transparency and correctness in dealing with customers.

The Bank of Italy also acts, together with other public authorities, to prevent usury by organizing quarterly checks to measure the average global effective rate debited by banks and financial intermediaries. The MEF publishes the results of these checks which are used as the basis for calculating interest rate limits (beyond which the interest rates are considered usurious).

In addition, the Financial Information Office of the Bank of Italy ("**UIF**") strives to prevent money laundering and the funding of terrorism. With regard to competition in the banking sector, on the other hand, Law 262 of December 28, 2005 granted supervisory powers to the Italian Competition Authority.

Lastly, in compliance with the provisions of the applicable regulations concerning the banking sector, note that the supervision of investment services provided by banks is the responsibility of CONSOB.

Establishment of the Single Supervisory Mechanism

On October 15, 2013, the European Union Council approved the SSM Regulation, launched on November 4, 2014.

Under the scope of the SSM, the ECB was granted wide-ranging supervisory powers, including, among other things, the task of: (i) ensuring the consistent application of the regulatory provisions of the Eurozone; (ii) directly supervising large banking groups ("**significant banks**"); and (iii) monitoring the supervision, by the competent authorities of the Member States, of smaller banks.

In addition, the ECB is exclusively responsible, with the assistance of the competent national authorities, with regard to all credit institutions established in participating Member States for the issuing of authorization for access to the business of credit institutions, the revocation of authorizations and the valuation of acquisitions and sales of qualifying equity investments. These powers are exercised in Italy with the assistance of the Bank of Italy, through the methods laid down by Regulation (EU) 468/2014 of April 16, 2014 of the European Central Bank (the "**SSM Framework Regulation**"), which establishes the framework of cooperation under the scope of the SSM between the ECB and competent national authorities and with the designated national authorities. The decisions are taken, at the suggestion of the Supervisory Board, by the Governing Council of the ECB; the Bank of Italy is represented in both these decision-making bodies. Pursuant to Article 49, paragraph 1, of the above-mentioned Regulatory Framework of the SSM, the ECB publishes a list containing the names of subjects and groups supervised – including the Bank – which are under the direct supervision of the ECB ("**significant supervised entities**"), indicating the specific reason for the direct supervision for each of them and, in the case of classification as significant based on the criterion of size, in which a range of total assets the supervised entity results.

In view of its new tasks, in 2014, the ECB carried out an "in-depth evaluation" process of the credit institutions of each participating Member State ("**comprehensive assessment**"). The ECB completed the comprehensive assessment in October 2014 and took up its supervisory tasks from November 4, 2014. The main objectives of the comprehensive assessment were: (i) transparency, to improve the quality of information available on the situation of the banks; (ii) correction, to identify and undertake any corrective measures necessary; and (iii) increasing confidence, to assure all parties involved in banking activities that the institutions are fundamentally sound and reliable. As far as the banks are concerned where capital shortcomings emerged, with regard to a specific reference parameter, they could have been asked to adopt corrective measures with their application followed and guaranteed by the ECB.

The supervisory authorities regularly assess and measure risks at the level of the individual banks. This vital point of the supervisory activity, known as the Supervisory Review and Evaluation Process ("SREP", as defined elsewhere herein),

consists of summarizing the results that emerge from the analysis for a given year and telling the bank what actions to undertake. One key feature of the SREP under the scope of the SSM is the application of methods and timescales shared by all important banks in the Eurozone.

Specifically, the SREP focuses on the situation of intermediaries in terms of the (i) risk to capital, (ii) risk to liquidity and funding, (iii) the business model, as well as (iv) governance and risk management. In the SREP decision that the supervisory authority sends to the bank at the end of the process, the fundamental objectives for dealing with the problems found are defined. The bank must then take corrective action in the timeframes laid down.

In February 2022, UniCredit received the final results of the SREP 2021, together with the expected capital requirements to be met from 1st March 2022. Namely, on own funds requirements, UniCredit shall meet at all times, on a consolidated basis, a total SREP capital requirement (TSCR) of 9.75% (which includes a Pillar 2 additional own funds requirement of 1.75%, to be held in the form of 56.25% of Common Equity Tier 1 capital and 75% of Tier 1 capital, as a minimum). Pursuant to article 104a of the newly-adopted Capital Requirements Directive (CRD V) UniCredit and the other banks supervised by ECB are allowed to partially use Additional Tier 1 or Tier 2 instruments in order to comply with the Pillar 2 Requirements (P2R) instead of Common Equity Tier 1 (CET1) capital.

Deposit insurance

In order to protect depositors from losing their funds in the case of insolvency, the regulations in force require banks to adhere to a recognized deposit guarantee system established in Italy (the Deposit Guarantee Fund for Depositors of Credit Cooperatives (Credito Cooperativo) or the Italian Bank Deposit Guarantee Fund ("**FITD**") (Fondo Interbancario di Tutela dei Depositi). The FITD, to which the Bank adheres, covers losses up to a maximum of €100,000 for each depositor with regard to sums held in the form of deposits, banker's drafts and other similar debt securities, eligible for repayment in accordance with the provisions of Article 96-bis.1 of the Consolidated Banking Act. On the other hand, the FITD excludes, among other things, deposits and other funds repayable to the bearer, bonds, deposits made by banks in their own name and on their behalf (including the deposits of some companies belonging to banking groups) and deposits of state administrations and local authorities.

On April 16, 2014, Directive 2014/49/EU relating to the DGS was adopted (the "**DGSD**"). Its purpose is to eliminate several differences between the legislation of Member States as far as deposit guarantee systems (the "**DGS**") are concerned and to introduce important new features for standardizing the provisions within the European Union. Specifically, the most important new features introduced by the DGSD include: (i) the anticipation of joint minimum financial requirements for deposit guarantee systems, where the financial means available should reach, by July 3, 2024, a target level of at least 0.8% of the amount of covered deposits; (ii) a gradual reduction in the repayment terms for depositors: through three phases, the DGSs should manage to ensure this payment in seven working days, instead of the current term of 20 days; and (iii) the establishment of the amount of covered deposits at €100,000 for each depositor.

On August 8, 2019, on October 30, 2019, and on February 11, 2020, the EBA published the third Opinion issued in accordance with article 19(6) of the recast DGSD analysing the progress towards the implementation of the DGSD. The first Opinion proposed changes in relation to, *inter alia*, (i) the provisions on transfers of DGS contributions between DGSs, (ii) the provisions on eligibility, and (iii) the approach to third country branches' DGS membership; whilst the second Opinion proposed changes aimed at ensuring that depositors are not unduly left without access to their funds when the decision that deposits have become unavailable has not (yet) been made by the authorities. Finally, in the third Opinion the EBA calls for: i) the need to clarify in the DGSD what funds should count towards the DGS's available financial means (i.e., ex-ante funds), and when different DGS funding sources (including loans) can be used and under what conditions; ii) the need to introduce more transparency in relation to the reporting of DGS funds, more consistency in the approach to payment commitments, and more precision in the DGSD in relation to how DGS funds should be invested; iii) the need for the European Commission (EC) to consider further the consequences of the recent General Court ruling in the Tercas case, concerning the use of DGS funds to prevent failure of credit institutions and the ceiling up to which DGS funds can be used for such failure prevention. According to EBA, the EC should also consider introducing in the EU framework the possibility to use failed institution's assets to repay depositors.

The DGSD was implemented in Italy by Legislative Decree 30 of February 15, 2016 and came into force on March 9, 2016. In implementing the DGSD, the decree confirms the maximum repayment due to depositors at €100,000, establishes the minimum funding that national guarantee systems must have available, identifies in detail the intervention methods of the latter, and standardizes the repayment methods to depositors if the bank is insolvent. Specifically, Legislative Decree 30/2016 introduces the possibility for the FITD to: (i) implement arrangements for amounts higher than €100,000 (without a maximum limit) with regard to sums credited by physical persons in deposits where the amounts involved come from, among other things, divorces, pensions and insurance claims; (ii) make arrangements through resources paid on a voluntary basis by members; (iii) contribute to the funding of a resolution measure that may have been arranged; (iv) intervene in transactions involving the sale of assets, liabilities, companies, business units, goods and legal relationships that can be identified en masse; and (v) contribute to overcoming a situation of failure or the risk of failure of banks belonging to the FITD.

Acquisition of equity interests in banks

The regulations on the acquisition of equity investments on banks is governed by Directive 2007/44/EC transposed in Italy by Legislative Decree 21 of January 27, 2010, which amended the Consolidated Banking Act, and by the CICR provision

adopted through emergency decree 675 of July 27, 2011 of the MEF, Chairman of the CICR (containing implementation rules on equity investments in banks, parent companies, financial intermediaries, electronic money institutions and payment institutions). These regulations require the ECB, at the proposal of the Bank of Italy, to grant prior authorization for the acquisition in any way of equity investments in banks, parent company financial companies of banking or finance groups (hereinafter defined as "**supervised company**") which involve the control (pursuant to Article 23 of the Consolidated Banking Act) or the possibility of exercising considerable influence over the actual supervised company or which grant a percentage of voting rights or share capital in the supervised company equal to at least 10% (taking into account the shares or percentages already owned). This authorization is also necessary for the acquisition of control in a company that holds the equity investments mentioned above. The ECB, at the proposal of the Bank of Italy, also grants prior authorization for changes in equity investments when the percentage of voting rights or share capital reaches or exceeds 20%, 30% or 50% and, in any event, when the changes involve the control of the actual bank.

Moreover, Article 19 of the Consolidated Banking Act has been amended in order to abrogate the principle of separation between the banking and the non-financial activities. Without prejudice to the above, the Bank of Italy may authorize institutions that operate in particular economic areas, different from the banking area, to acquire or hold participations in banks (also exceeding 15%) in the event that the conditions set forth under Article 19 of the Consolidated Banking Act and its enforcement regime are satisfied.

In conformity with Article 19, paragraph 5 of the Consolidated Banking Act, the ECB, through the Bank of Italy, evaluates the quality of the potential purchaser and the financial soundness of the acquisition project in view of the probable influence of the potential purchaser over the bank based on the following criteria: the reputation of the potential purchaser pursuant to Article 25 of the Consolidated Banking Act; the suitability, pursuant to Article 26 of the Consolidated Banking Act, of anyone who, following the acquisition, will carry out administration, management and control functions in the bank; the financial soundness of the potential purchaser; the capacity of the bank to comply, following the acquisition, with the provisions governing activity; and the suitability of the structure of the group of the potential purchaser to allow effective exercising of supervision.

Authorization is also required for transactions involving irrevocable commitments for the acquisition of significant equity investments in banks or parent companies (e.g., participation in tenders, promoting takeover bids, or exceeding the level that involves the obligation to promote an IPO).

The Bank of Italy should also receive, in accordance with the methods and deadlines set out in Article 20 of the Consolidated Banking Act and the Supervisory Instructions of the Bank of Italy (Circular 229 of April 21, 1999, as later amended), notification of any agreement involving the concerted exercising of voting rights in a bank or in a parent company of that bank. If the bank is a listed company, notice of this agreement should also be sent to CONSOB.

Capital adequacy requirements

"**Basel 3**" refers to a comprehensive set of reform measures, prepared by the Basel Committee on banking supervision following the 2008 banking crisis in order to strengthen, among other things, the regulation, supervision and risk management of the banking sector. These provisions are designed, among other things, to: (i) improve the capacity of the banking sector to absorb shocks resulting from economic and financial tensions, irrespective of their origin; (ii) improve risk management and governance; and (iii) reinforce the transparency of banks and information. The main innovations introduced include the raising of the level and the strengthening of capital quality, better hedging of risks, containing leverage ratio and the introduction of liquidity requirements.

The Basel 3 financial regulations are based on "three pillars":

- the first pillar ("**Pillar 1**") introduces a capital requirement to cover typical risks associated with financial activities (credit risks, counterparty risks, market risk and operating risk). To this end, there are alternative methods of calculating the capital requirements which are characterized by different levels of complexity in terms of the measurement of risks and organizational and control requirements. In particular:

  (i) for credit risk, there are two alternative approaches for the requirement calculation: the "standardized" approach and the "internal ratings based (IRB") approach, which in turn is divided into two different variants, the "foundation" IRB and the "advanced" IRB. In addition, there are specific rules provided for credit risk mitigation techniques (Credit Risk Mitigation, CRM) and for securitization transactions. The CRM provides for eligibility requirements – legal, economic and organizational – and the method of calculating the reduction of risk;

  (ii) for counterparty risk, which relates to the risk that the counterparty to a transaction involving financial instruments defaults before the transaction completes, and is considered a special type of credit risk, the regulation focuses on the rules for quantifying the value of exposures, while referring to the credit risk exposures and weighting factors used in its determination;

  (iii) for market risk, the requirement is to meet losses that may result from transactions in markets for financial instruments, currencies and commodities. Such losses can be determined by following a standard methodology or based on internal models, subject to compliance with organization and quantitative requirements. The regulation identifies and determines the treatment of various types of risk relating to the regulatory trading book (risks relating to position and concentration) and the entire balance sheet of the bank (risks relating to exchange rate, settlement and commodities). The standardized methodology adopts a building block approach

for the requirement calculation; the internal models are based on a daily check of exposure to risk, calculated using an approach based on statistical procedures (the "risk value" approach), supplemented by other measurements and risk controls; and

(iv) for operational risk, the regulation provides for a specific capital requirement for operational risk with the aim of improving management principles and control of banks. There are different methods for determining this requirement: the "Basic Indicator Approach (BIA)", which is calculated by applying a single regulatory ratio to the gross income of the bank; the "Standardized" approach, in which the bank's activities are split into different business lines and different ratios are applied to the gross income of each business line; and the "Advanced Measurement Approach (AMA)", in which banks with supervisory approval are allowed to use their own internal operational risk measurement system to determine the risk measure;

- the second pillar ("**Pillar 2**") requires banks to adopt a strategy and control process for capital adequacy, both current and prospective, leaving to the supervisory authorities the task of checking the reliability and consistency of the results and to adopt, if required by the situation, appropriate corrective measures. Pillar 2 requires banks to adopt tools and processes (the Internal Capital Adequacy Assessment Process, ICAAP) in order to determine the level of internal capital required to cover all types of risk, also different from those covered by Pillar 1, as part of an assessment of exposures, both current and future, which takes into account business strategies and developments in the economic environment. The regulation identifies the stages of the process, the required frequency of assessment and the main risks to be assessed, and provides indications as to the methodologies to be used for some of them. Responsibility for the ICAAP process is vested in the governing bodies; and
- the third pillar ("**Pillar 3**") introduces disclosure requirements regarding capital adequacy, exposure to risk and the general characteristics of banks' management and control systems, which is designed to facilitate a more accurate assessment of the soundness of their balance sheets and the risk exposure of banks. In particular, the regulation provides for quantitative and qualitative information that banks must publish. In accordance with the principle of proportionality, banks must include detailed information as to their organization complexity and the type of activities that they carry out. The regulation identifies the required frequency of publication, relevant exceptions and checks of the information that are to be made public.

The implementation of the Basel 3 provisions took place, at the European level, through the approval of a legislative package composed of the CRD IV and the CRR (the "**CRD IV Package**"). The provisions relating to the CRR came into force on January 1, 2014 (as directly and immediately binding and applicable within each Member State), while the CRD IV was transposed into Italian law through Legislative Decree 72 of May 12, 2015, specifically with regard to provisions on authorization for exercising banking activity, freedom of establishment and free provision of services, cooperation between supervisory authorities, prudential control process, methods for determining capital buffers, the framework governing administrative penalties, rules on corporate governance and remuneration.

The CRR defines rules on own funds, minimum capital requirements, liquidity risk, financial leverage ratio and disclosure of information to the public; specifically, in terms of capital requirements, the CRR establishes (Article 92) that institutions shall at all times satisfy the following own funds requirements: a common equity tier 1 capital ratio (the highest quality capital level) of 4.5% of the total risk exposures, a Tier 1 capital ratio of 6%, and a Total capital ratio of 8%.

The CRD IV includes a series of important amendments to the banking regulatory framework (on, among other things, remuneration, diversification of the composition of management bodies, corporate governance and banking transparency); it also introduces further capital buffers for credit institutions which are identified by the relative competent authority, such as: (i) capital conservation buffer (CCB[59]), designed to ensure that banks build up capital buffers outside periods of stress which can be drawn down as losses are incurred; (ii) capital buffers for global systemically important institutions[60] and other systemically important institutions[61]; (iii) capital buffers linked to the systemic risk of the financial sector (or one or more subsets of that sector) in order to prevent and mitigate non-cyclical systemic or macro-prudential risks; (iv) a countercyclical capital buffer[62] that shall reflect the credit cycle and the risks due to excess credit growth in the Member State, duly taking into account specificities of the national economy.

In general, the imposition of additional capital buffers compared with the regulatory minimum requirements has the goal of endowing banks with high quality capital means to use at times of market tension to prevent banking system malfunctions and avoid interruptions to the credit supply process, as well as dealing with the risks resulting from the global or domestic systemic importance of these banks. Banks which do not have capital buffers of the size required are subject to distribution limits; in addition, they need to have a capital conservation plan that indicates the measures that the bank intends to adopt to restore the capital level necessary to maintain the capital buffers at the level requested within a reasonable time.

59 See Supervisory Bulletin 12 of December 2013 of the Bank of Italy, with the subject "Circular 285 of December 17, 2013 "Prudential supervisory provisions for banks", paragraph 4.1 "Transitory and final provisions Framework governing capital reserves": "The framework governing capital buffers, contained in Part One, Title II, Chapter 1 of this Circular, applies as follows: 1) the capital conservation buffer set out in Section II applies from January 1, 2014 using a coefficient equal to 2.5% to banking groups at consolidated level"

60 See Supervisory Bulletin 12 of December 2013: "the global systemically important institutions buffer G SII and any other systemically important institutions buffer O SII set out in Section IV apply from January 1, 2016 in accordance with the provisions of Article 162, paragraph 5 of the CRD IV."

61 See previous note.

62 Supervisory Bulletin 12 of December 2013: "the counter cyclical capital buffer set out in Section III applies from January 1, 2016 in accordance with the provisions of Article 160, paragraphs 1 to 4 of the CRD IV."

The new regulatory framework introduced through the CRD IV Package, the DGSD, the technical and regulatory implementation technical standards, as well as the interpretive communications gradually adopted by the Commission and the EBA, constitute the implementation of the project defined by the European Council in June 2009 relating to the establishment of a *Single Rulebook* applicable to European Union financial institutions, in other words a single framework governing and standardizing the prudential rules of Member States.

Regarding the Italian context, in order to ensure the application of the CRD IV, from January 1, 2014, as well as implementing a comprehensive revision and simplification of the framework governing the supervision of banks, the Bank of Italy issued an updated version of its Supervisory Provisions (Circular 285), broken down into three parts, of which the first two directly related to the CRD IV Package.

Capital Conservation Buffer (CCB)

On December 4, 2019, the Bank of Italy published a further update (the 30th) of Circular 285.

Specifically, with reference to CCB's gradual adoption, the CRD IV requires banks, both at an individual level and at a consolidated level at all times to satisfy the following own funds requirements: (i) a Common Equity Tier 1 ("**CET1**") capital ratio of 4.5%; (ii) a Tier 1 Capital ratio of 6%; and (iii) a Total Capital Ratio of 8%. These minimum ratios are complemented by, as applicable with reference to November 1, 2019, a Capital conservation buffer set at 2.5% from January 1, 2019 (pursuant to Article 129 of the CRD IV and Part I, Title II, Chapter I, Section II of Circular No. 285, as amended in October 2016).

Countercyclical Capital Buffer (CCyB)

The countercyclical capital buffer is applied from January 1, 2019 according to the CRDIV article 130, to be calculated on a quarterly basis.

As of December 31, 2021, the CCyB for UniCredit Group was 0.05 %.

With reference to December 31, 2021: (i) countercyclical capital rates have generally been set at 0%, except for the following countries: Czech Republic (0.50%); Hong Kong (1.00%); Norway (1.00%); Slovakia (1.00%); Luxemburg (0.50%); Bulgaria (0.50%); (ii) with reference to the exposures towards Italian counterparties, Bank of Italy has set the rate equal to 0%.

Global Systemically Important Institutions Buffer

The FSB and the Basel Committee identified UniCredit Group as a G-SIB. In addition, through the decision taken pursuant to the Supervisory Provisions, on March 2015 the Bank of Italy identified UniCredit Group as a G-SII authorized in Italy. This decision has been confirmed annually, the latest being in December 2021.

Based on the methodology employed for classifying G-SIIs (as defined by the Delegated Regulation no. 1222/2014 of the European Commission), UniCredit Group falls in the first category of global systemically important institutions[63] and consequently is subject to a common equity tier 1 capital requirement of 1%.

Other Systemically Important Institutions Capital Buffer

In November 2020, through the decision taken pursuant to the Supervisory Provisions[64], the Bank of Italy identified us, Intesa Sanpaolo, Banco BPM and Monte dei Paschi di Siena as other systemically important institutions ("**O-SII**") authorized in Italy.

The Bank of Italy decided to apply to us an additional capital buffer (O-SII buffer) equal to 1% buffer "fully loaded" as of 2021.

We are also subject to the G-SII buffer as described above; however, as set forth in the CRD IV, the higher of the two (O-SII and G-SII buffer) applies.

Financial leverage ratio requirements

CRR article 429 defined the leverage ratio as the Bank's capital measure divided by the total exposures and it is expressed as a percentage between Tier 1 capital and the total exposures, calculated as sum of all assets and off-balance sheet items not deducted when determining the Tier 1 capital measure.

63 The regulation contains provisions consistent with what was established by the Basel Committee on banking supervision and by the FSB, in order to guarantee that the same European banks included in the list published annually by the FSB are identified as G SIIs.

64 The circular explains the criteria on which the methods for identifying O SIIs are based. The evaluation was made following the instructions in the EBA guidelines for criteria for determining other systemically important institutions (O SII) (EBA/GL/2014/10), which specify the criteria and data necessary for identifying O SII in European Union jurisdictions. The guidelines outline the provisions consistent with what has been established by the Basel Committee on banking supervision for identifying other systemically important institutions, striving for standardization in the identification process at international level.

The financial leverage ratio mainly pursues the objectives of containing financial leverage accumulation in the banking sector and strengthening capital requirements with a simple additional instrument not based on risk.

With regard to the adoption timescales, note the following:

- the innovations introduced by the Basel Committee (1st framework of 2010) were implemented by the CRR with the first quarterly reporting as of March 31, 2014;
- in January 2014, the Basel Committee published the 2nd framework, in which the calculation methods, timeframes and disclosure obligations were refined;
- on October 10, 2014, the European Commission amended Article 429 of the CRR through Delegation Regulation (EU) 2015/62;
- from January 1, 2015, information was required from entities (Market Disclosure – Pillar 3) in compliance with the provisions of Article 451 of the CRR;
- on March 23, 2016, the European Commission adopted the implementing technical standards – ITS, through Execution Regulation (EU) 2016/428; and
- on May 20, 2019, the Regulation (EU) 2019/876 of the European Parliament and of the Council (CRRII) has been published and subsequently amended on June 24, 2020 by the Regulation (EU) 2020/873 (CRRII Quick Fix), in response to the Covid-19 pandemic.

According to the abovementioned regulations, the required minimum level is set at 3%, as originally proposed by the Basel Committee. Full implementation has begun in June 2021. The European legislator has also agreed on a Leverage Ratio surcharge for G-SIIs, which will be required to hold a leverage ratio Tier 1 capital buffer requirement equal to 50% of the G-SII buffer (starting from January 1, 2023).

Liquidity requirements

Under CRD IV Package, banks are also required to meet two new liquidity standards: a liquidity coverage ratio ("LCR") and a net stable funding ratio ("NSFR"). The LCR requires banks to hold an amount of unencumbered, high quality liquid assets that can be used to offset the net cash outflows the bank would encounter under an acute short-term stress scenario. The NSFR measures the amount of longer-term, stable sources of funding employed by a bank relative to the liquidity profiles of the assets funded and the potential for contingent calls on liquidity arising from off-balance sheet commitments and obligations.

On January 17, 2015, the Delegated Regulation 61/2015 of the Commission on Liquidity Coverage Ratio for banks was published in the Official Journal of the European Union. On November 24, 2015, the Bank of Italy published the 14th update of the Supervisory Provisions in order to take into account the innovations made to the regulatory framework of the Delegated Regulation.

The CRR makes provision, in conformity with Basel 3, for new liquidity risk requirements and supervisory systems, centered on an LCR with the goal of establishing and maintaining a short-term liquidity buffer, which enables the bank to survive for 30 days in the case of serious stress and on the introduction of a structural equilibrium rule over a longer timescale, the NSFR aimed at ensuring the stability of the bank in the longer term.

On October 10, 2018, amendments to the LCR were published in the Official Journal (Commission Delegated Regulation (EU) 2018/1620 of July 13, 2018) and applied starting from April 2020. Most of these amendments are related to the entry into force on January 1, 2019 of the securitisation framework set out in Regulation (EU) 2017/2402.

The binding minimum requirement for LCR is set to 100%.

Regarding the introduction of the NSFR, the Basel Committee published a revised NSFR on October 31, 2014 and the EBA published, in December 2015, a report which recommended the implementation of NSFR at European level.

Regulation (EU) 2019/876 of the European Parliament and of the Council (CRRII) has introduced the NSFR within the European regulatory framework, starting from June 2021, with a binding minimum requirement set to 100%.

As of September 2021, the LCR of the Group was equal to 184%, whereas at December 31, 2021 was equal to 182% (calculated as the average of the 12 latest end of month ratios).

As of December 2021, the NSFR was above the internal limit of 102.5% set in the risk appetite framework.

Limits on the concentration of risks

The exposure of an institution with regard to a client or group of connected clients is considered a large exposure, pursuant to the CRR, when its value is equal to or more than 10% of the eligible capital of the institution. Any exposure to a client or group of connected clients cannot exceed 25% of the eligible capital of the institution. If the customer is an institution or the group of connected clients includes one or more institutions, the amount of the exposure cannot exceed 25% of the eligible capital or €150 million, depending on whichever is the higher, without prejudice to the fact that the total value of the exposure to all connected clients which are not institutions cannot exceed 25% of the eligible capital of the bank. Pursuant to the Supervisory Provisions, banks must comply with rules of behavior that guarantee the possibility of identifying large exposures, evaluating the quality and following their development over time.

Current and Future requirements

In addition to the substantial changes in capital and liquidity requirements introduced by Basel III as implemented in EU by the CRD IV Package, there are several other initiatives which are causing and will cause additional regulatory pressure over the medium term and will impact the EU's future regulatory direction. These include the so-called Risk Reduction Package (details below), and the upcoming discussions on the final implementation of Basel III standards into EU legislation.

On November 23, 2016, the European Commission released a package of proposals amending the CRR, the CRD IV and the BRRD and the SRM Regulation (the "**Risk Reduction Package**"), which was politically agreed within the EU Council in December 2018 and then signed off by the EU27 Ambassadors on February 15, 2019. These proposals were agreed by the European Parliament, the European Council and the European Commission and were published in the Official Journal of the EU on June 7, 2019 entering into force 20 days after, even though most of the provisions became applicable as of 2 years from the entry into force, *i.e.,* after the June 28, 2021, allowing for a smooth implementation of such provisions.

The revised CRD (as amended by Directive (EU) 2019/878, the "**CRD V**") and the BRRD (as amended by Directive (EU) 2019/879, the "**BRRDII**") were transpose into Member States legislation before taking effect. The CRD V has been implemented in Italy by the Legislative Decree No. 182 of November 8, 2021. The BRRDII has been implemented in Italy by the Legislative Decree No. 193 of November 8, 2021, which provides for, among other measures:

- the determination of a minimum denomination for bonds and debt securities (Article 12-*ter* of the Consolidated Banking Act) issued by credit institutions and investment firms:

    1. €200,000 for subordinated bonds and other subordinated securities;

    2. €150,000 for Senior Non Preferred debt instruments ("*strumenti di debito chirografario di secondo livello*") (originally the minimum denomination of senior non-preferred instruments under Italian law was €250,000).

- the nullity of contracts entered into with non-professional investors (relating to investment services having as their object the instruments referred to in Article 12-*ter* of the Consolidated Banking Act issued after December 1, 2021 (or equivalent instruments when issued by subjects having their registered office in a third country, under certain conditions)) that do not respect the minimum unit value (Article 25-*quater* of the Consolidated Financial Act); and

- the elimination of the ban on the placement of Senior Non-Preferred debt instruments with non-qualified investors (Article 5 of the Legislative Decree No. 193 of November 8, 2021), subject to the abovementioned provisions.

Among other things, the legislation introduced a binding 3% leverage ratio (the requirement is added to the own funds requirements in Article 92 of the CRR which institutions must meet in addition to their risk-based requirements) and a related leverage ratio buffer requirement. The Risk Reduction Package contains specific mandates for the EBA to develop draft regulatory or implementing technical standards as well as guidelines and reports related to liquidity coverage ratio and leverage ratio in order to enhance regulatory harmonization in Europe through the Single Rule Book. EBA published on 21 November 2019 a set of roadmaps outlining its approach and timelines for delivering the mandates stemming from the Risk Reduction Measures Package.

Moreover, the Basel Committee of Banking Supervision adopted a significant number of changes to the standards related to market risks (so called Fundamental Review of the Trading Book), revised standardized approaches (credit, counterparty credit, market, operational risk), constraints to the use of internal models as well as the introduction of an output floor. The reform has the primary aim to eliminate unwarranted levels of RWA variance, to improve consistency and comparability across banks. The finalization of the new framework was completed in respect of market risk in 2016 and finally revised in January 2019. The new framework for credit risk and operational risk was finalized in December 2017. Before becoming binding for EU Banks, the European Commission, which has carried out a public consultation (closed on January 5, 2020) is assessing the potential impacts on the EU economy. In August 2020 the Commission required the EBA to update its assessment in the light of COVID-19, which was published in December 2020. The legislative proposal (CRR III/CRD6), which incorporates these new standards into EU legislation as well as foresees some new provisions in relations to Environmental, Social and Governance ("**ESG**") Risks has been published by the European Commission on October 27, 2022. Once agreed on the final text among the various stakeholders involved in the legislative process (European Commission, European Parliament and the EU Council) and once implemented in the European Union, these regulatory changes will impact the entire banking system and consequently could determine changes in the capital calculation and increase capital requirements. The analysis carried out by the EBA, published in December 2019 upon request of the European Commission, showed that the adoption of the new Basel III criteria would require banks to increase minimum capital requirements ("**MCR**") by 23.6%, resulting in a capital deficit of €124 billion. The above-mentioned updated analysis by EBA published in December 2020 showed an increase of MCR of 18.5% and a capital deficit of over €52 billion (the December 2019 outcome for a comparable sample would have been respectively 24.1%. and €109.5 billion). The impact assessment that accompanied instead the EU Commission's proposal published at the end of October, states the expectation of a weighted average increase in institutions' minimum capital requirements of 6.4%. to 8.4% in the long term (by 2030), after the envisaged transitional period. The Commission's proposal foresees that most of the provisions in the Regulation ("**CRR3**") shall apply from January 1, 2025. The Member States shall adopt and publish the CRD6 by 18 months from the date of entry into force ("**TBC**") of the amending Directive and they shall apply those provisions from one day after its transposition date.

In 2016, the ECB began a review of the internal rating models authorized for calculating capital (the Targeted Review of Internal Models, referred to as "**TRIM**"), with the objective of ensuring the adequacy and comparability of the models given

the highly fragmented nature of Internal Ratings-Based systems used by banks, and the resulting diversity in measurement of capital requirements. The review covers credit, counterparty and market risks. On November 21, 2019, the ECB provided its third update on the TRIMs. The supervisory follow-up on TRIM findings will continue and intense work is expected of institutions such as UniCredit to address those findings. In this vein, the assessment phase was finalized for all the streams (Market Risk, Counterparty Risk, High-Default Credit Risk models and Low-Default Credit Risk models) except for the Low-Default Credit Risk portfolios, where the final decisions from the ECB are still pending.

In March 2015, the EBA undertook the revision of some specific aspects of the RWA internal models, encouraging a major convergence between European banking supervision practices. The EBA has finalized the regulatory standards for the Internal Rating Based methodology and the Guidelines on the new Definition of Default, while the final Guidelines on Probability of Default and the Loss Given Default estimation and treatment of defaulted assets were published in November 2017 and subsequently amended in 2019. The implementation of all the changes was completed by January 2022. The European Banking Authority (EBA) published in November 2018 also the final draft Regulatory Technical Standards (RTS) specifying the nature, severity and duration of an economic downturn as part of its review of banks' internal-ratings-based approach for determining capital requirements for credit risk. The overall point of the review is to address the inconsistencies in risk-weighted-exposure amounts banks were coming up with based on their internal models. The RTS set out what notion of economic downturn to be taken into account when estimating loss given default and conversion factors. Finally, on March 6, 2019, EBA issued its final guidelines specifying how institutions should quantify the estimation of loss given default (LGD) appropriate for conditions of an economic downturn (EBA/GL/2019/03). The Guidelines complete the EBA's broader work on the review of the IRB approach aiming at reducing the unjustified variability in the outcomes of internal models, while preserving the risk sensitivity of capital requirements.

There can be no assurance that the implementation of the new capital requirements, standards and recommendations described above will not require UniCredit to issue additional securities that qualify as regulatory capital, to liquidate assets, to curtail business or to take any other actions, any of which may have adverse effects on UniCredit's business, financial condition and results of operations. Furthermore, increased capital requirements may negatively affect UniCredit's return on equity and other financial performance indicators.

Recovery and resolution of crises in credit institutions

Directive 2014/59/EU of May 15, 2014 (the Bank Recovery and Resolution Directive or the "**BRRD**") on crisis resolution or other crisis management procedures, implemented in Italy through Legislative Decrees 180 and 181 of November 16, 2015, published in the Official Journal of November 16, 2015, concerns the establishment of a crisis restructuring and resolutionframework for credit institutions and investment companies. The regulatory framework governed by these provisions changes the civil and banking framework previously in force, introducing standardized rules for the prevention and management of banking crises. Specifically, the discipline set out by these rules aims at resolving and recapitalizing banks in a manner that absorbs the incurred losses and maintains the critical functions without public financial support.

In particular, the BRRD framework provides:

(i) during the normal operations of the bank, preparation and prevention measures, including the drafting and periodic updating by the entities or parent companies of a recovery plan indicating the measures to adopt to restore the financial situation following a significant deterioration, as well as the Bank of Italy (in its capacity as National Resolution Authority (the "NRA")), with the SRB, in the case of significant banks like us, preparing and periodically updating the resolution plans for each entity or group;

(ii) early intervention by the supervisory authorities, which supplement the traditional prudential measures and are calibrated according to the problems of the intermediary involved, until arriving at a request to the administrative body to adopt specific measures or appoint one or more temporary administrators;

(iii) "resolution" tools for banks that are failing or at risk of failing, as an alternative to compulsory liquidation proceedings. "Resolution" means a restructuring process managed by the NRA through recourse to techniques and powers introduced by the BRRD. Specifically, these instruments include, also combined with one another: (a) the sale of business assets or shares of the entity subject to resolution; (b) the establishment of a bridging organization, also referred to as a bridge bank; (c) the separation of the unimpaired assets of the failing organization from those which are deteriorated or impaired; and (d) a bail-in, through which the liabilities of the failing organization are written down and/or converted into equity with consequent losses for the shareholders and for some categories of creditors (including unsubordinated bondholders); and

(iv) the introduction of a Minimum Requirement for own funds and Eligible Liabilities ("**MREL**"), in order to ensure that when a resolution authority applies the bail-in, the bank has sufficient liabilities to absorb the losses and to ensure compliance with the common equity tier 1 requirement for authorization to exercise banking activities after resolution, as well as for generating sufficient market confidence.

Through the BRRD, there has been a shift from a crisis resolution system potentially also based on public resources (bail-out) to a system in which losses are transferred to shareholders, holders of subordinated debt securities, holders of unsubordinated and unguaranteed debt securities, and lastly, depositors for the excess part of the guaranteed deposit amount, in other words the part exceeding €100,000 (bail-in). Therefore, through the application of the bail-in instrument, subscribers may suffer reduction, with the possibility of the nominal value being zeroed, as well as the conversion of the bonds into equity securities, even if there is no formal declaration of insolvency by the Bank.

The decrees implementing the BRRD came into force on November 16, 2015, with the exception of the provisions relating to the bail-in which applied from January 1, 2016. Moreover, the provisions regarding bail-in can be applied to existing financial instruments, although they have been issued before the above-mentioned dates. In addition, the Italian implementation regulations with regard to depositor' preference go beyond the provisions of the BRRD, which requires the amendment of the creditor hierarchy in the case of insolvency proceedings. Pursuant to Article 108 of the BRRD, the deposits of physical persons, micro companies and SMEs (for the part above, the guaranteed sum of €100,000) have preference over other unsecured creditors, but Article 91, paragraph 1 – *bis*, letter c) of the Consolidated Banking Act (which only became effective from January 1, 2019) also recognizes a privilege in the hierarchy of creditors to other deposits at the bank (such as corporate deposits and inter-bank deposits) compared with other unsecured creditors.

The BRRD has been amended by the **BRRDII**, which introduced significant changes to the standards regarding the calibration of the MREL requirement for banks that are systematically relevant and redefined the scope of MREL itself in order to align the eligibility criteria with those set out in the CRR so as to converge this ratio with the Total Loss-Absorbing Capacity (TLAC) (details below).

In such a context, it is worth to mention that the European Commission also started the process to review the Crisis Management and Deposit Insurance framework, namely the BRRD, the SRM regulation and the DGSD.

The Single Resolution Mechanism ("**SRM**") Regulation, published on July 30, 2014 in the Official Journal of the European Union and fully operational from January 2016, introduced the SRM for banks and investment firms that provide services that involve own risk-taking, complementary to the SSM with the objective of preserving financial stability in the Eurozone through the centralized management of resolution procedures. There are also provisions to establish a single resolution fund for the funding of resolution actions (SRF) financed by contributions from credit institutions and investment firms covered by consolidated supervision in Eurozone countries through a payment plan spread over eight years, without using public funds. The SRM Regulation was subsequently updated with the Risk Reduction Package in June 2019. The SRM Regulation applies to all banks supervised by the Single Supervisory Mechanism and ensures that, together with the National Resolution Authorities, there is a single authority – *i.e.,* the Single Resolution Board ("**SRB**") – which takes all relevant decisions for the resolution of those banks in the Eurozone.

The system is made up of the NRAs and the SRB, a European agency for exercising resolution functions whose board also includes representatives of the national authorities. The SRM guarantees, from January 1, 2016, the orderly management of crises in banks qualified as significant pursuant to the SSM Regulation or with trans-border operations in the Eurozone (which includes the Bank) and investment firms covered by consolidated supervision, overcoming problems caused by the fragmented nature of procedures on a national basis. The SRB will identify – *ex ante,* through resolution plans – the measures through which an institution will be resolved and decide when the bank has been identified as failing or likely to fail and how to manage this situation in practical terms, by adopting a resolution program and identifying the most suitable actions for achieving the targets set under the EU framework. The national resolution authorities, in addition to taking part in the SRB decision, are responsible for the implementation of the concrete resolution measures. The program must also be submitted to the European Commission and, in some cases, to the Council as well. This division of tasks is also valid for minor banks, if the intervention of the SRF is necessary for the management of their crisis.

The NRAs will also remain responsible for the management of the crises of less significant intermediaries. When carrying out these activities, the NRAs will be acting under the scope of the instructions and the guidelines set by the SRB which, in exceptional cases, can exercise powers of replacement ensuring the effective unity of the SRM.

Both the SRB and the NRAs will make use of the crisis management tools introduced by the BRRD.

As mentioned above, Legislative Decree 72 of May 12, 2015, and the 2014 European Delegation Law approved on July 2, 2015 allocated the Bank of Italy the function of National Resolution Authority. The Resolution and crisis management unit was therefore established; it carries out the decision-making and operational tasks of the SRM, collaborates with the SRB offices and manages the liquidation procedures of banks and financial intermediaries.

The SRF is a vital part of the SRM that standardizes the payment of contributions and the possibilities for SRF intervention of banks and several investment firms in the 21 Member States of the banking union, which are the same as the members of the Eurozone plus Bulgaria and Croatia which joined SSM and SRM through "close cooperation" starting from October 2020.

The SRB is responsible for the management of the SRF, established to take part in the funding of resolution arrangements. The SRF is funded by contributions paid from the banking system and from several investment firms established in the Member States belonging to the banking union. The contributions are collected nationally and shared at a European level based on an inter-governmental agreement for the transfer and mutualization of resources. The target level of the SRF was set at 1% of the covered deposits of all banks in the 21 Banking Union countries. This level should be reached at the end of a period of eight years from January 1, 2016. The *ex-ante* contributions to the SRF are requested annually from the institutions included under the scope of the SRM. Where the *ex-ante* contributions are insufficient to cover the losses and the costs incurred by the SRF under the scope of the resolution actions, additional contributions can be collected.

In line with the changes to BRRDII described below, the SRM Regulation has been amended, as regards the loss-absorbing and re-capitalisation capacity of credit institutions and investment firms, by the Regulation (EU) 2019/877 of 20 May 2019, published in the Official Journal of the European Union on 7 June 2019 ("**SRMR2**"). This Regulation applies from 28 December 2020.

On November 9, 2015, the FSB published its final Total Loss-Absorbing Capacity (TLAC) Principles and Term Sheet, proposing that G-SIBs maintain significant minimum amounts of liabilities that are subordinated (by law, contract or

structurally) to liabilities excluded from TLAC, such as guaranteed insured deposits, derivatives, etc. and which forms a new standard for G-SIBs. The TLAC Principles and Term Sheet contains a set of principles on loss absorbing and recapitalization capacity of G-SIBs in resolution and a term sheet for the implementation of these principles in the form of an internationally agreed standard. The TLAC Principles and Term Sheet require a minimum TLAC requirement for each G-SIB at the greater of (a) 16 per cent. of RWA plus the Combined Capital Buffer as of January 1, 2019 and 18 per cent. plus the Combined Capital Buffer as of January 1, 2022, and (b) 6 per cent. of the Basel III Tier 1 leverage ratio exposure as of January 1, 2019, and 6.75 per cent. as of January 1, 2022. For UniCredit, the Combined Capital Buffer that applies from January 2022 is 3.55 per cent., assuming countercyclical capital buffer of 0.05[65] per cent., a G-SIB buffer of 1 per cent. and embedding the fully loaded Capital Conservation Buffer of 2.50 per cent., leading the TLAC requirement on RWA to 21.55 per cent as of January 1, 2022.

Based on the most recently updated FSB list of G-SIBs published in November 2021 (to be updated annually), the UniCredit Group is a G-SIB included in bucket 1 and is therefore subject to the TLAC requirements.

The Risk Reduction Package includes the BRRDII, which provides for a number of significant revisions to the BRRD. BRRDII has been transposed into the Legislative Decree No. 193 of November 8, 2021 with certain requirements relating to the implementation of the TLAC standard applying from January 2022 while the transitional period for full compliance with MREL applicable to G-SIIs (global systematically important institutions) is foreseen until January 1, 2024, with interim targets for a linear build-up of MREL set at January 1, 2022. The Risk Reduction Package includes, amongst other things: (i) full implementation of the Financial Stability Board's TLAC standard in the EU and revisions to the existing MREL regime. Additional changes to the MREL framework include changes to the calculation methodology for MREL, criteria for the eligible liabilities which can be considered as MREL, the introduction of internal MREL and additional reporting and disclosure requirements on institutions; (ii) introduction of a new category of "top-tier" banks, being banks which are resolution entities that are not G-SIIs but are part of a resolution group whose total assets exceed EUR 100 billion; (iii) the introduction of a new moratorium power for resolution authorities and requirements on the contractual stays in resolution; and (iv) amendments to the article 55 regime in respect of the contractual recognition of bail-in. The CRD V has been implemented in Italy by the Legislative Decree No. 182 of November 8, 2021. The BRRDII has been implemented in Italy by the Legislative Decree No. 193 of November 8, 2021 (details above).

BRRD impacts how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors. This enables banks to issue debt in a new statutory category of unsecured debt available in all EU Member States (so called "senior non-preferred" debt instruments), ranking just below the most senior debt and other senior liabilities for the purposes of liquidation, while still being part of the senior unsecured debt category (only as a lower tier of senior debt). The new creditor hierarchy applies to new issuances of bank debts and does not have retroactive application to pre-existing issuances. In Italy, senior non-preferred debt instruments (*strumenti di debito chirografario di secondo livello*) were introduced by Article 12-*bis* of Law December 27, 2017, No. 2015 on the budget of the Italian Government for 2018 (the "**2018 Budget Law**"), which entered into force on January 1, 2018. In order to qualify as *strumenti di debito chirografario di secondo livello*, these instruments shall possess the following features: (i) the maturity date shall not fall earlier than twelve months after the issue date; (ii) the instrument cannot be a derivative and cannot contain embedded derivatives or have derivative features; (iii) the relevant contractual documentation shall explicitly refer to the lower ranking of these claims *vis à vis* the other unsecured claims; (iv) the denomination shall be of at least €250,000; and (v) the distribution shall be to qualified investors only.

Equity investments by banks

Banks and banking groups can acquire equity investments in both financial and non-financial companies, in conformity with the rules and limits laid down by Part Three, Chapter 1 of the Supervisory Regulations. Investments made by a bank involving equity investments cannot, in total, exceed the available margin for investments in equity investments and real estate (set by the difference between own funds and the amount of equity investments and real estate held anyway).

Prior authorization is required from the Bank of Italy (or from the ECB for the acquisition of equity investments by important banks or banking groups and for the acquisition of equity investments in banks which are part of the SSM) for the acquisition of equity investments in other banks, financial institutions, IMEL (*Istituti di Moneta Elettronica*) and insurance companies above 10% of the consolidated bank's own funds or in the case of purchase of equity investments that involve control or significant influence over other banks, financial institutions, IMEL and insurance companies established in a non-EU country other than Canada, Japan, the United States and Switzerland. In the case of the acquisition of equity investments in instrumental companies, authorization is only required in relation to equity investments that involve control of, or considerable influence over, companies established in a non-EU country other than those indicated previously.

In addition, according to the Bank of Italy rule no. 285, in the event that qualified equity investments in non-financial companies exceed the thresholds indicated in the CRR (art. 89, par. 1, 2 and 3):

- 60% of the eligible capital "E.K." for the overall portfolio,
- 15% of the E.K. for the single investment,

they are computed in the calculation of the Own Funds by applying a risk weighting factor of 1250%.

[65] The CCyB is an institution specific Countercyclical Capital Buffer (CCyB) to be applied in periods of excessive credit growth. This buffer is calculated on a quarterly basis, depending on the geographical distribution of the relevant Group's credit exposures and on the national authorities' decisions which define country specific buffers.

With regard to this, Part Three, Chapter 1, Sections IV and VI of the Supervisory Provisions include a specific framework governing equity investments acquired under the scope of placement and guarantee activities, in companies in temporary financial difficulty and for credit recovery, as well as with reference to indirect equity investments.

Anti-money laundering regulation

The Bank is subject to the money laundering laws and regulations aimed at preventing money laundering and terrorism financing, contained mainly in the following laws and regulations: (i) Legislative Decree No. 231 of November 21, 2007 ("**Legislative Decree 231/2007**"), as from time to time amended and integrated; (ii) the provision which includes the implementation arrangements on organization, procedures and internal controls aimed at preventing the use of intermediaries and other subjects which carry out financial activities for the purposes of money laundering and funding terrorism adopted by the Bank of Italy on March 26, 2019 pursuant to Article 7, paragraph 2, of the Legislative Decree 231/2007; (iii) the implementation provisions concerning adequate verification of clients, adopted by the Bank of Italy on July 30, 2019, and in force since January 1, 2020, pursuant to Article 7, paragraph 2, of the Legislative Decree 231/2007; (iv) the provision containing the storing and making available of document data information for combatting money laundering and financing of terrorism issued by the Bank of Italy on March 24, 2020 and in force since January 1, 2021.

Specifically, pursuant to the aforementioned laws and regulations, banks are obliged, amongst other things, to:

- adequately identify and verify customers and the "beneficial owner" (in certain situations considered more exposed to the risk of money laundering and terrorism financing, through particularly rigorous identification and verification procedures);
- store and make available document data information acquired during the due diligence of the customer, the executor and the beneficial owner useful to prevent, identify or ascertain any money laundering or terrorist financing activities and to allow the analysis activities carried out by the competent authorities;
- send the aggregate anti-money laundering reports (also known as S.A.R.A.);
- report suspicious transactions (also known as Suspicious Activity Reports) to the Financial Information Unit of the Bank of Italy; and
- set-up internal control measures and ensure the adequate training of employees and contractors, also in order to become more familiar with customers, in order to avoid and prevent the realization of operations for money laundering and/or funding terrorism.

Corporate governance, administrative and accounting organization and internal controls

Starting from 2008, the Bank of Italy adopted supervisory regulations on the organization and corporate governance of banks designed to achieve a more efficient organization of the corporate governance structures of Italian banks. The available governance models are: (i) the traditional model (based on the existence of a board of directors and a board of statutory auditors); (ii) the two-tier model (based on the existence of a management board and a supervisory board); and (iii) the one-tier model (based on the existence of a board of directors and a management control committee).

On May 6, 2014, Bank of Italy published the 1st update of the Supervisory Provisions for banks (see, specifically, the Supervisory Provisions, First Part, Title IV, Chapter 1, which replaced the above-mentioned regulations on the organization and corporate governance of banks). This update adapted the regulations of March 2008 to the provisions of CRD IV on corporate governance, taking into account the 2011 EBA guidelines on internal governance, as well as the guidelines issued by the Basel Committee on banking supervision (Principles for enhancing corporate governance, October 2010; Core Principles for Effective Banking Supervision, September 2012). Among other things, changes were made and/or specific provisions introduced regarding: (i) proportionality criteria through which banks should adapt to the regulations; (ii) the composition and appointment of corporate bodies; (iii) the establishment, composition and functions of the committees within the body with strategic supervisory function (the "**board of directors' committees**"); (iv) training plans for individuals who hold key positions within the bank; (v) succession plans for the CEO and managing director; and (vi) obligations of disclosing information to the public, to be made available on the website.

In compliance with the above banks must adapt to the provisions on: (i) the quantitative limits on the composition of collegial bodies which allow, for larger or operationally more complex banks, as an exception and with adequate reasons, boards with more than 15 members, up to 19, if the one-tier model is adopted, or 22 overall, if the two-tier model is adopted, (with reference to members of the supervisory and management board), with lower numbers for other banks; (ii) the minimum number of members of the body charged with strategic supervisory function who must be independent, equal to at least one quarter, for a more effective contribution to the dialectics and internal comparison; (iii) the composition of the board of directors' committees which involve the establishment of three specialized committees on appointments, risks and remuneration within the body charged with strategic supervisory functions in larger or operationally more complex banks and a risk committee in mid-size banks, each composed from three up to five members, all non-executive and the majority of them independent; (iv) cooperative banks; and (v) the prohibition of the chairman of the board of directors to be a member of the executive committee, for the purpose of developing his/her tasks and *super partes* role.

On July 2, 2021 Bank of Italy published the 35th update of the Supervisory Provisions for banks (see, specifically, the Supervisory Provisions, First Part, Title IV, Chapter 1), which replaced the above mentioned regulations on the organization

and corporate governance of banks. The update consists of amendments to the provisions on banks' corporate governance aimed at strengthening the relevant framework in line with the CRD V and better aligning it with the evolving national and European provisions on such matter. Among other things, changes were made and/or specific provisions introduced regarding: (i) a minimum gender quota for all banks of at least 33% for the less represented gender within the corporate bodies; (ii) new gender rules on the corporate bodies' composition providing that the chair of the bodies charged with strategic supervisory and control functions as well as the CEO and General Manager should not be covered by corporate officers of the same gender and that at least a member of the Board Committees is of the less represented gender; (iii) the approval by the management body of a policy on the promotion of diversity and inclusion; (iv) the issuance of ethical standards for all personnel; (v) the definition of an engagement policy between directors and shareholders (vi) provisions ruling the meetings between independent directors.

With reference to remuneration practices and policies, on March 30, 2011, the Bank of Italy issued Provisions on the remuneration and incentive policies and practices of banks and banking groups, through which the provisions of Directive 2010/76/EU of November 24, 2010 were implemented ("**CRD III**"). This regulation established in detail the specific principles and criteria which banks should adhere to for the purpose of: (i) guaranteeing the correct processing and implementation of remuneration systems; (ii) effectively managing possible conflicts of interest; (iii) ensuring that the remuneration system takes into account current and prospective risks, the degree of capitalization and the liquidity levels of each intermediary; (iv) increasing the degree of transparency for the market; and (v) strengthening the control actions of the supervisory authorities.

On November 18, 2014, the Bank of Italy published the 7th update of the Supervisory Provisions (see Part One, Title IV, Chapter 2 of the Supervisory Provisions) with the purpose of adapting the aforementioned provisions of March 2011 to the provisions of CRD IV and the guidelines in force on the banks' remuneration and incentive systems agreed in international settings.

Specifically, the aforementioned 7th update introduced the following provisions: (i) the amendment of the proportionality criteria through which banks must adapt to comply with the regulation; (ii) a maximum limit of 1:1 as the ratio between the variable and fixed components of the remuneration of personnel whose activities have an impact on the risk profile of the bank or the group (risk takers), which can be waived by the shareholders' meeting which can establish a higher ratio, but never exceeding 2:1, when such provision is in the by-laws (as is the case of the Bank); (iii) a limit on the compensation of the chairman of the board of directors which cannot exceed the fixed remuneration of the CEO or the managing director; this limit, when set out in the by-laws, can be raised by a qualified majority at the shareholders' meeting; (iv) limits on variable remuneration when banks do not comply with the capital requirements; (v) *ex-post* correction mechanisms for remuneration with the purpose of strengthening the connection between the variable component and the risks, capital conditions and liquidity of the bank and with individual behavior (*malus* and claw-back); and (vi) specific criteria that banks must conform to with regard to the remuneration and incentive systems of internal and external networks (including financial consultants operating off site).

These provisions were later supplemented by the guidelines on sound remuneration policies published by the EBA on December 21, 2015, with the Italian version published on June 27, 2016 and applicable beginning from January 1, 2017, as well as the regulatory technical standards on remuneration practices and policies, issued pursuant to Article 92 *et seq*. of CRD IV.

On October 23, 2018 the Bank of Italy published the 25th update of the Supervisory Provisions (Part One, Title IV, Chapter 2 of the Supervisory Provisions) with the main purpose of embedding into the Italian regulatory framework the provisions of the EBA guidelines of June 2016.

Specifically, the aforementioned 25th update introduced a number of new provisions, the most relevant being the following: (i) specifications regarding the process for the identification and exclusion of material risk takers; (ii) introduction of checks to enforce the prohibition on hedging aimed at circumventing the measures for the alignment of compensation with risks; (iii) exclusion of Human Resource (HR) and of *"Dirigente Preposto"* from the corporate control functions subject to the 33% cap for variable remuneration; (iv) clarification of the distinction between fixed and variable compensation; (v) extension of the claw-back period for variable compensation paid to material risk takers to at least 5 years from payment; (vi) exclusion of sign-in bonuses from cap for variable remuneration; (vii) deferred payout of at least 60% of "particularly high" variable remuneration and definition of the criteria to be used to define the relevant threshold; (viii) reduction of the retention obligation on up-front financial instruments from one year to 6 months; (ix) calculation of long term incentives on a pro-rata basis in case of plans having a time horizon longer than 6 years; (x) classification of termination payments different from notice or statutory deferred compensation (TFR) as variable remuneration, subject to the relevant provisions. Severance payments for material risk takers (Golden parachutes) are included in the cap for variable remuneration, unless they represent the consideration for non-competition undertaking up to one year of base salary for each year of duration or are calculated on the basis of a predefined formula contained in the compensation policy.

On July 2, 2021 EBA published its "Final report on Guidelines on sound remuneration policies under Directive 2013/36/EU". This update takes into account the amendments introduced by the fifth Capital Requirements Directive (CRD V) in relation to institutions' sound remuneration policies and, in particular, the requirement that remuneration policies should be gender neutral. The final Guidelines also consider supervisory practices and clarify some aspects of retention bonuses and severance pays. The revised Guidelines will apply from December 31, 2021.

On November 24, 2021 the Bank of Italy published the 37th update of Circular 285, aiming to reflect the guidelines published by EBA in July 2021 as as well as the CRD V provisions. The main new elements introduced in the 37th updated are related to: (i) introduction of proportionality principles in the application of regulations; (ii) provision of exemptions

regarding deferment and use of financial instruments for the payment of variable remuneration of material risk takers, setting less strict rules for smaller entities as well as a non-deferment threshold for the variable remuneration that does not exceed 50,000 euros and do not represent more than one third of total annual remuneration; (iii) gender neutrality of remuneration policies, ensuring that, for the same activity carried out, staff have an equal level of remuneration, also in terms of the conditions for its recognition and payment; (iv) application of the discipline at the consolidated group level, ensuring that the parent company of a banking group shall ensure that the rules applicable to the parent company apply to personnel of group companies who are identified by the parent company as being most relevant to the group; (v) identification of the most relevant personnel, implementing the CRDV regulations regarding the identification of the material risk takers clarifying that the aggregate will also include the persons identified pursuant to EU Regulation 923/2021 ; (vi) for variable remuneration, the minimum deferment period increases from 3 to 4 years, with the minimum share of 40%, which can be raised to 60% in the event that the variable component represents a particularly high amount. in the significant banks pursuant to art. 6(4) of the RMVU (so-called supervised ECB), the duration of the deferment period is not less than 5 years; in the other banks, this provision will apply only in the presence of a particularly high amount of variable remuneration; (vii) emoluments linked to length of service (so-called retention bonus), providing that the payment of multiple retention bonuses (for example, the sum of individual bonuses and bonuses deriving from collective plans) is permitted, provided that there are exceptional and duly justified circumstances; (vii) setting a transitional regime for "SIMs" . The new provisions apply to banks and parent companies of banking groups, which will have to adapt their remuneration and incentive policies, at the latest, at the time of the shareholders' meeting called to approve the 2021 financial statements.

From July 22, 2015, new provisions issued by the Bank of Italy through the 11th update of the Supervisory Provisions came into force. This update introduced, among other things, a new regulatory framework governing the internal control system, which included the principles and rules contained in CRD IV, based on several basic principles, namely:

(i) the definition, by the Bank of Italy, of a standardized regulatory framework which, in conformity with the principle of proportionality, takes into account the nature of the activity conducted, the type of services provided, the complexity and the operating size of the bank;

(ii) the strengthening of the capacity of the bank to manage corporate risks;

(iii) the centrality of the internal control system as a safeguard aimed at ensuring the sound and prudent management of the bank and the stability of the financial system;

(iv) the efficiency and effectiveness of the internal controls;

(v) raising the awareness of the corporate bodies which have the main responsibility for the definition of an internal control system that is complete, adequate, functional and reliable; and

(vi) the awareness of and management by the corporate bodies of all corporate risks.

In addition, for banks issuing securities admitted to being traded on the stock exchange market, in the Consolidated Financial Act and the Italian Corporate Governance Code for listed companies that the Bank has adopted on a voluntary basis there were specific requirements for the composition of management and controlling bodies in order to protect the interests of investors and minority shareholders, as well as rules of transparency governing the financial information that listed banks must disclose to the market. The applicable framework also involved the annual publication of a report on corporate governance and ownership structure in which listed banks must describe, among other things, the governance model adopted (traditional, one tier or two-tier), the corporate governance practices effectively applied by the company beyond the legally or regulatory required obligations, the main characteristics of the existing risk and internal control management systems with regard to the financial disclosure process, including consolidated, where applicable, the shareholders' meeting operating mechanisms, its main powers, the rights of shareholders and the methods of exercising them; the composition and functioning of the management and controlling bodies, and their committees, as well as the diversity policies applied in relation to the composition of such bodies, including objectives, implementation methods and relevant results.

On July 20,2021 the Bank of Italy published the 36th update of the Supervisory Provisions (see, specifically, First Part, Title IV, Chapter 3), amending the above-mentioned internal control framework in line with the EBA "Guidelines on loan origination and monitoring" (EBA/GL/2020/06). These amendments make among others, the italian provisions on internal controls system and credit risk management process compliant with the above EBA Guidelines by improving institutions' practices and governance arrangements, processes, and mechanisms in relation to credit granting and monitoring.

Investment services

With special reference to the regulation of investment services and, in general, with reference to financial activity, on May 15, 2014, the Council of the European Union adopted two regulatory provisions, Directive 2014/65/EU ("**MiFID 2**") and (EU) Regulation 600/2014 ("**MiFIR**"), later published in the Official Journal of the European Union on June 12, 2014.

MiFID 2 and MiFIR have been implemented by Legislative Decree no. 129 of August 3, 2017 (in force as from January 3, 2018), which has amended the Consolidated Financial Act. As part of MiFID 2 and MiFIR implementation process, amongst others, CONSOB launched a number of consultation processes: on July 31, 2017 on changes to be made to CONSOB regulation adopted through resolution 16190 of October 29, 2007, then amended through resolution 20307 of February 15, 2018 ("**Intermediaries Regulations**") and to the CONSOB regulation adopted through resolution 16191 of October 29, 2007, as amended ("**Markets Regulations**"); and on October 19, 2017 on changes to be made to the Intermediaries Regulations with respect to third country firms.

A summary of some of the main provisions set forth under the Consolidated Financial Act (as amended in the ambit of the MiFID 2 / MiFIR implementation process) is set out below.

Pursuant to Article 1, paragraph 5, of the Consolidated Financial Act, investment services are defined as the following activities performed on financial instruments: (i) dealing on own account; (ii) execution of orders on behalf of customers; (iii) subscription and/or placement on a firm underwriting or basis towards the issuer; (iv) placement without a firm commitment basis towards the issuer; (v) portfolio management; (vi) receipt and transmission of orders; (vii) investment advice; and (viii) operation of a multilateral trading facility; and (ix) operation of an organized trading facility.

Pursuant to Article 18 of the Consolidated Financial Act, the provision of investment services and activities on a professional basis to the public is reserved to Italian banks and Italian investment firms (SIMs) (or EU and non-EU investment firms, EU banks and non-EU undertakings).

Article 21 of the Consolidated Financial Act defines the general conduct criteria to be observed when providing investment services and activities, and sets out rules governing product governance. In this respect, it has been provided for that: an investment firm which manufactures financial instruments for sale to clients shall maintain, operate and review a process for the approval of each financial instrument and significant adaptations of existing financial instruments before it is marketed or distributed to clients; the product approval process shall specify an identified target market of end clients within the relevant category of clients for each financial instrument and shall ensure that all relevant risks to such identified target market are assessed and that the intended distribution strategy is consistent with the identified target market; an investment firm shall also regularly review financial instruments it offers or markets, taking into account any event that could materially affect the potential risk to the identified target market, to assess at least whether the financial instrument remains consistent with the needs of the identified target market and whether the intended distribution strategy remains appropriate; and an investment firm which manufactures financial instruments shall make available to any distributor all appropriate information on the financial instrument and the product approval process, including the identified target market of the financial instrument.

Article 22 of the Consolidated Financial Act governs the capital separation regime and, therefore, the obligation to keep financial instruments and individual customers' sums of money separate, however held by the qualified entity, from capital of the latter and that of other customers.

Article 23 of the Consolidated Financial Act establishes the requirement to draft the contracts for the provision of investment services in writing and to hand over a copy to customers; it also stipulates that investment firms shall not conclude title transfer financial collateral arrangements with retail clients for the purpose of securing or covering present or future, actual or contingent or prospective obligations of clients.

Article 24-bis of the Consolidated Financial Act sets forth rules and disclosure requirements to be followed in case of provision of investment advice.

The conduct of business rules for qualified entities with regard to customers are specifically governed in the Intermediaries Regulations.

In particular, with reference to the regulation of insurance products, on January 20, 2016 the European Parliament and the Council of the European Union have adopted, Directive (EU) 2016/97 on insurance distribution (Insurance Directive Distribution, "IDD") later published in the Official Journal of the European Union on February 2, 2016.

Subsequently, the European Commission has adopted: (i) the (EU) Regulation 2017/1469 of August 11, 2017 *"laying down a standardised presentation format for the insurance product information document*", published in the Official Journal of the European Union on November 15, 2017; (ii) the (EU) Regulation 2017/2358 of September 21, 2017 "*supplementing Directive (EU) 2016/97 of the European Parliament and of the Council with regard to product oversight and governance requirements for insurance undertakings and insurance distributors*" published in the Official Journal of the European Union on December 20, 2017, (iii) and the (EU) Regulation 2017/2359 of September 21, 2017 "*supplementing Directive (EU) 2016/97 of the European Parliament and of the Council with regard to information requirements and conduct of business rules applicable to the distribution of insurance-based investment products*" published in the Official Journal of the European Union on December 20, 2017.

The IDD has been implemented by Legislative Decree No. 68 of May 21, 2018, which has amended Code of Private Insurance (Legislative Decree no.209 of September 7, 2005) and Consolidated Financial Act (Legislative Decree No. 58 of February 24, 1998). On September 23, 2019 Consob has launched a consultation process to amend the Intermediaries Regulations (Regulation no. 20307 of February 15, 2018). The outcome of such consultation has not been disclosed yet.

The IDD regulates the way insurance products are designed and sold both by insurance intermediaries and directly by insurance undertakings.

It lays down the information that should be given to consumers before they sign an insurance contract; it imposes certain conduct of business and transparency rules on distributors; it clarifies procedures and rules for cross-border business and it contains rules for the supervision and sanctioning of insurance distributors in case they breach the provisions of the IDD.

The rules apply to the sale of all insurance products. However, more prescriptive rules apply to those distributors that sell insurance products that have an investment element, such as unit-linked life insurance contracts.

Door-to-door distribution

Pursuant to Article 30 of the Consolidated Financial Act (as amended in the ambit of the MiFID 2 / MiFIR implementation process), door-to-door distribution is the promotion and placement with the public of: (i) financial instruments at a location

other than the registered office or branch office of the issuer, the person proposing the investment or the person entrusted with the promotion or placement; and/or (ii) investment services and activities at a location other than the registered office.

The door-to-door distribution of financial services or investment services can only be done by subjects authorized to carry out placement services (with or without a firm commitment to the issuer) and asset management companies, EU management companies, SICAVs (open-ended collective investment corporate schemes), SICAFs (closed-end collective investment corporate schemes), and EU and non-EU alternative investment fund managers, limited to shares or units of collective investment schemes.

The effectiveness of financial instrument placement contracts (with the exception of those involving IPOs or share subscriptions with voting rights or other financial instruments that make it possible to buy or subscribe these shares, provided the shares or financial instruments are traded on Italian or EU country regulated markets) or the management of individual portfolios concluded off site is suspended for seven days from the investor signing date. Within this deadline, the investor can announce their withdrawal without any costs or payment to the financial promoter or qualified entity; this right is indicated in the forms or documents given to the investor. The same framework applies to contractual offers made off site.

Pursuant to Article 31 of the Consolidated Financial Act (as amended in the ambit of the MiFID 2 / MiFIR implementation process), for door-to-door distribution, authorized subjects use financial consultants qualified for door-to-door distribution, who must be enrolled in the special single register, kept by a body established by the professional associations representing promoters and qualified entities. Financial advice activity qualified for door-to-door distribution should only be conducted in the interest of a sole subject, who will be jointly and severally liable for damage caused to third parties by the financial advisor qualified for door-to-door distribution, even if this damage is as a result of the responsibility of the financial advisor qualified for off-site offering confirmed in criminal proceedings. In providing their activity, financial advisors qualified for off-site offering are obliged to comply with the rules of conduct and presentation with regard to investors, established by CONSOB through its regulations. For the door-to-door distribution of its banking products and services, banks use financial services agents and credit brokers in accordance with the provisions of the Consolidated Banking Act and the regulations issued by the competent control authorities.

Consumer credit

The framework governing "consumer credit" is regulated, inter alia, by: (i) Title VI, Chapter II, of the Consolidated Banking Act, as amended by Legislative Decree 141/2010 ("Implementation of Directive 2008/48/EC relating to consumer credit agreements, as well as amendments to title VI of the Consolidated Banking Act (Legislative Decree 385 of 1993) with regard to the framework governing subjects operating in the financial sector, financial services agents and credit brokers"); and (ii) the Bank of Italy Provision of July 29, 2009 called "Transparency of banking and financial transactions and services. Correctness of relations between intermediaries and customers", as amended.

Pursuant to Article 121 of the Consolidated Banking Act, "consumer" means "a physical person who acts for purposes extraneous to entrepreneurial, commercial, artisan or professional activity that may be carried out", while "credit agreement" means "the agreement through which a lender grants or commits to granting a consumer credit in the form of deferred payment, a loan or another financial accommodation." The provision of Title VI, Chapter II of the Consolidated Banking Act apply to credit agreements, however denominated, which do not come under the exclusions set out in Article 122 of the Consolidated Banking Act. The framework governing "consumer credit" does not apply, specifically, to transactions of less than €200 or more than €75,000 and to those aimed at funding the purchase of real estate. It does apply, on the other hand, to unsubordinated credit agreements aimed at restructuring for residential property, even if the funding is over €75,000.

The rules on "consumer credit" also include detailed disclosure obligations pertaining to the funder. Pursuant to Article 123 of the Consolidated Banking Act, advertisements that contain the interest rate or other figures about the cost of credit should also indicate: the interest rate, specifying whether it is fixed or variable, and the expenses included in the total in the TAEG, the existence of any ancillary services necessary to obtain the credit or to obtain it at the conditions advertised; the length of the agreement, if determined; and if it can be determined in advance, the total amount due from the consumer, as well as the amount of the individual instalments. The funder, pursuant to Article 124 of the Consolidated Banking Act, should also provide the consumer with "the necessary information to allow comparison of the various credit offers on the market, in order to make an informed and conscious decision with regard to the concluding of a credit agreement." Before the conclusion of the agreement, the funder also has the duty of evaluating the credit worthiness of the consumer based on adequate information, which can be provided by the actual consumer or obtained by the funder by consulting appropriate data bases (as per Article 124-bis of the Consolidated Banking Act).

The provisions on the subject of "consumer credit" also involve certain safeguards for the consumer, including:

(i) in credit agreements of a certain length, the consumer's right of withdrawal from the credit agreement within 14 days of the conclusion date of the agreement or, if this is later, from the time the consumer receives all the conditions and information set out in Article 125-bis, paragraph 1 of the Consolidated Banking Act (as per Article 125-ter of the Consolidated Banking Act);

(ii) in credit agreements for an indefinite period, the consumer has the right to withdraw from the credit agreement at any time without penalties and without cost (as per Article 125-*quater* of the Consolidated Banking Act);

(iii) in credit agreements connected to the purchase of specific goods or services, in the supplier of the goods or services defaults, the right of the consumer, after having given formal notice to the supplier in vain, to terminate the credit

agreement, if it is with regard to the supply of goods or services where the conditions of Article 1455 of the Civil Code apply (as per Article 125-quinquies of the Consolidated Banking Act);

(iv) the right of the consumer to repay early, at any time, in full or in part, the amount due to the funder (as per Article 125-sexies of the Consolidated Banking Act); and

(v) in the case of the transfer of the debt or the credit agreement, the right of the consumer to object to the assignee with all the exceptions which could be valid with regard to the originator, including compensation, even as an exception to the provision of Article 1248 of the Civil Code (as per Article 125-*septies* of the Consolidated Banking Act).

Through Directive 2014/17/EU (Mortgage Credit Directive or "**MCD**"), the EU legislator regulated the offering to consumers of property credit agreements with the objective of increasing consumer protection as the weak party, in view of the importance of the financial commitment undertaken through the concluding of these agreements and the risks associated with a possible default of the agreed obligations and to promote competition in this market within the European Union.

The implementation of these rules has involved changes to the Consolidated Banking Act, with special reference to the rules on transparency of contractual conditions, agents and brokers and sanctions, as well as the Supervisory Provisions.

Green Finance regulation

The banking system needs to be able to collect high quality data on companies' sustainable activities and projects to contribute to the radical transformation towards climate neutrality and sustainability, which are the basis for green finance decision making and necessary to ensure that the banks shall comply with the regulations on the disclosure of financial and non financial information.

Moreover, in relation to the European Commission public consultation on Renewed Strategy on Sustainable Finance (mentioned below) and the potential early introduction in respect of the EBA working plan of a green supporting factor and a brown penalising factor which are, respectively, a discount and an add on the weighting of capital risk for investments in "green" companies or in company which produce significant greenhouse gas emission, we (as EBF) ask that the introduction of such factors is preceded by in depth researches which certify the actual lower / higher risk of these activities, the link between climatic and financial risks and the development of risk scenarios.

It is also requested that such researches shall be carried out over a period of 3 4 years, so that the negative effect of Covid 19 could be neutralized.

The EBA Action plan on the implementation of the ESG risks in the prudential framework aims to amend the European legislation not before 2025. We consider that the process should not be accelerated.

In May 2018, the European Commission published a package of legislative measures in order to promote a sustainable finance in line with the objectives of its action plan of March 2018. In such context, the Commission has started preparatory works in order to amend MiFID II. In such regard, ESMA submitted technical advice on sustainable finance to the European Commission.

On December 9, 2019 Regulation (EU) 2019/2088 was published on sustainability related disclosures in the financial services sector (SFDR – Sustainable Finance Disclosure Regulation), and lays down harmonised rules for financial market participants and financial advisers on transparency.

Taxonomy. The final text of the Regulation (EU) 2020/852 (the "Taxonomy Regulation") has been adopted by the European Parliament and Council on 18 June 2020. The Taxonomy Regulation is a classification system intended to address greenwashing and provide a tool to direct finance towards sustainable investments. The regulatory framework outlines definitions and specific criteria (technical screening criteria) to determine whether an economic activity can be classified as environmentally sustainable.

The level II timeline to determine the specific technical screening criteria is progressing with criteria for the first two environmental objectives (climate change mitigation and adaptation) now adopted and applicable from January 1, 2022. The remaining four objectives – sustainable use and protection of water and marine resources, transition to circular economy, pollution prevention and control, and the protection and restoration of biodiversity and ecosystems – are be adopted in spring 2022 and will enter into force on January 1, 2023.

On February 2, 2022, the Commission formally adopted the Taxonomy Complementary Delegated Act covering gas and nuclear related activities which is now subject to scrutiny by the European Parliament and the Council which will have four months (extendable by two additional months) to object to it. If not objected, the Delegated Act will be applicable from January 1, 2023.

Taxonomy Extension. In July 2021, the Platform on Sustainable Finance published a consultation paper on 'Taxonomy extension options linked to environmental objectives'; and a draft report on 'Social Taxonomy'. The consultation paper asked feedback on the possibility to extend the EU Taxonomy to significantly harmful (SH) activities and no significant impact (NSI) activities and if this would fall within the overall framework of EU sustainable finance. The final report on a Social Taxonomy which looks at how to implement a social Taxonomy as well as how to make the two Taxonomies (social and environmental) work together was formally published by the Platform on 28 February 2022. The European Commission is expected to assess the report in due time and decide whether to put forward a legislative proposal on Social Taxonomy. Final Report on the extension of the Taxonomy to significantly harmful (SH) activities and no significant impact (NSI) activities is expected in ,id-March 2022.

Green Bond Standard. The Commission published its proposal for an EU Green Bond Standard (EU GBS) on July 6, 2021. The Regulation lays down the foundation for a common framework of rules regarding the use and designation of EU GBS for bonds that pursue environmentally sustainable objectives within the meaning of Taxonomy Regulation. The Regulation is mainly aimed at issuers who wish to use the voluntary EU GB standard. The Regulation also sets up a system for registering and supervising companies that act as external reviewers for green bonds aligned with this framework. The negotiations are ongoing both in the European Parliament and in the Council. It is expected that the Regulation will be enacted by the end of 2022.

On March 12, 2020, CONSOB drew attention to the current investor protection safeguards applicable to intermediaries that provide investment services, when they address clients with an offer characterized as sustainable.

On April 23, 2020, the three European Supervisory Authorities (EBA, EIOPA and ESMA – ESAs) have published a Consultation Paper seeking input on proposed environmental, social and governance (ESG) disclosure standards set out under the SFDR, aiming to: (i) strengthen protection for end investors; (ii) improve the disclosures to investors from a broad range of financial market participants and financial advisers; and (iii) improve the disclosures to investors regarding financial products. The consultation document provided concrete proposals for the content, methodologies and presentation of sustainability disclosures regarding: i) principal adverse impact disclosure (negative, material or likely to be material effects on sustainability factors that are linked to investment decisions and advice performed by the legal entity), ii) pre contractual product disclosures, iii) website product disclosures and iv) product periodic disclosures. The three ESAs published the final draft of the Implementation Technical Standards on February 2021 and the European Commission is expected to adopt them in 3 months. As the SFDR applies from March 10, 2021, the ESAs issued a joint declaration on February 25, 2021 offering guidance to financial market participants (e.g. banks, investing firms, insurance companies) for application of the draft ITS in the interim period until the formal adoption by the European Commission.

On 21 April 2021, the European Commission published a package of measures on Sustainable Finance, which included proposals for inclusion of ESG into the existing MiFID 2 Regulation. The financial advisors, starting from 2 August 2022, are required to gather information about ESG preferences of clients and take them into consideration when providing advice or propose financial products. Additionally, from November 2022, the financial institutions are requested to integrate sustainability factors, risks and preferences into organizational and operational processes.

The Corporate Sustainable Reporting Directive (CSRD), published by the Commission on 21 April 2021, and currently under negotiations by the Co-Legislators, will review the existing Non-Financial Reporting Directive (NFRD) to reinforce disclosure obligations through mandatory reporting standards while broadening the application scope. Particularly the proposed Directive includes:

- an extension of scope to additional firms including all large and all listed companies (including firms not established in the EU but listed on EU regulated markets) except for listed micro-undertakings).
- the requirement to specify in greater detail the information that companies should report (e.g., information about their strategy, targets, the role of the board and management, principal adverse impacts of the undertaking, intangibles)
- the requirement to report against mandatory EU sustainability reporting standards.
- the requirement for an EU-wide audit (assurance) requirement for reported sustainability information.
- the requirement to ensure all information is published as part of the firm's management report and is disclosed in a digital, machine-readable format.

According to the Commission's proposal the CSRD's new sustainability reporting obligations will apply to financial years starting with January 1, 2023. The timeline is currently being discussed both at EU Council and European Parliament level.

On 25 November 2021, as part of the Capital Markets Union Action Plan, the EU Commission published the legislative proposal for the establishment of the European Single Access Point (ESAP), aimed to ensure public and free access to financial and sustainability-related information across the single market with a view to meet investors' demand. The scope of data accessible via the ESAP will include information published by entities under existing EU financial services legislation, with a phased approach from 2024 till 2026. The ESAP will enable any entity, in particular SMEs, to file relevant information voluntarily. Entities are expected to file the information only once to a collection body (for instance the Officially Appointed Mechanisms or an existing authority, at national or at European level). All the collection points will enable the ESAP to access that information via application programming interfaces (APIs). The European Securities and Markets Authority (ESMA) will be in charge of building, operating and governing the ESAP. The information will be available for free and in data extraction format, with an increasing amount of information made machine-readable in the long run. The ESAP proposal will undergo the legislative process in the course of 2022.

On 24 January 2022, the EBA published its final draft implementing technical standards (ITS) on Pillar 3 disclosures requesting large-listed banks from 1Q 2023 to disclose prudential information on environmental, social and governance risks (ESG), including physical and transition risks. Financial institutions are required to disclose the green asset ratio (GAR – defined as the proportion of the credit institutions' assets invested in taxonomy-aligned economic activities versus total balance sheet exposure) from January 2024 (based on financial data as of December 2023) and the banking book taxonomy alignment ratio (BTAR – referred to non-EU and SMEs exposures) from June 2024.

Measures to counter the impact of Covid 19

Starting from early 2020, with the outbreak of the Covid-19 pandemic, European and national authorities have undertaken several measures to support the banking and financial market to counter the economic effects of Covid 19.

On March 10, 2020, through an addendum to the 2019 credit agreement between ABI and the Business Associations, the possibility of requesting suspension or extension was extended to loans granted until January 31, 2020. The moratorium refers to loans to micro, small and medium sized companies affected by the Covid 19 outbreak. The capital portion of loan repayment instalments may be requested to be suspended for up to one year, later extended until June 30, 2021. The suspension is applicable to medium/long term loans (mortgages), including those concluded through the issue of agricultural loans, and to property or business assets leasing transactions. In the latter case, the suspension concerns the implicit capital instalments of the leasing. On April 21, 2020, through an agreement entered into with the consumer associations, the moratorium was extended to households, including the suspension of the principal portion of mortgage backed loans and unsecured loans repayable in instalments.

On March 11, 2020, ESMA, considering the spread of Covid 19 and its impact on the EU economy, issued 4 recommendations on the following areas: (1) business continuity planning, (2) market disclosure, (3) financial reporting and (4) fund management.

Business Continuity Planning: ESMA has recommended all financial market participants to be ready to apply their contingency plans to ensure operational continuity in line with regulatory obligations.

Market disclosure: issuers should disclose as soon as possible any relevant significant information concerning the impacts of Covid 19 on their fundamentals, prospects or financial situation in accordance with their transparency obligations under the Regulation (EU) No. 596/2014 (MAR), as a disclosure obligation contained in Article 17, paragraph 1 of the MAR, pursuant to which issuers are required to disclose to the public without delay any inside information directly concerning them.

Financial reporting: ESMA has recommended issuers to provide transparency on the actual and potential impacts of Covid 19, to the extent possible based on both a qualitative and quantitative assessment on their business activities, financial situation and economic performance in their 2019 year end financial report if these have not yet been finalised or otherwise in their interim financial reporting disclosures.

Fund Management: ESMA has encouraged fund managers to continue to apply the requirements on risk management and to react accordingly.

The European Central Bank (ECB), at its monetary policy meeting held on March 12, 2020, decided to adopt a comprehensive set of monetary policy measures, consisting of three key elements: first, safeguarding liquidity conditions in the banking system through a series of favourably priced longer term refinancing operations (LTROs); second, protecting the continued flow of credit to the real economy through a fundamental recalibration of targeted longer term refinancing operations (TLTROs); and, third, preventing financing conditions for the economy tightening in a pro cyclical way via an increase in the asset purchase programme (APP).

As regards TLTRO, the Governing Council decided to apply considerably more favourable terms during the period from June 2020 to June 2021 to all TLTRO III operations outstanding during that time. Throughout this period, the interest rate on these TLTRO III operations will be 25 basis points below the average rate applied in the Eurosystem's main refinancing operations.

Lastly, the Governing Council also decided to add a temporary envelope of additional net asset purchases of €120 billion until the end of the year, ensuring a strong contribution from the private sector purchase programmes.

Among the various measures adopted by the Italian government to address the epidemiological emergency due to Covid 19 outbreak, on March 17, 2020 Law Decree No. 18 (Cura Italia Decree) has been adopted. The Cura Italia Decree has introduced special measures derogating from the ordinary proceeding of the Guarantee Fund for SMEs in order to simplify the requirements for access to the guarantee and strengthen the intervention of the Guarantee Fund for SMEs itself, as well as the possibility of transforming the DTA relating to losses that can be carried forward but not yet deducted and to the amount of the ACE notional return exceeding the total net income, to the extent of 20% of the impaired loans sold by December 31, 2020.

On March 20, 2020, the ECB announced additional measures (in addition to those already undertaken on March 12, 2020 on temporary capital and operational relief for banks) to ensure that its directly supervised banks can continue to fulfil their role to fund households and corporations amid the coronavirus related economic shock to the global economy. In particular, the ECB recommends to:

give banks further flexibility in prudential treatment of loans backed by public support measures;

encourage banks to avoid excessive procyclical effects when applying the IFRS 9 international accounting standard;

activate capital and operational relief measures announced on March 12, 2020.

On March 25, 2020, EBA published a statement to explain the functioning of the prudential framework in relation to the exposures in default, the identification of forborne exposures and impaired exposures in accordance with IFRS 9. In particular, EBA has clarified some additional aspects of the operation of the prudential framework concerning:

- the classification of exposures in default;
- the identification of forborne exposures;
- the accounting treatment of the aforesaid exposures.

Specifically, the Authority repeats the concept of flexibility in the application of the prudential framework, clarifying that an exposure should not be automatically reclassified as (i) exposure in default, (ii) forborne exposure, or (iii) impaired exposure under International Financial Reporting Standard – IFRS9, in case of adoption of credit tolerance measures (such as debt moratorium) by national governments.

On March 25, 2020, ESMA provided clarifications on the accounting implications of the economic support and relief measures adopted by EU Member States in response to Covid 19. In particular, the statement provides guidance to issuers and auditors on the application of IFRS 9 (Financial Instruments) with regard to the calculation of expected losses and related disclosure requirements. This concerns, in particular, the suspension (or deferral) of payments established for credit agreements (e.g., moratorium on debt) that impact the calculation of Expected Credit Loss (ECL) under the principles set forth in IFRS 9.

On March 27, 2020, the Basel Committee's oversight body, the Group of Central Bank Governors and Heads of Supervision (GHOS), has deferred Basel III implementation to increase operational capacity of banks and supervisors to respond to the immediate financial stability priorities resulting from the impact of the Covid 19 on the global banking system.

The measures endorsed by the GHOS comprise the following changes to the implementation timeline of the outstanding Basel III standards:

the implementation date of the Basel III standards finalised in December 2017 has been deferred by one year to January 1, 2023. The accompanying transitional arrangements for the output floor has also been extended by one year to January 1, 2028.

the implementation date of the revised market risk framework finalised in January 2019 has been deferred by one year to January 1, 2023.

the implementation date of the revised Pillar 3 disclosure requirements finalised in December 2018 has been deferred by one year to January 1, 2023.

On March 27, 2020, the European Central Bank published a recommendation addressed to significant banks to refrain from paying dividends and from share buy backs aimed at remunerating shareholders for the duration of the economic shock related to Covid 19; on July 27, 2020 this recommendation was extended to January 2021.

On December 15, 2020 the ECB recommended that banks exercise extreme prudence on dividends and share buy backs. To this end, the ECB asked all banks to consider not distributing any cash dividends or conducting share buy backs, or to limit such distributions, until September 30, 2021. Given the persisting uncertainty over the economic impact of the coronavirus pandemic, the ECB expects dividends and share buy backs to remain below 15% of the cumulated profit for 2019 20 and not higher than 20 basis points of the Common Equity Tier 1 (CET1) ratio. Banks that intend to pay dividends or buy back shares need to be profitable and have robust capital trajectories. They are expected to contact their Joint Supervisory Team to discuss whether the level of intended distribution is prudent. The recommendation is related to the current exceptional circumstances and remained valid until the end of September 2021;

On April 2, 2020, EBA issued Guidelines on the treatment of legislative and non legislative moratoria applied before June 30, 2020: clarified which legislative and non legislative payment moratoria could trigger forbearance classification; in particular, the guidelines supplemented the EBA Guidelines on the application of the Definition of Default as regards the treatment of distressed restructuring (they clarified that the payment moratoria, if based on the application of national laws, or on initiatives agreed at industry / private sector level, where widely applied by the relevant credit institutions, do not trigger forbearance classification and it is not necessary to verify the existence of the requirements for tracing between the distressed restructuring). On June 18, 2020 EBA has extended the deadline for the application of its Guidelines on payment moratoria to September 30, 2020, after which they expired. Adjusted Guidelines have been reactivated in December 2020, though restricting the scope of application to a maximum of 9 months from the granting of the moratoriums, a limit which however does not apply to those agreed before September 30, 2020 which continue to benefit from the flexibility granted by the guidelines until their expiry, even if it exceeds 9 months. On January 29, 2021, the EBA published the "Report on the implementation of selected Covid 19 policies", which contains a series of clarifications in the form of questions and answers (Q&A) on the interpretation of the EBA Guidelines, in particular with regard to the overall duration of the deferred payment to fall within the scope of the EBA Guidelines on moratoriums. However, the clarifications did not concern the hypothesis in which the moratorium pursuant to law, even if granted before September 30, was extended for more than 9 months due to a subsequent law.

In continuity with the Cura Italia Decree, Law Decree no. 23 of April 8, 2020 ("**Liquidity Decree**") was issued, a further measure deemed necessary to support Italian entrepreneurship. The Liquidity Decree, in addition to providing an additional guarantee managed by SACE Simest ("**SACE**"), a company of the Cassa Depositi e Prestiti group, aims to further strengthen the Guarantee Fund for SMEs by redrawing its rules for accessing, by including also companies with no more than 499 employees and professionals, as well as increasing the guarantee coverage percentages already provided by Article 49 of the Cura Italia Decree (provision that is repealed). In the wake of the latter provision, the Liquidity Decree makes further exceptions to the ordinary rules of the Guarantee Fund for SMEs, which will be applicable until December 31, 2020 and extended until June 30, 2022 by 2022 Budget Law (formerly December 31, 2021 – see below).

On April 28, 2020, the European Commission adopted a banking package for banks to help facilitate bank lending to households and businesses throughout the European Union. The aim of this package is to ensure that banks can continue to lend money to support the economy and help mitigate the significant economic impact of the Covid 19.

The measures, both temporary and exceptional, have been promoted to mitigate the immediate impact of coronavirus related developments and imply:

the reintroduction of prudential filters to manage the current situations of strong turbulence in the markets and to neutralize the effects of losses and gains on the value of debt securities held in the portfolio available for sale as if the securities were valued at cost instead of at fair value;

a temporary approach to market risk in order to allow supervisors to implement appropriate measures to avoid automatic increases in the quantitative addendum (in particular over the period January 2020 and December 2021);

more favourable treatment of government guarantees granted during the crisis, aligning the calendar provisioning applied to positions with government guarantees with the calendar provisioning applied to credits guaranteed by Export Credit Agencies;

early application of certain measures provided for in CRR2: i) extension of the SME Supporting Factor; ii) introduction of the Infrastructure Supporting Factor; iii) improved weighting calibration for loans guaranteed by salary/pension share disposals; iv) improved prudential treatment of software;

an adaptation of the timeline of the application of international accounting standards to banks' capital (IFRS9 phase in arrangements);

the postponement of the date of application of the additional reserve requirement for the leverage ratio of systemic banks ("G SIB buffer");

a change in the way of excluding certain exposures from the calculation of the leverage ratio; and

the introduction of a transitional regime for EU Sovereign exposures in the currency of another EU Member State.

Following the positive vote of the plenary session of the European Parliament (June 19, 2020), the "CRR Quick Fix" has been published in the European Official Journal on June 26 and has entered into force the following day (June 27).

On May 19, 2020, the Law Decree No. 34 of 19 May 2020 (the so called "*Decreto Rilancio*") was published in the Official Journal, introducing urgent measures in the areas of healthcare, work and economic support, as well as social policies, related to the epidemiological emergency by Covid 19.

Such decree has been signed in the law 77/202. It introduced some provisions (valid until December 31, 2020) which are aimed at strengthening SME's capital, thus preventing their insolvency risk. Particular reference is made to two public tools: "*Patrimonio PMI*" fund, which is aimed at subscribing new bonds issued by SME corporates with 10 millions euro turnover, which have been impacted by Covid 19 a turnover reduction of 33% in April and May 2020 (two tax credits are granted to other investors <20% of the investment> in such corporates, and to the corporates above indicated which have suffered losses <50% of the losses which exceed the 10% of the Net worth, but in the limit of the 30% of the capital increase>); and the so called "*Patrimonio rilancio*" (Dedicated assets within CDP) which is aimed at subscribing new bonds (mainly convertible bonds) and shares in order to support real economy.

In August the Government approved the Law Decree "August" (Decree Law 14 august 2020, n. 104, converted into Law 13 October 2020, n.126) containing several urgent measures in support of health, work and economy, linked to the Covid 19 emergency. The measures introduced by the Law regard the extension of the moratorium for SME until December 31, 2021 (formerly January 31, 2021). Such prorogation operates automatically, unless expressly waived by the beneficiary company. They also provide technical changes to the possibility (art. 55, DL *Cura Italia* n. 18/2020) to convert the DTAs into tax credits (application to special regimes, such as consolidated and transparency). The decree above mentioned also widens the scope of the public guarantee, too, extending the FCG guarantee scope to companies which already got a prorogation of the guarantee due to temporary difficulties of the beneficiary and including financial intermediation and holding financial assets activities in the 30k guaranteed loans. It also extends SACE guarantee scope also to companies admitted to the arrangement procedure with business continuity (or certified plans and restructuring agreements) if their exposures are not classifiable as non performing exposures (at the date of submission of the application), they don't present amounts in arrears and the lender can reasonably assume the full repayment of the exposure at maturity.

In October and November the Council of Ministers approved the "Relieves" law decree (Decree Law 28 October 2020, n. 137) and the "Relieves 2" law decree (Decree Law 9 November 2020, n. 149) which provides further urgent measure regarding health protection, support to workers and production sectors, justice and safety linked to Covid 19 epidemic. Main measures introduced by the Law are a non-refundable aid for enterprises whose sectors have been restricted and the prorogation of "rental" Tax credit to October December period and extension to enterprises with turnover exceeding 5 millions and which have had a 50% reduction of turnover.

The Law 30 December 2020, No. 178 (the "**2021 Budget Law"**) extended the "SACE Guarantee" until 30 June 2021 and provided for Mid Cap (companies with a number of employees not exceeding 499) to access the SACE Guarantee from 1 March 2021 to 30 June 2021 at the same favorable conditions offered to these companies by the Guarantee Fund for SMEs. The extraordinary measures relating to the Guarantee Fund for SMEs and the extraordinary moratorium for micro-enterprises and SMEs (Art. 56 Cura Italia Decree) have also been extended until 30 June 2021. Finally, the operation of the "Patrimonio PMI" fund was extended until 30 June 30 2021 (Art. 26 *Decreto Rilancio*).

In March 2021 the Council of Ministers approved the "Support" law decree (Law Decree 22 March 2021, No. 41) which provides further urgent measure regarding health protection, support to workers and production sectors linked to COVID-19 pandemic. Such decree introduces a new non refundable aid for enterprises and professionals which have had a 30 per cent. reduction of turnover.

The Law Decree 25 May 2021, No. 73 (the **"*Sostegni-bis* Decree Law"**, converted into law by Law 23 July 2021 No. 106) further extended the extraordinary public guarantees issued by SACE and the Guarantee Fund for SMEs until December 31, 2021 (including the possibility for Mid Cap to access the SACE Guarantee under the same conditions offered by the Guarantee Fund for SMEs). The possibility of extending the duration of the loan against the payment of a commission has also been provided for operations with SACE guarantee, while for operations with guarantee issued by the Guarantee Fund for SMEs, the extension is possible against a reduction of the guarantee percentages. The extraordinary moratorium for micro-enterprises and SMEs was also extended until December 31, 2021, limited to the principal amount. The additional measures contained in the decree: the strengthening of the ACE for 2021 by applying the percentage rate of 15% and the extension of the temporal effectiveness of the measures on the transformation of DTAs into tax credits in the event of business combinations.

The Law 30 December 2021 n. 234 ("**2022 Budget Law"**) further extended the extraordinary public guarantees issued by SACE and the Guarantee Fund for SMEs (FCG) until 30 June 2022 (including the possibility for Mid Cap to access the SACE Guarantee under the same conditions offered by the Guarantee Fund for SMEs). From 1 April 2022 the FCG Guarantee is granted against payment of a fee.

The extraordinary regulation ends on 30 June 2022. From 1 July 2022 to December 31, 2022, some specific measures continue to apply, such as: the maximum amount guaranteed by the FCG Fund per company is equal to €5 million and the guarantee is granted by applying the Fund's valuation model.

Finally, among the measures adopted in response to the Covid 19 emergency, we recall the Capital Markets Recovery Package proposal (so called Quick Fix) published by the European Commission in July 2020 which proposing targeted amendments to the MiFID, the Prospectus Regulation as well as the Securitization Regulation. The package aimed to provide European economies with some relief to face the crisis emerging from the Covid 19 pandemic. As to MiFID2, the proposal included targeted amendments on: i) investor protection, ii) commodity derivatives and iii) research regime for SMEs. As to Prospectus, the amendments introduced in particular a new type of short form prospectus to facilitate the raising of capital in public markets. As to Securitization, in addition to a review of the regulatory constraints to the securitisation of non performing exposures (NPEs), the amendments in particular also included the preferential treatment to all synthetic on balance sheet securitisation that fulfil the simple, standardised and transparent (STS) criteria in order to help banks free up capital and promote the financing of the real economy, in particular to SMEs. Amendments Prospectus Regulations entered into force on March 18, 2021. The MiFID amendments, as being part of a Directive, had to be transposed into national laws by last November 28, 2021. Following the vote by the European Parliament the amendments related to the Securitizations entered into force on April 9, 2021) directly applicable in all Member States.

Germany

In Germany, UCB AG, a subsidiary of UniCredit, and certain other German companies controlled by UCB AG are authorized to operate as credit institutions (*Kreditinstitut*) and/or financial services institutions (*Finanzdienstleistungsinstitut*) pursuant to the German Banking Act (*Kreditwesengesetz* or "**KWG**").

The KWG and the German Securities Trading Act (*Wertpapierhandelsgesetz*, or WpHG) – implementing, *inter alia,* substantial elements of the CRD MiFID directives – together with directly applicable EU law such as CRR, MiFIR and related EU regulations as well as other German laws and regulations, define the main regulatory framework for institutions operating in Germany. They set out, *inter alia*, requirements for obtaining a banking/financial services license (*Erlaubnis*), capital and liquidity requirements, risk management requirements and powers of the supervisory authorities.

The relevant requirements are specified and supplemented by guidelines and other sources published by EBA (European Banking Authority), ESMA (European Securities and Markets Authority), ECB (European Central Bank) and BaFin (*Bundesanstalt für Finanzdienstleistungsaufsicht*).

Pursuant to the KWG, any company that carries out one or more of the activities that can be classified as "banking activity" (*Bankgeschäft*) or "financial service" (*Finanzdienstleistung*) in Germany must be authorized and operate as a "credit institution" or "financial services institution", depending on the case.

Regarding investment firms, the prudential framework has been significantly amended by the German Investment Institutions Law (*Wertpapierinstitutsgesetz*, "**WpIG**") which implements Directive (EU) 2019/2034 of the European Parliament and of the Council of 27 November 2019 on the prudential supervision of investment firms in Germany and is supplemented by Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on the prudential requirements of investment firms. The WPIG sets out *inter alia* license, capital, liquidity and risk management requirements and powers of the supervisory authorities for investment firms, which only carry out services which are licensable under the WpIG. For large investment institutions, the requirements under the KWG continue to apply.

On 27 October 2021, the EU Commission published final proposals to amend CRR (by CRR III) and CRD (by CRD VI). On 25 November 2021, the Commission also adopted a Capital Markets Union (CMU) legislative package including proposed changes to MiFIR (by MiFIR 2) and MiFID (by MiFID 3).

Supervisory authorities

Banking activities and financial services conducted in Germany by the Group are subject to the supervision of BaFin and *Deutsche Bundesbank* (the German central bank) except where the ECB is the competent supervisory authority. BaFin is the German federal financial supervisory authority. *Deutsche Bundesbank* cooperates with and supports BaFin in its activities.

Subject to the allocation of supervisory tasks within the SSM between the ECB and the national supervisory authorities such as BaFin and *Deutsche Bundesbank*, the ECB is the principal supervisor of "significant" credit institutions domiciled in Germany. As the direct supervision by the ECB also extends to the entities forming part of the supervised group of credit institutions, the Group company conducting the main part of banking activities in Germany, UCB AG, is also subject to direct supervision by the ECB (in coordination with the national supervisory authorities).

Supervision by the supervisory authorities includes regular checks and assessments of an institution and its control relations, capital adequacy and risk management systems. Institutions are required to disclose detailed information to the supervisory authorities in order to enable them to monitor compliance with applicable legal requirements. Institutions are further required to provide information relating to their financial condition. There are various ongoing and ad-hoc reporting duties, e.g., under the common reporting (COREP) and financial reporting (FINREP) framework. Usually, supervision by the competent authorities is applied both on a non-consolidated basis (to the institution only) and on a consolidated basis (to the institution and consolidated companies as defined by the CRR).

The scope of supervision by the supervisory authorities also includes, for example, liquidity requirements, credit extension limits, the compliance with applicable banking regulations and, capital adequacy, as well as the cover of market risk.

Even though, on a consolidated basis, the Group (including UCB AG) is subject to direct supervision by the ECB, BaFin continues to be the competent direct supervisory authority pursuant to several regulatory supervision provisions, including anti-money laundering, investment services, the *Pfandbrief* business and market and conduct supervision. Furthermore, BaFin (in coordination with *Deutsche Bundesbank*) is part of the joint supervisory team at ECB (the "**JST**") carrying out the ongoing supervision of the Group and of UCB AG. The main tasks of the JST include executing the SREP, proposing the supervisory examination program (including a plan of on-site inspections), implementing the approved supervisory examination program and any supervisory decisions, ensuring coordination with on-site inspection teams and liaising with national supervisory authorities.

For further information on the Single Supervisory Mechanism setting out the terms of supervisory powers of ECB and BaFin, see "*Italy – Establishment of the Single Supervisory Mechanism*."

Supervisory powers

The ECB, as part of its direct supervision of UCB AG, according to the above-mentioned regulatory provisions, has a wide range of powers for investigating and imposing measures on credit institutions and their managers, which are appropriate and necessary to stop and prevent violations of requirements or to prevent or remedy undesirable developments that could place the safety of the capital that the credit institutions uses in jeopardy or that could adversely affect banking activity.

BaFin assists the ECB in the performance of its tasks under the conditions set out in the SSM Regulation and the SSM Framework Regulation. BaFin, in particular, assists the ECB in preparing and implementing any acts relating to the exercise of the tasks conferred on the ECB pursuant to the SSM Regulation, including assisting in verification of activities and the day-to-day assessment of the situation of a significant supervised entity, and assists the ECB in enforcing its decisions. When assisting the ECB, BaFin must follow the ECB's instructions. Outside of the scope of the ECB's direct supervision, BaFin, in coordination with *Deutsche Bundesbank*, acts as the direct supervisor. This direct supervision includes, for example, audits that are generally required every three years under the German Covered Bonds Act (*Pfandbriefgesetz,* "**PfandBG**") for banks with *Pfandbrief* activities.

The supervisory authorities have, for example, the power to ask institutions for information and documents relating to their business and assets and for regular reports. If necessary, the supervisory authorities can ask them to increase their own funds or liquidity reserve, or prohibit distributing or paying earnings. If the supervisory authorities discover irregularities, they can impose compliance with the law through inspections, sanctions, including fines, individual sanctions for directors and staff, and, in the last instance, the withdrawal of the license to carry out regulated activities.

In general, the supervisory authorities can impose measures if there is a risk that an institution does not comply with or clearly violates regulatory requirements (e.g., under the KWG or CRR), including the requirements of regulatory capital and liquidity, and its organizational obligations (including the obligation to maintain adequate risk management). *Inter alia*, the supervisory authorities have the right to prohibit or limit the distribution of earnings, certain budget measures, payment of certain hybrid financial instruments and the extension of credit. In addition, the supervisory authorities can order institutions to take the necessary provisions for the purpose of reducing risks where these risks come from specific types of operations and products or from the use of specific systems and limit the payment of variable remuneration. Furthermore, the supervisory authorities can – rather than prohibit or limit financing – reduce the maximum financial exposure.

If specific regulatory requirements (such as requirements under the KWG or CRR) are violated, monetary penalties and other sanctions may be imposed on institutions and their management. For certain violations, managers and other individuals can be subject to criminal or administrative offences or similar proceedings. Certain measures and sanctions are publicly disclosed ("naming and shaming"). In particular, if a credit institution is intentionally or negligently in breach of any directly applicable provision of European law (e.g., requirements set out in the CRR), the ECB may impose administrative pecuniary penalties of up to 10% of the total annual turnover (as defined in relevant European law) of the preceding financial year, or of up to twice the amount of the profits gained or losses prevented (each, if quantifiable) because of the breach. If a credit institution is in breach of EU member state laws (e.g., the KWG), the ECB can instruct BaFin to initiate proceedings against the credit institution or its managing directors.

Supervisory powers by German authorities or the ECB in special cases

In order to prevent an institution being unable to meet its obligations *vis-à-vis* its creditors, especially if the security of the assets entrusted to the institution is threatened or if there is a good reason to suspect that the effective supervision of the institution is not possible, BaFin or the ECB can adopt certain measures or the ECB can instruct BaFin to do so. The measures can include arrangements with regard to the management of the institution, the prohibition of accepting deposits, money or securities from customers and of granting loans, the prohibition of or restriction to carry out administrative functions or ownership of the organization and the appointment of special representatives for a dedicated period of time. Furthermore, the competent supervisory authority can prohibit acts of disposal for assets and payments, suspend activity with regard to customers and prohibit the acceptance of all payments unless a payment is destined to fulfil an obligation *vis-à-vis* the institution. If these measures are insufficient, the competent supervisory authority can withdraw the institution's license to carry out regulated activities and, if necessary, order the closure of the institution. BaFin has the exclusive power to request the beginning of insolvency procedures (*Antrag auf Eröffnung des Insolvenzverfahren*) in respect of the assets of an institution.

In addition, the German federal government (*Bundesregierung*) can issue regulations (*Rechtsverordnungen*) that impose a moratorium on payments by one or more credit institutions or the closure of these credit institutions, if there are elements that raise concerns that the credit institutions are in such financial difficulty that could have serious consequences for the economy as a whole (*Gesamtwirtschaft*), especially for a well-coordinated operation of the general payment system.

Capital adequacy requirements

The CRR, the KWG and the German Solvency Regulation (*Solvabilitätsverordnung*) reflect the Basel regulatory framework on capital adequacy and require institutions to maintain a suitable level of regulatory capital in relation to their risk positions. Risk positions include different types of risks that an institution may be exposed to, in particular, credit risks, market risks and operational risks (including risks relating to certain external and technical factors, and to employee mistakes), which are aggregated to a total risk exposure amount (by taking into account risk-mitigation techniques). The implementation of the Basel III regulatory framework and European legislation has a significant impact on the capital adequacy requirements applicable to UCB AG and its respective German subsidiaries.

For further information on the regulatory capital requirements provided for by the CRR, see "– *Italy – Capital adequacy requirements*."

In addition to the CRR's own funds requirements, the KWG provides for additional capital buffers: (a) a capital conservation buffer (*Kapitalerhaltungspuffer*); (b) a countercyclical capital buffer (*Antizyklischer Kapitalpuffer*); (c) a systemic risks capital buffer (*Kapitalpuffer für systemische Risiken*); (d) a capital buffer for global systemically important institutions (*Kapitalpuffer für global systemrelevante Institute*); and (e) a capital buffer for other systemically important institutions (*Kapitalpuffer für anderweitig systemrelevante Institute*). These additional capital buffers must consist of common equity tier 1. The KWG also includes provisions governing the interrelation of certain aforementioned buffers and regarding a combined capital buffer.

According to the KWG, institutions must build up a capital conservation buffer (*Kapitalerhaltungspuffer*) that amounts to 2.5% of the total risk exposure amount. Moreover, BaFin may impose a countercyclical capital buffer (*Antizyklischer Kapitalpuffer*) during periods of high credit growth of up to 2.5% of the total risk exposure amount (if necessary, a higher ratio than 2.5% may be imposed).

Moreover, on March 30, 2022, BaFin has introduced with effect as of April 1, 2022 a sectoral systemic risk buffer of 2.0 % on risk-weighted exposures secured by residential property.

If an institution is identified as "other systemically important institution" (**O-SII**), BaFin may require such institution to maintain an additional capital buffer of up to 2% of the total risk exposure amount (*Kapitalpuffer für anderweitig systemrelevante Institute*). UCB AG is identified as O-SII and is required to maintain an additional capital buffer (*Kapitalpuffer für anderweitig systemrelevante Institute*) of 1.0%.

BaFin has introduced with effect from April 1, 2022 a sectoral systemic risk buffer of 2.0 % on risk-weighted exposures secured by residential property. BaFin has also decided that the ratio for the domestic countercyclical capital buffer will be increased to 0.75 per cent of the total exposure amount determined in accordance with Article 92, paragraph 3 CRR with effect from February 1, 2022. However, in accordance with the KWG this the new ratio must be applied for the calculation of the institution-specific countercyclical capital buffer only from February 1, 2023.

In certain circumstances (such as in the case of inadequate risk management or as a consequence of the SREP), the supervisory authorities may impose capital requirements on institutions that are more stringent than the general requirements.

Liquidity requirements

With regard to liquidity, the relevant EU requirements implementing Basel III have, *inter alia*, introduced a short term indicator (Liquidity Coverage Ratio, LCR) which is aimed at creating and maintaining a liquidity buffer which allows the survival of a bank for a time period of at least 30 days in the event of severe stress, and a structural liquidity indicator (Net Stable Funding Ratio, NSFR) with a timeframe of one year and above, introduced to ensure that assets and liabilities have a sustainable maturity as well as a non-risk-based minimum Leverage Ratio.

Furthermore, the MaRisk (*Mindestanforderungen an das Risikomanagement*, a circular by BaFin) specify qualitative requirements in relation to the liquidity risk management of institutions (in addition to the quantitative liquidity requirements set out above. The MaRisk specify, *inter alia*, the qualitative requirements of the KWG, as expected by BaFin and *Deutsche Bundesbank* in greater detail. Under the KWG and MaRisk specifications, institutions are expected to be able to meet their payment obligations at all times. The MaRisk describe general specifications expected to be met (e.g., the preparation of a liquidity overview, the performance of appropriate stress tests, the preparation of contingency plans and the incorporation of liquidity-related cost/ benefit considerations in the management of institutions' business activities). For further information, see "*Risk management requirements*."

For further information on liquidity requirements, see "*Italy – Liquidity requirements*."

Risk management requirements

UCB AG is subject to detailed prudential requirements relating to internal organization, including prudential requirements on risk management, and outsourcing of activities.

Major prudential requirements are set out in Section 25a *et seqq*. of the KWG. In the MaRisk, BaFin has specified its interpretation of the statutory requirements on organization, risk management and outsourcing under Sections 25a and 25b KWG. The internal control procedures pursuant to the KWG and the MaRisk include the internal control system (which itself includes the risk management function and compliance function) and internal audit.

The procedures for identifying, assessing, managing, monitoring and communicating risks should guarantee that the significant risks – including those resulting from outsourced activities and procedures – are suitably defined and can be identified and intercepted at the onset. These procedures and the possibility for covering the risk calculated should be proportional (i.e., the procedures should be adequate for the size and nature of the organization, the business and the type and level of risk implied by the business activity) and should take into consideration every relevant correlation between the various types of risk in order to ensure that adequate levels of internal capital to cover the significant risks (i.e., risk-bearing capacity (*Risikotragfähigkeit*)) are maintained at all times.

Also, stress tests should be conducted regularly to assess the institutions' risk-bearing capacity. Institutions must develop a written management plan that indicates the areas of responsibility of employees and defines operating procedures. Business continuity must be ensured by sufficient contingency management planning and measures.

Supervisory authorities have the power to impose sanctions on an institution and its corporate bodies and their members where the above-mentioned and other risk management requirements have been violated.

The regulations in the MaRisk regarding data management, data quality and the aggregation of risk data management should ensure that the data structure and data hierarchy as well as the IT infrastructure of significant institutions allows for a comprehensive, accurate and prompt aggregation of an institution's risk positions. The institution has to be able to swiftly provide this information to the bank's reporting system (*Berichtswesen*). Corresponding mandatory principles for data management, data quality and aggregation, thus a "risk data policy", needs to be determined by institutions.

Furthermore, specifications are made in the MaRisk regarding executive management to ensure that an appropriate "risk culture" is developed and maintained within the institution (i.e., the manner in which employees deal with risks). Appropriate risk culture mainly depends on the executive management firmly committing to risk-adjusted behavior, defining and communicating, *inter alia*, "risk appetite" as a guideline for all employees and fostering a transparent and open dialogue with regard to risk-related questions.

Sections 25b, 25a, 24 KWG, the MaRisk (which also implement the EBA Guidelines on Outsourcing Arrangements as of February 25, 2019 (EBA/GL/2019/02)) and several other laws and regulations stipulate requirements for, and limits to, outsourcing. For example, outsourcing requires prior and ongoing risk analysis. Outsourcing may not impede the proper conducting of business and services, the proper business organisation and the adequate risk management. The responsibility of the executive management must not be delegated and the supervisory authorities and statutory auditors must not be hindered in meeting their task. The MaRisk further limit outsourcing of core banking areas and of important control areas. To ensure proper documentation, managing, monitoring, changing and termination of outsourcing, the KWG and the MaRisk also set out detailed requirements for outsourcing contracts and require internal outsourcing guidelines as well as a sufficient organisational setup such as an outsourcing officer, a centralized outsourcing management, and an outsourcing register. There are also notification duties to the authorities before, when establishing and when changing an outsourcing and in case of relevant incidents during an outsourcing.

In addition to the MaRisk, BaFin has issued its circular 10/2017 *Bankaufsichtliche Anforderungen an die IT* (BAIT) in order to stress the growing importance of the IT and information-related governance including the outsourcing of software components and related maintenance services to third party service providers. The BAIT also specify BaFin's interpretation of the requirements in Sections 25a and 25b of the KWG and in the MaRisk as regards risk management in the area of processing of information and technical organizational equipment including IT and information security and business continuity planning. The requirements also cover outsourcing as IT services increasingly are being provided by third parties. The BAIT, also implement requirements set out in the EBA Guidelines on ICT and security risk management (EBA/GL/2019/04).

Limitations on large exposures

The CRR, together with the KWG and the German Regulation on Large Credit Risk Exposures (*Großkredit und Millionenkreditverordnung* (the "**GroMiKV**")), sets certain limits and restrictions for institutions in relation to large credit

risks exposure (*Großkredite*). However, in compliance with the options provided by the CRR, the GroMiKV excludes certain risk positions from the CRR rules concerning large credit risks exposure (*Großkredite*).

When calculating the relevant credit risk exposure, all risk exposures related to an individual customer (and related customers) are aggregated. Institutions shall notify the supervisory authorities of loans provided to a given subject, and shall inform the competent authorities if certain thresholds are exceeded. If, in an exceptional case, loans exceed these thresholds, the competent authorities may, where the circumstances warrant it, grant the institution a limited period of time, at the end of which the institution must again comply with the given thresholds.

Deposit guarantee systems

German law provides for statutory deposit protection and UCB AG is required to pay regular and special contributions to the statutory deposit protection scheme.

The statutory deposit protection scheme of UCB AG is the "*Entschädigungseinrichtung deutscher Banken GmbH*" (the "**EdB**"). The EdB may levy special contributions and special payments to settle compensation claims where the funds available to the EdB are not sufficient to cover a compensation case. The EdB may levy several such special contributions and/or special payments per year, which may in exceptional circumstances exceed an amount of 0.5 per cent of covered deposits of the CRR credit institutions allocated to the EdB. In addition, the Deposit Protection Fund of the Association of German Banks (*Einlagensicherungsfonds des Bundesverbandes deutscher Banken e. V.)* which is the supplementary voluntary deposit protection scheme of German private banks in which UCB AG participates, is also funded by annual and special contributions by its participating institutions. Under its statutes, the Deposit Protection Fund of the Association of German Banks can impose significant requirements on UCB AG.

Anti-money laundering

The German Anti-Money Laundering Act (*Geldwäschegesetz*, "**GwG**") and KWG stipulate various requirements which aim at preventing money laundering, terrorist financing and other criminal actions. These requirements implement EU requirements as well as relevant standards at international, EU and national level. Supplemented by other relevant sources, the GwG and KWG include requirements for an internal risk analysis, for an internal risk management including internal safeguards, protection systems, principles, guidelines, procedures and controls, strategies, data systems, transaction monitoring, customer due diligence as well as for the organizational setup and regarding a transparency register.

Supervisory powers pursuant to the European resolution regime for banks

The BRRD (as amended) and SRM Regulation (as amended) provide for the European framework for recovery and resolution of, *inter alia*, failing banks, certain financial services institutions and their holding companies. The BRRD was implemented in Germany through the German Recovery and Resolution Act (*Sanierungs-und Abwicklungsgesetz*, "**SAG**"), supplemented by the KWG. The SRM Regulation is directly applicable in the Member States participating in the SRM, such as Germany. The SAG continues to apply for institutions that are subject to the SRM Regulation such as UCB AG to the extent the SRM Regulation does not include respective provisions (e.g., regarding recovery planning).

Under the SRM Regulation, the SRB works in close consultation with national authorities. BaFin, is the national resolution authority in Germany, which, among other functions, orders and implements resolution measures initiated by the SRB under the provisions of the SAG. Pursuant to the SRM Regulation, where BaFin inter alia does not apply or comply with a decision by the SRB, the SRB may order an institution under resolution to take necessary action.

Pursuant to the legal framework, in the event of an insolvency proceeding, certain unsecured unsubordinated debt instruments (so called "senior non-preferred" instruments) will rank junior to certain other unsecured unsubordinated obligations, but will rank in priority to contractually subordinated instruments.

The framework for recovery and resolution also grants additional competencies and powers to the supervisory authorities, including additional organizational and reporting requirements for institutions and possible loss participations of creditors, as well as considerations for the financing of a bank restructuring fund. Furthermore, the framework grants certain resolution powers to the relevant resolution authority. Under the SRM Regulation, which applies to UCB AG, the SRB has been given the authority to write down the claims of unsecured creditors of a failing institution or to convert debt into equity (bail in), and transfer assets to a bridge bank, a third party or a vehicle company to manage activities, if certain requirements are met by applying the respective national law implementing the BRRD, in Germany, the SAG.

Part of the SRM mechanism is the establishment of a single resolution fund for the funding of resolution actions (SRF) financed by contributions from institutions covered by consolidated supervision in Eurozone countries through a payment plan spread over eight years, without using public funds.

In addition, pursuant to the SRM Regulation, institutions must comply with the minimum requirements for own funds and eligible liabilities (MREL). For institutions not subject to the SRM Regulation, MREL provisions are stipulated in the BRRD and implemented in Germany by the SAG.

The SRM Regulation and SAG also provide for a regime for early-intervention measures which can be taken if the financial situation of institutions deteriorates significantly.

For further information on the European recovery and resolution regime and the MREL requirements, see "*Italy – Recovery and resolutions of crisesin credit institutions*."

Supervisory powers pursuant to the PfandBG

UCB AG is a bank authorized to issue *Pfandbriefe* (*Pfandbriefbank*, "**Pfandbriefbank**") pursuant to the PfandBG. The PfandBG establishes the legal requirements in Germany to carry out activities related to the issuance of *Pfandbriefe*. The activity of issuing *Pfandbriefe* consists *inter alia* of granting mortgage-backed loans, which are refinanced by the issuance of mortgage *Pfandbriefe*, and granting loans, bonds etc. to specific public sector organizations or the undertaking of a full guarantee of these organizations, which are refinanced through the issuance of public *Pfandbriefe* (*Öffentliche Pfandbriefe*). The aggregate principal amount of the outstanding *Pfandbriefe* issued by a *Pfandbriefbank* must be covered by a separate pool of assets (*Deckungsmasse*) for each class of *Pfandbriefe* ("**Cover Pool**"). Moreover, the net present value of the assets of the Cover Pool must exceed the total amount of the secured liabilities by at least 2% (*barwertige sichernde Überdeckung*) ("**Excess Cover**"). Excess Cover must consist of highly liquid assets. Furthermore, BaFin may require a Pfandbriefbank to meet an Excess Cover above 2%, particularly in case of deficiencies identified by BaFin in the course of an inspection.

The PfandBG contains *inter alia* provisions on guarantees for *Pfandbriefe* and their valuation and provisions enabling to extend the maturity of interest and repayment obligations. In addition, the PfandBG includes preferential treatment for *Pfandbrief* investors in the case of the insolvency of the issuing *Pfandbriefbank*: the Cover Pools do not participate in the insolvency proceedings in respect of a *Pfandbriefbank*'s assets. They form for each *Pfandbrief* category issued by the credit institution a special (ringfenced) part of the *Pfandbriefbank* out of which the *Pfandbrief* creditors' claims are to be satisfied (Section 30 par. 1 PfandBG). The *Pfandbriefbank*'s insolvency administrator therefore has no access to the Cover Pools. The assets entered in the cover registers and the claims of the Pfandbrief creditors, which are named in sentences 1 and 2 of Section 30 PfandBG, continue to exist outside of the insolvency proceedings for every Pfandbrief category as a *Pfandbriefbank* with limited business activity ("Pfandbriefbank mit beschränkter Geschäftstätigkeit"). The management of each *Pfandbriefbank* with limited business activity shall be the responsibility of the cover pool administrator appointed. The purpose of each *Pfandbriefbank* with limited business activity is the complete fulfillment of the Pfandbrief liabilities in accordance with their contractual terms as well as the due administration of the assets necessary to this end which are not included in insolvency proceedings. The cover pool administrator may carry out legal transactions in respect of the respective *Pfandbriefbank* with limited business activity insofar as this is necessary for the proper administration of the cover pools in the interest of the complete fulfilment of the Pfandbrief liabilities in accordance with their contractual terms. In particular they may procure liquid funds in order to repay the outstanding Pfandbriefe on time or extend the maturity date of interest payments and principal repayments subject to defined conditions.

In order to harmonise the European covered bonds market, Regulation (EU) 2019/2160 of the European Parliament and of the Council of 27 November 2019 amending Regulation (EU) No 575/2013 as regards exposures in the form of covered bonds (the "**Covered Bond Regulation**") and Directive (EU) 2019/2162 of the European Parliament and of the Council of 27 November 2019 on the issue of covered bonds and covered bond public supervision and amending Directives 2009/65/EC and 2014/59/EU (the "**Covered Bond Directive**") have been issued in 2019. The Covered Bond Directive has been implemented in Germany by changes to the PfandBG whereby some changes will only apply as from July 8, 2022.

The German Bank Separation Act

The German Act on the Separation of Risks and on Recovery and Resolution Planning for Credit Institutions and Financial Groups (*Gesetz zur Abschirmung von Risiken und zur Planung der Sanierung und Abwicklung von Kreditinstituten und Finanzgruppen or Trennbankengesetz*, "**Bank Separation Act**") introduced requirements for deposit-taking banks and their affiliates. The requirements generally prohibit deposit-taking banks and their affiliates to engage in propriety trading which does not constitute a service for others, to conduct credit or guarantee transactions with hedge funds and comparable undertakings and/or to engage in high-frequency trading (but for market making activities), unless such activities are transferred to a separate legal entity (a financial trading institution, *Finanzhandelsinstitut*). The prohibitions apply if certain thresholds are exceeded. UCB AG does not exceed these thresholds. Irrespective of the thresholds, BaFin is entitled to prohibit, on a case-by-case basis, deposit-taking credit institutions and their affiliates to engage in market making, the prohibited activities and comparable activities, if these activities may put the solvency of the deposit-taking credit institution or affiliate at risk. BaFin may order that the activities must be discontinued or transferred to a financial trading institution. Non-compliance with the prohibitions under the Bank Separation Act can result in both criminal and civil liability.

EU Securitisation Framework

The adoption of the EU securitisation framework (the "**Securitisation Regulation**") is of relevance to the securitisation operations of UCB AG. The Securitisation Regulation entered into force in January 2019, while a number of underlying regulatory and implementing technical standards delivered by the EBA and European Securities and Markets Authority have been and are being adopted. The Securitisation Regulation introduced changes to the existing securitisation framework in relation to the nature of the risk retention obligation and due diligence requirements, the introduction of an adverse selection test for certain assets and a new framework for so-called "simple transparent and standardised securitisations" which will receive preferential capital treatment subject to a number of conditions.

Austria

The framework of the regulation and supervision of the Austrian banking system is set forth in a number of Austrian laws and directly applicable EU regulations, most essentially the Austrian Banking Act (*Bankwesengesetz*) and related national

regulations, the CRR, SSM Regulation, the Mortgage Bank Act 1899 (*Hypothekenbankgesetz*), the Securities Supervision Act 2018 (*Wertpapieraufsichtsgesetz 2018*), the Joint Stock Act 2018 (*Börsegesetz 2018*) and the Capital Market Act (*Kapitalmarktgesetz*), the EU Regulation 2017/1129 on prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (Prospektverordnung 2017/1129) and the EU Regulation 1286/2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs) (PRIIPs-Verordnung 1286/2014).

Moreover, all EU directives relevant for the Austrian banking sector, among others the CRD IV, MiFID II, Directive 2005/60/EC of the European Parliament and of the Council of October 26, 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing, each as amended, are each implemented through amendments to the Banking Act and the Securities Supervision Act 2018. The BRRD was implemented through the Bank Recovery and Resolution Act (*Sanierungs-und Abwicklungsgesetz*, the "**BaSAG**"). The DGSD was implemented through the Deposit Insurance and Investor Compensation Act (*Einlagensicherungs-und Anlegerentschädigungsgesetz*, the "**ESAEG**"). The implementation under Austrian law of several European directives, including CRD V and BRRDII, has not yet been completed in Austria.

Banking supervision in Austria and the Banking Union

The Financial Market Authority ("**FMA**") is the competent Austrian authority for banking supervision, insurance and pension supervision as well as securities supervision. In its banking supervisory activities, the FMA works closely together with the Austrian National Bank (*Oesterreichische Nationalbank*, the "**OeNB**").

Austria is a member of the Eurozone and, thus, of the EU banking union and SSM as established in 2014. To ensure efficient supervision, CRR credit institutions are categorized as "significant" or "less significant." While the ECB directly supervises significant banks with respect to prudential areas assigned to it under the SSM Regulation, the National Competent Authorities (the "**NCAs**") are in charge of supervising less significant banks. Thus, the ECB is the direct competent supervisory authority for Austrian significant banks as listed in the ECB list of supervised entities, including, among others, UC Bank Austria AG as part of UniCredit Group. The ECB conducts its supervisory activities in the SSM in close cooperation with the FMA and the OeNB. The FMA retained its sole competence for the agendas of prevention of money laundering and terrorist financing, the prevention of unauthorized banking operations, as well consumer protection issues in relation to both "significant" and "less significant" credit institutions.

In order to ensure the compliance of Austrian licensed credit institutions with applicable regulatory requirements, the ECB, FMA and the OeNB are granted a variety of powers under the Banking Act and the CRR and may take several supervisory actions. The tasks of the ECB and FMA as Banking Supervisory Authorities include in particular the performance of licensing, authorisation and notification procedures, the performance of supervisory procedures, the official supervision of intra-bank models, commissioning the OeNB to carry out on-site inspections, officially monitoring action taken by the credit institution to remedy shortcomings, the interpretation of the law with regard to banking supervision, collecting and analysing qualitative information, evaluating analysis results with respect to official measures and the involvement in legislation related to banking supervision, sending departmental representatives to international bodies, supervising branches and representative offices of foreign credit institutions, as well as cross-border supervision within the scope of the Consolidating Supervision concept. The FMA is competent to issue severe administrative penalties or even recall the management of a bank, prohibit its business activities or revoke its banking license in the case of breaches of applicable regulatory provisions.

Key requirements for Austrian banks

The Austrian Banking Act comprises a list of services that can only be conducted commercially if a license by the competent supervisory authority has been obtained. This list of services involves such key banking services as deposit taking, lending business and trading in financial instruments.

In order to be granted a banking license in Austria, undertakings have to meet very strict and high requirements, such as providing for initial capital in the amount of at least €5 million. Authorized banks of other EU Member States are allowed to perform banking activities in Austria on a cross-border basis or by way of establishment of a branch.

For further information on the regulatory capital requirements provided for by the CRR, see "– *Italy – Capital adequacy requirements*."

In addition to the CRR's own funds requirements, the Austrian Banking Act – introduced by the implementation of CRD IV – provides for additional capital buffers: (a) a capital conservation buffer (Section 23 and 103q Z11); (b) a countercyclical capital buffer (Section 23a and 103q Z11); (c) a buffer for global systemically important institutions (Section 23b); (d) a buffer for other systemically important institutions (Section 23c) and (e) a buffer for systemic risks (Section 23d). The additional buffers must consist of common equity tier 1 capital.

According to the Austrian Banking Act, banks must build up a capital conservation buffer that amounts to 2.5% of the total risk exposure amount. Moreover, the FMA may impose a countercyclical buffer during periods of high credit growth of up to 2.5% (or more, if additional requirements are met) of the total risk exposure amount. The level of the capital conservation buffer and countercyclical capital buffer was set at 2.5% and 0%, respectively, since 2019 under fully phased-in conditions as provided in the Austrian Banking Act, *Bankwesengesetz*, and the FMA's Capital Buffer Regulation, *Kapitalpuffer-Verordnung*. In addition, an institution-specific countercyclical buffer has to be calculated.

If an institution is identified as other systemically important institution (O-SII) – which takes into account factors of size, economic importance for the European and Austrian industry, cross-border activity and interconnectedness with the financial system – the FMA may require such institution via regulation to maintain an additional capital buffer on a consolidated basis (UC Bank Austria AG). Starting with 1.1.2019 a requirement on an individual basis for UC Bank Austria AG came into force (2% under consideration of §23c (8) BWG, which results in 1%). The FMA, with the consent of the Austrian Minister of Finance, has identified several institutions authorized in Austria, including UC Bank Austria AG, as O-SIIs, and has set an additional capital buffer for these institutions. According to the FMA's Capital Buffer Regulation, the capital buffer for UC Bank Austria AG is set at:

- 2% from January 1, 2019, (O-SII buffer on an individual and a consolidated basis). Note that as long as UniCredit's G-SIB buffer is set at 1 %, only a maximum of 1 % is applicable as O-SII buffer for UC Bank Austria AG.

The Systemic Risk Buffer (for UC Bank Austria AG) is set at:

- 2% from January 1, 2019 on a consolidated level,
- 1% from January 1, 2019 on an individual level.

With respect to the O-SII buffer and Systemic Risk Buffer, the higher of these two buffers applies.

In the near future the buffer requirements will change with the implementation of the CRD V into the BWG. However currently the relevant provisions have not yet been implemented into Austrian law.

Deposit guarantee

Deposits of bank customers are covered up to €100,000 per customer and bank. This amount applies also to joint accounts per customer and deposits in foreign currencies.

The ESAEG transposes the DGSD into Austrian law. The ESAEG establishes that CRR credit institutions in Austria must be members of an organization for safeguarding deposits in order to guarantee the fulfillment of certain obligations if insolvency proceedings were to be initiated against the member institution or special administration proceedings were to be launched, a moratorium on covered deposits were imposed, or the FMA decided that a member institution is unable to repay due deposits, with no view that it will be able to repay the deposits in the future.

Deposits that are eligible to be covered by the deposit guarantee system are listed in Article 7, paragraph 1, number 3 of the ESAEG. These include deposits at credit institutions, credit balances remaining on an account in connection with banking transactions, and certain documented claims. However, certain financial instruments, such as covered bonds of credit institutions, are not covered by the deposit guarantee system. The deposit guarantee level for customers (private and legal persons) is limited to €100,000 or the equivalent in foreign currency. Under certain circumstances the guaranteed amount is limited up to € 500,000.

The Bank Recovery and Resolution Act ("BaSAG")

Under the BaSAG, which transposes the BRRD into Austrian law, the resolution authority, i.e., the FMA and the SRB for credit institutions supervised by the ECB, has the necessary powers to apply the following resolution tools to institutions that meet the conditions for resolution. The resolution tools comprise:

(i) the power to transfer to a purchaser shares, other instruments of ownership issued by the institution under resolution and/or all or any assets, rights or liabilities of the institution under resolution (the "**sale of business tool**"); and/or

(ii) the power to transfer shares or other instruments of ownership issued by one or more institutions under resolution and/or all or any rights, assets or liabilities of one or more institutions under resolution to a bridge institution that is wholly or partially owned by one or more public authorities, is controlled by the resolution authority and is created for the purpose of receiving and holding some or all of the shares or other instruments of ownership issued by an institution under resolution or some or all of the rights, assets and liabilities of one or more institutions under resolution with a view to maintaining access to critical functions and selling the institution (i.e., the "**bridge institution tool**"); and/or

(iii) the power to transfer assets, rights or liabilities of an institution under resolution or a bridge institution to one or more asset management vehicles wholly or partially owned by one or more public authorities and controlled by the resolution authority and created for the purpose of receiving some or all of the assets, rights and liabilities of one or more institutions under resolution or a bridge institution without the consent of the shareholders of the institution under resolution and without complying with any procedural requirements under company and securities law (the "**asset separation tool**"); and/or

(iv) the power to recapitalize an institution that meets the conditions for resolution to the extent sufficient to restore its ability to comply with the conditions for authorization and to carry on the activities for which it is authorized or to convert to shares or reduce the principal amount of claims or debt instruments that are transferred to a bridge institution with a view to providing capital for that bridge institution or under the sale of business tool or the asset separation tool (i.e., the "**bail-in tool**"), in each case, by taking the measures described in the following paragraph.

Under the BaSAG, the resolution authority has all powers necessary to apply the above-mentioned resolution tools to institutions that meet the conditions for resolution, *inter alia*:

(i) the power to take control of an institution under resolution and exercise all of the rights and powers conferred upon the shareholders, other owners and the management body of the institution under resolution;

(ii) the power to transfer shares and other instruments of ownership issued by an institution under resolution;

(iii) the power to transfer to another entity, with the consent of that entity, rights, assets or liabilities of an institution under resolution;

(iv) the power to reduce, including to zero, the principal amount of liabilities of an institution under resolution;

(v) the power to convert liabilities of an institution under resolution into ordinary shares or other instruments of ownership of that institution;

(vi) the power to cancel debt instruments issued by an institution under resolution; and

(vii) the power to reduce, including to zero, the nominal amount of shares or other instruments of ownership of an institution under resolution and to cancel such shares or instruments.

Under the BaSAG, the power to write down or convert capital instruments may be exercised together with a resolution action or, if certain conditions are met, independently of the resolution action.

Under the write-down powers and bail-in powers, the resolution authority has the power pursuant to the BaSAG, upon the occurrence of certain trigger events, to cancel existing shares, to write down eligible liabilities (i.e., own funds instruments and, in the case of the bail-in power, other subordinated debt and even senior unsecured debt of a failing credit institution or to convert such eligible liabilities of a failing credit institution into equity at certain rates of conversion representing appropriate compensation to the affected holder for the loss incurred as a result of the write-down and conversion, to strengthen the credit institution's financial condition and allow it to continue as a going concern subject to appropriate restructuring. Where a credit institution meets the conditions for resolution, the resolution authority would be required to use its write-down powers before using its resolution powers. With a view to ensuring that resolution authorities may effectively implement the aforementioned tools, credit institutions are required to maintain, *inter alia*, MREL, a certain level of eligible liabilities for resolution purposes.

Pursuant to the BaSAG, the conditions for resolution are as follows:

(i) the FMA, after consulting the resolution authority, or the resolution authority, after consulting the FMA, determines that the institution is going bankrupt or likely to go bankrupt soon;

(ii) there is no reasonable prospect that any alternative private sector measures or supervisory action, including early intervention measures according to Art 44 BaSAG or the write-down or conversion of relevant capital instruments taken in respect of the institution would prevent the bankruptcy of the institution within a reasonable timeframe; and

(iii) the resolution action is necessary in the public interest.

Other regulatory requirements

In addition to the above-mentioned capital adequacy rules, the Austrian Banking Act, as amended, and the CRR impose other requirements and restrictions on Austrian credit institutions, including banking secrecy, anti-money laundering, reporting requirements, liquidity requirements, large exposure limits, as well as requirements relating to remuneration of credit institutions management and employees. Non-compliance with the requirements of the Austrian Banking Act is subject to an administrative fine of up to €5 million in the case of individuals and up to 10% of annual net revenues in the case of Group entities, in each case, depending on the type of violation.

Banking secrecy

The Banking Act contains detailed provisions in relation to banking secrecy. Banking secrecy is regulated by Section 38 of the Austrian Banking Act. The provision states that credit institutions, their members, members of their governing bodies, their employees as well as any other persons acting on behalf of credit institutions must not divulge or exploit secrets which are revealed or made accessible to them exclusively on the basis of business relations with customers. The obligation to maintain secrecy applies for an indefinite period of time. Section 38 para 2 of the Austrian Banking Act as well as some other legal provisions contain specific exceptions from the obligation to maintain banking secrecy. The violation of Austrian banking secrecy constitutes a criminal offense and is punishable by imprisonment of up to one year or an administrative fine of up to 360 daily rates. In addition, an association fine of up to 180 daily rates with the amount of EUR 10.000 can be imposed.

Anti-money laundering

The fourth Anti-Money Laundering Directive (Directive (EU) 2015/849 of the European Parliament and the Council of May 20, 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing) was transposed into Austrian law through the Financial Market Anti-Money Laundering Act

(*Finanzmarkt-Geldwaschegesetz,* or "**FM-GwG**") as well as the Beneficial Owner Registry Act (Wirtschaftlicher Eigentümer Registergesetz "**WiEReG**"). The FM-GwG establishes comprehensive due diligence obligations for credit-and financial institutions towards theirs customers: (i) when establishing a business relationship; (ii) when executing occasional transactions (outside permanent business relationship); (iii) when there are reasonable grounds for suspecting that the customer is a member of a terrorist organization, or is involved in money laundering operations or the financing of terrorism; or (iv) when there are serious doubts surrounding the truthfulness or suitability of the identification data previously obtained from the customer.

Periodical reports

Austrian credit institutions are required to file a number of reports with the FMA, including periodical monthly and quarterly reports. In addition, reports must also be filed to report any hidden reserves or credit in excess of certain amounts. The form of all reports is established by EU regulation or an implementing order of the FMA. All reports are delivered to the Austrian National Bank, which reviews them and provides to the FMA an opinion as to whether the regulations on solvency, eligible capital, liquidity, large exposures and participations are observed.

Liquidity

European legislation requires credit institutions to properly measure and manage liquidity risk. In particular the Capital Requirement Regulation (CRR) sets minimum liquidity standards, i.e., credit institutions must maintain a LCR of at least 100% from 2018 onwards by keeping sufficient amount of high quality liquidity to withstand a predefined liquidity stress scenario. The Capital Requirements Directive (CRD IV) contains minimum requirements for liquidity risk measurement and management, i.e., banks must have appropriate strategies, policies, processes and systems in place to efficiently and effectively manage and control its liquidity risk exposures over different time horizons. Furthermore, it must be ensured that liquidity is properly priced within the banks funds transfer pricing regime, that an appropriate stress testing algorithm is in place, and respective contingency measures are defined.

Large exposure limits

If the exposure with regard to a single client or group of connected clients is equal or exceeds 10% of a credit institution's eligible capital, then a large exposure exists within the meaning of Art. 392 CRR. Any large exposure to a client or a group of connected clients may not exceed 25% of the eligible capital of a credit institution and of the eligible consolidated capital of a credit institution group. Where that client is an institution, or where a group of connected clients includes one or more institutions, the value of the exposure may not exceed 25% of the institution's eligible capital or of the eligible consolidated capital of a credit institution group or the amount of €150 million, whichever is higher, provided that the sum of exposure values to all connected clients that are not institutions does not exceed 25% of the credit institution's eligible capital of the credit institution group. Credit institutions may apply certain credit risk mitigation techniques when determining large exposure limits.

Digital Finance

In September 2020, the European Commission published a Digital Finance Package with the main aim to support the EU digital transformation of finance in the coming years while regulating its risks. Four broad priorities will guide the EU's initiatives to promote digital transformation until 2024 with associated actions (legislative and non-legislative) that the Commission would like to put forward in the next four years.

Removing fragmentation in the Digital Single Market: In June 2021, the European Commission proposed a regulation for a framework for a European Digital Identity which will be available to all EU citizens, residents, and businesses in the EU building on the review of the 2014 e-IDAS (electronic identification Authentication and Signature) Regulation.

Adapting the EU regulatory framework to facilitate digital innovation: The Commission proposed in September 2020 for the first time new legislation on crypto-assets, the so called "Markets in Crypto Assets" (MiCA) regulation to ensure clarity and legal certainty for issuers and providers of crypto assets that are not currently covered by current EU legislation. Safeguards include capital requirements. Issuers of significant crypto-assets (the so-called global "stablecoins") will be subject to stricter requirements (e.g. in terms of capital, investor rights and supervision). The Commission also proposed a pilot regime, which allows temporary derogations from existing rules, for market infrastructures interested in trade and settle transactions in financial instruments in crypto-asset form. To facilitate digital innovation, the Commission also presented in April 2021 a proposal for a regulatory framework on Artificial Intelligence (AI) aimed both at promoting its development but also at managing its potential risks. Both proposals are in the process of negotiations at the EU level between the Council and the Parliament.

Promoting data-driven innovation in finance: In coordination with the PSD2's review and building on initiatives in the data strategy (Data Governance, Data Act and the Digital Markets Act as well the Digital Services Act), the EC will likely present a legislative proposal for a broader open finance framework by mid-2022 (date to be confirmed).

Addressing the challenges and risks associated with digital transformation: The Commission proposed a 'Digital Operational Resilience Act' (DORA) to prevent and mitigate cyber threats and enhance oversight of outsourced services.

The proposed legislation will require all interested firms to ensure that they can withstand all types of ICT related disruptions and threats and also introduces an oversight framework for ICT providers, such as cloud computing service providers. The proposal is in the final stage of negotiation at the EU level between the Council and the Parliament.

Other recent securities markets related regulations

On November 25 2021, the European Commission presented its official proposal for a Markets and Financial Instruments Regulation (MiFIR) review as part of a Capital Market Package including other legislative proposals (i.e., the creation of the European Single Access Point (ESAP) and a review of the European Long-Term Investment Funds (ELTIFs) Regulation). The EC presented this MiFIR review with the aim of improving transparency and making the EU market infrastructure more competitive. The review is mainly focused on the establishment of an EU Consolidated Tape (CT) – a centralized database meant to provide a comprehensive view of market data – namely prices and volumes of traded securities across trading venues in the EU. With an ordinary legislative procedure, the proposal will be now discussed by the EU Parliament and EU Council likely over 2022/2023.

MANAGEMENT

Board of Directors

Members of the Board of Directors

Our Board of Directors is responsible for the strategic supervision and management of the Bank and it may delegate its powers to the Chief Executive Officer (CEO) and other Board members.

The Board is elected by our shareholders at a general meeting for a three financial year term, unless a shorter term is fixed upon their appointment, and directors may be re-elected. Under our by-laws, the Board may consist of between a minimum of 9 and a maximum of 24 members.

Our ordinary Shareholders' Meeting of April 15, 2021, appointed the directors for the 2021-2023 financial years, intended to stay in office until the ordinary Shareholders' Meeting called to approve the 2023 financial statements. Our Board of Directors in office as of the date of this Offering Memorandum is composed of 13 members. All the members of the Board of Directors possess the requirements required by applicable regulations, including, *inter alia*, the experience, integrity and independence ones. As far as independence requirements are concerned, please refer to the table below.

The Board has appointed Mr. Andrea Orcel as CEO, to whom it has entrusted the management of the Bank within the terms and limits set forth by the Board itself.

The following table sets forth the members of our Board of Directors as of the date of this Offering Memorandum, together with their places and dates of birth:

Name	Office	Place and date of birth	Date of first appointment
Pietro Carlo Padoan(1)(3)	Chairman	Rome (Italy), January 19, 1950	October 13,2020
Lamberto Andreotti(1)(2)(3)	Deputy Chairman	Rome (Italy), July 6, 1950	April 12, 2018
Andrea Orcel	Chief Executive Officer(4)	Rome (Italy), May 14, 1963	April 15, 2021
Vincenzo Cariello(1)(2)(3)	Director	Arezzo (Italy), December 23, 1965	April 12, 2018
Elena Carletti(1)(2)(3)	Director	La Spezia (Italy), September 8, 1969	February 7, 2019
Jayne-Anne Gadhia(1)(2)(3)	Director	Stourbridge (UK), October 19, 1961	April 15, 2021
Jeffrey Alan Hedberg(1)(2)(3)	Director	Philadelphia (Pennsylvania –USA), October 29, 1961	April 15, 2021
Beatriz Lara Bartolomé(1)/2)(3)	Director	Buenos Aires (Argentina), November 30, 1962	February 5, 2020
Luca Molinari(1)(2)(3)	Director	Atessa (Chieti, Italy), May 15, 1973	April 15, 2021
Maria Pierdicchi(1)(2)(3)	Director	Schio (Vicenza, Italy), September 18, 1957	April 12, 2018
Francesca Tondi(1)(2)(3)	Director	Livorno (Italy), May 16, 1966	April 12, 2018
Renate Wagner(1)(2)	Director	Heltau (Romania), September 29, 1974	April 15, 2021
Alexander Wolfgring(1)(2)(3)	Director	Vienna (Austria), September 17, 1962	May 11, 2013

Notes:

(1) Director that meets the independence requirements established by Section 148 of the Consolidated Financial Act.

(2) Director that meets the independence requirements established by Section 13 of the Treasury Decree no. 169 dated November 23, 2020.

(3) Directors that meets the independence requirements established by Section 2, recommendation 7, of the Italian Corporate Governance Code.

(4) Also elected General Manager by the Board of Directors on April 15, 2021.

The business address for each member of the Board of Directors is in 20154 Milan, Italy, at Piazza Gae Aulenti 3, Tower A. Certain biographical information regarding each director is briefly summarized below.

Pietro Carlo Padoan. Mr. Padoan graduated in Economics from University of Rome, he was Professor of Economics at University La Sapienza of Rome Currently he is Vice President of IAI (Istituto Affari Internazionali), Senior Fellow and member of the Scientific Council of SEP (School of European Political Economy) at LUISS University, Honorary Board member of Scope Foundation and member of the Governing Council of the School for Economic and Social Politics (AISES). He is also member of the Board of Institute of International Finance (IIF), member of the Board of Directors and of the Executive Committee of ABI – Italian Banking Association, Chairman of the Capital Markets Union technical Committee of ABI – Italian Banking Association, Chairman of the High Level Groups on EU Policy Innovation, member of the European Financial Roundtable (EFR), member of the European Banking Group (EBG), member of the Executive Committee of FeBAF (Italian Banking, Insurance and Finance Federation), member of the Executive Committee of Assonime, member of Committee of Market Operators and Investors (COMI), member of Comitato Scientifico Osservatorio Banca Impresa 2030, member of the Board of Directors International Monetary Conference, member of the Board of Istituto Luigi Einaudi per gli Studi bancari, finanziari e assicurativi and member of the Italian Corporate Governance Committee. Previously he was Minister of Economy and Finance of the Italian government in two successive governments, member of the Chamber of Deputies of the Italian Republic and member of the Budget Commission, Deputy Secretary General and Chief Economist, Organization for Economic Co-operation and Development, Executive Director of International Monetary Fund and was Economic advisor to the Prime Minister, responsible for coordinating the Italian position in the negotiations of the Agenda 2000 for the EU budget, the Lisbon Agenda, the European Council, bilateral meetings and the G8 meetings.

Lamberto Andreotti. Mr. Andreotti graduated with a Degree BS in Engineering from Università La Sapienza (Rome) and a Master of Science from MIT – Massachusetts Institute of Technology (Cambridge, MA). Currently he is member of the

Board of Directors of Corteva Agriscience, of American Italian Cancer Foundation and of Salzburg Festival Society. He is also Senior Advisor of EW Healthcare. Previously he was member of the Board of Directors of DowDuPont and of DuPont. Moreover he was Chairman of the Board, member of the Board of Directors, Chief Executive Officer, Chief Operating Officer, President (Pharmaceuticals), President (International), President (Europe), Vice President and GM (European Oncology and Italy) in BRISTOL-MYERS SQUIBB. In PHARMACIA & UPJOHN (previously FARMITALIA CARLO ERBA and PHARMACIA) he was Senior Corporate Vice President (Pharmacia & Upjohn, Inc.), President Market Area Americas (Pharmacia A.B.), Group Vice President (Pharmacia A.B.), Chief Executive Officer (Farmitalia Carlo Erba), General Manager (Domestic Operations of Farmitalia Carlo Erba). In the past he also was Vice President, Corporate Development at RECORDATI, Director, Corporate Development and subsequently North American Representative at FINMECCANICA NORTH AMERICA and Junior Manager at C T I P.

Andrea Orcel. Mr. Orcel graduated in Economics and Commerce from University of Rome and obtained an INSEAD MBA in France. Currently he is non-executive Director at EIS, California. Previously he held several senior positions in Merrill Lynch, then Bank of America: Executive Chairman of the Investment Bank and President of Emerging Markets ex Asia, President of International Global Banking, Securities & Wealth Management; Head of International Corporate and Investment Banking, Head of Global Origination, President of EMEA Global Markets & Investment Banking and member of Merrill Lynch Management Committee, Head of Origination and Co-President of Global Markets and Investment Banking for Europe, Middle East & Africa, Head of Global Financial Institutions Group, Co-Head of Financial Institutions Group for Europe, Middle East & Africa. He also joined UBS as a member of the Group Executive Board and then President, Investment Bank; then CEO, UBS Limited and UBS AG London Branch; member of the Board of UBS Americas Holding LLC, senior contact for US industry regulators and Senior Officer Outside of Australia and senior contact for Australia industry regulators. He was also a member of the Board of UBS Optimus Foundation, Senior Sponsor and Leader for Diversity and Talent Development in the Investment Bank and the UK.

Vincenzo Cariello. Mr. Cariello graduated in Law from Università Cattolica del Sacro Cuore of Milan and obtained a PHD in Commercial Law at "Luigi Bocconi" University in Milan. He is attorney at law. Currently he is a Full tenure Professor of Commercial Law of Università Cattolica del Sacro Cuore in Milan, Founding and Name Partner Studio Legale Professor Cariello in Milan and member of the Board of Directors of A2A S.p.A.. Previously he was Standing member of Board of Directors and member of Control and Risk Committee, Nomination and Remuneration Committee, Related Parties Transactions Committee of OVS S.p.A., Standing Statutory Auditor of Telecom Italia S.p.A.. He also was Partner of Chiomenti Studio Legale and Partner at Mazzoni Regoli Pagni Studio Legale in Milan.

Elena Carletti. Mrs. Carletti obtained a Degree in Economics from the Bocconi University and obtained a Master in Economics at Bocconi University in Milan, a Doctorate in Economics at University of Bologna, a Ph.D in Economics at London School of Economics and an Habilitation in Economics at University of Mannheim. She is currently Full Professor of Finance at Bocconi University, Scientific Director at the European University Institute, member of the Advisory Scientific Committee, European Systemic Risk Board (ESRB) – European System of Financial Supervision, member of the Expert panel on banking supervision at the European Parliament, Vice Chairperson at the European Finance Association and member of the Scientific Committee of "Paolo Baffi Lecture" at the Bank of Italy and at Bruegel and Research Professor at Bundesbank. Previously she was member of the Board of Director of Fondazione Cassa di Risparmio di La Spezia and of Financial Intermediation Research Society (FIRS), Panel member of Economic Policy at Oxford Academic Journal, member of the Scientific Committee of Confindustria, member of the Review Panel of Riksbank (Swedish Central Bank), of Central Bank of Ireland and of Vinnova Financial Market Research Centres in Stockholm. She also has been research Professor at Bangor University, consultant of OECD and World Bank and Economist of Italian Antitrust Authority in Rome.

Jayne-Anne Gadhia. Mrs. Gadhia obtained a Bachelor of Arts from University of London and Honorary Doctor of Civil Law from Northumbria University, Honorary Doctor of Science (Economics) from Royal Holloway, University of London, Honorary Doctor of the University from University of Glasgow and Honorary Doctor of Civil Law from University of East Anglia. She is currently Founder and Executive Chair of Snoop and Chair of HMRC (Non-Commercial role), Non-Executive Chair (Advisory) of Goldacre, Senior Independent Director/Chair of Audit Committee and Finance and Operations Committee (Non-Commercial role) of Tate Board of Trustees, member of Lloyds Culture Advisory Group, member of Business Advisory Board of Mayor of London, member of Financial Inclusion Policy Forum. Previously she was Chair of Trustees of The Prince's Foundation, Chief Executive Officer UK&I of Salesforce, Chief Executive Officer of Virgin Money, Retail Managing Director of RBS Group, Managing Director of Virgin One Account, Founder and Chief Operating Officer of Virgin Direct, Senior Manager of Norwich Union and Chartered Accountant of Ernst and Young. She was also: member of Salesforce Advisory Board, member of CASS Global Advisory Board, HM Treasury: Women in Finance Champion, member of Industrial Strategy Council, member of Commission for Smart Government, member of FCA Practitioner Panel, member of UK Finance Board, UK Government: Prime Minister's Business Advisory Group, Board of Trustee Director of Business in Community, member of International Council of Education Advisers of Scottish Government, Independent Chair of Student Support Review of Scottish Government, member of Financial Services Advisory Board of Scottish Government, Chair of Scottish Business in the Community, Prince's Ambassador for Scotland (Business in the Community). She was also named Commander of the Order of the British Empire (CBE) and Dame Commander of the Order of the British Empire (DBE).

Jeffrey Alan Hedberg. Mr. Hedberg graduated from Northeastern University, BS in Business Administration and obtained a MA in International Management with a focus on International Policy and International Law from University of Denver. He is currently member of the Board of Directors of Wind Tre S.p.A., Wind Tre Italia S.p.A. and 3lettronica Industriale S.p.A., Chairman and CEO of Wind Tre Retail S.r.l., Vice President of ASSTEL and Advisory Board member of SDA Bocconi. Previously he was: CEO of Wind Tre S.p.A., President & CEO – Mobilink in Pakistan, Advisory role to the Managing Director of the Technology, Media and Telecommunications at Boston Consulting Group in South Africa, Acting CEO of

Telkom in South Africa, CEO of Multi-links Telkom in Nigeria, CEO of Cell C in South Africa, Chairman and CEO of Deutsche Telekom USA, Executive Vice President and member of the Board of Management of Deutsche Telekom AG, Executive Vice President and member of the Board of Management of Swisscom, Senior Associate Telecommunication Industries of Coopers & Lybrand in London, Corporate Strategy and Strategic Marketing Manager International of US-West, Inc., Venture Capital Analyst of TVM Techno Venture Management in Boston and Venture Capital and Corporate Finance Analyst of TVM / Matuschka Group in Munich.

Beatriz Lara Bartolomé. Ms. Bartolomé obtained a Bachelor's Degree in Physics from the "Universidad Autonoma de Madrid" and a Master's Degree in Physics Science from the "Universidad Complutense de Madrid". She currently is Sole Administrator of AHAOW, member of the Innovation & Digital Transformation Board of Prosegur. She is also Seed Investor & Strategic Advisor of Zeleros Hyperloop, Financial Investor & Senior Advisor of Opinno, Mentor at Startup Lab, International MBA of IE Business School. Previously she was Global Director of Corporate Transformation, Chief Innovation Officer and Director of Strategy & Innovation, IT & Operations of BBVA, member of the Board of Directors and Chief Executive Officer of Imersivo. She also was Industry Advisor of Globant, member of Customer Advisory Board of former Google Enterprise, BBVA Executive Sponsor of MIT Media Lab, Elective Trustee & Designed Representative of IMDEA Networks, Nominee Director of BBVA Next Technologies, Master Lecturer at Istituto Europeo di Design, Director of Mobile Markets and Applications of Alcatel, Executive Director in several positions at Ericsson, Account Director at AT&T Network Systems, Supervisor of product development & quality at IT&T – Nokia and she also worked at Electronics & Telecommunications Ltd (Civil & military projects).

Luca Molinari. Mr. Molinari graduated in Economics and Business Administration from Bocconi University in Milan. Currently he is Head of Financial Services at Mubadala Investment Company and Non-Executive Director at Sanad Group. Previously he was: Executive Director at Mubadala Investment Company, Mergers & Acquisitions, Managing Director at Warburg Pincus in Brazil and Managing Director at Warburg Pincus in London. He was also Associate at Goldman Sachs in London.

Maria Pierdicchi. Mrs. Pierdicchi graduated in Economics (Laurea in Economia Politica) from the "Luigi Bocconi" University in Milan and obtained a MBA in Finance from New York University, Stern Graduate School of Business Administration. Currently she is Non-Executive Board member and Chair of Human Resources Committee of Autogrill S.p.A., Chairwoman and Board member of NED Community and Board member of PBI S.p.A.. Previously she was Independent Board member of Luxottica S.p.A., Non-Executive Board member of AURORA AS, Independent Board member of Banca Teatina, Non-Executive Board member and Senior Advisor of Standard & Poor's Global Italy S.r.l., Managing Director and Head of Southern Europe of S&P Credit Market Services, Independent Board member of Nuove Banche Marche, Etruria e Lazio, Cassa di Risparmio di Chieti e Cassa di Risparmio di Ferrara, Senior Director, Head of Nuovo Mercato di Borsa Italiana S.p.A., Director of strategy, planning and control of Premafin S.p.A., Resident Vice President, Senior Financial Analyst of Citibank, N.A. in Milan, consultant of Country Policy Department of The World Bank in Washington and research assistant in banking and international Financial intermediaries, assistant professor of international banking for the University and SDA Business School. She received Marisa Bellisario Award for Women in Finance, International Leadership Award, The McGraw Hill Companies/Standard & Poor's, Career Award sponsored by Italian Minister for Equal Opportunities and International Corporate Finance Award for best global transactions, Citibank.

Francesca Tondi. Mrs. Tondi graduated with Summa cum Laude Degree in Business and Economics from the "Luigi Bocconi" University in Milan and is a Qualified Chartered Accountant in Italy and Certified Fintech Course at ESCP Business School in London. Currently she is member of the Advisory Board of Angel Academe in London, member of the Selection Committee, Mentor, of Fintech Circle in London, member of the Board of Directors of Coleherne Court Freehold Limited and of Coleherne Court Company Limited. She is also a member of the Women Supporting Women of "Princess Trust" Foundation. Previously she was a member of the Board of Directors of Angel Academe Nominee in London, Managing Director, Equity Research, European Banks at Morgan Stanley, London, Managing Director, Equity Research, European Banks at JP Morgan Securities, London, Associate Director at Fitch Ratings, London, Audit Manager, Financial Business Unit at KPMG, London, Manager on temporary assignment to open a new KPMG office of KPMG in Armenia and she held several roles through to Senior Auditor level and audit of large Italian banks for KPMG, Milan.

Renate Wagner. Mrs. Wagner obtained a Master in Mathematics from University of Paderborn, Germany and a Master of Business Administration from Heriot-Watt University in Edinburgh, United Kingdom. She is currently member of the Board of Management Allianz SE and member of the Board of Management Allianz Deutschland AG in Germany. She previously was: Chief Human Resources Officer of Allianz SE in Germany, Regional Chief Executive Officer Life & Health, Allianz Asia Pacific at Singapore, Regional Chief Financial Officer and Head of Life & Health, Allianz Asia Pacific at Singapore, Head of CEO Office and Head of CFO Office of Allianz SE in Germany; Head of Business Performance Management Strategic Finance and Divisional Treasurer, Global Life, Head of Capital & Liquidity Management and Risk Based Capital and, Head of Change Management, Zurich Financial Services in Switzerland; Head of Accounting, Risk Control and Regulatory Reporting of dab bank in Germany, Senior Consultant, Manager and Senior Manager, KPMG AG Wirtschaftspruefungsgesellschaft and Risk Analyst, Westdeutsche Landesbank in Germany.

Alexander Wolfgring. Mr. Wolfgring graduated with a degree in Economics and Business Administration from the University of Vienna of Economic and Business. Currently he is a member of the Board of Directors (Executive Director) of Privatstiftung zur Verwaltung von Anteilsrechten and member of the Board of Directors of AVZ GmbH, of AVB Holding GmbH, of API Besitz GmbH and of Mischek Privatstiftung in Vienna. Moreover he is the Chairman of the Supervisory Board of Österreichisches Verkehrsbüro AG. Previously he was Chairman of the Supervisory Board of Verkehrsbüro Touristik GmbH, in Vienna, member of the Board of Directors of SBV Social Business GmbH in Vienna, member of the Board of Directors of AV-Z Kapitalgesellschaft GmbH in Grünwald, CEO (Chairman of the Management Board) of AV-Z

Holding S.p.A. in Milan and member of the Board of Directors of HVB Bank Slovakia a.s. in Bratislava. He also was head of Risk Management, member of Risk Committee and member of Asset Liability Committee at Bank Austria in Vienna and he held various Management positions and Deputy Head of Planning Department at Zentralsparkasse, Vienna (Savings bank of the City of Vienna).

Powers of the members of the Board of Directors

Our Board of Directors is vested with all powers necessary to run the Bank, with the exception of those reserved by law to the Shareholders' Meeting, to be exercised under the scope of the provisions, duties and jurisdiction set by the legislative and regulatory provisions in force, the Bank's by-laws, as well as in line with the applicable principles and criteria of the Italian Corporate Governance Code for companies listed in Italy. Our Board of Directors has also, in compliance with the relevant by-laws provision, adopted the "UniCredit Corporate Bodies and Committees Regulation" which governs, *inter alia*, its own operating methods.

Powers of the CEO

The only director to have been given executive powers by the Board of Directors is the CEO, Andrea Orcel. The CEO, also holding the role of General Manager, has been given powers of representation pursuant to Clause 29 of the Bank's by-laws and the rights laid down in Clause 27 of the Bank's by-laws as described below:

(a) to submit complaints, to promote and support legal and administrative actions, arbitration, appeasement and mediation proceedings, at any level of the law, including, for example, the exercising, remission and waiver of the right to proceed with a lawsuit, as well as the institution and the revocation of a civil action and to represent the Bank within every place of judicial, administrative, arbitration and appeasement proceedings, before any authority and in any state, and at any level of the law, including therefore in cassation and revocation proceedings and before the State Council, with the ability to do the interrogation due pursuant to the law, to appease, to reach agreements and to settle by compromise in arbitration proceedings, which may include friendly settlement arrangements as well as to waive acts and actions;

(b) to enable, possibly through the use of special agents, mortgages and liens to be registered, subrogated, reduced, postponed and cancelled, as well as to effect and cancel registrations and records of any kind, regardless of whether or not the loans to which these registrations, records and entries refer have been paid;

(c) to effect any transaction whatsoever, including the collection and withdrawal of securities and other instruments, with any company or body, with the Bank of Italy, Bank for Deposits and Loans, the Public Debt Agency, and, in any event, any office of the Public Administration, with no exclusion, State-owned organizations, enterprises and companies or public bodies, and, furthermore, to carry out every measure pertaining to these transactions;

(d) to issue special mandates for the execution of single actions and operations or specific types of actions and operations and powers of attorney for litigation proceedings, including general ones, as well as to appoint technical consultants and arbiters, assigning to them the appropriate powers and authorities; and

(e) to vest employees or third parties, including individually, with the ability to represent the Bank, as shareholder or as the delegate of shareholders, at the ordinary or extraordinary Shareholders' Meetings of Italian or foreign companies, in compliance with prevailing laws.

The CEO may delegate to the management teams of branches, however named, also availing himself of the Head Office and the organizational structures and/or decision-making units of the Head Office, such as regional management offices, located locally, duties, powers and responsibilities, in addition to those indicated in Clause 28 of the Bank's by-laws, for the management of these branches, determining the procedures by which they are to be exercised.

Committees

In order to foster an efficient information and advisory system to enable the Board of Directors to better assess the topics for which it is responsible, also in accordance with the provisions of the Italian Corporate Governance Code, the Board has established five committees vested with research, advisory and proposal-making powers diversified by sector of competence: the Internal Controls & Risks Committee, the Corporate Governance & Nomination Committee, the ESG Committee, the Remuneration Committee and the Related-Parties Committee.

The Chair of each Committee, at the first available Board meeting, reports on the activities carried out during Committee meetings.

Committee members have the necessary knowledge, skills and experience to perform the duties assigned to them and ensure that any other corporate positions they hold in other companies or entities (including non-Italian ones) are compatible with their availability and commitment to serve as a Committee member.

At the invitation of each Committee Chair, the CEO, other Directors, the General Manager (when appointed), the Manager in charge of drafting the company financial reports, as well as personnel belonging to the Company and the Group, may attend Committee meetings on specific Agenda items. Without prejudice to the possibility for the other Statutory Auditors to attend the meetings, the Chair of the Board of Statutory Auditors – or any other Auditor designated by the latter – attends

Board Committee meetings. Always at the invitation of each Committee Chair, personnel or externals appointed in the corporate bodies of the Group's subsidiaries may be called upon to attend Committee meetings.

As of the date of this Offering Memorandum, their composition and responsibilities are described below.

Internal Controls & Risks Committee

The Internal Controls & Risks Committee is composed of four directors, all non-executive and independent pursuant to the Italian Corporate Governance Code, the Decree issued by the Ministry of Economics and Finance no. 169/2020 and the Legislative Decree no. 58/1998. All the members of the Internal Controls & Risks Committee meet the experience required under applicable provisions, covering the provided areas of competence related to risk and control as well as accounting and audit.

As of the date of this Offering Memorandum, the Internal Controls & Risks Committee is composed of the following directors: Elena Carletti (Chairwoman), Maria Pierdicchi, Francesca Tondi and Alexander Wolfgring.

Committee meetings are attended by:

- the Chair of the Board of Statutory Auditors; and
- the Head of Internal Audit, the Group Compliance Officer and the Group Risk Officer.

Staff from the external audit firm may also be invited.

The committee is responsible for setting up the necessary functional links with the Board of Statutory Auditors, so as to undertake activities deemed common to the two bodies, and to exchange information of mutual interest, within the purview of their respective competencies.

The committee must be able to access relevant corporate information, consult external experts and, where necessary, communicate directly with the Heads of Internal Audit, Group Risk Management and Group Compliance.

The committee supports the Board of Directors on risk management and control-related issues. The committee, among other things:

(a) with the support of the Corporate Governance & Nomination Committee, identifies and proposes to the Board who should be appointed as Head of the corporate control functions or assesses the evaluation of their dismissal; for the Head of Internal Audit function, issues its opinion on setting the remuneration and the performance goals associated with its variable portion in line with the company policies;

(b) pre-examines activity programmes (including audit plans) and annual reports from corporate control functions to be sent to the Board, as well as periodical reports prepared by these functions above and beyond legal or regulatory requirements;

(c) evaluates and issues opinions to the Board on the compliance of the internal control system and corporate organization with the applicable rules and regulations, and on the requirements that must be complied with by the corporate control functions, drawing the Board's attention to any weaknesses and consequent corrective actions to be implemented; for this purpose, it assesses proposals put forward by the CEO;

(d) through evaluations and opinions, contributes to defining company policy on the outsourcing of corporate control functions;

(e) verifies that the corporate control functions correctly comply with the Board's recommendations and guidelines, assisting the Board in drafting the coordination documents envisaged under Bank of Italy Circular No. 285/2013;

(f) examines and assesses the correct use of accounting principles and their uniformity with regard to drafting the main accounting documents (such as, by way of example, operating and consolidated financial statements, interim operating reports, etc.), for this purpose coordinating with the Manager in charge of drafting the company financial reports and with the Board of Statutory Auditors;

(g) examines the work carried out by the Group's external auditors and the results stated in their reports or any letters and suggestions;

(h) assesses any findings reported by Internal Audit and Group Compliance, or that may arise from enquiries and/or investigations carried out by third parties;

(i) may seek specific audit interventions, at such time informing the Chair of the Board of Statutory Auditors;

(j) analyses Group guidelines for the Group Compliance function that fall within its remit, monitoring that they have been adopted and implemented;

(k) requests that the Head of Internal Audit draft any proposals for the qualitative and quantitative improvement of the function itself; and

(l) is involved, within its specific remit, in the process of identifying material risk takers on an on-going basis.

With a special focus on risk management and control-related issues, the committee supports the Board of Directors in:

- defining and approving strategic guidelines and risk management policies with specific reference to risk appetite and risk tolerance. For this purpose, it also examines the annual budget drafting guidelines;

- verifying that risk strategies, management policies and the Risk Appetite Framework (RAF) have been correctly implemented; and
- defining policies and processes for evaluating corporate activities, including verification that the price and conditions of client transactions comply with the risk-related business model and strategies.

Without prejudice to the competencies of the Remuneration Committee, the committee checks that the incentives underlying the remuneration and incentive system comply with the RAF, particularly taking into account risks, capital and liquidity.

Moreover, the committee reports to the Board of Directors on the status of the Group's internal control system.

Furthermore, as regards investments in non-financial equities, the committee assesses, supports and puts forward proposals with regard to organizing and enacting internal controls on the making and managing of equity investments in non-financial companies, in addition to verifying compliance within the framework of such equity investments in terms of strategic and operational guidelines.

Corporate Governance & Nomination Committee

The Corporate Governance & Nomination Committee is composed of three directors, all non-executive and independent pursuant to the Italian Corporate Governance Code, the Decree issued by the Ministry of Economics and Finance no. 169/2020 and the Legislative Decree no. 58/1998.

As of the date of this Offering Memorandum, the Corporate Governance & Nomination Committee is composed of the following directors: Lamberto Andreotti (Chairman), Jayne-Anne Gadhia and Alexander Wolfgring.

Among other things, the Corporate Governance & Nomination Committee:

(a) provides opinions and support to the Board regarding the definition of the UniCredit corporate governance system, corporate structure and Group governance models and guidelines;

(b) drafts proposals to be submitted to the Board regarding the optimal qualitative and quantitative composition of the Board, and the maximum number of posts held by Directors in other companies considered compatible with effectively fulfilling these roles at UniCredit;

(c) provides opinions and support regarding the Board self-assessment process, as directed by the Chair of the Board of Directors;

(d) sets targets for the least well represented gender in corporate bodies as well as for management and staff belonging to the Group, and prepares a plan to bring this proportion up to set targets; and

(e) drafts proposals to be submitted to the Chair of the Board of Directors regarding the selection of staff appointed to conduct the Board's self-assessment process.

The committee provides opinions and support to the Board of Directors also regarding:

(a) the verification that UniCredit Directors comply with the requirements provided by applicable laws and the by-laws (including the ban on interlocking directorships laid down by applicable laws), and that they collectively and individually ensure abidance with the qualitative and quantitative composition of the Board deemed to be optimal;

(b) the selection of candidates for the post of Chair, Chief Executive Officer and Director of UniCredit, in the event of co-optation, and, should the Board present its own list of candidates for the position of independent director for approval by the UniCredit Shareholders' Meeting, taking into due account any recommendations from shareholders, as per the *ad hoc* process for selecting candidates for the posts of chair, chief executive officer and member of the board of directors;

(c) the appointment of the CEO, General Manager, Deputy General Managers and other Executives with strategic responsibilities;

(d) the verification that the General Manager and the Manager in charge of drafting the company financial reports comply with the requirements provided by applicable laws and the by-laws, if applicable;

(e) the definition of appointment and succession plan policies for the CEO, General Manager, Deputy General Managers and other Executives with strategic responsibilities, Senior Executive Vice Presidents, the Group Management Team (Executive Vice Presidents) and Leadership Team (Senior Vice Presidents);

(f) the definition of the policy for the appointment of corporate officers (members of the Board of Directors, Board of Statutory Auditors and Supervisory Board) at Group companies; and

(g) the designation of corporate officers (members of the Board of Directors, Board of Statutory Auditors and Supervisory Board) at the main companies.

Moreover, the committee:

- provides support, coordinating with the Internal Controls & Risks Committee, in proposing candidates or assessing dismissal for the roles of Heads of corporate control functions to the Board of Directors; and
- undertakes research to help the Board of Directors draft a succession plan for executive directors.

ESG Committee

The ESG Committee is composed of three directors, all non-executive and independent pursuant to the Italian Corporate Governance Code, the Decree issued by the Ministry of Economics and Finance no. 169/2020 and the Legislative Decree no. 58/1998.

As of the date of this Offering Memorandum, the ESG Committee is composed of the following directors: Francesca Tondi (Chairwoman), Jeffrey Alan Hedberg and Beatriz Lara Bartolomé.

The purpose of the ESG Committee is to support the Board of Directors in fulfilling its responsibilities with respect to the ESG integral components on the Group's business strategy and sustainability.

The ESG Committee shall provide opinions and support to the other Board committees to ensure the alignment of the Group's policies to UniCredit's ESG principles and objectives.

The committee also oversees:

ESG and sustainability-related developments also considering international guidelines and principles and market developments, monitoring the positioning of the Group with respect to national and international best practices in the ESG field; and

- the preparation of the yearly Integrated Report, which constitutes a non-financial declaration pursuant to the provisions of Sections 3 and 4 of Legislative Decree no. 254/2016, as well as the preparation of the TCFD (Task force on Climate-related Financial Disclosures) report, and any other specific disclosure obligations required by future ESG commitments of the Bank.

Remuneration Committee

The Remuneration Committee is composed of three directors, all non-executive; the majority of them is independent according to the Italian Corporate Governance Code; all the members are independent according to the Decree issued by the Ministry of Economics and Finance no. 169/2020 and the Legislative Decree no. 58/1998. At least one committee member has adequate knowledge and experience in finance or remuneration policies, which the Board of Directors assesses at such time as they are appointed to the committee.

As of the date of this Offering Memorandum, the Remuneration Committee is composed of the following directors: Jayne Anne Gadhia (Chairwoman), Luca Molinari and Renate Wagner.

In order for the incentives included in the compensation and incentive schemes to be consistent with the Bank's risk, capital and liquidity management, as well as to get updates on the market trends, compensation levels and regulatory developments, an external advisor also attends committee meetings.

The Group Risk Officer is invited, upon need, to attend committee meetings to ensure that incentive schemes are appropriately updated to take into account all of the risks that the Bank has taken on, pursuant to methodologies in compliance with those adopted by the Bank in managing risk for regulatory and internal purposes.

The Remuneration Committee, among other things:

- puts proposals to the Board regarding the remuneration and the performance goals associated with its variable portion, for the members of the Board of Directors, the General Manager, Deputy General Managers, Heads of the corporate control functions and personnel whose remuneration and incentive systems are decided upon by the Board; and
- exercises oversight on the criteria for remunerating the most significant employees, as identified pursuant to the relevant Bank of Italy provisions, as well as on the outcomes of the application of such criteria.

Furthermore, the committee issues opinions to the Board of Directors on:

- the remuneration policy for Senior Executive Vice Presidents, the Group Management Team (Executive Vice Presidents) and the Leadership Team (Senior Vice Presidents);
- Group incentive schemes based on financial instruments; and
- the remuneration policy for corporate officers (members of the Board of Directors, Board of Statutory Auditors and Supervisory Board) at Group companies.

Committee members regarding whom the committee is called upon to express its opinion on their remuneration as a result of their specific assignments shall not attend meetings at which the proposal for such remuneration is calculated.

Furthermore, the committee:

- coordinates the process for identifying material risk takers on an on-going basis;
- directly oversees the correct application of rules regarding the remuneration of the Heads of corporate control functions, working closely with the Board of Statutory Auditors;
- works with the other committees, particularly the Internal Controls & Risks Committee, to verify that the incentives included in compensation and incentive schemes are consistent with the RAF, ensuring the involvement of the corporate functions responsible for drafting and monitoring remuneration and incentive policies and practices;

- provides appropriate feedback on its operations to the Board of Directors, Board of Statutory Auditors and the Shareholders' Meeting; and
- where necessary drawing on information received from the relevant corporate functions, expresses its opinion on the achievement of the performance targets associated with incentive schemes, and on the other conditions laid down for bonus payments.

Related-Parties Committee

The Related-Parties Committee is composed of three directors, who qualify as independent pursuant to the Italian Corporate Governance Code, one of whom is appointed as Chair.

As of the date of this Offering Memorandum, the Related-Parties Committee is is composed of the following directors: Maria Pierdicchi (Chairwoman), Vincenzo Cariello and Elena Carletti.

The committee operates on a consultative and proposition-making basis. The committee oversees issues concerning transactions with related parties pursuant to CONSOB Regulation no. 17221/2010 and transactions with associated parties pursuant to Bank of Italy Circular no. 285/2013 (Third Part, Chapter 11), carrying out the specific role attributed to independent directors by the aforementioned provisions. Furthermore, it carries out any other duties assigned to it within the Global Policy on transactions with related and associated parties as applicable from time to time.

The committee establishes appropriate information flows with the Board of Statutory Auditors.

Senior Managers

In May 2021 UniCredit announced a new organisational structure and a new management team. The new organisational structure provides for the set-up of the Group Executive Committee ("**GEC**") which, as of the date of its establishment was made of fifteen people, to replace the former Executive Management Committee of twenty-seven.

The table here below sets out the name and title of each of the members that are part of the GEC as of the date of this Offering Memorandum:

Name	Title	Years of activity within the Group
Andrea Orcel	Chief Executive Officer	1
Niccolò Ubertalli	Head of Italy	16
Michael Diederich	Head of Germany	18
Gianfranco Bisagni	Head of Central Europe and Group Operating Officer *ad interim*	44
Teodora Petkova	Head of Eastern Europe	20
Richard Burton	Head of Group Client Solutions	21
Stefano Porro	Chief Financial Officer	16
Jingle Pang	Group Digital & Information Officer	0
Fiona Melrose	Head of Group Strategy & ESG	1
Joanna Carss	Head of Group Stakeholder Engagement	0
Gianpaolo Alessandro	Group Legal Officer– Secretary of the Board of Directors	8
Thiam Joo Lim	Group Risk Officer	16
Serenella De Candia	Chief Compliance Officer	11
Siobhan McDonagh	Head of Group People & Culture	0

The business address of the members of the GEC listed above is in 20154 Milan, Italy, at Piazza Gae Aulenti, 3, Tower A, except for Joanna Carss and Fiona Melrose whose business address is in Moor House – 120 London Wall, EC2Y 5ET London, United Kingdom. Certain biographical information regarding senior managers is briefly summarized below to the extent such information is not disclosed above under "*– Board of Directors – Members of the Board of Directors*."

Gianpaolo Alessandro. Mr. Alessandro graduated with a degree in Law from the University of Milan and then gained a Master of Law (LL.M) from the University of Westminster in London. He was called to the Bar and can practice in Italy, England and Wales. He began his career as a lawyer in 1996 in Milan and worked at Italian and international law firms in Milan and London until 2005. In September 2005, he joined MTS S.p.A. (Italian Government Bonds Market) as Head of Legal and Compliance and Secretary to the Board and following the merger of MTS into the Borsa Italiana – London Stock Exchange Group, he was also responsible for the legal structure servicing the Business Lines of Borsa Italiana. Between 2005 and 2009, under the scope of the Group, he was a member of the Management Board of MTS S.p.A., a member of the Supervisory Board of MTS Germany and Executive Director of EuroMTS Ltd. In 2009, he was hired by General Electric as General Counsel and Secretary to the Board of Directors of GE Capital in Italy with responsibility for Legal and Compliance and as a member of the Executive Committee of the GE Capital Interbanca Banking Group. In September 2013, he joined UniCredit as Head of Corporate Affairs & Board Secretary Office. On December 1, 2014, he was appointed Co-Head of Group Legal, with the additional responsibility of Secretary to the Board of Directors. On January 1, 2016, he was appointed General Counsel of the UniCredit Group. In May 2021, Mr. Alessandro was confirmed in his role of Group Legal Officer and Secretary of the Board of Directors.

Gianfranco Bisagni. Mr. Bisagni holds a degree in Business Administration. He started his career in the Italian UniCredit network in the mid-1980s, moving shortly thereafter to the Chicago office and then to New York, where he took over as Branch Deputy Chief Manager, responsible for all the Representative Offices in North and South America. In 2001 he transferred to Asia, where he was responsible for Corporate Banking Asia Pacific & Chief Manager of the Hong Kong branch. In 2010 he was appointed Head of Corporate & Investment banking and Private Banking at UniCredit Tiriac Bank Romania. From 2011 to 2015, he served as Head of Corporate & Investment banking CEE and as Deputy Head of the CEE Division. Mr. Bisagni was Co-Head of the CIB Division from September 2016, after having been Deputy Head since April 2015. In March 2019 he was appointed Co-CEO of Commercial Banking, Central Eastern Europe, whilst retaining shared oversight of the CIB division, along with the Co-CEO of Commercial Banking, Western Europe. In May 2021, he was confirmed as Head of Central Europe, with direct responsibility for Austria, Czech Republic and Slovakia, Hungary, and Slovenia, and joint responsibility for Russia. Since June 1, 2022 he also covers the role of Group Operating Officer *ad interim*.

Teodora Petkova. Mrs. Petkova started her career in 2002 with Bulbankin Sofia as a senior credit analyst. In 2007 she became the Manager of the team responsible for credit underwriting and risk assessment of domestic large and mid-corporates. In 2009 she was promoted to Head of Credit Risk at UniCredit Bulbank. She was a member of the Management Board of UniCredit Factoring EAD from 2011-2015. In 2015 Mrs. Petkova became the Head of the International Center in Corporate and Investment Banking Division, UniCredit Bulbank. She acted as Chief Risk Officer of Unicredit Bulbankfrom 2016-2019. In May 2019 she became CEO and Chairman of the Management Board of UniCredit BulbankAD. In May 2021, Mrs. Petkova was appointed Head of Eastern Europe, with direct responsibility for Bosnia and Herzegovina, Bulgaria, Croatia, Romania and Serbia, and joint responsibility for Russia.

Richard Burton. Mr. Burton started his career at The First National Bank of Chicago in 1989, in London, where he held various positions within the Credit Department before moving to Structured Finance origination roles. In 1997, he transferred to Chicago as Managing Director, responsible for High Yield Bond and Private Placement Origination. Mr. Burton joined UniCredit in 2001 as Managing Director and further pursued his career as Global Head of Financial Sponsor Solutions (FSS) with primary responsibility for all lending and related activities to companies controlled by Financial Sponsors. From 2013 to 2019, he was Head of Financing & Advisory (F&A). Since 2019, Mr. Burton is Head of the CIB Division and a member of the UniCredit Group Executive Committee and of the CIB ExCo. In May 2021, Mr. Burton was confirmed in his role as Head of Corporate & Investment Banking, now renamed into Group Client Solutions.

Stefano Porro. Mr. Porro began his career in 1999 in KPMG as an Audit Analyst in Banking, Insurance & Financial Institutions. He then moved to Allianz Group where, after covering different roles, he was appointed Head of Corporate Finance & Financial Markets of RAS in 2004. He was a member of the RAS Private Equity Partners Fund and a board member of CityLife. In 2006, Mr. Porro joined UniCredit as Head of Active Balance Sheet Management in the Group Finance Department. From 2009 to 2015, he led the Group ALM & Financial Planning before becoming Head of Group Planning & Capital Management. He was also appointed board member of UniCredit Employees Pension Fund and UniCredit Bank S.A. From 2017, he was the Head of Group Administrative & Analytics Office (GAAO), coordinating Accounting & Regulatory Reporting, Group Tax Affairs, Group Data Office and PF&A process support activities. He was also appointed as "Dirigente Preposto" for UniCredit Group. In March 2019, as a result of the combination of the GAAO and Group Chief Financial Office areas, Mr. Porro was appointed co-Group Chief Financial Officer at UniCredit, with an enlarged role also covering Group Planning & Controlling, Group Finance, Group Shareholdings, Group Investor Relations and responsible for CFOs activities in the Group, while maintaining the position of "Dirigente Preposto" Since October 2020 he had the sole responsibility of the CFO function. In May 2021, Mr. Porro was confirmed in his role as Chief Financial Officer.

Jingle Pang. Jingle Pang began her career at the China Construction Bank in 1991 on the graduate program where she rotated across its various business units. In 2000 she moved to Standard Chartered Bank (SCB), China where she ran Wholesale Banking Operations for Beijing and North China. In 2007 she joined UBS in China where she led Operations for the Investment Bank in China. From 2007-2017, Jingle worked for Standard Chartered Bank (SCB), China. She initially re-joined to run Change Management for the Wholesale Bank in China (2007), before running Cash Management and Trade Service in China (2008) and then all of Wholesale Banking Operations in China (2011) in addition to being Deputy General Manager of the Beijing Branch of SCB. In her final role at SCB she was CIO, China (2014) where she ran all IT, Operations, and owned the innovation agenda for SCB in China. Jingle Pang joined Ping An Insurance Group in 2017. She has been a key part of the executive leadership team that has digitally transformed Ping An from an insurer into a hugely successful FinTech. She was Deputy General Manager, Ping An Technology (PAT) and CIO Corporate and Institutions. Her team supported over 100 subsidiaries and 360,000 employees. She also led the new technology product innovation and incubation. Jingle Pang join the UniCredit Group in July 2021 as Group Digital & Information Officer.

Serenella De Candia. Mrs. De Candia graduated with a degree in Business Administration from the Catholic University of the Sacred Heart, Milan, and then became an accountant and an auditor. She began her career at Arthur Andersen in 1994 as an external auditor and consultant for finance and insurance companies, holding various posts from junior auditor to manager. She joined UniCredit in 2000 as Deputy Head of Group Audit for banking subsidiaries; she worked in various managerial positions in Internal Audit. She worked for the Mediolanum Group as Head of Internal Audit from 2008 to 2010. In 2011, she was appointed General Manager and in 2012 she became CEO of UniCredit Audit, a company specializing in audit services, also taking responsibility for Country Italy Network Audit. In October 2014, she was appointed Head of Group Audit. From September 2016 to November 2020, she has been Head of Internal Audit with the Senior Executive Vice President title. In November 2020, she was appointed Chief Compliance Officer. In May 2021, Mrs. De Candia was confirmed in her role as Group Compliance Officer.

Fiona Melrose. Mrs. Melrose started her career at the Bank of England in Banking Supervision in 1992. She moved into European bank equity research at Nat West Markets (became Bankers Trust and then Deutsche Bank) where she worked from 1994-1999. She moved to Morgan Stanley in 2000 and then Lehman for three years until 2003 where she covered German, Nordic and Swiss banks. She then joined Execution Noble, where she built the European banks research product, and was also co-head of equity research until 2011. Mrs. Melrose then led the development of a new bank equity research team and covered Global Investment and Private Banks at RBC Capital Markets from 2011-2017. Mrs. Melrose joined UBS in 2017 as Global Head of Strategy for the Investment Bank. In 2019 she moved to Grupo Santander in Strategy & Corporate Development. More recently she has worked at Bankers without Boundaries, a social enterprise that mobilises private capital to invest in projects that benefit the environment, nature and social good. Mrs. Melrose joined UniCredit in March 2021 and in May 2021 was appointed Head of Group Strategy & Optimisation, now renamed into Group Strategy & ESG.

Joanna Carss. Mrs. Carss started her career in 2002 as a Senior Press Officer for 3i. She moved to Deutsche Bank in 2004, where she was a VP in Media Relations. In 2006 she moved to Merrill Lynch as VP, European Head of Investment Banking Communications. In 2008 she became Executive Director, Corporate Communications EMEA at Goldman Sachs, moving in 2012 to become interim Head of Corporate Communications EMEA. In this role she was responsible for the delivery of strategic communications, including around the positioning and differentiation in the aftermath of the financial crisis, liaising with all stakeholders on issues management across markets and business lines. Mrs. Carss was a Goldman Sachs "Future Leaders" graduate in 2012. In 2015 she moved to UBS as Managing Director, Head of Presidents' Communications (Global) where she was responsible for leading global external and internal branding and communications strategies, including investor relations, crisis management, and results for the Investment Bank providing strategic counsel, positioning and messaging for senior executives and the leadership team. In June 2021, Mrs. Carss joined UniCredit Group and was appointed as Head of Group Stakeholder Engagement.

Thiam Joo Lim. Mr. Lim holds a degree in mechanical engineering from the University of Glasgow, Scotland, a master in applied science in operations research from the University of Waterloo, Canada, as well as MBA with distinction from NYU Stern School of Business. He started his banking career at JP Morgan in 1983 where he was a key member of the original group which started the successful swap business at JP Morgan. He covered the role of European Head of Fixed Income at UBS and moved to Dresdner Kleinwort Benson reaching the role of Co-Head of the Global Markets Division and member of the Management Board. At Merrill Lynch he was Managing Director and Head of Merrill Lynch's International Debt Markets and a member of the Executive Management Committee for Merrill Lynch Europe Middle East and Africa. Mr. Lim was thereafter founder and CEO of New Smith Financial Products, the Credit Advisory arm of New Smith Capital Partners, which specializes in restructuring and Collateralized Debt Obligation workouts and event-driven Structured Finance. He joined UniCredit Group in 2008, following the acquisition of NSFP. Since the beginning he has covered the role of Global Head of Markets at Corporate & Investment Banking Division. Starting from October 2016 he was appointed as Group Deputy Chief Risk Officer. He was in charge of orchestrating the management and disposals of Non-Performing Loans, Repossessed Assets, Bad Loans and any Distressed Assets. He was the single point of contact for the Group for defining market solutions and exits. In July 2017 he became also responsible for the new Group NPE (non performing exposure) structure. In connection with the reorganization of the risk management function, he was appointed, effective 1st October 2017, as Group Chief Risk Officer in charge of the Group Risk Management activities, with a specific focus on strategic steering of risks at Group level and the definition of Risk Management policies and guidelines. From May 2021, Mr. Lim continued to serve as Group Risk Officer.

Niccolò Ubertalli. Mr. Ubertalli holds a Bachelor's Degree in Material Engineering from the Politecnico of Torino and Master in Business Administration from the Owen Graduate School of Management at Vanderbilt University (USA). Mr. Ubertalli started his career at Teksid Aluminum Foundry in 1997 as a process engineer. In 2000, he moved to Milan and worked at McKinsey as a senior associate, until 2002. He worked at UniCredit Clarima between 2002-2004, as a director in the sales area. From 2004-2006, Niccolò was First Vice President in MBNA (USA and UK). In 2006, he relocated to Bulgaria where he started UniCredit Consumer Financing as Chairman and Executive Director. In 2009, he moved back to Italy as Chief of Staff for Group CEO, followed by the role of Head of Group Consumer Finance between 2011-2012. Mr. Ubertalli moved then to Romania in 2012, where he assumed the position of Deputy CEO at UniCredit Tiriac Bank. During his time, he was a member of the UniCredit Tiriac management board as well as a member of the supervisory boards for Pioneer Investments, UniCredit Consumer Finance Bulgaria, UniCredit Consumer Finance Romania and Ergo Asigurari de Viata S.A. Romania. From 2015-2019, he continued his career in Yapi Kredi as executive director and Deputy Chief Executive Officer. In addition, he held board positions in various Yapi Kredi Group subsidiaries. In March 2019, he was appointed co-CEO Commercial Banking, CEE. In May 2021, he has been appointed Head of Italy.

Michael Diederich. Mr Diederich joined Bayerische Vereinsbank AG (now UniCredit Bank AG) in 1996, after a three year experience in a consulting and auditing firm. He started as a Trainee in International Markets, worked in the equity capital markets syndicate and served as an Executive Assistant for the Corporate Customer Division until the end of 2000. Following three years of work at Communication Equity Associates in Munich, he re-joined UniCredit Bank AG in 2003, holding various responsibilities in the Markets and Investment Banking Division. In 2009 Michael Diederich became a divisional board member of UniCredit Bank AG in the Corporate & Investment Banking Division, followed by the Unternehmer Bank Division. Here he headed the large corporate segment for the bank. In September 2015, after a brief experience as CEO of Euler Hermes Kreditversicherung AG, he was appointed member of the Management Board of UniCredit Bank AG in charge of the Corporate & Investment Banking Division as well as member of the Executive Committee of CIB UniCredit S.p.A. On January 1, 2018 he took over the role of Spokesman of the Management Board at UniCredit Bank AG and Country Chairman Germany at UniCredit S.p.A. As such he is member of UniCredit S.p.A.'s Executive Management Committee with the Group title of Senior Executive Vice President. Since January 2018 he took

over the role of Spokesman of the Management Board at UniCredit Bank AG and Head of Germany at UniCredit S.p.A. In May 2021, he was confirmed in his role as Head of Germany.

Siobhan McDonagh. Mrs. McDonagh started her career in 1989 at Marks and Spencer PLC, where she held numerous roles over an eleven-year period as Human Resources Manager in various stores nationwide and in Ireland. In 2000, she moved to the global law firm Linklaters LLP as Human Resources Manager for the Corporate Division. In 2005, Siobhan expanded her experience into the financial sector with Merrill Lynch, and subsequently Bank of America Merrill Lynch, where she was the Global Head of Human Resources for Corporate Banking and EMEA Investment Banking and Global Head of Human Resources for the Investment Banking Division. In 2011, she moved to Credit Suisse as Global Head of Human Resources for Finance, Operations and IT and Head of EMEA Human Resources. In 2014, she became Global Head of Investment Bank Human Resources at UBS, moving in 2016 as Head of Human Resources UK and Global Head of Investment Bank, where she was responsible for leading global human resources strategies, including the engagement of all employees to make a difference in local communities. Siobhan was also a Trustee for the UBS Optimus Foundation and a Governor of The Bridge Academy. In May 2022, Siobhan joined UniCredit SpA, being appointed Head of Group People & Culture.

Board of Statutory Auditors

Our Board of Statutory Auditors oversees compliance with law, regulations and by-laws, proper management, the adequacy of the Bank's organizational and accounting structures as well as the completeness and adequacy of the risk management and control system as well as the efficiency of the overall internal control system, the external auditing of the individual and consolidated financial statements, the independence of the external audit firm, the financial disclosure process and the compliance with the provisions on the disclosure of non-financial information. The Board of Statutory Auditors shall also report any irregularities or violations of law to the Bank of Italy and, where required, to other supervisory authorities, and shall report to the Shareholders' Meetings called to approve the financial statements on the supervisory activity performed and on any omission and censurable detected fact.

Our Board of Statutory Auditors was appointed by the ordinary Shareholders' Meeting of April 8, 2022, for the 2022 – 2024 financial years, whose term runs until the date of the Shareholders' Meeting called for the approval of the financial statements for the year ending December 31, 2024.

The following table sets forth the members of our Board of Statutory Auditors as of the date of this Offering Memorandum, together with their places and dates of birth:

Name	Office	Place and date of birth
Marco Rigotti	Chairman	Milan (Italy), June 16, 1967
Claudio Cacciamani	Statutory Auditor	Ancona (Italy), January 12, 1967
Benedetta Navarra	Statutory Auditor	Rome (Italy), March 24, 1967
Guido Paolucci	Statutory Auditor	Rimini (Italy), January 6, 1969
Antonella Bientinesi	Statutory Auditor	Atina (Frosinone, Italy), May 27, 1961
Raffaella Pagani	Alternate Auditor	Milan (Italy), June 21, 1971
Paola Manes	Alternate Auditor	Rome (Italy), July 9, 1972
Enrica Rimoldi	Alternate Auditor	Saronno (Varese, Italy), July 29, 1968
Vittorio Dell'Atti	Alternate Auditor	Bari (Italy), July 3, 1966

Certain biographical information regarding each statutory auditor is briefly summarized below.

Marco Rigotti. Mr. Rigotti graduated with Master cum laude in Business Administration at Bocconi University, Milan. He is a Certified Public Accountant in Milan since 1993 and officially registered as Legal Auditor. He is member of the European Corporate Governance Institute (ECGI) and author of various publications regarding corporate governance (especially the role of the Board of Statutory Auditors and the role of the Control and Risk Committee) and Financial markets law. He was speaker at various conferences organized by the Italian Stock Exchange (Borsa Italiana S.p.A.), Assogestioni, Assonime and the Public Accountant Professional Association. He has twenty-years' experience in the governance bodies of listed and no listed companies, as executive and non-executive, in a wide range of industries, in several cases appointed by the minority shareholders. He drove the relaunch of the Olbia airport, the restructuring of Air Italy, the agreement with Qatar Airways and the first phase of the relaunch of the airline (which he left in January 2019). Officer at CONSOB (The Italian Stock Exchange Regulator). As of the date of this Offering Memorandum, Mr. Rigotti is Chairman of the Board of Directors of Alisarda S.p.A..

Claudio Cacciamani. Mr. Cacciani graduated cum laude in Business Administration at Bocconi University, Milan. He is a Certified Public Accountant, Certified Public Auditor, and member of a Royal Institution of Chartered Surveyors. He is full Professor of Economics and business sciences at Parma University: "Corporate banking and investment finance"; "Investment banking and real estate finance"; "Economics and management of insurance companies" and "Risk management and Insurance". As of the date of this Offering Memorandum he is also works as a consultant to leading Italian and foreign insurance companies in the field of non-life branch, chairman of the Board of Statutory Auditors of Confidi Parma S.C.p.A., Vice Chairman of the Steering Committee of Borsa Immobiliare Parma, non-executive Director of Alicanto Capital SGR S.p.A.; Carlyle Real Estate Società di Gestione del Risparmio S.p.A.; CBRE Investment Management SGR S.p.A.; Consultinvest S.p.A., member of the Supervisory Committee of Banca Popolare di Garanzia in compulsory liquidation. He

is also a member of different Scientific Committees and Referee of national and international Magazines, associate of the Italian Association of Financial Analysts, National Association of Risk Manager, Italian Academy of Economy, Association of Professors of Economics of Financial Intermediaries, International Association of Insurance Law – Emilia Romagna and Honorary Member of the Italian Association of Real Estates Consultants. Lastly, he held position in the Executive Committee of Real Estate servatory of the Chamber of Commerce of the province of Brescia, in the Scientific Committee of Scientific Committee and in the Scientific Committee on economic and finance of districts and territorial pacts of the Associazione bancaria italiana. Moreover, he also held positions as a member of the Technical Commission of Associazione nazionale fra le imprese assicuratrici.

Benedetta Navarra. Mrs. Navarra graduated with a degree in Economics and Business from the LUISS Guido Carli University of Rome and in Law at the "La Sapienza" University of Rome. She is a Certified Public Accountant and Lawyer in Rome and a Certified Public Auditor. She taught banking and stock exchange law at the Law Faculty of the LUISS Guido Carli University of Rome and as of the date of this Offering Memorandum she lectures on the Master's Course in Business Law at the same University. She is mainly involved with banking law, finance and market corporate issues, taking care of the contractual aspects, including internationally, of the subject. She has gained considerable experience in business crisis management, project financing, bank loans securitization and the responsibility of intermediaries in the provision of investment services, as well as under the scope of the disciplinary proceedings launched by the Supervisory Authorities. She was part of the legal team assisting the Treasury Department in the privatizations of Banca Nazionale del Lavoro, Mediocredito Centrale – Banco di Sicilia S.p.A., Credito Industriale Sardo and Cassa Depositi e Prestiti. She has also held positions in boards of statutory auditors or board of directors and as of the date of this Offering Memorandum, she is: member of the Board of Directors of A.S. Roma S.p.A., member of the Audit Committee of UniCredit Bulbank A.D., Chairwoman of the Board of Directors of Italgas S.p.A, Statutory Auditor of Italo S.p.A., Statutory Auditor of Aeroporti di Roma S.p.A., member of the Supervisory Body pursuant to Legislative Decree 231/2001 of the Confcommercio imprese per l'Italia Provincia di Roma Capitale, Chairwoman of the Supervisory Body pursuant to Legislative Decree 231/2001 of Equitalia Giustizia S.p.A..

Guido Paolucci. Mr. Paolucci graduated with a degree in Economics and Business from the "La Sapienza" University of Rome and PhD in Business Management. He is a Certified Public Accountant in Rome and a Certified Public Auditor. Since 1996, he has been an expert witness for the Court of Rome. As of the date of this Offering Memorandum, he is a Full Professor of Business Administration at the Università Politecnica delle Marche. He has worked specifically in the fields of business consulting and business finance for Italian and foreign groups and companies, company valuation, auditing and accounting due diligence. He has also given expert opinions on complex businesses and fairness opinions also under the scope of banking groups and finance companies. In the period 2012-2013, as an independent expert, he prepared a fairness opinion on the exchange ratio and the worth of the right of withdrawal for a merger between banks. Lastly, he has held positions as a member of the board of directors and the board of statutory auditors of holding companies and finance companies, asset management companies, banks and companies listed on the stock exchange, and as of the date of this Offering Memorandum he holds positions in board of statutory auditors as Chairman of Telecom Italia San Marino S.p.A., Telefonia Mobile Sammarinese S.p.A., Ecofuel S.p.A., Raffineria di Gela S.p.A., Casa Sollievo della Sofferenza Foundation, Nuova Compagnia di Partecipazioni S.p.A., as Statutory Auditor of Consorzio CONOU, Società Gemelli Molise S.p.A., HYLE Capital Partners SGR S.p.A..

Antonella Bientinesi. Mrs. Bientinesi graduated with a degree in Economics and Business from the "La Sapienza" University of Rome. She is a Certified Public Accountant in Rome and a Certified Public Auditor. She has gained considerable experience in extraordinary business transactions (mergers, demergers, transfers, company disposals and liquidations). From 1992 to 1999, she worked with the Associated Law Offices of KPMG S.p.A. Since 1999, she has been a partner of the Studio Legale Tributario associated with Ernst & Young. Since 2001, she has been the partner in charge of the Central Southern area of the Public Sector. Lastly, she has held positions in board of statutory auditors and as of the date of this Offering Memorandum she holds positions in board of statutory auditors as Chairwoman of Cerved Group S.p.A., ANAS S.p.A., as Statutory Auditor of Enel Energia S.p.A., Enel Green Power Solar Metehara S.p.A., Enel Green Power Solar Ngonye S.p.A, Enel Green Power Matimba Newco 1 S.r.l., Acer Sede S.p.A., CESI S.p.A., Fondo Ambiente Italiano – FAI.

Raffaella Pagani. Mrs Pagani graduated with a degree in Business and Economics from the "Bocconi" University of Milan. She is a Certified Public Accountant and a Certified Public Auditor. As of the date of this Offering Memorandum she is Partner of the Studio Associato Pagani Chartered Accountants. She is specialized in international affairs and has gained in-depth insight and experience in financial statements, consolidated financial statements, international contracts and tax litigations. She is Indipendent Director of Azimut Holding S.p.A., Chairwoman of several Boards of Statutory Auditors (Brembo S.p.A., Amplifon S.p.A., Sanofi S.p.A., Nord-Com S.p.A., Tata Consultancy Services Italia S.r.l., Dufy Shop Finance Limited S.r.l., CAL S.p.A., La Linea S.p.A., Ferrovie Nord S.p.A., Fondazione Fiera Milano, Fiera Parking S.p.A.), Auditor for Municipalities and member of Supervisory Bodies pursuant to Legislative Decree 231/2001.

Paola Manes. Mrs Manes graduated with a degree in Law from the University of Bologna where she obtained in a PHD. Registered at the Bologna Bar. She obtained a Master of Laws from King's College, London. She is Full Professor of Private Law and she teaches Private Law, Insurance and Financial Law at the University of Bologna. She is member of the board of directors of Bologna Business School where she teaches Law and Tech, as Faculty member. She is the author of numerous works, including books, and articles on the subject of contract law, company law, trust law and generational transfer of family wealth, corporate governance of financial institutions, insurance law and tech law. Lecturer on Master's courses, MBA's at various Italian and EU universities; visiting lecturer at King's College, Queen Mary University London, IE Madrid, IALS London, HTW Berlin. She was visiting Professor at Brunel University London. She is on the editing

committee of the magazine Contratto e Impresa, Contratto e Impresa Europa. Member of Cede, Centre for Digital Ethics directed by Luciano Florid, University of Bologna. She is an independent director of Unipolrec S.p.A. – Unipol Group.

Enrica Rimoldi. Ms. Rimoldi graduated in Economics from the Catholic University of Milan. She is registered as a Chartered accountant and as a Statutory auditor. She obtained the INSEAD Certificate in Corporate Governance (IDP-C). She took on different roles with increasing levels of responsibility in different companies in industrial multinational companies: an industrial multinational company – Coca-Cola, a primary banks – Banca Intesa Sanpaolo S.p.A., auditing and consultancy firms – Ernst & Young S.p.A. and Crowe Horwath-As S.p.A., consultancy firms on IT risks and internal audit – Adfor S.p.A., Protiviti S.p.A. and Scai Fast S.p.A.. She was an independent auditor of companies supervised by the Bank of Italy. She is enrolled to NedCommunity (Non-Executive Directors Community). As of the date of this Offering Memorandum she is a Supervisory Board member, the Chairwoman of the Audit Committee, a member of both the Remuneration and Nomination Committees of UniCredit Banka Slovenija d.d., a Statutory auditor of Cordusio SIM S.p.A., a Supervisory Board and Audit Committee Member of UniCredit Bank Czech Republic and Slovakia AS, the Sole Director of Manco Bip S.r.l., alternate auditor in UniQLegal S.p.A.. She is also the treasurer of the INSEAD Italian Alumni Association.

Vittorio Dell'Atti. Mr Dell'Atti graduated with Master cum laude in Business Administration at Università degli Studi di Bari. He is a Certified Public Accountant and a Certified Public Auditor. As of the date of this Offering Memorandum, he is a Full Professor of Business Administration at Università degli Studi di Bari Aldo Moro. He previously held different positions as Professor and Lecturers on Master's courses at various Universities and Schools of Management. He has held positions as Member of various scientific committees in the field of accounting, finance, control, strategy and management. He also held positions as a member of the board of directors and the board of statutory auditors of holding companies and finance companies, foundations, banks and companies listed on the stock exchange and Member of Supervisory Bodies pursuant to legislative Decree 231/2001.

With respect to each member of our Board of Statutory Auditors, the regulatory requirements including, *inter alia*, integrity, independence and experience have been verified.

All of our Statutory Auditors in office are enrolled with the Register of Chartered Accountants of the Italian Ministry of Justice. The business address for each of the members of the Board of Statutory Auditors is 20154 Milan, Italy, at Piazza Gae Aulenti 3, Tower A.

Compensation

The following table shows the compensation and benefits paid to our key management for the year ended December 31, 2021. Key management personnel are persons having authority and responsibility for planning, directing, and controlling UniCredit's activities, directly or indirectly. Key management personnel include the Chief Executive Officer and the other members of the Board of Directors, the Standing Auditors, the General Manager as well as – in the latest definition approved by the Board of Directors on the 12th October 2021 – the Chief Audit Executive and the Group Executive Committee (GEC) members – excluding the Heads of Group Strategy & Optimization and Group Stakeholder Engagement, the last two position constituting the "CEO Office".

The figures take into account the belonging pro-quota during the year of the single executives to the Key management personnel.

	For the year ended December 31, 2021
	(in millions of €)
Short-term benefits	21
Post-employment benefits	1
Of which under defined benefit plans	–
Of which under defined contribution plans	*1*
Other long-term benefits	–
Termination benefits	15
Share-based payments	13
Total remuneration paid to Key Managers	50

Remuneration Strategy

In December 2016, the Issuer approved the Transform 2019 Strategic Plan, which provided for, *inter alia*, the adoption of a new remuneration strategy for the Group. The main interventions in this regard were related to: (i) the repositioning of the remuneration policy target level; (ii) the review of the remuneration systems for top and senior management; (iii) the extension of the guidelines on share ownership; and (iv) the review of the policy of severance payments.

Specifically, measures have been implemented both at policy and general systems level, and in terms of specific commitments undertaken by the CEO, including:

All above measures have been substantially confirmed upon the launch, in December 2019, of the new industrial plan (Team 23) meant to cover the four-year period 2020 – 2023. The main new element introduced in 2020 was the launch of a new long term share incentive plan ("**2020 – 2023 LTI Plan**"), aimed at aligning management incentives with the creation of long-term value by the Group and whose detailed features are described later on in this chapter.

Moreover, on April 15, 2021 UniCredit's Shareholders' Meeting approved the 2021 Group Remuneration Policy that, while mostly confirming the features of the previously approved policies, provided for some updates, including a further fine-tuning of the remuneration policy target.

In view of the launch of the UniCredit Unlocked industrial plan in December 2021 and to support the achievement of its goals, a brand-new Group Incentive System has been designed and will be submitted for approval to the 2022 Shareholders' Meeting. The new 2022 Group Incentive System, if approved, will combine short term goals and additional long terms conditions, aimed at ensuring the delivery of sustainable results to all stakeholders over time and will provide upfront and deferred payments in cash and equity instruments. The beneficiaries of the 2020 – 2023 LTI Plan will be offered against an agreed reduction in the so-called bonus opportunity linked to such plan, a correlated increase in the so-called bonus opportunity under the 2022 Incentive System. The Shareholders' Meeting will be asked to make some amendments to certain past incentive plans in order to envisage that UniCredit shares to be assigned to the beneficiaries of such incentive plans may result, alternatively or in combination, from capital increase or the use of treasury shares purchased for this purpose on the market by UniCredit, subject to obtaining the necessary authorisations.

Conflicts of Interest

As of the date of this Offering Memorandum, as far as the Bank is aware, with regard to the members of the supervisory, management and controlling bodies and senior managers of the Bank, there are no conflicts of interest with the obligations arising from the office or position within the Bank, except for those involving operations put before the competent bodies of UniCredit in accordance with the required procedures, in strict compliance with the regulatory and legal provisions in force. Members of the supervisory, management and controlling bodies and senior managers of UniCredit are bound to comply with the provisions referred to below, which are aimed at governing cases in which the interests of the above-mentioned subjects could arise:

- Section 53 of the Consolidated Banking Act sets forth the obligations envisaged by paragraph 1 of Article 2391 of the Italian Civil Code, hereinafter quoted, confirming the duty to abstain from voting for the directors having a conflicting interest, on their own behalf or on behalf of a third party;
- Section 136 of the Consolidated Banking Act, which requires the adoption of a special authorization procedure (unanimous decision by the supervisory body with the exclusion of the concerned officers' vote and the favorable vote of all the members of the controlling body) should a bank enter into obligations of any kind or enter into purchase and sale transactions, directly or indirectly, with the respective banking officers;
- Article 2391 of the Italian Civil Code, pursuant to which directors must give notice to the other directors and to the Board of Statutory Auditors of any interest, on their own account or on behalf of third parties, which they have in a given company transaction, without prejudice to abstention from the transaction if the member of the Board of Directors involved is the CEO of the company; and
- Article 2391-bis of the Italian Civil Code and the CONSOB Regulation no. 17221 dated March 12, 2010 (and subsequent updates) concerning transactions with related parties (the "**Related-Parties Regulation**"), and the relevant communication no. 10078683 dated 24 September 2010, as well as the provisions issued by the Bank of Italy through Circular no. 285, dated December 17, 2013, concerning risk activities and conflicts of interest of banks and banking groups with associated persons.

In compliance with these latter provisions, the Bank has adopted specific policies and procedures to ensure, among other things, the transparency and essential and procedural correctness of transactions established with related parties, directly or through subsidiaries. In conformity with the above provisions, significant transactions (i.e., transaction of greater relevance) with related or associated parties are reserved exclusively to the authority of our Board of Directors, with the exception of transactions that come under the scope of the Shareholders' Meeting.

Without prejudice to the obligations pursuant to Article 2391 of the Italian Civil Code, the Bank and its corporate bodies have adopted measures and procedures to guarantee compliance of the provisions on the obligations of company officers, as well as transactions with related and associated parties.

In this reference regulatory context, the Board of Directors, with the unanimous favorable opinions of the Related Parties Committee and the Board of Statutory Auditors, adopted the Global Policy "Transactions with related parties, associated persons and corporate officers ex Article 136 of the CBA" (the "**Global Policy**"), which is aimed at protecting the risk that the proximity of certain subjects to the decision-making structures of the Bank may compromise the objectivity and impartiality of decisions as well as to ensure the transparency and the substantial and procedural correctness of these operations.

Following to the issuance of the CONSOB resolution no. 21624 dated December 10, 2020 (in force from July 1, 2021), which updates the "Regulation on transaction with related parties", the Board of Directors on June 8, 2021 approved, following the positive opinions of the Related Parties Committee and the Board of Statutory Auditors, the new release of the Global Policy.

The Global Policy – prepared as a single document with the objective of dealing with aspects of governance and areas of application as well as procedural and organizational profiles as a single entity (taking into consideration the significant similarities between the rules on related parties pursuant to the CONSOB Related-Parties Regulation and associated persons issued by the Bank of Italy) – contains the provisions to be observed in the management of transactions with subjects in potential conflicts of interest pursuant to the above-mentioned rules (the CONSOB Regulation, the Bank of Italy Circular no. 285/2013 and Section 136 of the Consolidated Banking Act).

Without prejudice to the regulatory provisions about the interests of directors and related-party transactions, the provision of Section 136 of the Consolidated Banking Act on the obligations of banking officers applies to the Bank, including through the Global Policy.

For this purpose, company officers are bound to notify subjects – physical or legal persons – pertaining to whom the establishment of any relations could include the indirect obligation that refers essentially to banking officers. A transaction established with a related party who is a banking officer or a related subject comes under the scope of the application of the above-mentioned Section 136 of the Consolidated Banking Act and the related procedure.

In this case, for the transactions of this type that do not fall under one of the cases of exemption fixed by the Global Policy, the Related Parties Committee should be guaranteed a prior, prompt and full information flow in accordance with the specific methods for both large and small transactions.

Other employee agreements for equity investments in the Bank's capital

As of the date of this Offering Memorandum, UniCredit Group employees benefit from short-term and long-term incentive plans which provide for a payment – partial or total – in UniCredit Shares.

Specifically, as of the date of this Offering Memorandum the following have usually been adopted:

- "**Group Incentive Systems**" (short-term) aimed at rewarding employees with an incentive to be paid in cash and/or in free UniCredit ordinary shares over a period of several years; and
- "**Long-Term Incentive Plans for Group Top Management**" aimed at aligning the interests of top management and shareholders.

A description of the share components of the existing plans as of the date of this Offering Memorandum is given below:

2021 Group Incentive System

The 2021 System aims to incentive, motivate and retain beneficiaries, in compliance with national and international regulatory requirements with the purpose of defining – in the interest of all stakeholders – remuneration systems aligned with the long term company strategies and goals, linked to Group results adjusted in order to consider all risks, consistent with the capital and liquidity levels needed to cover the activities in place and, in any case, able to avoid misleading incentives that could drive excessive risk taking for the bank and the system as a whole.

The potential beneficiaries of the 2021 System, identified in compliance with the regulatory provisions in force – are:

- the Chief Executive Officer (CEO), Senior Executive Vice Presidents (SEVP), Executive Vice Presidents (EVP), Senior Vice Presidents (SVP), Board members of relevant and identified Group Legal Entities;
- Employees of the Group with total remuneration higher than predefined regulatory threshold in 2020;
- Employees whose remuneration is within the remuneration bracket of senior management and other risk takers at Group level;

Other selected roles of the Group.

The total estimated number of beneficiaries is ca. 1,100 based on population identified in the last years. The logic and overall amount of the Incentive System, as in previous years, apply to the entire Group population.

Without prejudice to the more detailed provisions contained in the Remuneration Policy (to which reference should be made) submitted to the same Shareholders' Meeting that on 15th April 2021 approved also the System, the latter is characterized by the following main elements:

(a) In line with previous years, the 2021 System is based on the "bonus pool" approach for determining the variable remuneration to be paid in 2022. The connection among profitability, risk and reward is assured by linking directly the bonus pools with company results (at Group and Country/Divisional level), cost of capital and risk profiles relevant for the Group as stated in the Group Risk Appetite Framework.

(b) Bonus pools will be defined based on Country/Division and Group performance and distributed to employees according to individual performance.

(c) The 2021 System – besides having the goal to incentive, retain and motivate beneficiaries – is aligned with the national and international regulatory requirements providing for:

- the allocation of a variable incentive based on a pre-defined bonus pool, on the beneficiary's individual performance evaluation and on the benchmark for specific roles/markets, as well as consistent with the ratio between fixed and variable compensation set by the Ordinary Shareholder's meeting;

- the definition of a balanced structure of "upfront" (i.e. done at the moment of the performance evaluation) and "deferred" payments, in cash and in shares;
- the distribution of share payments with share retention periods (one year for both upfront and deferred shares);
- risk adjusted metrics in order to guarantee long-term sustainability with respect to company's financial position and to ensure compliance with Regulator's expectations.

(d) A malus condition ("Zero Factor") will be applied in case specific thresholds (profitability, capital and liquidity) are not met at both Group and Country/Division level. In particular, the Bonus Pool linked to 2021 performance will be zeroed, while the previous systems deferrals could be reduced from 50% to 100% of their value, based on actual results and on the assessment done by Group Risk Management function.

(e) Individual performance appraisal is based on specific goals, linked to the 5 Fundamentals of UniCredit Competency Model: "Customers First"; "People Development"; "Cooperation and Synergies"; "Risk Management"; "Execution and Discipline".

(f) The overall incentive payout will be made over a multi-year period, based on what is stated below, in the absence of any individual values/compliance breach, considering also the gravity of any internal/external findings (i.e. Audit, Bank of Italy, Consob and/or analogous local authorities) and subject to continuous employment at each date of payment:

- in 2022 the first installment of the overall incentive will be paid in cash and/or shares;
- the remaining amount of the overall incentive will be paid in various installments in cash and/or UniCredit free ordinary shares during the period:
  - 2023-2027 for Senior Management (Executive Vice President and above),
  - 2023-2026 for the remaining identified staff (Senior Vice President and other roles). Each tranche will be subject to the application of the Zero Factor for the year of allocation.

(g) The achievement of Group performance parameters and the risk-reward alignment will be evaluated by UniCredit Remuneration Committee and the Board of Directors.

(h) The percentages of payments in cash and shares per each category of beneficiary, are described in the following table:

	2022[66]	**2023**	**2024**	**2025**	**2026**	**2027**
Senior Management (EVP and above) with variable remuneration > €430k[67]	20% cash	20%shares	12% cash	12% shares	12% shares	12% cash + 12% shares
2% shares Senior Management (EVP and above) with variable remuneration ≤ €430k	25% cash	25%shares	10% cash	10% shares	10% shares	10% cash + 10% shares
Other identified staff (SVP and other roles) with variable remuneration > €430k 20% cash 20%shares 15% shares 15% cash + 15% shares	20% cash	20%shares	15% shares	15% cash + 15% shares	15% cash	
Other identified staff (SVP and other roles) with variable remuneration ≤€430k	30% cash	30%shares	10% shares	10% cash + 10% shares	10% cash	

(i) In coherence with the previous years, it is provided the introduction of a specific minimum threshold

(j) below which deferral mechanisms will not apply. Bonus will be deferred in case of annual variable remuneration is above EUR 50.000 or one third of the total annual remuneration (lower thresholds could be defined at local level).

(k) The 2021 System can also be used for other forms of variable remuneration (e.g. sign-on, buy-out) and for severance payments to Group employees, for whom regulation foresees deferred payments in financial instruments.

(l) The number of shares to be allocated in each installment will be defined in 2022, on the basis of the arithmetic mean of the official market price of UniCredit ordinary shares during the month preceding the Board to which the 2021 bonuses are submitted for information, after having evaluated performance achievements. For the shares to be granted as severance payments, the arithmetic mean will be calculated considering the official market price of the month of June 2021 for the severances contracted during the first half of 2021 and the month of December 2021 for the severances contracted during the second half of 2021, unless a different decision is made by the Board of Directors for the management of specific cases.

(m) The allocation of a maximum number of 20,604,000 UniCredit ordinary shares is estimated, representing about 0.92% of UniCredit share capital, of which maximum n° of 3,500,000 UniCredit ordinary shares can be used for the payment of other forms of variable remuneration and of severances.

66 Including other identified staff assimilated to Senior Management according with applicable regulations.

67 As long as the Beneficiary is not subject to witholding duties on UniCredit SpA shares as provided by the possibly applying Share Ownership Guidelines or other restrictions under the corporate policies (e.g.,., internal / personal dealing).

(n) The Board of Directors – having verified that all foreseen conditions have been met – at the end of the shares retention period (one year both on upfront and deferred shares) will be entitled to assign free UniCredit ordinary shares that will be freely transferable.

2020 Group Incentive System

The 2020 Group Incentive System (the "**2020 System**") aims to incentive, motivate and retain beneficiaries, in compliance with national and international regulatory requirements with the purpose of defining – in the interest of all stakeholders – remuneration systems aligned with the long term company strategies and goals, linked to Group results, adjusted in order to consider all risks, consistent with the capital and liquidity levels needed to cover the activities in place and, in any case, able to avoid misleading incentives that could drive excessive risk taking for the bank and the system as a whole.

The potential beneficiaries of the 2020 System, identified in compliance with the criteria issued by Commission Delegated Regulation (EU) No 604/2014 of March 4, 2014 are:

- the Senior Executive Vice Presidents (SEVP), Executive Vice Presidents (EVP), Senior Vice Presidents (SVP), Board members of relevant and identified Group Legal Entities;
- Employees of the Group with total remuneration higher than 500,000 in 2019;
- 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 and other risk takers at Group level; and
- Other selected roles of the Group (defined also during new hiring).

The total estimated number of beneficiaries is ca. 1,100 based on population identified in the last years. Elements of 2020 System:

(a) In line with previous years, the 2020 System is based on the "bonus pool" approach for determining the variable remuneration to be paid in 2021. The connection among profitability, risk and reward is assured by linking directly the bonus pools with company results (at Group and Country/Divisional level), cost of capital and risk profiles relevant for the Group as stated in the Group Risk Appetite Framework.

(b) Bonus pools will be defined based on Country/Division and Group performance and distributed to employees according to individual performance.

(c) The 2020 System – besides having the goal to incentive, retain and motivate beneficiaries – is aligned with the national and international regulatory requirements providing for:

- the allocation of a variable incentive based on a pre-defined bonus pool, on the beneficiary's individual performance evaluation and on the benchmark for specific roles/markets, as well as consistent with the ratio between fixed and variable compensation set by the Ordinary Shareholder's meeting;
- the definition of a balanced structure of "upfront" (i.e., done at the moment of the performance evaluation) and "deferred" payments, in cash and in shares;
- the distribution of share payments with share retention periods (one year for both upfront and deferred shares);
- risk adjusted metrics in order to guarantee long-term sustainability with respect to company's financial position and to ensure compliance with Regulator's expectations.

(d) A malus condition ("Zero Factor") will be applied in case specific thresholds (profitability, capital and liquidity) are not met at both Group and Country/Division level. In particular, the Bonus Pool linked to 2020 performance will be zeroed, while the previous systems deferrals could be reduced from 50% to 100% of their value, based on actual results and on the assessment done by Group Risk Management function. Individual performance appraisal is based on specific goals, linked to the 5 Fundamentals of UniCredit Competency Model: "*Customers First*"; "*People Development*"; "*Cooperation and Synergies*"; "*Risk Management*"; "*Execution and Discipline*."

(e) The overall incentive payout will be made over a multi-year period, based on what is stated below and subject to continuous employment at each date of payment[68]:

- in 2021, the first installment of the overall incentive will be paid in cash and/or shares in the absence of any individual values/compliance breach, considering also the gravity of any internal/external findings (i.e., Audit, Bank of Italy, Consob and/or analogous local authorities);
- the remaining amount of the overall incentive will be paid in various installments in cash and/or UniCredit free ordinary shares during the period:
- 2022-2026 for Senior Management (Executive Vice President and above)[69],
- 2022-2024 for the remaining identified staff (Senior Vice President and other roles).

68 To be understood as the final vesting of the right to the incentive and not as the actual payment and/or allotment of the shares at the end of the period of retention.

69 Including other identified staff assimilated to Senior Management according with applicable regulations.

Each tranche will be subject to the application of the Zero Factor for the year of allocation and to the absence of any individual/values compliance breach, considering also the severity of any internal/external findings (i.e., Audit, Bank of Italy, Consob and/or analogous local authorities).

(f) The achievement of Group performance parameters and the risk-reward alignment will be evaluated by UniCredit Remuneration Committee and the Board of Directors.

(g) The percentages of payments in cash and shares[70] per each category of beneficiary, are described in the following table:

	2021[71]	**2022**	**2023**	**2024**	**2025**	**2026**
Senior Management (EVP and above) with variable remuneration > €430k[72]	20% cash	20%shares	12% cash	12% shares	12%	12% cash + 12% shares
Senior Management (EVP and above) with variable remuneration ≤ €430k	25% cash	25%shares	10% cash	10% shares	10% shares	10% cash + 10% shares
Other identified staff (SVP and other roles) with variable remuneration > €430k	20% cash	5% cash + 20%shares	5% cash + 15% shares	20% cash + 15% shares		
Other identified staff (SVP and other roles) with variable remuneration ≤ €430k	30% cash	30%shares	10% shares	20% cash + 10% shares		

(h) In coherence with the previous years, it is provided the introduction of a specific minimum threshold below which deferral mechanisms will not apply. Bonus will be deferred in case of annual variable remuneration is above 50K or one third of the total annual remuneration. (lower thresholds could be defined at local level).

(i) The 2020 System can also be used for other forms of variable remuneration (e.g., sign-on, buy-out) and for severance payments to Group employees, for whom regulation foresees deferred payments in financial instruments.

(j) The number of shares to be allocated in each installment will be defined in 2021, on the basis of the arithmetic mean of the official market price of UniCredit ordinary shares during the month preceding the Board to which the 2020 bonuses are submitted for information, after having evaluated performance achievements. For the shares to be granted as severance payments, the arithmetic mean will be calculated considering the official market price of the month of June 2020 for the severances contracted during the first half of 2020 and the month of December 2020 for the severances contracted during the second half of 2020, unless a different decision is made by the Board of Directors for the management of specific cases.

(k) The allocation of a maximum number of 14,460,000 UniCredit ordinary shares is estimated, representing about 0.65% of UniCredit share capital, of which maximum n° of 2,900,000 UniCredit ordinary shares can be used for the payment of other forms of variable remuneration and of severances.

(l) The Board of Directors – having verified that all foreseen conditions have been met – at the end of the shares retention period (one year both on upfront and deferred shares) will be entitled to assign free UniCredit ordinary shares that will be freely transferable[73].

2020-2023 Long Term Incentive (LTI) Plan

The 2020-2023 Long Term Incentive Plan (the "**LTI Plan**") aims at aligning Top and Senior Management interests to the long term value creation for the shareholders, to share price appreciation and to Group performance, as well as fostering a sound and prudent risk management, orienting the performance management measurement on a multi-year horizon.

The Plan has also the characteristic to be qualified as a "retention" tool, in order to retain key Group resources for the achievement of the medium-long term Group strategy.

The potential beneficiaries of the LTI Plan are:

- the Chief Executive Officer (CEO) of UniCredit S.p.A.;
- the Senior Executive Vice Presidents (SEVPs);
- the Executive Vice Presidents (EVPs);
- other Group key roles, including selected talents not belonging to the aforementioned clusters.

70 The table shows the share payments distribution after the shares retention periods (a retention period on upfront and deferred shares of one year).

71 The first year of payment may be 2020 for those types of payments (e.g.,., severance payments) for which immediate payout is foreseen on or shortly after termination of employment or the verification of other relevant contractual provisions. In such cases all other deferred payments will also be advanced by one year (to 2021, 2022, 2023, 2024 and 2025 respectively).

72 Including other identified staff assimilated to Senior Management according with applicable regulations.

73 As long as the Beneficiary is not subject to witholding duties on UniCredit SpA shares as provided by the possibly applying Share Ownership Guidelines or other restrictions under the corporate policies (e.g.,., internal / personal dealing).

The personnel of Corporate Control Functions (i.e., Risk Management, Compliance, Internal Audit), of Human Capital function and the Manager in Charge of Drafting the Company Financial Reports "Dirigente Preposto" is excluded from the Plan.

Elements of LTI Plan:

(a) The LTI Plan provides for the granting – subject to the achievement of specific performance conditions linked to the 2020-2023 Strategic Plan – of free UniCredit ordinary shares, in several instalments and over a multi-year period.

(b) The overall number of shares to be allocated has been defined on the basis of the arithmetic mean of the official market price of UniCredit ordinary shares, listed in the telematic stock exchange managed by Borsa Italiana SpA, during the 30 days preceding the date on which the Board has approved the proposal that is submitted today to this Shareholders' Meeting.

(c) Percentage of allocation of shares and deferral periods vary, depending on the various categories of beneficiaries, as outlined in the following table:



(d) The final amount of the granting will be defined based on the achievement of specific performance conditions linked to the 2020-2023 MYP, subject to continuous employment at the time of each payment[74]. The shares assigned will be subject to the mandatory deferral periods from the date of assignment of the LTI Plan, as provided for by current regulations. In addition, the shares will be granted only if – during the performance period – the minimum conditions of UniCredit's profitability, capital and liquidity, as well as the positive Risk Appetite Framework and the conditions of compliance with the law, the Company's and Group's compliance rules, the Company's policies and the corporate values referred to in the Code of Conduct are met.

(e) The payments that the beneficiary receives for each year of deferment of the Plan are subject to malus conditions (linked to the UniCredit's profitability, capital and liquidity and to conditions of compliance with the law, the Company's and Group's compliance rules, the Company's policies and the corporate values referred to in the Code of Conduct) and, potentially, to claw-back actions.

(f) The LTI Plan's performance indicators for defining the number of shares to be awarded are as follows:

- Return on Tangible Equity[75] with CET1 underpin[76] (weight: 60%): this KPI will be measured on the basis of its average value over the period 2020-2023, consistently with the objectives of the 2020-2023 Strategic Plan (100% achievement in the case of a value equal to 8.1%; achievement between 0-100% for values between 7.3% and 8.1%);
- Asset Quality:
- NPE ratio "core" (weight: 10%): this KPI will be measured on the basis of its average value over the period 2020-2023, consistently with the objectives of the Strategic Plan 2020-2023 (100% achievement in case of value equal to 3.8%; achievement between 0-100% for values between 4.2% and 3.8%);
- Expected Loss New Business Flow without impact of models (weight: 10%): this KPI will be measured on the basis of its average value over the period 2020-2023, consistently with the objectives of the Strategic Plan 2020-2023 (100% achievement in case of a value equal to 0.39%; achievement between 0-100% for values between 0.44% and 0.39%);
- Operating Expenses (weight: 10%): this KPI will be measured on the basis of its value at the end of the Plan and consistently with the objectives of the 2020-2023 Strategic Plan (100% achievement in case of a value equal to € 10.2 billion; achievement between 0-100% for values between € 10.5 billion and € 10.2 billion);

74 To be understood as the final vesting of the right to the incentive and not as the actual payment and/or allotment of the shares at the end of the period of retention

75 Based on underlying Net Profit consistent with the logic of distribution of capital to shareholders.

76 Access threshold with a CET1 of at least 200 basis points above the regulatory minimum.

- Sustainability (weight: 10% equally distributed):
- ESG Sustainalytics rating: this KPI will be measured on the basis of its value at the end of the 2020-2023 Strategic Plan compared to the standard Peer Group used for remuneration purposes (100% in the case of placement in third place; 75% in the case of placement in fourth place; 50% in the case of placement in fifth place; 0% in the case of placement below fifth place);
- Customer Experience on the basis of the Net Promoter Score: this KPI will be measured on the basis of its value at the end of the 2020-2023 Strategic Plan with respect to competition at country level – analysis carried out at individual country level and then aggregated to obtain results at Group level (reaching 100% in the case of a value equal to +3 points with respect to competition; reaching between 0 and 100% in the case of values between +1 and +3 points with respect to competition);
- People engagement on the basis of the Internal Engagement Index[77]: this KPI will be measured on the basis of the average of two surveys during the course of the 2020-2023 Strategic Plan (reaching 100% in the case of a value equal to 73 points; reaching between 0 and 100% for values between 71 and 73 points).

  For the CEO only, 100% of the variable remuneration is allocated on Long Term Incentive, out of which 20% of the yearly opportunity is also subject to yearly goals achievement, annually disclosed in the Group Compensation Policy. The LTI yearly portion is unlocked when the overall performance evaluation is, based on current taxonomy, at least "Solid" in a 5-rating scale (i.e., Inadequate, Inconsistent, Solid, Strong and Outstanding).

  The overall performance, capped at maximum 100% of the shares for which each beneficiary is eligible, includes also the over-achievement for one or more KPIs (KPI result above MYP target) and may compensate those other KPIs whose result are below the MYP target but at least at their minimum threshold level.

(g) The Board of Directors will also carry out a final assessment on the basis of Total Shareholder Return in relative terms and on a comprehensive evaluation of the overall performance achieved during the Plan period, also based on other managerial KPIs included in the MYP, market context and compensation trends, reputational impacts, risks, relative RoTE, innovation and digitalization level of the Bank. Such assessment may lead to a decrease down to 0 or an increase up to maximum 20% (upwards adjustment is not applicable to Group CEO) of the shares to be awarded under the Plan. However the overall final number of shares assigned under the LTI Plan may in no event exceed the maximum 100% of the shares for which each Beneficiary is eligible.

(h) In line with the relevant regulations, the distribution of payments in shares provides for a retention period of one year on the shares themselves.

(i) Once the conditions set forth in the LTI Plan have been verified, the Board of Directors, at the end of the period of restriction, may assign freely transferable[78] free ordinary UniCredit shares.

(j) The LTI Plan could also be offered during the hiring process of external employees for the coverage of key roles in the Group, up to June, 30 2021, with a pro-quota participation.

(k) It is estimated that a maximum of 9,400,000 free ordinary UniCredit shares[79] will be assigned, representing approximately 0.42% of UniCredit's share capital.

2019 Group Incentive System

This involves an incentive system similar to the 2020 System described above. The payment of the incentive is deferred over six years (2020-2025).

2018 Group Incentive System

This involves an incentive system similar to the 2020 System described above. The payment of the incentive is deferred over six years (2019-2024).

2017-2019 LTI PLAN

The 2017-2019 LTI Plan (the "**LTI Plan**") was launched in 2017 and aims to (i) align top and senior management interests to the long-term value creation for the shareholder, (ii) align share price and Group performance appreciation and (iii) sustain appropriate risk management orienting the performance management measurement on a multi-year timeframe.

The LTI is also utilized as a "retention" tool in order to retain key Group resources in order to achieve the mid-long term Group Strategy.

The potential beneficiaries of the LTI Plan are: (i) the CEO; (ii) the General Manager; (iii) Senior Executive Vice Presidents of the then existing Executive Management Committee (now partly replaced by Group Executive Committee

77 In case of changes to the methodology used internally, the target and minimum levels will be modified accordingly.

78 As long as the beneficiary is not subject to obligations to maintain the shares of UniCredit S.p.A. as provided for by the Share Ownership Guidelines, if any, or by other restrictions provided for by company policies (e.g. internal/personal dealing).

79 In the case of capital transactions (e.g., capital increase) subsequent to the determination of the maximum number of shares, in order to maintain a situation of neutrality for the holders of the securities concerned by the transaction, the application of adjustment factors is provided for.

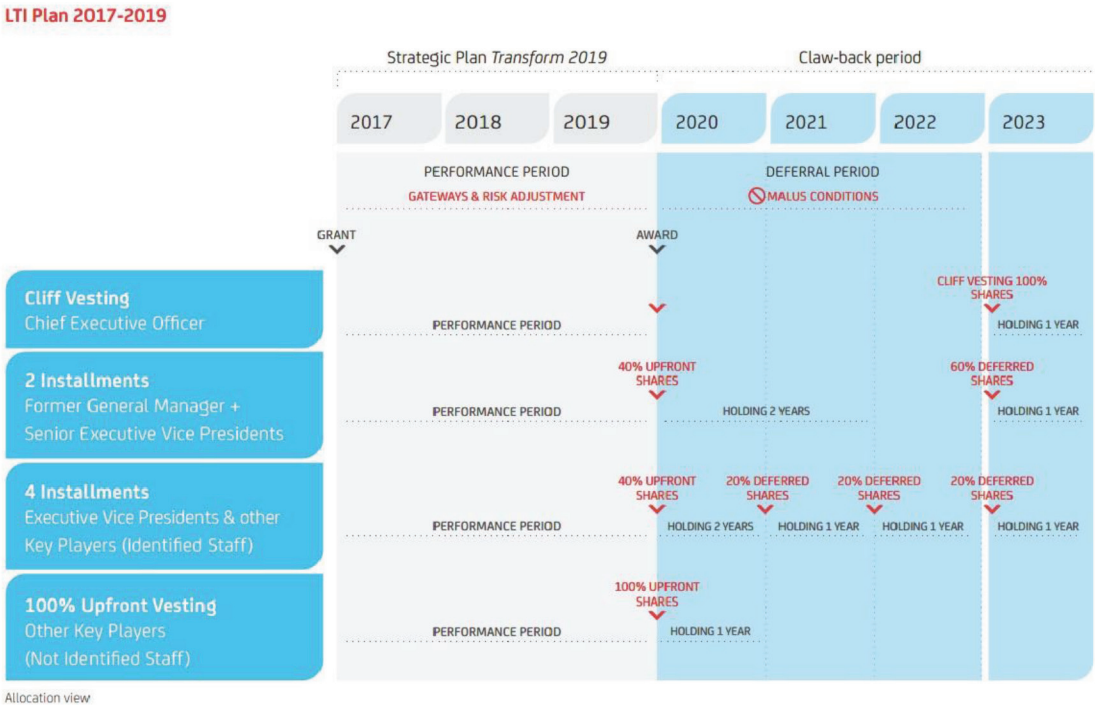
(GEC)); (iv) Members of Group Management Team that are the Executive Vice Presidents, including employees of the Group's companies; and (v) other key roles up to 200 beneficiaries, including selected talents not belonging to the aforementioned clusters.

Personnel of Company Control Functions is not included in the Plan.

The Plan provides for the allocation of UniCredit free ordinary shares, in several installments and over a multi-year period, subject to the achievement of specific performance conditions linked to the 2017-2019 Multi-Year Plan.

The overall number of shares to be allocated was defined on the basis of the arithmetic mean of the official market price of UniCredit ordinary shares during the 30 days preceding the Board resolution approving the proposal submitted to the General Shareholders' Meeting.

The different percentages of payments in shares, starting from 2020, are defined considering beneficiary categories, as described in the following table:



The assigned shares will be subject to a three-year deferral period from the date of approval of the LTI Plan, as required by law. The overall final amount will be defined on the basis of the achievement of specific performance conditions linked to the 2017-2019 Multi-Year Plan, subject to continuous employment at each date of payment. The shares will be assigned only on the basis of the respect of the minimum conditions of Bank assets, capital and liquidity, as well as in terms of the conduct of compliance with respect to the law, Bank and Group compliance rules, Bank Policy and to the integrity values mentioned in the Code of Conduct (including claw-back clauses).

The Remuneration Committee and Board of Directors will also perform a qualitative assessment to promote: (i) value creation for shareholders (i.e., total shareholder return), (ii) the achievement of further managerial KPIs included in the 2017-2019 Multi-Year Plan (i.e., cross selling, funding gap, etc.), and (iii) consideration of the market context, the remuneration trends, etc., that could decrease to zero or increase up to a maximum of 20% of LTI Plan payments. However, the overall final value of the assignments of the LTI Plan may not exceed 100% of the original assignment.

Once the Board verifies achievement of the performance indicators, assignments of the shares will be granted based on percentages of payments in shares and the installments foreseen for the various beneficiary categories.

Performance indicators of the LTI Plan to be evaluated to determine the number of shares are:

- Return On Allocated Capital, accounting for 50%, will be measured based on the value at the end of the 2017-2019 Multi-Year Plan, in keeping with LTI Plan targets (i.e., 100% of the achievement for a value equal or higher than 9%);
- Cost/Income Ratio, accounting for 25%, will be measured based on the fair value at the end of the 2017-2019 Multi-Year Plan, in keeping with the LTI Plan targets (i.e., 100% of the achievement for a value equal or higher than 52%); and
- NET Non Performing Exposure, accounting for 25%, will be measured based on the value at the end of the 2017-2019 Multi-Year Plan, in keeping with the LTI Plan targets (i.e., 100% of the achievement for a value equal or higher than €20.2 billion).

As required by law, distribution of share payments requires share retention periods (i.e., a retention period on upfront shares of two years and one year for deferred shares);

Rules provided that the LTI Plan could also be offered – with a pro quota participation – up to December, 31 2017, during the hiring process of outside employees for key Group roles.

The free UniCredit ordinary shares possibly assigned by the Board of Directors will be freely transferable at the end of the shares retention period, or in the year of the assignment, but subject to restrictions on the transfer for the foreseen shares retention period (a retention period on upfront shares of two years and one year for deferred shares).

Upon the completion of "Transform 2019" Strategic Plan all Entry conditions on profitability, capital, liquidity as well as on the appraisal of the Risk Appetite Framework (RAF) during the period 2017-2019 were successfully met. The overall achievement level of the LTIP led to an award of 93,3%, corresponding to ca. 4,654,137 shares (corresponding to a dilution of capital of 0.21%) for 262 beneficiaries.

Such shares are awarded to beneficiaries over a number of installments according to the deferral schemes that vary according to the relevant clusters of population as per the structure approved in Board of Directors in 2017.

All malus conditions for the first year of deferral were fulfilled, therefore the tranches vesting in 2020 were confirmed.

2017 Group Incentive System

This involves an incentive system similar to the 2020 System described above. The payment of the incentive is deferred over six years (2018-2023).

2016 Group Incentive System

This involves an incentive system similar to the 2020 System described above. The payment of the incentive is deferred over six years (2017-2022).

RELATED-PARTY TRANSACTIONS

Introduction

In the performance of our activity, it is our practice to use the criteria of transparency and substantial and procedural fairness, to assess transactions, directly or via subsidiaries, with related-parties – as identified by CONSOB and the international accounting principle IAS 24 – in line with the prevailing laws and regulations.

We have adopted a procedure for identifying, monitoring and notifying the Board of Directors and the Board of Statutory Auditors of important, atypical and/or unusual transactions, as well as transactions concluded with related parties. This procedure ensures that the Board of Statutory Auditors pursuant to Article 150 of the Consolidated Financial Act receives appropriate information on the characteristics, parties involved and operating, financial and capital effects of the transactions in question, and ensures that appropriate information is disclosed, in the report on operations that accompanies our financial statements.

As a listed issuer, we are bound to comply with the obligations set out by the existing laws and regulations on corporate information and concerning related-party transactions, including those concluded via subsidiaries. In the second half of 2018, the competent structures have carried out an activity finalized to review and systemize the internal regulation on related parties and risk activities and conflict of interest to associated parties in a unique framework. The Board of Directors on June 8, 2021, approved, following the positive opinions of the Related Parties Committee and the Board of Statutory Auditors, the new release of the Global Policy "Transactions with related parties, associated persons and corporate officers ex art. 136 CBA". The new Global Policy – effective from June 30, 2021 – is issued in compliance with the CONSOB resolution no. 21624 dated December 10, 2020 (in force from July 1, 2021), which updates the "Regulation on transaction with related parties" No. 17221/2010 (the "**Consob Regulation**") and the Bank of Italy Circular No. 285/2013 (Third Part, Chapter 11, Section I) (the "**Bank of Italy Circular**") on risk activities and conflicts of interest for banks and banking groups with regard to associated parties issued in compliance with Article 53 of the Consolidated Banking Act.

For the Global Policy, the collection of related parties, associated parties and other members considered by us to be significant in relation to the above-mentioned provisions is defined as the "**Combined Perimeter**."

In addition, to ensure the oversight of issues concerning transactions with related-parties pursuant to the Consob Regulation and transactions with associated parties pursuant to the Bank of Italy Circular, the Related-Parties Committee has been established, that carries out the specific role attributed to independent directors by the aforementioned provisions. Furthermore, the Related-Parties Committee carries out any other duties assigned to it within the Global Policy on transactions with related and associated parties, applicable from time to time.

For the composition of this Committee, see "*Management – Committees – Related Parties Committee*."

Without prejudice to the legal provisions regarding the interests of directors and related-party transactions, we also need to apply the provision of Article 136 of the Consolidated Banking Act on obligations of banking officers, pursuant to which banking officers can undertake obligations, directly or indirectly, with regard to the bank they manage, govern or control, only following the unanimous approval of the Board of Directors, with the vote of the officer involved not counting, and with a vote in favor by the members of the Board of Statutory Auditors.

Accordingly, our above-mentioned officers are bound to notify subjects – physical or legal persons – pertaining to whom the establishment of any relations could include the indirect obligation that refers essentially to banking officers.

Pursuant to our Global Policy, a transaction established with a related party who is a banking officer or a related subject comes under the scope of the application of Article 136 of the Consolidated Banking Act and the related procedure. In this case, the Related-Parties Committee should be guaranteed prior, prompt and full information in accordance with the mentioned Global Policy by the proposing structures when dealing with transactions not falling under the exempt cases.

Related Parties Relationships and Transactions

We enter into and expect to continue to enter into relations of a commercial and financial nature with related parties.

The tables below contain the assets, liabilities, guarantees and commitments broken down by type with related parties pursuant to IAS 24 as of December 31, 2021, 2020 and 2019.

	As of December 31, 2021[1]						
	Controlled not consolidated entities	**Joint ventures**	**Associated companies**	**Key management personnel**	**Other related parties**	**Total**	**% on accounts item**
			(in millions of €)				
RELATED-PARTY TRANSACTIONS							
Cash and cash balances	–	.	7	–	–	**7**	0.01%
Financial assets at fair value through profit or loss	–	–	120	–	–	**120**	0.13%
a) Financial assets held for trading	–	–	41	–	–	**41**	0.05%
c) Other financial assets mandatorily at fair value	–	–	79	–	–	**79**	0.67%
Financial assets at fair value through other comprehensive income	–	–	126	–	–	**126**	0.18%
Financial assets at amortised cost	13	17	709	1	–	**740**	0.12%
a) Loans and advances to banks	5	–	29	–	–	**34**	0.04%
b) Loans and advances to customers	8	17	680	1	–	**706**	0.14%
Noncurrent assets and disposal groups classified as held for sale	–	–	14	–	–	**14**	0.10%
Other assets	13	–	102	–	–	**115**	1.59%
Total assets	**26**	**17**	**1,078**	**1**	**–**	**1,122**	**0.14%**
Financial liabilities at amortised cost	30	2	8,341	3	81	**8,457**	1.11%
a) Deposits from banks	–	–	6,528	–	–	**6,528**	4.02%
b) Deposits from customers	30	2	1,813	3	81	**1,929**	0.38%
c) Debt securities in issue	–	–	–	–	–	**–**	–
Financial liabilities held for trading and designated at fair value	–	–	31	–	–	**31**	0.05%
Other liabilities	20	–	33	–	–	**53**	0.40%
Total Liabilities	**50**	**2**	**8,405**	**3**	**81**	**8,541**	**1.01%**
Guarantees given and commitments[*]	6	–	1,687	–	–	**1,693**	0.48%

[1] Figures from the 2021 Consolidated Financial Statements.

[*] It should be noted that the item "Guarantees given and commitments" includes revocable commitments.

	As of December 31, 2020[1]						
	Controlled not consolidated entities	**Joint ventures**	**Associated companies**	**Key management personnel**	**Other related parties**	**Total**	**% on accounts item**
			(in millions of €)				
RELATED-PARTY TRANSACTIONS							
Financial assets at fair value through profit or loss	–	–	166	–	–	**166**	0.19%
a) Financial assets held for trading	–	–	86	–	–	**86**	0.12%
c) Other financial assets mandatorily at fair value	–	–	80	–	–	**80**	0.54%
Financial assets at fair value through other comprehensive income	–	–	127	–	–	**127**	0.17%
Financial assets at amortised cost	1	21	2,193	1	1	**2,217**	0.36%
a) Loans and advances to banks	–	–	1,183	–	–	**1,183**	1.01%
b) Loans and advances to customers	1	21	1,010	1	1	**1,034**	0.20%
Hedging derivatives (assets)	–	–	–	–	–	**–**	–
Noncurrent assets and disposal groups classified as held for sale	–	115	13	–	–	**128**	6.25%
Other assets	1	–	107	–	–	**108**	1.67%
Total assets	**2**	**136**	**2,606**	**1**	**1**	**2,746**	**0.34%**
Financial liabilities at amortised cost	11	26	9,111	6	216	**9,370**	1.21%
a) Deposits from banks	–	–	7,414	–	–	**7,414**	4.30%
b) Deposits from customers	11	26	1,697	6	216	**1,956**	0.39%
Financial liabilities held for trading and designated at fair value	–	–	29	–	–	**29**	0.05%
Other liabilities	–	–	13	–	–	**13**	0.10%
Total Liabilities	**11**	**26**	**9,153**	**6**	**216**	**9,412**	**1.10%**
Guarantees given and commitments[*]	–	45	1,610	1	–	**1,656**	0.48%

(1) Figures from the 2020 Consolidated Financial Statements.

(*) It should be noted that the item "Guarantees given and commitments" includes revocable commitments.

	As of December 31, 2019[1]						
	Controlled not consolidated entities	**Joint ventures**	**Associated companies**	**Key management personnel**	**Other related parties**	**Total**	**% on accounts item**
			(in millions of €)				
RELATED-PARTY TRANSACTIONS							
Financial assets at fair value through profit or loss	–	147	120	–	–	**267**	0.33%
a) Financial assets held for trading	–	147	40	–	–	**187**	0.30%
b) Financial assets designated at fair value	–	–	–	–	–	**–**	–
c) Other financial assets mandatorily at fair value	–	–	80	–	–	**80**	0.43%
Financial assets at fair value through other comprehensive income	–	–	115	–	–	**115**	0.14%
Financial assets at amortised cost	2	2,257	1,029	2	2	**3,292**	0.53%
a) Loans and advances to banks	–	1,522	215	–	–	**1,737**	1.71%
b) Loans and advances to customers	2	735	814	2	2	**1,555**	0.30%
Hedging derivatives (assets)	–	–	–	–	–	–	–
Noncurrent assets and disposal groups classified as held for sale	–	840	–	–	–	**840**	33.44%
Other assets	–	5	122	–	–	**127**	1.83%
Total assets	**2**	**3,249**	**1,386**	**2**	**2**	**4,641**	**0.58%**
Financial liabilities at amortised cost	62	7	9,456	6	162	**9,693**	1.38%
a) Deposits from banks	–	3	7,580	–	–	**7,583**	5.59%
b) Deposits from customers	62	4	1,876	6	162	**2,110**	0.45%
c) Debt securities in issue	–	–	–	–	–	**–**	–
Financial liabilities held for trading and designated at fair value	–	1	33	–	–	**34**	0.07%
Hedging derivatives (liabilities)	–	–	–	–	–	**–**	–
Liabilities included in disposal groups classified as held for sale	–	–	–	–	–	**–**	–
Other liabilities	–	1	46	–	–	**47**	0.37%
Total Liabilities	**62**	**9**	**9,535**	**6**	**162**	**9,774**	**1.26%**
Guarantees given and commitments	–	2,196	1,799	–	2	**3,997**	–

[1] Figures from the 2019 Consolidated Financial Statements.

For the years ended December 31, 2021, 2020 and 2019, intra-group transactions and/or transactions with related parties, Italian and foreign, were typically carried out under conditions similar to those for transactions with independent third parties.

Transactions of greater relevance not subject to the disclosure obligations pursuant to Article 5 of the Related Parties Regulation included:

- for the year ended December 31, 2021, no kind of such transaction was concluded; and
- for the year ended December 31, 2020, no kind of such transaction was concluded; and
- for the year ended December 31, 2019, for the year ended December 31, 2019, one such transaction was carried out involving in particular the annual renewal of a commitment up to a cap of approximately €4,576 million with regard to entities directly or indirectly controlled by a Turkish company subject to joint control by UniCredit.

The incidence of related-party transactions on our assets and liabilities (given above) is also indicative of the incidence on interest income and expense, taking into account that these transactions are usually conducted under the same conditions as those applied to similar transactions with third-parties.

In the application of the special provision set out in Article 136 of the Consolidated Banking Act, the obligations established in relation to important subjects pursuant to the above regulation were the subject of unanimous approval by the Board of Directors with all the members of the Board of Statutory Auditors voting in favor, in compliance with the methods and criteria set out in Article 136 of the Consolidated Banking Act.

The remaining transactions are all of lesser relevance and related to debt financing or refinancing or restructuring or workout or services provisions. These transactions were concluded and carried out based on assessments of the economic convenience and interests of the Group. For further information on related party transactions, see the notes to our Consolidated Financial Statements.

Intra-group services

As part of our organizational model, several Group companies use the services provided by us or by other specialist Group companies in conducting and expanding their activities. Intra-group provision of services was carried out in line with the arm's length principle and the Group transfer pricing policy, based on assessments of a mutual economic advantage, keeping in mind the common goal of creating value for the entire Group.

Some of the main services include:

- provision of ICT services (Information & Communication Technology);
- management of services of a technical, real estate and security nature;
- management of administrative and accounting services;
- outsourcing for the provision of auxiliary, administrative, strategic and business services;
- provision of services aimed at recovering performing loans;
- internal auditing services; and
- intercompany corporate services (ICS).

The provision of services in general is regulated by dedicated contracts which set out, among other things, the type of service, the level of service supplied and related monitoring, the fees and the methods for determining such fees.

These include:

- provision of ICT services: operation and development of Group information systems, by way of example hardware infrastructure (servers and storage), data transmission network and software applications and related support services, help desk, fleet management, maintenance;
- management of services of a technical, real estate and security nature: rental of properties owned and leased to third parties, regulation of service charges (utilities, building management costs), space management, routine and extraordinary maintenance of real estate and related systems, planning and supervision of refurbishment and renovation operations agreed with Group companies (e.g., opening/closing branches), installation and maintenance of security systems;
- management of administrative and accounting services: non-commercial operating activities (e.g., regulation of transfers and checks) divided by areas of application: loans and cash, payment systems, foreign and finance, administrative and accounting processes, treasury and agencies, bonds;
- provision of services aimed at recovering performing loans: services aimed at recovering past-due loans not yet classified as unlikely to pay and non-performing;
- internal auditing services: verifying the suitability and operation of the entire internal control system and checking compliance with guidelines issued by us or by Group companies that make use of this service; and

  intercompany corporate services (ICS): certain activities rendered by employees belonging to the Competence lines of the UCI S.p.A Corporate Center to the benefit of the Group Legal entities mainly referring to the following areas: Human Resources, Organization, Legal, Compliance, CFO, Group risk management, Head Office Functions, Identity and Communication and IT.

Intra-group Transactions

During the three years ended respectively on December 31, 2021, 2020 and 2019, we conducted intra-group transactions which were carried out in line with the arm's length principle and the Group transfer pricing policy. The transactions were based on assessments of a mutual economic advantage, while keeping in mind the common goal of creating value for the entire Group.

The table below contains details of the main intra-group transactions of a corporate nature over the last three financial years ended December 31, 2021, 2020 and 2019 as well up to the date of this Offering Memorandum.

Main intra-group transactions

Date	Parties	Subject	Fee
September 2019	UniCredit Leasing S.p.A./ UniCredit Leasing Asset Management S.p.A.	Partial demerger of UniCredit Leasing S.p.A. through the transfer of the "Leased Asset Management" going concern in favour of UniCredit Leased Asset Management S.p.A.	Approximately €55 million
September 2019	UniCredit Services S.c.p.a. / UniCredit S.p.A.	Partial non-proportional and asymmetric demerger of UniCredit Services Scpa through the transfer of the "Italian operation and real estate" going concern in favour of UniCredit SpA	Approximately €25 million
December 2019	UniCredit S.p.A./UniCredit Leasing S.p.A.	Capital contribution to UniCredit Leasing S.p.A. by UniCredit S.p.A.	€250 million.
December 2020	UniCredit Leasing S.p.A./ UniCredit Leasing Asset Management S.p.A.	Partial demerger of UniCredit Leasing S.p.A. through the transfer of a demerger compendio represented by real estate assets in favour of UniCredit Leased Asset Management S.p.A.	Approximately €55 million
December 2020	UniCredit S.p.A./ UniCredit Leasing S.p.A.	Capital contribution to UniCredit Leasing S.p.A. by UniCredit S.p.A.	€170 million
November 2021	UniCredit SpA / UniCredit Bank Ireland Plc	Cross-border merger by absorption of UniCredit Bank Ireland Plc into UniCredit SpA	Approximately €2.4 billion

PRINCIPAL SHAREHOLDERS

As of the date of this Offering Memorandum, our share capital, fully subscribed and paid-up, amounts to €21,220,169,840.48 and comprised 2,184,404,611 ordinary shares. Our ordinary shares are listed on Italian, German and Polish regulated markets. The shares traded on these markets have the same characteristics and confer the same rights on the holder.

As of May 16, 2022, the following shareholders held, directly or indirectly, more than 3% of our ordinary shares:

Shareholder	Ordinary Shares	Percentage of Ordinary Share Capital[1]
BlackRock Group	114,907,383	5.260[1]
Parvus Asset Management Europe Limited	110,507,621	5.059[1]
Allianz Group	69,622,203	3.187

[1] non discretional asset management

The table shows the information notified by the shareholders pursuant to art. 120 TUF and published on the Consob website in the "Shareholders" section updated on the basis of the communications processed until 15 May 2022. The percentages indicated are calculated on the number of shares representing the share capital as of today. It should be noted that, in the cases provided for by the Issuers' Regulations, management companies and qualified entities that have acquired, as part of their management activities, shareholdings less than 5% are not required to make disclosures.

The Bank holds the right of usufruct for 9,675,640 of its ordinary shares underlying the financial instruments known as "CASHES." "CASHES" are equity-linked instruments, which were issued for a value of €2,983,000,000 in February 2009 by The Bank of New York (Luxembourg) S.A., substituted in 2016 by Mitsubishi UFJ Investor Services & Banking Luxemburg S.A., maturing on December 15, 2050 and convertible, under certain conditions, into 9,675,640 ordinary shares (reduced by 967,564,061 following the reverse stock splits of December 27, 2011 and January 23, 2017) subscribed by Mediobanca – Banca di Credito Finanziario S.p.A. under the scope of the capital increase approved by the UniCredit Extraordinary Shareholders' Meeting held on November 14, 2008.

TERMS AND CONDITIONS OF THE NOTES

[Redacted text]

BOOK-ENTRY, DELIVERY AND FORM

[Redacted text]

DESCRIPTION OF BOOK-ENTRY INTERESTS AND THE DEPOSIT AGREEMENT

[Redacted text]

TRANSFER RESTRICTIONS

[Redacted text]

CERTAIN ERISA AND RELATED CONSIDERATIONS

[Redacted text]

TAXATION

[Redacted text]

PLAN OF DISTRIBUTION

[Redacted text]

LEGAL MATTERS

Certain legal matters with respect to U.S. Federal and New York State and Italian law will be passed upon for us by Latham & Watkins (London) LLP, our U.S. Federal, New York and Italian legal counsel. Certain legal matters with respect to U.S. Federal and New York State law will be passed upon for the Dealers by Clifford Chance Studio Legale Associato and Clifford Chance Deutschland LLP, legal counsel to the Dealers as to U.S. law and certain matters with respect to Italian law. Certain legal matters with respect to Italian tax law will be passed upon by Clifford Chance Studio Legale Associato, legal counsel to us and the Dealers as to Italian tax law.

INDEPENDENT AUDITORS

The consolidated financial statements of UniCredit S.p.A for the years ended December 31, 2021, 2020 and 2019 in this Offering Memorandum, have been audited by Deloitte & Touche S.p.A., independent auditors, as stated in their report appearing herein or incorporated by reference. Deloitte & Touche S.p.A.'s registered office is Via Tortona, 25, Milan, Italy and it is registered under No. 03049560166 in the Register of Accountancy Auditors (*Registro dei Revisori Contabili*) in compliance with the provisions of Legislative Decree No. 88, January 27, 1992. Deloitte & Touche S.p.A. is authorized and regulated by the Italian Ministry of Economy and Finance ("**MEF**") and registered on the special register of auditing firms held by MEF.

Furthermore, it should be noted that, at the shareholders' meeting of UniCredit held on April 9, 2020, KPMG S.p.A., with registered office at Via Vittor Pisani 25, Milan, registered with the Register of Statutory Auditors *(Registro dei Revisori Legali)* with registration number no: 00709600159, has been appointed to act as UniCredit's external auditor for the 2022-2030 nine-year period.

GENERAL INFORMATION

[Redacted text]

APPENDIX A

[Redacted text]

APPENDIX B

[Redacted text]

THE BANK

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