



SECOND SUPPLEMENT DATED 9 JANUARY 2018

TO THE BASE PROSPECTUS DATED 15 JUNE 2017

UNICREDIT S.p.A.

(incorporated with limited liability as a *Società per Azioni* in the Republic of Italy under registered number 00348170101)

and

UNICREDIT BANK IRELAND p.l.c.

(incorporated with limited liability in Ireland under registered number 240551)

and

UNICREDIT INTERNATIONAL BANK (Luxembourg) S.A.

(incorporated as a public limited liability company (*société anonyme*) under the laws of the Grand Duchy of Luxembourg and registered with the Luxembourg trade and companies register under number B.103.341)

unconditionally and irrevocably guaranteed by

UNICREDIT S.p.A.

in the case of Notes issued by UniCredit Bank Ireland p.l.c. and UniCredit International Bank (Luxembourg) S.A.

€60,000,000,000 EURO MEDIUM TERM NOTE PROGRAMME

This supplement (the **Supplement**) to the base prospectus dated 15 June 2017, as supplemented by the first supplement dated 17 August 2017 (the **Base Prospectus**), constitutes a supplement for the purposes of Article 13.1 of Chapter 1 of Part II of the Luxembourg Act dated 10 July 2005 on prospectuses for securities, as amended (the **Prospectus Act**) and is prepared in connection with the €60,000,000,000 Euro Medium Term Note Programme (the **Programme**) established by UniCredit S.p.A. (**UniCredit** and, in the case of Notes issued by UniCredit Bank Ireland p.l.c. and UniCredit International Bank (Luxembourg) S.A., the **Guarantor**), UniCredit Bank Ireland p.l.c. (**UniCredit Ireland**) and UniCredit International Bank (Luxembourg) S.A. (**UniCredit International Luxembourg**) (each an **Issuer** and together the **Issuers**). Terms defined in the Base Prospectus have the same meaning when used in this Supplement.

This Supplement is supplemental to, and should be read in conjunction with, the Base Prospectus.

Each of the Issuers and the Guarantor accepts responsibility for the information contained in this Supplement. To the best of the knowledge of each of the Issuers and the Guarantor (which have taken all reasonable care to ensure that such is the case) the information contained in this Supplement is in accordance with the facts and contains no omissions likely to affect its import.

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Purpose of the Supplement

The purpose of the submission of this Supplement is to (i) update the “Important Information” section of the Base Prospectus, (ii) update the “Summary of the Programme” section of the Base Prospectus, (iii) update the “Risk Factors” section of the Base Prospectus, (iv) update the “Consent given in accordance with article 3.2 of the Prospectus Directive (Retail Cascades)” section of the Base Prospectus; (v) update the “Documents Incorporated by Reference” section of the Base Prospectus to incorporate by reference some recent press releases relating to UniCredit, (vi) update the forms of Final Terms set out under the “Applicable Final Terms” section of the Base Prospectus and the form of Pricing Supplement set out under the “Applicable Pricing Supplement” section of the Base Prospectus, (vii) amend the “Terms and Conditions of the Notes” section of the Base Prospectus in order to include a new class of Senior Notes having the status of Non Preferred Senior Notes, (viii) update the “Description of UniCredit and the UniCredit Group” section of the Base Prospectus, (ix) update the “Taxation” section of the Base Prospectus and (x) update the “General Information” section of the Base Prospectus.

Important Information

The paragraphs below are inserted in the “*Important Information*” section of the Base Prospectus on page 5 after the paragraph titled “Important – EEA RETAIL INVESTORS”.

“MIFID II product governance / target market – The Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) will include a legend entitled “MiFID II Product Governance” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the **MiFID Product Governance Rules**), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MIFID Product Governance Rules.”

Summary of the Programme

The Summary of the Programme included on pages 12 to 46 of the Base Prospectus is deleted in its entirety and replaced with the information set out in the Appendix 1 to this Supplement. The following elements of the Summary of the Programme have been amended:

- Element B.2 in relation to UniCredit as Issuer has been updated to reflect the change of the registered office of UniCredit;
- Element B.12 in relation to UniCredit as Issuer has been updated further to the approval of the unaudited interim report as at 30 September 2017 - Press Release;
- Element B.17 in relation to UniCredit as Issuer has been amended to reflect the update of UniCredit’s ratings;
- Element B.18 in relation to UniCredit Ireland and UniCredit Luxembourg has been updated to reflect some changes made to the Terms and Conditions;

- Element B.19 B.2 in relation to UniCredit as Guarantor has been updated to reflect the change of the registered office of UniCredit;
- Element B.19 B.12 in relation to UniCredit as Guarantor has been updated further to the approval of the unaudited interim report as at 30 September 2017 - Press Release;
- Element B.19 B.17 in relation to UniCredit as Guarantor has been amended to reflect the update of UniCredit's ratings;
- Element C.8 has been amended to reflect some changes made to the Terms and Conditions of the Notes;
- Element D.2 has been amended to align it to the risk factors included in the Risk Factors section of the Base Prospectus.

Risk Factors

The section titled "Risk Factors" on pages 47 to 107 of the Base Prospectus is deleted in its entirety and replaced with the information set out in the Appendix 2 to this Supplement.

Consent given in accordance with article 3.2 of the Prospectus Directive (Retail Cascades)

The point below is inserted on page 110 of the Base Prospectus after point (II):

"(III) comply with the target market and distribution channels identified under the "MiFID II product governance" legend set out in the applicable Final Terms;"

Documents Incorporated by Reference

The "Documents Incorporated by Reference" section on page 121 is supplemented with the following:

- the Press Release of UniCredit dated 21 September 2017 regarding the approval of a number of actions to strengthen UniCredit's corporate governance;
- the Press Release of UniCredit dated 21 September 2017 regarding the announcement of the Group's new risk management structure;
- the Press Release of UniCredit dated 26 September 2017 regarding the call of notice and liquidation value of the ordinary and savings shares possibly subject to withdrawal;
- the Press Release of UniCredit dated 8 November 2017 regarding the resignation of a veteran board member and the co-optation of Mr. Saccomanni to the board of directors;
- the Press Release of UniCredit dated 9 November 2017 regarding the unaudited third quarter 2017 Group results;
- the Press Release of UniCredit dated 4 December 2017 regarding the approval by the shareholders of the corporate governance amendments proposed by the board of directors;
- the Press Release of UniCredit dated 11 December 2017 regarding the completion of the disposal of the Polish subsidiaries;
- the Press Release of UniCredit dated 11 December 2017 regarding UniCredit's SREP Pillar 2 Capital Requirement;

- the Press Release of UniCredit dated 11 December 2017 regarding the completed assessment concerning the integrity and experience requirements of Director Mr. Saccomanni; and
- the Press Release of UniCredit dated 12 December 2017 regarding the agreements signed by UniCredit to sell down Fino portfolio below 20 per cent..

Copies of the abovementioned press releases have previously been published and have been filed with the CSSF and, by virtue of this Supplement, are incorporated by reference in their entirety in, and form part of, the Base Prospectus.

The following information set out in the press releases shall be incorporated by reference in, and form a part of, the Base Prospectus:

Document	Information Incorporated	Page Reference
Press Release “UniCredit to strengthen and promote best in class corporate governance” dated 21 September 2017	Entire Document	All
Press Release “UniCredit announces new Risk Management structure” dated 21 September 2017	Entire Document	All
Press Release “Call of notice and liquidation value of the ordinary and savings shares possibly subject to withdrawal” dated 26 September 2017	Entire Document	All
Press Release “Press Release” dated 8 November 2017	Entire Document	All
Press Release “UniCredit: Third Quarter 2017 Group Results. Transform 2019 delivers tangible results” dated 9 November 2017 regarding the UniCredit Unaudited Consolidated Results as at 30 September 2017	UniCredit: Third Quarter 2017 Group Results. Transform 2019 delivers tangible results	1-3
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Document	Information Incorporated	Page Reference
	Basis of Preparation	25-26
	Declaration by the Manager	27
Press Release “UniCredit Shareholders approve the corporate governance amendments proposed by the Board of Directors” dated 4 December 2017	Entire Document	All
Press Release “UniCredit successfully concludes the disposal of the Polish Subsidiaries” dated 11 December 2017	Entire Document	All
Press Release “ECB lowers UniCredit’s SREP Pillar 2 Capital Requirement by 50 basis points to 200 basis points” dated 11 December 2017	Entire Document	All
Press Release “Press Release” dated 11 December 2017	Entire Document	All
Press Release “UniCredit signs agreements to sell down Fino portfolio below 20 per cent.” dated 12 December 2017	Entire Document	All

The information incorporated by reference that is not included in the cross-reference list, is considered as additional information and is not required by the relevant schedules of Commission Regulation (EC) No. 809/2004.

Applicable Final Terms

The paragraph below is inserted on pages 110 and 148 of the Base Prospectus after the paragraph titled “Prohibition of Sales to EEA Retail Investors”.

“[[**MIFID II product governance / Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the [Notes] has led to the conclusion that: (i) the target market for the [Notes] is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, “MiFID II”)] [MiFID II]; and (ii) all channels for distribution of the [Notes] to eligible counterparties and professional clients are appropriate. [*Consider any negative target market*]. Any person subsequently offering, selling or recommending the [Notes] (a “distributor”) should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the [Notes] (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]

OR

[MiFID II product governance / Retail investors, professional investors and ECPs target market

– Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the [Notes] has led to the conclusion that: (i) the target market for the [Notes] is eligible counterparties, professional clients and retail clients, each as defined in [Directive 2014/65/EU (as amended, "MiFID II")][MiFID II]; EITHER [and (ii) all channels for distribution of the [Notes] are appropriate[, including investment advice, portfolio management, non-advised sales and pure execution services]] OR [(ii) all channels for distribution to eligible counterparties and professional clients are appropriate; and (iii) the following channels for distribution of the [Notes] to retail clients are appropriate - investment advice[,/ and] portfolio management[,/ and][non-advised sales][and pure execution services][, subject to the distributor’s suitability and appropriateness obligations under MiFID II, as applicable]]. *[Consider any negative target market]*. Any person subsequently offering, selling or recommending the [Notes] (a "distributor") should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the [Notes] (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels[, subject to the distributor’s suitability and appropriateness obligations under MiFID II, as applicable].]]”

In the section “Applicable Final Terms”, item 5 on page 149 of the Base Prospectus is replaced as follows:

“

5. Specified Denominations:²³

[]

(In the case of Registered Notes, this means the minimum integral amount in which transfers can be made)

(Notes must have a minimum denomination of €100,000 (or equivalent). In the case of Non-Preferred Senior Notes, Notes must have a minimum denomination of €250,000 (or equivalent))

(Note – where multiple denominations above [€100,000] or equivalent are being used the following sample wording should be followed:

"[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000].")

²³ Notes to be issued by UniCredit Ireland with a minimum maturity of two years which are not listed on a stock exchange must have a minimum denomination of €500,000 or its equivalent at date of issuance. Notes to be issued by UniCredit Ireland which are not listed on a stock exchange and which mature within two years must have a minimum denomination of €500,000 or US\$500,000 or, in the case of Notes which are denominated in a currency other than euro or U.S. dollars, the equivalent in that other currency of €500,000 (such amount to be determined by reference to the relevant rate of exchange at the date of first publication of this programme).

”

In the section “Applicable Final Terms”, item 12 on page 151 of the Base Prospectus is replaced as follows:

“

12. Status of the Notes: [Senior / Non-Preferred Senior / Subordinated]
- (a) [Date of [Board] approval for []] issuance of Notes:
- (b) [Date of [Board] approval for the []] Guarantee:
- (Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Guarantee)*
- ”

In the section “Applicable Final Terms”, items 21 and 22 on page 158 of the Base Prospectus are replaced as follows:

“

21. Issuer Call due to MREL or TLAC Disqualification Event: [Applicable]/[Not Applicable]
- (Please consider that not less than the minimum period nor more than maximum period (each as specified in item 18 above) of notice has to be sent to the Principal Paying Agent and the Trustee and, in accordance with Condition 16, the Noteholders)*
- (Only relevant in the case of Senior Notes or Non-Preferred Senior Notes)*
22. Early Redemption Amount payable on redemption for taxation reasons (as contemplated by Condition 8.2) or on event of default (in the case of (i) Senior Notes and Non-Preferred Senior Notes and (ii) Subordinated Notes only, subject to, respectively, (i) Condition 8.15 and (ii) Condition 8.14 (including the prior approval of the relevant Competent Authority, as applicable, and in accordance with applicable laws and regulations, including Articles 77(b) and 78 of the CRD IV Regulation));
- [[] per Calculation Amount/As per Condition 8.2]
- [See also paragraph 20 (Regulatory Call)] *(Delete this cross-reference unless the Notes are Subordinated Notes and the Regulatory Call is applicable) (N.B. If the Final Redemption Amount (except in the case of Zero Coupon Notes) is 100 per cent. of the nominal value (i.e. par), the Early Redemption Amount is likely to be par (but consider) / In the case of Zero Coupon Notes only, evaluate to insert the reference to the Condition 8.2. If, however, the Final Redemption Amount is other than 100 per cent. of the nominal value, consideration should be given as to what the Early Redemption Amount should be.)*

”

The amendments included in this Supplement shall only apply to Final Terms, the date of which falls on or after the approval of this Supplement.

Applicable Pricing Supplement

The paragraph below is inserted on page 164 of the Base Prospectus after the paragraph titled “Prohibition of Sales to EEA Retail Investors”.

“MIFID II product governance / target market - *[appropriate target market legend to be included]*”

In the section “Applicable Pricing Supplement”, item 13 on page 166 of the Base Prospectus is replaced as follows:

“

13. Status of the Notes: [Senior / Non-Preferred Senior / Subordinated]
- (a) [Date of [Board] approval for []
issuance of Notes:
- (b) [Date of [Board] approval for []
the Guarantee:
- (Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Guarantee)

”

In the section “Applicable Pricing Supplement”, items 22 and 24 on page 172 of the Base Prospectus are replaced as follows:

“

22. Issuer Call due to MREL or TLAC Disqualification Event: [Applicable]/[Not Applicable]
- (Please consider that not less than the minimum period nor more than maximum period (each as specified in item 18 above) of notice has to be sent to the Principal Paying Agent and the Trustee and, in accordance with Condition 16, the Noteholders)*
- (Only relevant in the case of Senior Notes or Non-Preferred Senior Notes)*
24. Early Redemption Amount payable on redemption for taxation reasons (as contemplated by Condition 8.2) or on event of default (in the case of (i) Senior Notes and Non-Preferred Senior Notes and (ii) Subordinated Notes only, subject to, respectively, (i) Condition 8.15 and (ii) Condition 8.14 (including the prior approval of the relevant [] per Calculation Amount
- [See also paragraph 20 (Regulatory Call)] *(Delete this cross-reference unless the Notes are Subordinated Notes and the Regulatory Call is applicable) (N.B. If the Final Redemption Amount (except in the case of Zero Coupon Notes) is 100 per cent. of the nominal value (i.e. par), the Early Redemption Amount is likely to be par (but*

Competent Authority, as applicable, and in accordance with applicable laws and regulations, including Articles 77(b) and 78 of the CRD IV Regulation)):

consider) / In the case of Zero Coupon Notes only, evaluate to insert the reference to the Condition 8.2. If, however, the Final Redemption Amount is other than 100 per cent. of the nominal value, consideration should be given as to what the Early Redemption Amount should be.)

”

Terms and Conditions of the Notes

The section titled “Terms and Conditions of the Notes” on pages 179 to 224 of the Base Prospectus is deleted in its entirety and replaced as set out in the Appendix 3 to this Supplement.

Description of UniCredit and the UniCredit Group

Description of UniCredit and the UniCredit Group

The first paragraph of the “Description of UniCredit and the UniCredit Group” on page 226 of the Base Prospectus is replaced as follows:

“UniCredit S.p.A. (**UniCredit**), established in Genoa, Italy by way of a private deed dated 28 April 1870 with a duration until 31 December 2100, is incorporated as a joint-stock company under Italian law, with its registered, head office and principal centre of business, effective as of 12 December 2017, at Piazza Gae Aulenti, 3 Tower A 20154 Milan, Italy¹, and registered with the Company Register of Milano-Monza-Brianza-Lodi under registration number, fiscal code and VAT number 00348170101. UniCredit is registered with the National Register of Banks and is the parent company of the UniCredit Group. Stamp duty is paid virtually, if due, to Auth. Agenzia delle Entrate, Ufficio di Roma 1, No. 143106/07 of 21 December 2007. The fully subscribed and paid-up share capital of UniCredit as at 4 December 2017 amounted to €20,880,549,801.81.”

Proceedings connected with Supervisory Authority Measures – Italy

With regard to the Bank of Italy inspections mentioned on page 252 of the Base Prospectus:

- (i) In February 2017, the Bank of Italy launched an inspection related to “Transparency” of various branches in UniCredit’s domestic network. The inspection was concluded in April 2017 and the final results were notified to UniCredit in August 2017. UniCredit has sent reply and action plan to the regulator on 27 October 2017.
- (ii) In February 2017, the Bank of Italy launched an inspection related to “Governance, Operational Risk, Capital and AML” of UniCredit’s subsidiary Cordusio Fiduciaria S.p.A. concluded in April 2017. The final results were notified in June 2017, while UniCredit sent its reply and action plan on 3 August 2017.
- (iii) In March 2017, the Bank of Italy announced an inspection related to “Procedures to determine and enhance due diligence in respect of PEPs” of all the Italian banking companies of the Group. The inspection took place in June/July 2017 and the final results were notified to UniCredit on 21 September 2017. UniCredit will send reply and action plan to the regulator within December 2017.
- (iv) In November 2017, the Bank of Italy launched an inspection related to “Transparency and Usury”.

¹ The address of UniCredit on page 333 of the Base Prospectus is replaced accordingly.

With regard to the ECB inspections mentioned on pages 251 and 252 of the Base Prospectus:

- (i) In September 2016, ECB launched an inspection into the “IRBB management and risk control system”, which was concluded in December 2016. In June 2017 UniCredit was notified of the findings of the inspection and on 12 September 2017 delivered the action plan to ECB.
- (ii) In September 2016, ECB launched an inspection into the “Governance and Risk management – governance structure and business organisation of the foreign branches of UCB AG”, which was concluded in December 2016. In July 2017, UCB AG was notified of the findings of the inspection and on 11 August 2017 delivered the action plan to ECB.
- (iii) In November 2016, ECB launched an inspection into the “Governance and RAF” (Risk Appetite Framework), which was concluded in February 2017. In June 2017, UniCredit was notified of the findings of the inspection and, on 4 July 2017, UniCredit delivered the action plan to ECB.
- (iv) In November 2016, ECB launched an inspection into the “Business Model and Profitability – Funding transfer price” which was concluded in March 2017. In October 2017, UniCredit was notified of the findings of the inspection and on 3 November 2017, UniCredit delivered the action plan to ECB.
- (v) In March 2017, the ECB announced an inspection related to “Collateral, provisioning and securitisation” of the Group. The inspection was launched in April 2017 and concluded in July 2017. UniCredit was notified of the findings of the inspection on 8 December 2017, while the ECB recommendations are still pending.
- (vi) In May 2017, the ECB announced an inspection related to “Business model and profitability” of UniCredit subsidiaries UCB AG and UniCredit Luxembourg SA. The inspection was launched in May and concluded in July 2017. The final results have not yet been notified.
- (vii) In May 2017, the ECB announced a TRIM – Targeted Review of Internal Models inspection related to “Credit risk (PD, LGD, CCF/EAD)”, with particular reference to: Retail – secured by real estate non-SME. The inspection was launched in July 2017 and concluded in September 2017. The final results have not yet been notified.
- (viii) In June 2017, the ECB announced a TRIM – Targeted Review of Internal Models inspection related to “Market risk (IRC, VaR, SVaR)”, with particular reference to: Commodities risk, Debt instruments – general risk, Debt instruments – specific risk, Equity – general risk, Equity – specific risk, Forex risk. The inspection was launched in September 2017.
- (ix) In July 2017, the ECB announced a TRIM – Targeted Review of Internal Models inspection related to “Credit risk (PD, LGD)”, with particular reference to: Corporate – SME including the assessment of an approval of material change related to PD and LGD for Corporate – SME. The inspection was launched in October 2017.
- (x) In August 2017, the ECB announced a TRIM – Targeted Review of Internal Models inspection related to “Credit risk (PD)”, with particular reference to: Retail – other SME, including an assessment of an approval of material change related to Credit risk (PD) for Retail – other SME. The inspection was launched in November 2017.
- (xi) In August 2017, the ECB announced an inspection related to “IT risk”. The inspection was launched in October 2017.

- (xii) In August 2017, the ECB announced an inspection related to “Business model and profitability” of UniCredit subsidiary UniCredit Bank Austria AG. The inspection was launched in October 2017.

The I/794 ABI/SEDA proceeding

With regard to the “I/794 ABI/SEDA proceeding” mentioned in the first paragraph of page 253 of the Base Prospectus, UniCredit decided to appeal the AGCM decision at the TAR (the Italian regional court). At the date of this Base Prospectus the appeal filed *vis-à-vis* the regional court is still pending.

The IDB S.p.A. and IDB Intermediazioni S.r.l. proceeding

With regard to the “IDB S.p.A. and IDB Intermediazioni S.r.l. proceeding” mentioned in the fourth paragraph of page 253 of the Base Prospectus, in April 2017, the AGCM extended to UniCredit (and to one other bank) the proceeding opened in January 2017 against IDB S.p.A. and IDB Intermediazioni S.r.l.. In October 2017, the AGCM imposed pecuniary administrative penalties against the parties (€ 4 million against UniCredit), for an alleged unfair commercial practice relating to investments in diamonds. At the date of this Base Prospectus the proceedings are still pending.

Principal Shareholders

The paragraph “Principal Shareholders” on page 259 of the Base Prospectus is entirely replaced as follows:

“As at 4 December 2017, UniCredit’s share capital, fully subscribed and paid-up, amounted to €20,880,549,801.81, comprising 2,225,945,295 shares without nominal value, of which 2,225,692,806 are ordinary shares and 252,489 are savings shares.

On 4 December 2017, the Extraordinary Shareholders' Meeting has approved the proposal concerning the mandatory conversion of the outstanding savings shares into ordinary shares of the Company with regular economic rights and having the same features of the ordinary shares outstanding at the date of the transaction, at a conversion ratio, for each savings share, equal to no. 3.82 ordinary shares, assigning newly issued ordinary shares and a cash payment in the amount of Euro 27.25.

The same decision was taken by the Special Meeting of Savings Shareholders called to approve the before mentioned proposal pursuant to Sec. 146, paragraph 1, lett. b) of the Legislative Decree no. 58 of 24 February 1998.

The owners of the saving shares, where legal law conditions are met, are granted with the faculty to exercise the withdrawal right according to art. 2437 of the Italian civil code.

UniCredit’s ordinary shares are listed on the Italian, German and Polish regulated markets². The shares traded on these markets have the same characteristics and confer the same rights on the holder.

As at 4 December 2017, according to available information, the main shareholders holding, directly or indirectly, a relevant participation in UniCredit were:

Major Shareholders	Ordinary Shares	%owned⁽¹⁾
Capital Research and Management Company	112,889,777	5.072 ⁽²⁾

² Further to the disposal of the controlling equity interest in Bank Pekao in June 2017, discussions shall be initiated with the relevant Authorities and market management companies in order to explore the feasibility of revoking the trading of ordinary shares on the Warsaw Stock Exchange in Poland.

Major Shareholders

	Ordinary Shares	%owned ⁽¹⁾
Aabar Luxembourg S.A.R.L.	112,141,192	5.038
(1) On ordinary share capital at the date of 13 November 2017.		
(2) Non-discretionary asset management.		

Article 120, paragraph 2, of the Financial Services Act, as a consequence of Legislative Decree No. 25/2016, sets forth that holdings exceeding 3 per cent. of the voting capital of a listed company shall be communicated to both the latter and to CONSOB.

According to Article 5 of UniCredit's Articles of Association, no one entitled to vote may vote, for any reason whatsoever, for a number of shares exceeding 5 per cent. of the share capital bearing voting rights.

For the purposes of computing said threshold, one must take into account the global stake held by the controlling party, (be it a private individual, legal entity or company), all subsidiaries (both direct and indirect) and affiliates, as well as those shares held through trustee companies and/or third parties, and/or those shares whose voting rights are attributed for any purpose or reason to a party other than their owner. Shareholdings included in the portfolios of mutual funds managed by subsidiaries or affiliates, on the other hand, must not be taken into consideration.

On 4 December 2017, the Extraordinary Shareholders' Meeting, has also approved the proposal aiming at the elimination of the 5 per cent. limit on voting rights and subsequent Articles of Association amendments.

The effectiveness of the resolution is subject to the condition that the number of shares for which withdrawal rights are actually exercised does not exceed no. 5,564,220 ordinary shares representing 0.25 per cent. of the share capital of the Company, without prejudice to the faculty of the Company to waive the aforementioned condition, by providing information to the public according to the forms required by law.

No individual or entity controls UniCredit within the meaning provided for in Article 93 of the Financial Services Act, as amended."

Board of Directors

The paragraph "Board of Directors" from page 268 to page 274 of the Base Prospectus is entirely replaced as follows:

"Board of Directors

The board of directors (the **Board** or the **Board of Directors**) is responsible for the strategic supervision and management of UniCredit and the Group and it may delegate its powers to the Chief Executive Officer (CEO) and other Board members.

The Board is elected by UniCredit shareholders at a general meeting for a three financial year term, unless a shorter term is established upon their appointment, and Directors may be re-elected. Under UniCredit Articles of Association, the Board is composed of between a minimum of 9 and a maximum of 24 members.

The Board of Directors currently in office was appointed by the UniCredit Ordinary Shareholders' Meeting on 13 May 2015 for a term of three financial years and is composed of 17 members. The term in office of the current members of the Board will expire on the date of the Shareholders' Meeting called to approve the financial statements for the financial year ending 31 December 2017.

The Board can appoint one or more General Managers and/or one or more Deputy General Managers, establishing their roles and areas of competence. Should a Chief Executive Officer not have been appointed, the Board of Directors shall appoint a sole General Manager, and can appoint one or more Deputy General Managers, establishing their roles and areas of competence. The Board has appointed Mr. Jean Pierre Mustier as CEO to whom it has entrusted the management of the Company within the terms and limits set forth by the Board itself.

Taking into account the changes that occurred in the composition of the supervisory body after the above-mentioned Shareholders' Meeting of 13 May 2015, the following table sets forth the current members of UniCredit's Board of Directors.

Name	Position
Giuseppe Vita ⁽¹⁾	Chairman
Vincenzo Calandra Buonauro ⁽¹⁾	Deputy Vice Chairman
Jean Pierre Mustier ⁽¹⁾⁻⁽³⁾⁻⁽⁴⁾	Chief Executive Officer
Mohamed Hamad Al Mehairi ⁽²⁾⁻⁽⁵⁾	Director
Sergio Balbinot ⁽¹⁾⁻⁽⁶⁾	Director
Cesare Bioni ⁽²⁾	Director
Henryka Bochniarz ⁽²⁾	Director
Martha Dagmar Böckenfeld ⁽²⁾⁻⁽⁷⁾	Director
Alessandro Caltagirone ⁽²⁾	Director
Luca Cordero di Montezemolo ⁽²⁾⁻⁽⁸⁾	Director
Lucrezia Reichlin ⁽²⁾	Director
Fabrizio Saccomanni ⁽²⁾⁻⁽⁹⁾	Director
Clara-C. Streit ⁽²⁾	Director
Paola Vezzani ⁽²⁾	Director
Alexander Wolfgring ⁽²⁾	Director
Anthony Wyand ⁽¹⁾	Director
Elena Zambon ⁽²⁾	Director

Notes:

- (1) Director that does not meet the independence requirements pursuant to Clause 20 of the Articles of Association and Section 3 of the Corporate Governance Code.
- (2) Director that meets the independence requirements pursuant to Clause 20 of the Articles of Association, Section 3 of the Corporate Governance Code and Section 148 of the Financial Services Act.
- (3) Director that does not meet the independence requirements pursuant to Section 148 of the Financial Services Act.
- (4) Co-opted on 30 June 2016 following the resignation of Mr. Manfred Bischoff and confirmed by the Shareholders' Meeting on 12 January 2017. Mr. Mustier as from 12 July 2016 took on the office as CEO in place of Mr. Federico Ghizzoni, who at the same date stepped down from the Board of Directors.

- (5) Co-opted on 15 October 2015 following the resignation of Mr. Mohamed Badawy Al-Husseiny and confirmed by the Shareholders' Meeting on 14 April 2016.
- (6) Co-opted on 9 June 2016 following the resignation of Ms. Helga Jung and confirmed by the Shareholders' Meeting on 12 January 2017.
- (7) Co-opted on 22 September 2016 bringing back the number of the Board of Directors members to the one resolved upon with the resolution taken by the Shareholders' Meeting on 13 May 2015; confirmed by the Shareholders' Meeting on 12 January 2017.
- (8) Mr. Cordero di Montezemolo stepped down from his role as Vice Chairman on 20 April 2017.
- (9) Co-opted on 8 November 2017 following the resignation of Mr. Fabrizio Palenzona.

The business address for each of the foregoing Directors is in Milan, I-20154, Piazza Gae Aulenti 3, Tower A.

Other principal activities performed by the members of the Board which are significant with respect to UniCredit are listed below:

Giuseppe Vita

- Chairman of the Supervisory Board of Axel Springer SE – Germany
- Member of the Board of Directors of ABI - Italian Banking Association – Italy
- Member of the General Council of Aspen Institute Italia
- Member of the Trilateral Commission – Italian Group
- Member of the Board of Directors and of the Executive Committee of ISPI – Istituto per gli Studi di Politica Internazionale – Italy
- Member of the Corporate Governance Committee of Borsa Italiana
- Member of "Collegio di Indirizzo" of Fondazione Bologna Business School – Italy
- Member of European Financial Roundtable – Belgium
- Honorary Chairman of Deutsche Bank S.p.A. – Italy

Vincenzo Calandra Buonauro

- Member of the Board of Directors of ABI – Italian Banking Association
- Freelance lawyer

Jean Pierre Mustier

- Shareholder of TAM S.à r.l.
- Shareholder of F.M. Invest SA
- Shareholder of Groupement Forestier Abbaye Grand Mont
- Shareholder of TAM Eurl
- Shareholder of Chelsea Real Estate
- Shareholder of HLD Associés

- Shareholder of Winevest
- Shareholder of Eastern Properties
- Shareholder of Bankable
- Shareholder of Dashlane Inc.
- Shareholder of Chili Piper Inc.

Mohamed Hamad Al Mehairi

- Aabar Investments PJS (Aabar) – CEO and Board Member
- Arabtec Holding PJSC (Arabtec) – Board Member
- Al Hilal Bank – Board Member
- Qatar Abu Dhabi Investment Company (QADIC) – Board Member
- Palmassets S.A. – Board Member
- DEPA Limited – Board Member
- Emirates Investment Authority – Board Member

Sergio Balbinot

- Member of the Management Board of Allianz SE
- Member of the Board of Directors of Allianz France S.A.
- Member of the Board of Directors of Allianz Sigorta S.A.
- Member of the Board of Directors of Allianz Yasam ve Emeklilik A.S.
- Member of the Board of Directors of Bajaj Allianz Life Insurance Co. Ltd
- Member of the Board of Directors of Bajaj Allianz General Insurance Co. Ltd
- Member of the Board of Directors of Borgo San Felice S.r.l.
- Chairman of Insurance Europe

Cesare Bioni

- none

Henryka Bochniarz

- President, Polish Confederation Lewiatan (Konfederacja Lewiatan)
- Deputy Chairman of Business Europe

- Member of the Supervisory Board of FCA Poland SA
- Member of the Supervisory Board, Orange Polska SA
- Member of the International Advisory Board, “Leon Kozminski” University
- Co-founder of the Congress of Women and the Congress of Women Association
- Chairperson of the joint Polish-Japanese Economic Committee
- Deputy Chair Social Dialogue Council

Martha Dagmar Böckenfeld

- Chairman of the Supervisory Board of Scope Corporation AG, Germany; Scope Ratings AG, Germany
- Member of the Board of Directors of the following Generali Holding Ltd. (Switzerland) companies:
 - Generali Personenversicherungen AG
 - Generali General Insurance Ltd.
 - Fortuna Rechtsschutz-Versicherungs-Gesellschaft AG
 - Fortuna Investment AG

Alessandro Caltagirone

- Board Members of ACEA S.p.A.
- Vice Chairman of Aalborg Portland Holding A/S
- Board Member and Executive Committee Member of Vianini Lavori S.p.A.
- Chief Executive of Vianini Ingegneria S.p.A.
- Board Member of Il Messaggero S.p.A.
- Board Member of Cementir Holding S.p.A.
- Board Member of Caltagirone S.p.A.
- Board Member of Il Gazzettino S.p.A.
- Board Member of GloboCem S.L.
- Board Member of Cementir Espana A.S.
- Board Member of Aalborg Portland Espana SL
- Chairman of the Board of Yapitek Teknolojisi San. Ve Tic. A.S.

- Investment Committee Member of Fabrica Immobiliare SGR S.p.A.
- Board Member of Fincal S.A.
- Chief Executive of Finanziaria Italia 2005 S.p.A.
- Chairman of the Board of Ical S.p.A.
- Chief Executive of Corso 2009 S.r.l.
- Board Member of Ical 3 S.r.l.

Luca Cordero di Montezemolo

- Chairman of Alitalia – Compagnia Aerea Italiana S.p.A.
- Chairman of Telethon
- Chairman of Nuovo Trasporto Viaggiatori S.p.A.
- Honorary Chairman of Charme Capital Partners SGR S.p.A.
- Director of Coesia S.p.A.
- Director of Renova Management AG

Lucrezia Reichlin

- Member of the Scientific Board of over ten international institutions, including universities and banks; various editorial activities on international journals; "Fellow" at the Centre for European Policy Research, London; "Fellow" of the European Economic Association; "Fellow" of the British Academy.
- Chairperson and Co Founder and Director of Now Casting Economics Ltd.
- Member of the Board of Directors of Messaggerie Italiane S.p.A.
- Member of the Board of Directors of AGEAS Insurance Group SA/NV
- Member of Commission Economique de la Nation (Advisory Board to the French finance and economics ministers)
- Chair of the Scientific Council, Bruegel, Bruxelles
- Columnist of Corriere della Sera
- Member of the Board of Directors of "Associazione Borsisti Marco Fanno"
- Member of the Board of Directors of Eurobank

Fabrizio Saccomanni

- Università L.U.I.S.S. - Senior Fellow, School of European Political Economy

- Istituto Affari Internazionali – Deputy Chairman
- Societa' Italiana Degli Economisti - Member
- Banca d'Italia - Director General Emeritus Italia

Clara-Christina Streit

- Member of the Board of Directors and Member of the Audit Committee of Jeronimo Martins SGPS S.A., Lisbon
- Member of the Supervisory Board, Member of the Risk Committee and the Nomination and Corporate Governance Committee of NN Group NV, The Netherlands
- Member of the Supervisory Board, Chair of the Finance Committee and Member of the Chairman's Committee of Vonovia SE, Dusseldorf
- Member of the Board of Directors, Member of the Nomination and Compensation Committee of Vontobel Holding AG, Zurich

Paola Vezzani

- Full Professor of Financial Intermediaries and Markets – University of Modena e Reggio Emilia
- Rector's Delegate for the Third Mission (Reggio Emilia campus)

Alexander Wolfgring

- Member of the Board of Directors (Executive Director) of Privatstiftung zur Verwaltung von Anteilsrechten, Vienna
- Member of the Board of Directors of AVZ GmbH, Vienna
- Member of the Board of Directors of AVZ Holding GmbH, Vienna
- Member of the Board of Directors of AVZ Finanz-Holding GmbH, Vienna
- Member of the Supervisory Board of Österreichisches Verkehrsbüro AG, Vienna
- Chairman of the Supervisory Board of Verkehrsbüro Touristik GmbH
- Member of the Board of Directors of AVB Holding GmbH, Vienna
- Member of the Board of Directors of API Besitz, GmbH, Vienna
- Member of the Board of Directors of Mischek Privatstiftung, Vienna

Anthony Wyand

- Member of the Board of Directors of Société Foncière Lyonnaise S.A.
- Chairman of Cybèle Asset Management

Elena Zambon

Zambon Group:

- Vice President of GEFIM S.p.A.
- President of ENAZ S.r.l.
- Member of the Board of Directors of IAVA S.r.l.
- Member of the Board of Directors of ITAZ S.r.l.
- Member of the Board of Directors of TANO S.r.l.
- Member of the Board of Directors of CLEOPS S.r.l.
- Member of the Board of Directors of Zambon Company S.p.A.
- President of Zambon S.p.A.
- Vice President of Zach Systems S.p.A.
- Member of the Board of Directors of Zeta Cube S.r.l.
- Member of the Board of Directors of Zambon Immobiliare S.p.A.
- Member of the Board of Directors of ANGAMA S.r.l.
- President of Fondazione Zoè (Zambon Open Education)

Offices extra Zambon Group:

- President of Aidaf
- Member of the Board of Directors of FBN – Family Business Network
- Member of the Board of Directors of Istituto Italiano di Tecnologia (IIT)
- Vice President of Aspen Institute Italia
- Member of the Board of Directors of Ferrari N.V.
- Member of the Board of Directors of ASSOLOMBARDA”

Senior Management

The paragraph “Senior Management” from page 274 to page 276 of the Base Prospectus is entirely replaced as follows:

“Senior Management

The following table sets out the name and title of each of the senior managers of the Issuer and of the Group:

Name	Title	Other principal activities performed by the Senior Managers which are significant with respect to UniCredit
Jean-Pierre Mustier	Chief Executive Officer	Please see Management – Board of Directors
Gianni Franco Papa	General Manager	<p>UniCredit Bank Austria AG – Member Supervisory Board</p> <p>UniCredit Bank AG - Chairman Supervisory Board</p> <p>Anthemis Evo LLP – Chairman Management Board</p> <p>ABI – Associazione Bancaria Italiana – Member of the Board of Directors and Executive Committee</p>
Gianpaolo Alessandro	Head of Group Legal	<p>Compagnia Aerea Italiana SpA - Member of the Board of Directors</p> <p>MIDCO SpA - Member of the Board of Directors</p> <p>Fineco AM LTD – Member of the Board of Directors</p>
Carlo Appetiti	Group Compliance Officer	None
Paolo Cornetta	Head of Group Human Capital	<p>UniCredit Foundation (Unidea) – Vice Chairman Board of Directors</p> <p>ES Shared Service Center Società per Azioni - Member of the Board of Directors</p> <p>UniCredit Bank AG – Member of the Supervisory Board and Chairman Remuneration Control Committee;</p> <p>UniCredit Bank Austria AG – Member of the Supervisory Board, Nomination Committee and Vice Chairman Remuneration Committee;</p> <p>ABI - Associazione Bancaria Italiana - Member of the Board of Directors, Executive Committee and Committee on Union and Labor Affairs (CASL)</p>
Serenella De Candia	Head of Internal Audit	None

Name	Title	Other principal activities performed by the Senior Managers which are significant with respect to UniCredit
Ranieri de Marchis	Co-Chief Operating Officer	<p>Fondo Interbancario di Tutela dei Depositi – Vice Chairman of the Board of Directors, Vice Chairman of the Management Committee and Member of the Management Committee of Voluntary Scheme</p> <p>Fondo Atlante – Member of the Investment Committee</p> <p>Fondo Atlante II – Member of the Investment Committee</p> <p>ABI - Associazione Bancaria Italiana – Deputy Vice Chairman of the Board of Directors and member of the Executive Committee</p> <p>UniCredit Business Integrated Solutions Scpa – Chairman of the Board of Directors and member of the Internal Control and Risks Committee</p> <p>UniCredit Bank Austria – Vice Chairman of the Supervisory Board and Chairman Nomination Committee</p> <p>Anthemis Evo Llp – Member of the Management Board</p>
Francesco Giordano	Co-Chief Operating Officer and Dirigente Preposto (Manager charged with preparing the company financial reports)	<p>UniCredit Business Integrated Solutions – Vice Chairman of the Board of Directors</p> <p>UniCredit Bank Ag – Member of the Supervisory Board and member of the Audit Committee</p> <p>Anthemis Evo Llp – Member of the Management Board</p> <p>Assonime – Associazione fra le Società Italiane per Azioni – Member the Management Committee</p>
TJ Lim	Group Chief Risk Officer	none
Andrea Varese	Chief Lending Officer	UniCredit Bank Austria AG – Member of the Supervisory Board and of the Audit Committee, Chairman of the Risks

Name	Title	Other principal activities performed by the Senior Managers which are significant with respect to UniCredit
		Committee
		UniCredit Bank AG – Member of the Management Board
		UniCredit Luxembourg SA – Chairman of the Supervisory Board
		HVB Immobilien AG – Member of the Supervisory Board
		Wealth Management Capital Holding Gmbh – Member of the Supervisory Board
		Wealthcap Kapitalverwaltungsgesellschaft Mbh – Member of the Supervisory Board

The business address for each of the foregoing members of UniCredit’s senior management is in Milan, I-20154, Piazza Gae Aulenti 3, Tower A.”

Board of Statutory Auditors

The paragraph “Board of Statutory Auditors” from page 276 to page 279 of the Base Prospectus is entirely replaced as follows:

“Board of Statutory Auditors

The UniCredit Board of Statutory Auditors (the **Board of Statutory Auditors**) supervises compliance with laws, regulations and the UniCredit’s Articles of Association, the adequacy and functionality of the organisational and accounting structure of UniCredit as well as the overall functionality of the internal control system, with particular focus on risk management. The Board of Statutory Auditors supervises the financial disclosure process, the external auditing of the individual and consolidated financial statements and monitors the independence of the external audit firm. The Board of Statutory Auditors shall also report any irregularities or violations of the legislation to the Bank of Italy and, where required, to other supervisory authorities, and shall report to the Shareholders’ Meetings called to approve UniCredit’s financial statements on the supervisory activity performed and on any omissions and censurable detected facts.

The Board of Statutory Auditors currently in office was appointed by the UniCredit Ordinary Shareholders’ Meeting on 14 April 2016 for a term of three financial years and its members may be re-elected. Pursuant to the provisions of the UniCredit’s Articles of Association, the Board of Statutory Auditors consists of five permanent statutory auditors, including a Chairman. Furthermore, the above-mentioned Shareholders’ Meeting appointed four stand-in statutory auditors.

The term in office of the current members of the Board of Statutory Auditors will expire on the date of the Shareholders’ Meeting called to approve the financial statements for the financial year ending 31 December 2018.

All of the members of the Board of Statutory Auditors in office are enrolled with the Register of Chartered Accounting Auditors of the Italian Ministry of Economy and Finance. The business address

for each of the members of the Board of Statutory Auditors is in Milan, I-20154, Piazza Gae Aulenti 3, Tower A.

The information on the Board of Statutory Auditors and its update is available on the UniCredit website.

Taking into account the changes that occurred in the composition of the controlling body after the above Shareholders' Meeting of 14 April 2016, the following table sets out the current members of UniCredit's Board of Statutory Auditors:

Name	Position
Pierpaolo Singer	Chairman
Angelo Rocco Bonissoni	Statutory Auditor
Benedetta Navarra	Statutory Auditor
Guido Paolucci ⁽¹⁾	Statutory Auditor
Antonella Bientinesi ⁽²⁾	Statutory Auditor
(1) Mr. Paolucci took office under Article 2401 of the Italian Civil Code in replacement of Mr. Enrico Laghi who resigned on 2 May 2017 and was appointed as permanent Statutory Auditors by the Shareholders' Meeting held on 4 December 2017.	
(2) Ms. Bientinesi took office under Article 2401 of the Italian Civil Code in replacement of Ms. Maria Enrica Spinardi who resigned on 26 October 2017 and was appointed as permanent Statutory Auditors by the Shareholders' Meeting held on 4 December 2017.	

Other principal activities performed by the Statutory Auditors of UniCredit which are significant for UniCredit are listed below:

Pierpaolo Singer

- Statutory Auditor of e-distribuzione S.p.A.
- Chairman of the Board of Statutory Auditors of Ligresta Due S.r.l. (Fintecna Group)
- Statutory Auditor of Visionaria S.p.A.
- Chairman of the Board of Statutory Auditors of M.A.S. S.p.A.
- Statutory Auditor of Enel Green Power Africa S.r.l.
- Statutory Auditor of Pfizer Italia Holding S.p.A

Angelo Rocco Bonissoni

- Attorney of Nuova CPS Servizi S.r.l.
- Managing Partner of CBA Studio Legale Tributario

Benedetta Navarra

- Member of the Supervisory Board of UniCredit Bank Czech Republic and Slovakia, a.s.

- Member of the Board of Directors of A.S. Roma S.p.A.
- Statutory Auditor of LVenture Group S.p.A.
- Chairman of the Supervisory Body pursuant to legislative Decree 231/2001 of Equitalia Giustizia S.p.A.
- Member of Audit Committee of UniCredit BulBank
- Statutory Auditor of CDP Reti S.p.A.

Guido Paolucci

- Chairman of the Board of Statutory Auditors of Ecofuel S.p.A.
- Chairman of the Board of Statutory Auditors of Raffineria di Gela S.p.A.
- Chairman of the Board of Statutory Auditors of Telecontact Center S.p.A.
- Chairman of the Board of Statutory Auditors of Telecom Italia San Marino S.p.A.
- Chairman of the Board of Statutory Auditors of Telefonía Mobile Sammarinese S.p.A.
- Statutory Auditor of Advanced Caring Center S.r.l.
- Statutory Auditor of Italtel Group S.p.A.
- Statutory Auditor of Società Gestione Servizi BP S.C.p.A
- Statutory Auditor of Nuova Compagnia di Partecipazioni S.p.A.
- Chairman of the Board of Statutory Auditors of Officinae Verdi S.p.A.
- Statutory Auditor of Edile Leonina S.p.A.
- Statutory Auditor of Società Italiana di Monitoraggio S.p.A.
- Statutory Auditor of Officine NPL S.p.A.
- Member of Management Control Committee of Saving & Consulting S.p.A.
- Sole Auditor of Publispei S.r.l.
- Sole Auditor of Immobiliare Veronica 84 S.r. In Liquidazione
- Chairman of the Board of Statutory Auditors of Mercatoria S.p.A.

Antonella Bientinesi

- Chairman of the Board of Statutory Auditors of Cerved Information Solutions S.p.A.
- Statutory Auditor of Enel Energia S.p.A.
- Statutory Auditor of Enel Trade S.p.A.

- Statutory Auditor of Società Subalpina di Imprese Ferroviarie S.p.A.:
- Chairmain of the Board of Auditors of Fondazione Il Faro
- Chairmna of the Board of Auditors of AMREF Italia
- Statutory Auditor of ACER SEDE SpA”

Recent Developments

The paragraph below is inserted at the end of page 280 of the Base Prospectus.

“Recent Developments

Transform 2019 plan

On 12 December 2017, the Issuer published a press release setting out an update of its Transform 2019 strategy, stating that the strategy is on track delivering tangible results supporting the execution of the five pillars of the plan: (1) transform the operating model, (2) maximise commercial bank value, (3) strengthen and optimise capital, (4) improve asset quality and (5) adopt a lean but steering Group Corporate Centre.”

Taxation in the Republic of Italy

The paragraph titled “Taxation in the Republic of Italy” at page 292 et seq. of the Base Prospectus is deleted in its entirety and replaced with the information set out in Appendix 4 to this Supplement.

General Information

Significant or Material Adverse Change

The paragraph titled “Significant or Material Adverse Change” on page 328 of the Base Prospectus is deleted in its entirety and replaced as follows:

“There has been no significant change in the financial or trading position of UniCredit and the Group since 30 September 2017 and there has been no material adverse change in the prospects of UniCredit and the Group since 31 December 2016.

There has been no significant change in the financial or trading position of UniCredit Ireland since 30 June 2017 and there has been no material adverse change in the prospects of UniCredit Ireland since 31 December 2016.

There has been no significant change in the financial or trading position of UniCredit International Luxembourg since 31 December 2016 (other than the impacts due to the transfer of the Italian private banking business from UniCredit Luxembourg S.A. with effect as at 1 July 2017: loans to customers €722 million, deposits from customers €571 million, equity increase €39 million) and there has been no material adverse change in the prospects of UniCredit International Luxembourg since 31 December 2016.”

Litigation

The paragraph titled “Litigation” on page 328 of the Base Prospectus is deleted in its entirety and replaced as follows:

“Except as disclosed in this Base Prospectus from page 73 to page 75 (Risks connected with Supervisory Authority measure) and from page 234 to page 259 (Legal and arbitration proceedings and proceedings connected to actions of the supervisory authorities), in the UniCredit Audited Consolidated Annual Financial Statements as at and for the financial year ended 31 December 2016 from page 419 to page 430 and in the Consolidated Financial Report as at 30 June 2017 from page 213 to page 223, none of the Issuers or the Guarantor nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the relevant Issuer or the Guarantor is aware) in the 12 months preceding the date of this document which, according to the information available at present, may have or have had in such period a significant effect on the financial position or profitability of the relevant Issuer, the Guarantor or the Group.”

General

To the extent that there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference into the Base Prospectus by this Supplement and (b) any other statement in or incorporated by reference in the Base Prospectus, the statements in (a) above will prevail.

Save as disclosed in this Supplement, there has been no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus since the publication of the Base Prospectus.

Copies of this Supplement and all documents or sections incorporated by reference in the Base Prospectus can be obtained free of charge from the office of each of the Issuers and from the specified office of the Paying Agents for the time being in London as described on pages 121, 326 and 333 of the Base Prospectus. Copies of this Supplement and all documents or sections incorporated by reference in the Base Prospectus will also be published on the Luxembourg Stock Exchange's website (www.bourse.lu).

In accordance with Article 13.2 of Chapter 1 of Part II of the Prospectus Act, investors who have agreed to purchase or subscribe for Notes issued under the Programme before this Supplement is published have the right, exercisable before the end of the period of two working days beginning with the working day after the date on which this Supplement was published, to withdraw their acceptances. This right to withdraw shall expire by close of business on 11 January 2018.

Appendix 1

Summary of the Programme

Summaries are made up of disclosure requirements known as “Elements”. These Elements are numbered in Sections A – E (A.1 – E.7).

This Summary contains all the Elements required to be included in a summary for the Notes, the Issuers and the Guarantor. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in a summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of “not applicable”.

Section A – Introduction and warnings

Element	Title	
A.1	Warnings	<ul style="list-style-type: none">• This summary should be read as an introduction to the base prospectus dated 15 June 2017 (the Base Prospectus).• Any decision to invest in any Notes should be based on a consideration of this Base Prospectus as a whole, including any documents incorporated by reference.• Where a claim relating to information contained in the Base Prospectus and the applicable Final Terms is brought before a court in a Member State of the European Economic Area, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating the Base Prospectus before the legal proceedings are initiated.• Civil liability will attach only to the persons who have tabled this summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this Base Prospectus or it does not provide, when read together with the other parts of this Base Prospectus, key information in order to aid investors when considering whether to invest in the Notes.
A.2	Consent	<p>[Certain Tranches of Notes with a denomination of less than €100,000 (or its equivalent in any other currency) may be offered in circumstances where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus. Any such offer is referred to as a Non-exempt Offer.]³</p> <p>[Not Applicable – the Notes are not being offered to the public as a part of a Non-exempt Offer] [<i>Consent</i>: Subject to the conditions set out below, [each of] the Issuer [and the Guarantor] consent[s] to the</p>

³ Delete this paragraph when preparing an issue specific summary.

Element	Title	
		<p>use of this Base Prospectus in connection with a Non-exempt Offer of Notes by the Managers[, <i>[names of specific financial intermediaries listed in final terms,]</i> [and] [each financial intermediary whose name is published on the Issuer's website (www.unicreditgroup.eu) and identified as an Authorised Offeror in respect of the relevant Non-exempt Offer] [and any financial intermediary which is authorised to make such offers under [the Financial Services and Markets Act 2000, as amended, or other]applicable legislation implementing the Markets in Financial Instruments Directive (Directive 2004/39/EC) and publishes on its website the following statement (with the information in square brackets being completed with the relevant information):</p> <p><i>"We, [insert legal name of financial intermediary], refer to the offer of [insert title of relevant Notes] (the Notes) described in the Final Terms dated [insert date] (the Final Terms) published by [UniCredit S.p.A./UniCredit Bank Ireland p.l.c./UniCredit International Bank (Luxembourg) S.A.] (the Issuer)[and unconditionally and irrevocably guaranteed by UniCredit S.p.A. (the Guarantor)]. In consideration of the Issuer offering to grant its consent to our use of the Base Prospectus (as defined in the Final Terms) in connection with the offer of the Notes in [specify Member State(s)] during the Offer Period and subject to the other conditions to such consent, each as specified in the Base Prospectus, we hereby accept the offer by the Issuer in accordance with the Authorised Offeror Terms (as specified in the Base Prospectus), and confirm that we are using the Base Prospectus accordingly."</i></p> <p><i>Offer period:</i> The Issuer's consent referred to above is given for Non-exempt Offers of Notes during [offer period for the issue to be specified here] (the Offer Period).</p> <p><i>Conditions to consent:</i> The conditions to the Issuer's [and the Guarantor's] consent (in addition to the conditions referred to above) are that such consent (a) is only valid during the Offer Period; and (b) only extends to the use of this Base Prospectus to make Non-exempt Offers of the relevant Tranche of Notes in [specify each relevant Member State in which the particular Tranche of Notes can be offered].</p> <p>AN INVESTOR INTENDING TO ACQUIRE OR ACQUIRING ANY NOTES IN A NON-EXEMPT OFFER FROM AN AUTHORISED OFFEROR WILL DO SO, AND OFFERS AND SALES OF SUCH NOTES TO AN INVESTOR BY SUCH AUTHORISED OFFEROR WILL BE MADE, IN ACCORDANCE WITH ANY TERMS AND OTHER ARRANGEMENTS IN PLACE BETWEEN SUCH AUTHORISED OFFEROR AND SUCH INVESTOR INCLUDING AS TO PRICE, ALLOCATIONS AND SETTLEMENT ARRANGEMENTS. THE RELEVANT INFORMATION WILL BE PROVIDED BY THE AUTHORISED OFFEROR AT THE TIME OF SUCH OFFER.</p>

Section B – Issuers [and Guarantor]

Element	Title	
[B.1]	Legal and commercial name of the Issuer	UniCredit S.p.A. (UniCredit)
B.2	Domicile/ legal form/ legislation/ country of incorporation	UniCredit is a <i>Società per Azioni</i> incorporated under the laws of the Republic of Italy and domiciled in the Republic of Italy with registered office at Piazza Gae Aulenti, 3 Tower A 20154 Milan, Italy.
B.4b	Trend information	Not Applicable - There are no known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Issuer's prospects for its current financial year.
B.5	Description of the Group	The UniCredit banking Group, registered with the Register of Banking Groups held by the Bank of Italy pursuant to Article 64 of the Legislative Decree No. 385 of 1 September 1993 as amended (the Banking Act) under number 02008.1 (the Group or the UniCredit Group) is a strong pan-European Group with a simple commercial banking model and a fully plugged in Corporate & Investment Bank, delivering its unique Western, Central and Eastern European network, with, as at 31 March 2017, 6,137 branches ⁴ and 96,423 full time equivalent employees ⁵ , to its extensive 25 million strong client franchise. UniCredit offers local expertise as well as international reach and accompanies and supports its clients globally, providing clients with access to leading banks in its 14 core markets, as well as an another 18 countries worldwide. UniCredit's European banking network includes Italy, Germany, Austria, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Hungary, Romania, Russia, Slovakia, Slovenia, Serbia and Turkey.
B.9	Profit forecast or estimate	Not Applicable – No profit forecasts or estimates have been made in the Base Prospectus.
B.10	Audit report qualifications	Not Applicable - No qualifications are contained in any audit or review report included in the Base Prospectus.

⁴ Number of branches at regulatory view.

⁵ Group FTE as at 31 March 2017 are shown excluding UkrSotsbank (sold in 4Q16), Pioneer, Bank Pekao, and Immo Holding that are classified under IFRS5 and Ocean Breeze and Group Koç/YapiKredi (Turkey).

Element	Title			
B.12	Selected historical key financial information:			
	Income Statement			
	The table below sets out summary information extracted from the audited consolidated annual financial statements as at and for each of the financial years ended 31 December 2016 and 31 December 2015 for the UniCredit Group:			
	€ millions	Year ended 31 December 2016 (*)	Year ended 31 December 2015 (**)	Year ended 31 December 2015 (***)
	Operating income of which:	18,801	18,866	22,405
	– net interest	10,307	10,922	11,916
	– dividends and other income from equity investments	844	822	829
	– net fees and commissions	5,458	5,519	7,848
	Operating costs	(12,453)	(12,266)	(13,618)
	Operating profit	6,348	6,600	8,787
	Profit (loss) before tax	(10,978)	749	2,671
	Net profit (loss) attributable to the Group	(11,790)	1,694	1,694
(*)	The financial information relating to the financial year ended 31 December 2016 has been extracted from UniCredit’s audited consolidated financial statements as of and for the year ended 31 December 2016, which have been audited by Deloitte & Touche S.p.A., UniCredit’s external auditors.			
(**)	In 2016 Reclassified income statement, comparative figures as at 31 December 2015 have been restated.			
(***)	As published in “2015 Consolidated Reports and Accounts”.			
The figures in the table above refer to the reclassified income statement.				
The table below sets out summary information extracted from the unaudited consolidated interim report as at 30 September 2017 – Press Release of UniCredit and the unaudited consolidated interim report as at 30 September 2016 for the UniCredit Group:				
€ millions	30 September 2017	30 September 2016		
Operating income	14,776	15,190		

Element	Title		
	of which:		
	– net interest	7,716	7,893
	– dividends and other income from equity investments	518	696
	– net fees and commissions	5,025	4,763
	Operating costs (loss)	(8,557)	(8,898)
	Operating profit	6,220	6,292
	Profit (loss) before tax	3,318	2,181
	Net profit attributable to the Group	4,672	1,768

The figures in the table above refer to the reclassified income statements as published at their reference date.

Statement of Financial Position

The table below sets out summary information extracted from the UniCredit Group's consolidated audited statement of financial positions as at and for the financial years ended 31 December 2016 and 31 December 2015:

<i>€ millions</i>	Year ended 31 December 2016 (*)	Year ended 31 December 2015 (**)	Year ended 31 December 2015 (***)
Total assets	859,533	860,433	860,433
Financial assets held for trading	87,467	89,995	90,997
Loans and receivables with customers of which	444,607	445,382	473,999
Non-Performing loans (****)	24,995	38,268	38,920
Financial liabilities held for trading	68,361	68,029	68,919
Deposits from customers and debt securities in issue of which:	567,855	553,483	584,268
– deposits from customers	452,419	419,686	449,790
– securities in issue	115,436	133,797	134,478

Element	Title																																					
	Shareholders' Equity	39,336	50,087	50,087																																		
	(*) The financial information relating to the financial year ended 31 December 2016 has been extracted from UniCredit's audited consolidated financial statements as of and for the year ended 31 December 2016, which have been audited by Deloitte & Touche S.p.A., UniCredit's external auditors.																																					
	(**) In 2016 Reclassified balance sheet, comparative figures as at 31 December 2015 have been restated.																																					
	(***) As published in "2015 Consolidated Reports and Accounts".																																					
	(****) The perimeter of Impaired loans is substantially equivalent to the perimeter of EBA NPE exposures.																																					
	The figures in the table above refer to the reclassified balance sheet.																																					
	The table below sets out summary information extracted from the unaudited consolidated interim report as at 30 September 2017 – Press Release of UniCredit and the unaudited consolidated interim report as at 30 September 2016 for the UniCredit Group:																																					
	<table><tr><th>€ million</th><th>30 September 2017</th><th>30 September 2016</th></tr><tr><td>Total assets</td><td>827,099</td><td>874,527</td></tr><tr><td>Financial assets held for trading</td><td>81,493</td><td>93,433</td></tr><tr><td>Loans and receivables with customers of which:</td><td>450,509</td><td>452,849</td></tr><tr><td>– Non-Performing loans (*)</td><td>22,319</td><td>24,995</td></tr><tr><td>Financial liabilities held for trading</td><td>58,806</td><td>67,800</td></tr><tr><td>Deposits from customers and debt securities in issue</td><td>544,717</td><td>560,459</td></tr><tr><td>of which:</td><td></td><td></td></tr><tr><td>– deposits from customers</td><td>438,334</td><td>441,033</td></tr><tr><td>– securities in issue</td><td>106,383</td><td>119,426</td></tr><tr><td>Shareholders' Equity</td><td>57,705</td><td>51,237</td></tr></table>					€ million	30 September 2017	30 September 2016	Total assets	827,099	874,527	Financial assets held for trading	81,493	93,433	Loans and receivables with customers of which:	450,509	452,849	– Non-Performing loans (*)	22,319	24,995	Financial liabilities held for trading	58,806	67,800	Deposits from customers and debt securities in issue	544,717	560,459	of which:			– deposits from customers	438,334	441,033	– securities in issue	106,383	119,426	Shareholders' Equity	57,705	51,237
	€ million	30 September 2017	30 September 2016																																			
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The figures in the table above refer to the reclassified balance sheets.																																						

Element	Title				
	<p style="text-align: center;">Statements of no significant or material adverse change</p> <p>There has been no significant change in the financial or trading position of UniCredit and the Group since 30 September 2017 and there has been no material adverse change in the prospects of UniCredit and the Group since 31 December 2016.</p>				
B.13	Events impacting the Issuer's solvency	Not Applicable - There are no recent events particular to the Issuer which are to a material extent relevant to the evaluation of the Issuer's solvency.			
B.14	Dependence upon other group entities	<p>UniCredit is the parent company of the UniCredit Group and carries out, in addition to banking activities, organic policy, governance and control functions vis-à-vis its subsidiary banking, financial and instrumental companies.</p> <p>Please also see Element B.5 above.</p>			
B.15	Principal activities	UniCredit, as a bank which undertakes management and co-ordination activities for the UniCredit Group, pursuant to the provisions of Article 61 of the Italian Banking Act, issues, when exercising these management and co-ordination activities, instructions to the other members of the banking group in respect of the fulfilment of the requirements laid down by the supervisory authorities in the interest of the banking group’s stability.			
B.16	Controlling shareholders	Not Applicable - No individual or entity controls the Issuer within the meaning provided for in Article 93 of the Legislative Decree No. 58 of 24 February 1998 (the Financial Services Act), as amended.			
B.17	Credit ratings	UniCredit S.p.A. has been rated:			
		Description	Standard & Poor's	Moody's	Fitch ratings
		Short Term Counterparty Credit Rating	A-2	P-2	F2
		Long Term Counterparty Credit Rating	BBB-	Baa1	BBB
		Outlook	stable	positive	stable
		Tier II Subordinated Debt	BB+	Ba1	BBB-

Element	Title	
		<p>[The Notes [have been/are expected to be] rated [<i>specify rating(s) of Tranche being issued</i>] by [<i>specify rating agent(s)</i>].]</p> <p>[[Each of] [<i>specify rating agent(s)</i>] is established in the European Union and registered under Regulation (EC) No 1060/2009 on credit rating agencies as amended from time to time (the CRA Regulation) as set out in the list of credit rating agencies registered in accordance with the CRA Regulation published on the website of the European Securities and Markets Authority pursuant to the CRA Regulation (for more information please visit the ESMA webpage).]</p>
		[No ratings have been assigned to the Notes at the request of or with the co-operation of the Issuer in the rating process.]]

Element	Title	
[B.1]	Legal and commercial name of the Issuer	UniCredit Bank Ireland p.l.c. (UniCredit Ireland)
B.2	Domicile/ legal form/ legislation/ country of incorporation	UniCredit Ireland is a public limited liability company incorporated under the laws of Ireland and domiciled in Ireland with registered office at La Touche House, International Financial Services Centre, Dublin 1, Ireland.
B.4b	Trend information	Not Applicable - There are no known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Issuer's prospects for its current financial year.
B.5	Description of the Group	<p>The UniCredit Banking Group, registered with the Register of Banking Groups held by the Bank of Italy pursuant to Article 64 of the Legislative Decree No. 385 of 1 September 1993 as amended (the Banking Act) under number 02008.1 (the Group or the UniCredit Group) is a strong pan-European Group with a simple commercial banking model and a fully plugged in Corporate & Investment Bank, delivering its unique Western, Central and Eastern European network, with, as at 31 March 2017, 6,137 branches⁶ and 96,423 full time equivalent employees⁷, to its extensive 25 million strong client franchise. UniCredit offers local expertise as well as international reach and accompanies and supports its clients globally, providing clients with access to leading banks in its 14 core markets, as well as an another 18 countries worldwide. UniCredit's European banking network includes Italy, Germany, Austria, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Hungary, Romania, Russia, Slovakia, Slovenia, Serbia and Turkey.</p>

⁶ Number of branches at regulatory view.

⁷ Group FTE as at 31 March 2017 are shown excluding UkrSotsbank (sold in 4Q16), Pioneer, Bank Pekao, and Immo Holding that are classified under IFRS5 and Ocean Breeze and Group Koç/YapiKredi (Turkey).

Element	Title																																																	
B.9	Profit forecast or estimate	Not Applicable - No profit forecasts or estimates have been made in the Base Prospectus.																																																
B.10	Audit report qualifications	Not Applicable - No qualifications are contained in any audit or review report included in the Base Prospectus.																																																
B.12	<p style="text-align: center;">Selected historical key financial information:</p> <p style="text-align: center;"><i>Income Statement</i></p> <p>The table below sets out summary information extracted from the audited annual financial statements as at and for each of the financial years ended 31 December 2016 and 31 December 2015 for UniCredit Ireland:</p> <table> <tr> <th>UniCredit Ireland</th><th colspan="2">As at</th></tr> <tr> <th><i>€ millions</i></th><th>31 December 2016</th><th>31 December 2015</th></tr> <tr> <td>Operating income</td><td>96</td><td>101</td></tr> <tr> <td>of which:</td><td></td><td></td></tr> <tr> <td>– net interest</td><td>107</td><td>116</td></tr> <tr> <td>– dividends and other income from equity investments</td><td>-</td><td>-</td></tr> <tr> <td>– net fees and commissions</td><td>(16)</td><td>(23)</td></tr> <tr> <td>Operating costs</td><td>(13)</td><td>(9)</td></tr> <tr> <td>Operating profit</td><td>85</td><td>92</td></tr> <tr> <td>Profit (loss) before tax</td><td>84</td><td>91</td></tr> <tr> <td>Net profit (loss)</td><td>73</td><td>80</td></tr> </table> <p>The table below sets out summary information extracted from the unaudited interim reports as at 30 June 2017 and 30 June 2016 for UniCredit Ireland:</p> <table> <tr> <th><i>€ millions</i></th><th>30 June 2017</th><th>30 June 2016</th></tr> <tr> <td>Operating income</td><td>40</td><td>42</td></tr> <tr> <td>of which:</td><td></td><td></td></tr> <tr> <td>– net interest</td><td>37</td><td>52</td></tr> <tr> <td>– dividends and other income from equity investments</td><td>-</td><td>-</td></tr> </table>		UniCredit Ireland	As at		<i>€ millions</i>	31 December 2016	31 December 2015	Operating income	96	101	of which:			– net interest	107	116	– dividends and other income from equity investments	-	-	– net fees and commissions	(16)	(23)	Operating costs	(13)	(9)	Operating profit	85	92	Profit (loss) before tax	84	91	Net profit (loss)	73	80	<i>€ millions</i>	30 June 2017	30 June 2016	Operating income	40	42	of which:			– net interest	37	52	– dividends and other income from equity investments	-	-
UniCredit Ireland	As at																																																	
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Element	Title			
		– net fees and commissions	(3)	(9)
		Operating costs (loss)	(10)	(8)
		Operating profit	31	34
		Profit (loss) before tax	31	34
		Net profit (loss)	27	30
Statement of Financial Position				
The table below sets out summary information extracted from for UniCredit Ireland audited statements of financial position as at 31 December 2016 and 31 December 2015:				
		€ millions	31 December 2016	31 December 2015
		Total assets	19,988	25,070
		Financial assets held for trading	6	6
		Loans and receivables with customers of which:	1,454	1,313
		– impaired loans	-	-
		Financial liabilities held for trading	3	0.5
		Deposits from customers and debt securities in issue of which:	12,388	13,378
		– deposits from customers	6,920	7,487
		– securities in issue	5,468	5,891
		Shareholders' Equity	2,293	2,346
The table below sets out summary information extracted from the financial reports as at and for each of the financial periods ended 30 June 2017 and 30 June 2016 for UniCredit Ireland:				
		€ million	30 June 2017	30 June 2016
		Total assets	19,240	23,234
		Financial assets held for trading	1	5

Element	Title	
	Loans and receivables with customers of which:	1,1711,404
	– impaired loans	- -
	Financial liabilities held for trading	82
	Deposits from customers and debt securities in issue	11,41013,408
	of which:	
	– deposits from customers	5,8397,953
	– securities in issue	5,5715,455
	Shareholders' Equity	2,3692,308
	<p>Statements of no significant or material adverse change</p> <p>Not Applicable - There has been no significant change in the financial or trading position of UniCredit Ireland since 30 June 2017.</p> <p>There has been no material adverse change in the prospects of UniCredit Ireland since 31 December 2016.</p>	
B.13	Events impacting the Issuer's solvency	Not Applicable - There are no recent events particular to the Issuer which are to a material extent relevant to the evaluation of the Issuer's solvency.
B.14	Dependence upon other group entities	<p>UniCredit Ireland is an autonomous operating unit within the wider Group and as a fully owned subsidiary is subject to the coordination and support of the parent entity. This support extends to UniCredit Ireland's financial dependence as evidenced by UniCredit's injection of €2.2 billion in share capital and capital contributions to facilitate its ongoing trading activities.</p> <p>Please also see Element B.5 above.</p>
B.15	Principal activities	UniCredit Ireland is engaged in the business of banking and provision of financial services. Its main business areas include credit and structured finance (including investing in loans, bonds, securitisation and other forms of asset financing), treasury activities (money market, repurchase agreements or "repos", Euro Over Night Index Average (EONIA) and other interest rate swaps and foreign exchange) and the issue of certificates of deposit, medium term notes and commercial paper.
B.16	Controlling shareholders	UniCredit Ireland is a wholly owned subsidiary of UniCredit S.p.A.

Element	Title	
B.17	Credit ratings	<p>UniCredit Ireland is not rated.</p> <p>[The Notes [have been/are expected to be] rated [<i>specify rating(s) of Tranche being issued</i>] by [<i>specify rating agent(s)</i>].]</p> <p>[No ratings have been assigned to the Notes at the request of or with the co-operation of the Issuer in the rating process.]]</p>

Element	Title	
[B.1]	Legal and commercial name of the Issuer	UniCredit International Bank (Luxembourg) S.A. (UniCredit International Luxembourg).
B.2	Domicile/ legal form/ legislation/ country of incorporation	UniCredit International Luxembourg is a public limited liability company (<i>société anonyme</i>) incorporated under the laws of the Grand Duchy of Luxembourg and domiciled in Luxembourg with registered office at 8-10 rue Jean Monnet, L-2180 Luxembourg.
B.4b	Trend information	Not Applicable - There are no known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Issuer's prospects for its current financial year.
B.5	Description of the Group	The UniCredit banking Group, registered with the Register of Banking Groups held by the Bank of Italy pursuant to Article 64 of the Legislative Decree No. 385 of 1 September 1993 as amended (the Banking Act) under number 02008.1 (the Group or the UniCredit Group) is a strong pan-European Group with a simple commercial banking model and a fully plugged in Corporate & Investment Bank, delivering its unique Western, Central and Eastern European network, with, as at 31 March 2017, 6,137 branches ⁸ and 96,423 full time equivalent employees ⁹ , to its extensive 25 million strong client franchise. UniCredit offers local expertise as well as international reach and accompanies and supports its clients globally, providing clients with access to leading banks in its 14 core markets, as well as an another 18 countries worldwide. UniCredit's European banking network includes Italy, Germany, Austria, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Hungary, Romania, Russia, Slovakia, Slovenia, Serbia and Turkey.
B.9	Profit forecast or estimate	Not Applicable - No profit forecasts or estimates have been made in the Base Prospectus.

⁸ Number of branches at regulatory view.

⁹ Group FTE as at 31 March 2017 are shown excluding UkrSotsbank (sold in 4Q16), Pioneer, Bank Pekao, and Immo Holding that are classified under IFRS5 and Ocean Breeze and Group Koç/YapiKredi (Turkey).

Element	Title																																											
B.10	Audit report qualifications	Not Applicable - No qualifications are contained in any audit or review report included in the Base Prospectus.																																										
B.12	<p>Selected historical key financial information:</p> <p><i>Income Statement</i></p> <p>The table below sets out summary information extracted from the audited consolidated annual financial statements as at and for each of the financial years ended 31 December 2016 and 31 December 2015 for UniCredit International Luxembourg:</p> <table> <tr> <th>UniCredit International Luxembourg</th><th colspan="2">As at</th></tr> <tr> <th>€ millions</th><th>Year ended 31 December 2016</th><th>Year ended 31 December 2015</th></tr> <tr> <td>Operating income of which:</td><td>9</td><td>12</td></tr> <tr> <td>– net interest</td><td>9</td><td>12</td></tr> <tr> <td>Operating costs</td><td>(3)</td><td>(5)</td></tr> <tr> <td>Profit</td><td>5</td><td>7</td></tr> <tr> <td>Profit (loss) before tax</td><td>5</td><td>7</td></tr> <tr> <td>Net profit (loss)</td><td>4</td><td>5</td></tr> </table> <p><i>Statement of Financial Position</i></p> <p>The table below sets out summary information extracted from UniCredit International Luxembourg's audited consolidated statements of financial position as at and for each of the financial years ended 31 December 2016 and 31 December 2015:</p> <table> <tr> <th>€ millions</th><th>Year ended 31 December 2016</th><th>Year ended 31 December 2015</th></tr> <tr> <td>Total assets</td><td>3,648</td><td>3,790</td></tr> <tr> <td>Financial assets held for trading</td><td>4</td><td>2</td></tr> <tr> <td>Loans and receivables with customers</td><td>20</td><td>35</td></tr> <tr> <td>Financial liabilities held for trading</td><td>7</td><td>8</td></tr> <tr> <td>Deposits from customers and debt securities in issue of which:</td><td>2,634</td><td>2,821</td></tr> </table>		UniCredit International Luxembourg	As at		€ millions	Year ended 31 December 2016	Year ended 31 December 2015	Operating income of which:	9	12	– net interest	9	12	Operating costs	(3)	(5)	Profit	5	7	Profit (loss) before tax	5	7	Net profit (loss)	4	5	€ millions	Year ended 31 December 2016	Year ended 31 December 2015	Total assets	3,648	3,790	Financial assets held for trading	4	2	Loans and receivables with customers	20	35	Financial liabilities held for trading	7	8	Deposits from customers and debt securities in issue of which:	2,634	2,821
UniCredit International Luxembourg	As at																																											
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Deposits from customers and debt securities in issue of which:	2,634	2,821																																										

Element	Title										
	<table> <tr> <td>– deposits from customers</td><td>506</td><td>629</td></tr> <tr> <td>securities in issue</td><td>2,128</td><td>2,192</td></tr> <tr> <td>Shareholders' Equity</td><td>287</td><td>281</td></tr> </table>	– deposits from customers	506	629	securities in issue	2,128	2,192	Shareholders' Equity	287	281	
– deposits from customers	506	629									
securities in issue	2,128	2,192									
Shareholders' Equity	287	281									
	<p>Statements of no significant or material adverse change</p> <p>There has been no significant change in the financial or trading position of UniCredit International Luxembourg since 31 December 2016 (other than the impacts due to transfer of the Italian private banking business from UniCredit Luxembourg S.A. with effect as at 1 July 2017: loans to customers €722 million, deposits from customers €571 million, equity increase €39 million).</p> <p>There has been no material adverse change in the prospects of UniCredit International Luxembourg since 31 December 2016.</p>										
B.13	Events impacting the Issuer's solvency	Not Applicable - There are no recent events particular to the Issuer which are to a material extent relevant to the evaluation of the Issuer's solvency.									
B.14	Dependence upon other group entities	<p>UniCredit International Luxembourg is a wholly owned subsidiary of UniCredit and owns a 100 per cent. interest in a subsidiary named UniCredit Luxembourg Finance S.A., whose principal object is the issue of securities in the U.S. market under a USD 10 billion medium term note programme guaranteed by UniCredit S.p.A.</p> <p>Please also see Element B.5 above.</p>									
B.15	Principal activities	UniCredit International Luxembourg is engaged in the business of banking and the provision of financial services. Its main business areas include treasury activities (money market, repurchase agreements or "repos", interest rate swaps, foreign exchange), issue of certificates of deposit and structured notes, selective investments for its own account, acting as the reference structure in Luxembourg for the strategic funding activities of the UniCredit Group, treasury services for institutional and corporate counterparties, private banking services, including credits and insurance activities.									
B.16	Controlling shareholders	UniCredit International Luxembourg is a wholly owned subsidiary of UniCredit.									
B.17	Credit ratings	<p>UniCredit International Luxembourg is not rated.</p> <p>[The Notes [have been/are expected to be] rated [<i>specify rating(s) of Tranche being issued</i>] by [<i>specify rating agent(s)</i>].]</p> <p>[No ratings have been assigned to the Notes at the request of or with the co-operation of the Issuer in the rating process.]]</p>									

Element	Title	
[B.18	Description of the Guarantee	<p>[[To include in the case of Senior Notes:][The Notes issued by [UniCredit Ireland] [UniCredit International Luxembourg] will be unconditionally and irrevocably guaranteed by the Guarantor.]</p> <p>[The obligations of the Guarantor under its guarantee will be direct, unconditional, unsubordinated and unsecured obligations of the Guarantor ranking (subject to any obligations preferred by applicable law) <i>pari passu</i> with all other unsecured obligations (other than obligations ranking junior to the Senior Notes from time to time (including Non Preferred Senior Notes and any other obligations permitted by law to rank junior to the Senior Notes following the Issue Date), if any) of the Guarantor, present and future.]</p>
[B.19	Information about the Guarantor	
B.19 B.1	Legal and commercial name of the Guarantor	UniCredit S.p.A. (UniCredit)
B.19 B.2	Domicile/ legal form/ legislation/ country of incorporation	The Guarantor is a <i>Società per Azioni</i> incorporated under the laws of the Republic of Italy and domiciled in the Republic of Italy with registered office at Piazza Gae Aulenti, 3 Tower A 20154 Milan, Italy.
B.19 B.4b	Trend information	Not Applicable - There are no known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Guarantor's prospects for its current financial year.
B.19 B.5	Description of the Group	<p>The UniCredit banking Group, registered with the Register of Banking Groups held by the Bank of Italy pursuant to Article 64 of the Legislative Decree No. 385 of 1 September 1993 as amended (the Banking Act) under number 02008.1 (the Group or the UniCredit Group) is a strong pan-European Group with a simple commercial banking model and a fully plugged in Corporate & Investment Bank, delivering its unique Western, Central and Eastern European network, with, as at 31 March 2017, 6,137 branches¹⁰ and 96,423 full time equivalent employees¹¹, to its extensive 25 million strong client franchise. UniCredit offers local expertise as well as international reach and accompanies and supports its clients globally, providing clients with access to leading banks in its 14 core markets, as well as an another 18 countries worldwide. UniCredit's European banking network includes Italy, Germany,</p>

¹⁰ Number of branches at regulatory view.

¹¹ Group FTE as at 31 March 2017 are shown excluding UkrSotsbank (sold in 4Q16), Pioneer, Bank Pekao, and Immo Holding that are classified under IFRS5 and Ocean Breeze and Group Koç/YapiKredi (Turkey).

Element	Title																																									
		Austria, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Hungary, Romania, Russia, Slovakia, Slovenia, Serbia and Turkey.																																								
B.19 B.9	Profit forecast or estimate	Not Applicable – No profit forecasts or estimates have been made in the Base Prospectus.																																								
B.19 B.10	Audit report qualifications	Not Applicable - No qualifications are contained in any audit or review report included in the Base Prospectus.																																								
B.19 B.12	<p>Selected historical key financial information:</p> <p><i>Income Statement</i></p> <p>The table below sets out summary information extracted from the audited consolidated annual financial statements as at and for each of the financial years ended 31 December 2016 and 31 December 2015 for the UniCredit Group:</p> <table><tr><th><i>€ millions</i></th><th>Year ended 31 December 2016 (*)</th><th>Year ended 31 December 2015 (**)</th><th>Year ended 31 December 2015 (***)</th></tr><tr><td>Operating income</td><td>18,801</td><td>18,866</td><td>22,405</td></tr><tr><td>of which:</td><td></td><td></td><td></td></tr><tr><td>– net interest</td><td>10,307</td><td>10,922</td><td>11,916</td></tr><tr><td>– dividends and other income from equity investments</td><td>844</td><td>822</td><td>829</td></tr><tr><td>– net fees and commissions</td><td>5,458</td><td>5,519</td><td>7,848</td></tr><tr><td>Operating costs</td><td>(12,453)</td><td>(12,266)</td><td>(13,618)</td></tr><tr><td>Operating profit</td><td>6,348</td><td>6,600</td><td>8,787</td></tr><tr><td>Profit (loss) before tax</td><td>(10,978)</td><td>749</td><td>2,671</td></tr><tr><td>Net profit (loss) attributable to the Group</td><td>(11,790)</td><td>1,694</td><td>1,694</td></tr></table> <p>(*) The financial information relating to the financial year ended 31 December 2016 has been extracted from UniCredit’s audited consolidated financial statements as of and for the year ended 31 December 2016, which have been audited by Deloitte & Touche S.p.A., UniCredit’s external auditors.</p> <p>(**) In 2016 Reclassified income statement, comparative figures as at 31 December 2015 have been restated.</p> <p>(***) As published in "2015 Consolidated Reports and Accounts".</p>		<i>€ millions</i>	Year ended 31 December 2016 (*)	Year ended 31 December 2015 (**)	Year ended 31 December 2015 (***)	Operating income	18,801	18,866	22,405	of which:				– net interest	10,307	10,922	11,916	– dividends and other income from equity investments	844	822	829	– net fees and commissions	5,458	5,519	7,848	Operating costs	(12,453)	(12,266)	(13,618)	Operating profit	6,348	6,600	8,787	Profit (loss) before tax	(10,978)	749	2,671	Net profit (loss) attributable to the Group	(11,790)	1,694	1,694
<i>€ millions</i>	Year ended 31 December 2016 (*)	Year ended 31 December 2015 (**)	Year ended 31 December 2015 (***)																																							
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Net profit (loss) attributable to the Group	(11,790)	1,694	1,694																																							

Element	Title		
	The figures in the table above refer to the reclassified income statement.		
	The table below sets out summary information extracted from the unaudited consolidated interim report as at 30 September 2017 – Press Release of UniCredit and the unaudited consolidated interim report as at 30 September 2016 for the UniCredit Group:		
	€ millions	30 September 2017	30 September 2016
	Operating income	14,776	15,190
	of which:		
	– net interest	7,716	7,893
	– dividends and other income from equity investments	518	696
	– net fees and commissions	5,025	4,763
	Operating costs (loss)	(8,557)	(8,898)
	Operating profit	6,220	6,292
	Profit (loss) before tax	3,318	2,181
	Net profit attributable to the Group	4,672	1,768
	The figures in the table above refer to the reclassified income statements as published at their reference date.		
	Statement of Financial Position		
	The table below sets out summary information extracted from UniCredit Group's audited statement of financial positions as at and for each of the financial years ended 31 December 2016 and 31 December 2015:		
€ millions	Year ended 31 December 2016 (*)	Year ended 31 December 2015 (**)	Year ended 31 December 2015 (***)
Total assets	859,533	860,433	860,433
Financial assets held for trading	87,467	89,995	90,997
Loans and receivables with customers of which:	444,607	445,382	473,999

Element	Title				
	– Non-Performing loans(****)	24,995	38,268	38,920	
	Financial liabilities held for trading	68,361	68,029	68,919	
	Deposits from customers and debt securities in issue of which:	567,855	553,483	584,268	
	– deposits from customers	452,419	419,686	449,790	
	– securities in issue	115,436	133,797	134,478	
	– Shareholders' Equity	39,336	50,087	50,087	
<p>(*) The financial information relating to the financial year ended 31 December 2016 has been extracted from UniCredit's audited consolidated financial statements as of and for the year ended 31 December 2016, which have been audited by Deloitte & Touche S.p.A., UniCredit's external auditors.</p> <p>(**) In 2016 Reclassified balance sheet, comparative figures as at 31 December 2015 have been restated.</p> <p>(***) As published in "2015 Consolidated Reports and Accounts".</p> <p>(****) The perimeter of Impaired loans is substantially equivalent to the perimeter of EBA NPE exposures.</p> <p>The figures in this table refer to the reclassified balance sheet.</p> <p>The table below sets out summary information extracted from the unaudited consolidated interim report as at 30 September 2017 – Press Release of UniCredit and the unaudited consolidated interim report as at 30 September 2016 for the UniCredit Group:</p>					
€ million		30 September 2017	30 September 2016		
Total assets		827,099	874,527		
Financial assets held for trading		81,493	93,433		
Loans and receivables with customers of which:		450,509	452,849		
– Non-Performing loans(*)		22,319	24,995		
Financial liabilities held for trading		58,806	67,800		
Deposits from customers and debt securities in issue		544,717	560,459		

Element	Title													
	<table> <tr> <td>of which:</td><td></td><td></td></tr> <tr> <td>deposits from customers</td><td>438,334</td><td>441,033</td></tr> <tr> <td>securities in issue</td><td>106,383</td><td>119,426</td></tr> <tr> <td>Shareholders' Equity</td><td>57,705</td><td>51,237</td></tr> </table> <p>(*) The perimeter of Impaired loans is substantially equivalent to the perimeter of EBA NPE exposures.</p> <p>The figures in the table above refer to the reclassified balance sheets.</p> <p style="text-align: center;"><i>Statements of no significant or material adverse change</i></p> <p>There has been no significant change in the financial or trading position of UniCredit and the Group since 30 September 2017 and there has been no material adverse change in the prospects of UniCredit and the Group since 31 December 2016.</p>	of which:			deposits from customers	438,334	441,033	securities in issue	106,383	119,426	Shareholders' Equity	57,705	51,237	
of which:														
deposits from customers	438,334	441,033												
securities in issue	106,383	119,426												
Shareholders' Equity	57,705	51,237												
B.19 B.13	Events impacting the Guarantor's solvency	Not Applicable - There are no recent events particular to the Guarantor which are to a material extent relevant to the evaluation of the Guarantor's solvency.												
B.19 B.14	Dependence upon other Group entities	<p>The Guarantor is the parent company of the UniCredit Group and carries out, in addition to banking activities, organic policy, governance and control functions vis-à-vis its subsidiary banking, financial and instrumental companies.</p> <p>Please also see Element B.19 B.5 above</p>												
B.19 B.15	The Guarantor's Principal activities	The Guarantor, as a bank which undertakes management and co-ordination activities for the UniCredit Group, pursuant to the provisions of Article 61 of the Italian Banking Act, issues, when exercising these management and co-ordination activities, instructions to the other members of the banking group in respect of the fulfilment of the requirements laid down by the supervisory authorities in the interest of the banking group's stability.												
B.19 B.16	Controlling shareholders	Not Applicable - No individual or entity controls the Guarantor within the meaning provided for in Article 93 of the Legislative Decree No. 58 of 24 February 1998 (the Financial Services Act), as amended.												

Element	Title				
B.19 B.17	Credit ratings	UniCredit S.p.A. has been rated:			
		Description	Standard & Poor's	Moody's	Fitch ratings
		Short Term Counterparty Credit Rating	A-2	P-2	F2
		Long Term Counterparty Credit Rating	BBB-	Baa1	BBB
		Outlook	stable	positive	stable
		Tier II Subordinated Debt	BB+	Ba1	BBB-

Section C – Securities

Element	Title	
C.1	Description of Notes/ISIN	<p>The Notes to be issued may be Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes, Inflation Linked Interest Notes or CMS Linked Interest Notes.</p> <p>The Notes are [] per cent. [Fixed Rate/Floating Rate/Zero Coupon/Inflation Linked Interest Notes/CMS Linked Interest][] [Extendible] Notes due [] [unconditionally and irrevocably guaranteed by UniCredit S.p.A.].</p> <p>International Securities Identification Number (ISIN): []</p> <p>Common Code: []</p> <p>[CUSIP: []]</p> <p>[CINS: []]</p> <p>[specify other identification code]]</p> <p>[The Notes will be consolidated and form a single series with [identify earlier Tranches] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, which is expected to occur on or about [date]]].</p>
C.2	Currency	<p>Subject to compliance with all applicable laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer and the relevant Dealer at the time of issue.</p> <p>The currency of this Series of Notes is [Pounds Sterling (£)/Euro (€)/U.S. dollars (U.S.\$)/Renminbi (CNY), which is the currency of the People's Republic of China/Other ([])].</p>
C.5	Restrictions on transferability	The Notes may not be transferred prior to the Issue Date.
C.8	Rights attached to the Notes, including ranking and limitations on those rights	<p>Notes issued under the Programme will have terms and conditions relating to, among other matters:</p> <p>Governing law</p> <p>The rights of the investors in connection with the Notes and any non-contractual obligations will be governed by English law[, except for the right of the investors in connection with the status of the [Subordinated Notes issued by UniCredit] and any non-contractual obligations arising out thereof which shall be governed by, and construed in accordance with, Italian law].</p>

Element	Title	
		<p>Status[and Subordination]</p> <p>[[<i>Insert in the case of Senior Notes</i>]]The Notes issued on a Senior basis constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer ranking (subject to any obligations preferred by applicable law) <i>pari passu</i> with all other unsecured obligations (other than obligations ranking junior to the Senior Notes from time to time (including Non-Preferred Senior Notes and any further obligations subsequently permitted by law to rank junior to the Senior Notes following the Issue Date), if any) of the Issuer, present and future and <i>pari passu</i> and rateably without any preference among themselves.</p> <p>Redemption or purchase of Senior Notes might be subject to compliance by the Issuer with any conditions to such redemption or repurchase prescribed by the Regulatory Capital Requirements at the relevant time (including any requirements applicable to such redemption or repurchase due to the qualification of such Senior Notes at such time as eligible liabilities available to meet the MREL or TLAC Requirements)</p> <p>MREL or TLAC Requirements means the laws, regulations, requirements, guidelines, rules, standards and policies relating to minimum requirements for own funds and eligible liabilities and/or loss-absorbing capacity instruments applicable to the Issuer and/or the Group, from time to time, including, without limitation to the generality of the foregoing, any delegated or implementing acts (such as regulatory technical standards) adopted by the European Commission and any regulations, requirements, guidelines, rules, standards and policies relating to minimum requirements for own funds and eligible liabilities and/or loss absorbing capacity instruments adopted by the Republic of Italy, a relevant Competent Authority or a Relevant Resolution Authority from time to time (whether or not such requirements, guidelines or policies are applied generally or specifically to the Issuer and/or the Group), as any of the preceding laws, regulations, requirements, guidelines, rules, standards, policies or interpretations may be amended, supplemented, superseded or replaced from time to time;]</p> <p>[[<i>Insert in the case of Subordinated Notes</i>]]The Notes issued on a Subordinated basis constitute direct, unconditional, unsecured and subordinated obligations of UniCredit and rank after unsubordinated unsecured creditors (including depositors and holders of Senior Notes and Non-Preferred Senior Notes) of UniCredit and after all creditors of UniCredit holding instruments which are less subordinated</p>

Element	Title	
		than the relevant Subordinated Notes but at least <i>pari passu</i> without any preferences among themselves and with all other present and future subordinated obligations of UniCredit which do not rank or are not expressed by their terms to rank junior or senior to the relevant Subordinated Notes and in priority to the claims of shareholders of UniCredit.]
		<p>[[Insert in the case of Subordinated Notes issued by UniCredit S.p.A.] Early redemption may occur only at the option of UniCredit and with the prior approval of the relevant Competent Authority.]</p> <p>This Series of the Notes is issued on a [Senior/Subordinated] basis.</p> <p>[[Insert in the case of Senior Notes]Each holder of a Note unconditionally and irrevocably waives any right of set-off, netting, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Note and, in the case of Guaranteed Notes, the Guarantee.]</p> <p>[[Insert in the case of Subordinated Notes issued by UniCredit S.p.A.] Each holder of a Note unconditionally and irrevocably waives any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Note.]</p> <p>Events of default</p> <p>[[Insert in the case of Senior Notes] [The terms of the Senior Notes will contain, amongst others, the following events of default:</p> <p>[[Insert the case of Senior Notes issued by UniCredit]</p> <ul style="list-style-type: none"> • UniCredit becoming subject to <i>Liquidazione Coatta Amministrativa</i> as defined in Legislative Decree No. 385 of 1 September 1993 of the Republic of Italy (as amended from time to time); <p>[[Insert the case of Senior Notes issued by UniCredit Ireland or UniCredit International Luxembourg]</p>

Element	Title	
		<ul style="list-style-type: none"> the Issuer shall be insolvent, wound up, liquidated or dissolved (otherwise than for the purposes of an amalgamation, merger, reconstruction or reorganisation on terms previously approved in writing by the Trustee or an Extraordinary Resolution of the Noteholders); <p>upon of the occurrence of the above, the Trustee, at its discretion, may, and if so requested in writing by the holders of at least one quarter in principal amount of the Notes then outstanding, or if so directed by an Extraordinary Resolution of the Noteholders, shall (subject in each case to the Trustee being indemnified and/or secured to its satisfaction) give notice to the Issuer and, in the case of the Guaranteed Notes, the Guarantor that each Note is, and each Note shall thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued interest.]</p> <p><i>[Insert in the case of Subordinated Notes]</i> [The terms of the Subordinated Notes will contain, amongst others, the following event of default:</p> <ul style="list-style-type: none"> UniCredit becoming subject to <i>Liquidazione Coatta Amministrativa</i> as defined in Legislative Decree No. 385 of 1 September 1993 of the Republic of Italy; <p>upon of the occurrence of the above, the Trustee, at its discretion, may, and if so requested in writing by the holders of at least one quarter in principal amount of the Notes then outstanding, or if so directed by an Extraordinary Resolution of the Noteholders, shall give notice to the Issuer that each Note is, and each Note shall thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued interest.]</p> <p>Contractual recognition of statutory bail-in powers</p> <p>By the acquisition of the Notes, each holder of a Note acknowledges and agrees to be bound by the exercise of any bail-in power by the relevant resolution authority that may result in the write-down or cancellation of all or a portion of the principal amount of, or distributions on, the Notes and/or the conversion of all or a portion of the principal amount of, or distributions on, the Notes into ordinary shares or other obligations of the Issuer, the Guarantor (in the case of Guaranteed Notes) or another person, including by means of a variation to the terms of the Notes to give effect to the exercise by the relevant resolution authority of such bail-in power. Each holder of a</p>

Element	Title	
		<p>Note further agrees that the rights of the holders of the Notes are subject to, and will be varied if necessary so as to give effect to, the exercise of any bail-in power by the relevant resolution authority.</p>
		<p>The exercise of the bail-in power by the relevant resolution authority with respect to the Notes shall not constitute an event of default and the terms and conditions of the Notes shall continue to apply in relation to the residual principal amount of, or outstanding amount payable with respect to, the Notes subject to any modification of the amount of distributions payable to reflect the reduction of the principal amount, and any further modification of the terms that the relevant resolution authority may decide in accordance with applicable laws and regulations relating to the resolution of credit institutions, investment firms and/or Group entities incorporated in the relevant member state.</p> <p>Meetings</p> <p>The terms of the Notes will contain provisions for calling meetings of holders of such Notes to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders, including holders who did not attend and vote at the relevant meeting and holders who voted in a manner contrary to the majority.</p> <p>Taxation</p> <p>All payments in respect of Notes will be made without deduction for or on account of withholding taxes imposed by (a) the Republic of Italy, in the case of Notes issued by UniCredit and Guaranteed Notes, (b) Ireland, in the case of Notes issued by UniCredit Ireland and (c) Luxembourg, in the case of Notes issued by UniCredit International Luxembourg. In the event that any such deduction is made, the Issuers or, as the case may be, the Guarantor will, save in certain limited circumstances, be required to pay additional amounts to cover the amounts so deducted.</p> <p>Payments of any amount in respect of Notes, Receipts or Coupons will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in any jurisdiction and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the Code) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or law implementing an intergovernmental approach thereto.</p>

Element	Title	
		<p>Prescription</p> <p>The Notes (whether in bearer or registered form), Receipts and Coupons will become void unless presented for payment within a period of ten years (in the case of principal) and five years (in the case of interest) after the date on which such payment first becomes due.</p>
C.9	Interest/Redemption	<p>Interest</p> <p>Notes may or may not bear interest. Interest-bearing Notes will either bear interest payable at a fixed rate or a floating rate or calculated by reference the relevant inflation Index.</p> <p>[Payments (in respect of principal and interest) in respect of Notes denominated in Renminbi will be made in Renminbi, except in the case where "RMB Currency Event" is specified in the Final Terms and if by reason of a RMB Currency Event, as determined by the relevant Issuer acting in good faith and in a commercially reasonable manner, the relevant Issuer is not able to pay any amount in respect of the Notes, the relevant Issuer's obligation to make payment in Renminbi shall be replaced by an obligation to pay such amount in the Relevant Currency converted using the Spot Rate.]</p> <p>Interest Rate</p> <p>[[<i>Insert in the case of Fixed Rate Notes:</i>] The Notes bear interest [from their date of issue/from []] at the fixed rate of [] per cent. per annum.</p> <p>The yield in respect of the Notes is [] per cent..</p> <p>The yield is calculated at the Issue Date on the basis of the relevant Issue Price[, it is not an indication of future yields].</p> <p>Interest will be paid [annually/semi-annually/quarterly] in arrear on [] in each year. The first interest payment will be made on [].</p> <p>[[<i>Insert in the case of Floating Rate Notes:</i>] The Notes bear floating rate interest [from their date of issue/from []] at floating rates calculated by reference to [[]-Euribor] [[]-Libor] [<i>insert CMS rate</i>] [for the relevant interest period[s][.]] [[<i>In the case of a factor insert:</i>], multiplied with a factor of [<i>Insert factor</i>]] [[<i>in the case of a margin insert:</i>], plus][, minus] the margin of [] per cent. per annum][for the relevant interest period]. Interest will be paid [annually/semi-annually/quarterly] in arrear on [], and [] in each year, subject to adjustment for non-business days. The first interest payment will be made on [].]</p>

Element	Title	
		<p>[[Insert in the case of Inflation Linked Interest Notes:] The Notes bear Inflation linked interest [from their date of issue/from []]. The interest rate is dependent on the performance of the [EUROSTAT Eurozone HICP (excluding Tobacco) Unrevised Series NSA Index which mirrors the weighted average of the harmonized indices of consumer prices in the Euro-Zone, excluding tobacco (non-revised series) (the HICP)] [Inflation for Blue Collar Workers and Employees - Excluding Tobacco Consumer Price Index Unrevised (<i>Indice dei prezzi al consumo per famiglie di operai e impiegati (FOI), senza tabacchi</i>) as calculated on a monthly basis by the <i>ISTAT - Istituto Nazionale di Statistica</i> (the Italian National Institute of Statistics) (the Italy CPI)] [] [for each interest period] [[In the case of a factor insert:], multiplied with a factor of [insert factor]] [[In the case of a margin, insert:] [, plus][, minus] the margin of [insert percentage] per cent.] for the relevant interest period]. Interest will be paid [annually/semi-annually/quarterly] in arrear on [], and [] in each year, subject to adjustment for non-business days. The first interest payment will be made on [].]</p> <p>[In the case of a minimum and/or maximum rate of interest, insert:]The amount of interest payable on the Notes is subject to [insert the minimum/maximum rate of interest].]</p> <p>[The Notes do not bear any interest [and will be offered and sold at a discount to their nominal amount].]</p> <p>Underlyings</p> <p>[Not Applicable. Interest on the Notes is not based on an underlying.]</p> <p>[Insert in the case of CMS Linked Notes:][insert CMS Rate(s)]</p> <p>[Insert in the case of Zero Coupon Notes:]Not Applicable.]</p> <p>[Insert in the case of Inflation Linked Interest Notes:]The value of the Notes may be affected by the [performance of [insert the relevant inflation index].</p> <p>[The Rate of Interest payable from time to time in respect of Inflation Linked Interest Notes, for each interest period, shall be determined in accordance with the following formula:</p> <p><i>Rate of Interest = [[Index Factor]*YoY Inflation] + Margin</i></p>

Element	Title	
		<p>Index Factor has the meaning given to it in the applicable Final Terms, provided that if Index Factor is specified as "Not Applicable", the Index Factor shall be deemed to be equal to one;</p> <p>Inflation Index has the meaning given to it in the applicable Final Terms;</p> <p>Inflation Index (t) means the value of the Inflation Index for the Reference Month in the calendar year in which the relevant Specified Interest Payment Date (as specified in the Final Terms) falls;</p> <p>Inflation Index (t-1) means the value of the Inflation Index for the Reference Month in the calendar year preceding the calendar year in which the relevant Specified Interest Payment Date (as specified in the Final Terms) falls;</p> <p>Margin has the meaning given to it in the applicable Final Terms;</p> <p>Reference Month has the meaning given to it in the applicable Final Terms; and</p> <p>YoY Inflation (t) means in respect of the Specified Interest Payment Date (as specified in the Final Terms) falling in month (t), the value calculated in accordance with the following formula:</p> $\left[\frac{\text{Inflation Index } t}{\text{Inflation Index } (t-1)} - 1 \right]$ <p>Redemption</p> <p>The terms under which Notes may be redeemed (including the maturity date and the price at which they will be redeemed on the maturity date as well as any provisions relating to early redemption) will be agreed between the Issuer and the relevant Dealer at the time of issue of the relevant Notes.</p> <p><i>[Insert in the case of Inflation Linked Interest Notes:]</i> [Inflation Linked Interest Notes may be redeemed before their stated maturity at the option of the relevant Issuer, if the Index ceases to be published or any changes are made to it which, in the opinion of an Expert, constitute a fundamental change in the rules governing the Index and the change would, in the opinion of the Expert, be detrimental to the interests of the Noteholders.]</p>

Element	Title	
		<p>Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on [] at par.</p> <p>The Notes may be redeemed early [for tax reasons] [or] [for regulatory reasons] [or][at the option of the Issuer] at [specify the early redemption price and any maximum or minimum redemption amounts].</p>
		<p>Repayment Procedure</p> <p>[Payments of principal in respect of definitive Bearer Notes will (subject as provided below) be made only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).]</p> <p>[Payments of principal and interest (if any) in respect of Notes represented by any Global Note in bearer form will be made in the manner specified above in relation to definitive Bearer Notes and otherwise in the manner specified in the relevant Global Note against presentation or surrender, as the case may be, of such Global Note at the specified office of the Principal Paying Agent. A record of each payment made against presentation or surrender of any Global Note in bearer form, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note by the Principal Paying Agent and such record shall be prima facie evidence that the payment in question has been made.]</p> <p>[Payments of principal in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents.</p> <p>Payments of interest and principal in respect of each Registered Note (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due</p>

Element	Title	
		<p>date to the holder (or the first named of joint holders) of the Registered Note appearing in the Register.]</p> <p>Representative of holders</p> <p>The Issuer has appointed Citicorp Trustee Company Limited (the Trustee) to act as trustee for the holders of Notes. The trustee may, without the consent of any holders and without regard to the interests of particular holders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or (ii) determine without the consent of any holders that an event of default or potential event of default shall not be treated as such or (iii) the substitution of another company as principal debtor under the Notes in place of the Issuer.</p> <p>Please also refer to Element C.8.</p>
C.10	Derivative component in the interest payments	<p>[Interest payments under the Floating Rate Notes depend on the development of the <i>[insert []-Euribor]</i> <i>[insert []-Libor]</i> <i>[insert CMS rate]</i> for the relevant interest period.]</p> <p>[Interest payments under the Inflation Linked Interest Notes are linked to the performance of the [HICP][Italy CPI][].]</p> <p>[Not applicable – There is no derivative component in the interest payments.]</p> <p>Please also refer to Element C.9.</p>
C.11	Admission to trading on a regulated market	<p>Notes issued under the Programme may be admitted to trading on the Luxembourg Stock Exchange or such other stock exchange or regulated market specified below, or may be issued on an unlisted basis.</p> <p>[Application [has been][is expected to be] made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the regulated market of the [Luxembourg Stock Exchange.] [The Notes are not intended to be admitted to trading on any market.]</p>

Section D – Risks

Element	Title	
D.2	Key risks regarding the Issuers [and the Guarantor]	<p>In purchasing Notes, investors assume the risk that the Issuers and the Guarantor may become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of factors which individually or together could result in the Issuers and the Guarantor becoming unable to make all payments due in respect of the Notes. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuers and the Guarantor may not be aware of all relevant factors and certain factors which they currently deem not to be material may become material as a result of the occurrence of events outside the Issuers' and the Guarantor's control. The Issuers and the Guarantor have identified a number of factors which could materially adversely affect their businesses and ability to make payments due under the Notes. These factors include:</p> <ul style="list-style-type: none"> • risks connected with the Strategic Plan; • risks associated with the impact of the current macroeconomic uncertainties and the volatility of the markets on the Group's performance; • risks connected with the volatility of markets; • risks connected with the UniCredit Group's activities in different geographical areas; • credit risk and risk of credit quality deterioration; • risks associated with disposal on non-performing loans; • risks related to the income results of the Group for the year ended 31 December 2016 and first half 2017; • risks associated with UniCredit's participation in the Atlante fund and the Atlante II fund; • risks associated with the Group's exposure to sovereign debt; • liquidity risk; • risks related to intra-group exposure; • market risks;

Element	Title	
		<ul style="list-style-type: none"> • risks connected with interest rate fluctuations; • risks connected with exchange rates; • risks associated with borrowings and evaluation methods of the assets and liabilities of the relevant Issuer and/or Guarantor; • risks related to deferred taxes; • risks connected with interests in the capital of the Bank of Italy; • counterparty risk in derivative and repo operations; • risks connected with exercising the Goodwill Impairment Test and losses in value relating to goodwill; • risks connected with existing alliances and joint ventures; • risks connected with the performance of the property market; • risks connected with pensions; • risks connected with risk monitoring methods and the validation of such methods; • risks relating to the IT system management; • risks connected with non-banking activities; • risks connected with legal proceedings in progress and supervisory authority measures; • risks arising from tax disputes; • risks related to international sanctions with regard to sanctioned countries and to investigations and/or proceedings by the U.S. authorities; • risks connected with the organisational and management model pursuant to Legislative Decree 231/2001 and the accounting administrative model pursuant to Law 262/2005; • risks connected with Alternative Performance Indicators (APIs);

Element	Title	
		<ul style="list-style-type: none"> • risks connected with operations in the banking and financial sector; • risks connected with ordinary and extraordinary contribution to funds established under the scope of the banking crisis rules; • risks connected with the entry into force of new accounting principles and changes to applicable accounting principles;
		<ul style="list-style-type: none"> • risks connected with the political and economic decisions of EU and Eurozone countries and the United Kingdom leaving the European Union (Brexit); • Basel III and CRD IV; • forthcoming regulatory changes; • ECB Single Supervisory Mechanism; • the bank recovery and resolution directive is intended to enable a range of actions to be taken in relation to credit institutions and investment firms considered to be at risk of failing. The taking of any such actions (or the perception that the taking of any such action may occur) could materially adversely affect the value of any Notes and/or the rights of Noteholders; • implementation of the BRRD in Italy; • implementation of BRRD in Luxembourg; • implementation of BRRD in Ireland; • as of 2016 the UniCredit Group is subject to the provisions of the Regulation establishing the Single Resolution Mechanism; • the European proposed financial transaction tax (the FTT); and • ratings.
D.3	Key risks regarding the Notes	<p>There are also risks associated with the Notes. These include a range of market risks (including that there may be no or only a limited secondary market in the Notes, that the value of an investor's investment may be adversely affected by exchange rate movements where the Notes are not</p>

Element	Title	
		<p>denominated in the investor's own currency, that any credit rating assigned to the Notes may not adequately reflect all the risks associated with an investment in the Notes or may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency and that changes in interest rates will affect the value of Notes which bear interest at a fixed rate), the fact that the conditions of the Notes may be modified without the consent of the holder in certain circumstances, that the regulation and reform of “benchmarks” may adversely affect the value of Notes linked to such “benchmarks”, that the holder may not receive payment of the full amounts due in respect of the Notes as a result of amounts being withheld by the Issuer in order to comply with applicable law and that investors are exposed to the risk of changes in law or regulation affecting the value of Notes held by them.</p>
		<p>Key risks regarding to certain types of Notes</p> <p>Notes subject to optional redemption by the relevant Issuer: the relevant Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.</p> <p>If the relevant Issuer has the right to convert the interest rate on any Notes from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned.</p> <p>Notes which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates.</p> <p>There are certain risks associated with investing in Senior Notes. These risks include the risk connected with the right of the Issuer to redeem the Senior Notes upon the occurrence of a MREL or TLAC Disqualification Event.</p> <p>There are certain risks associated with investing in Subordinated Notes. These risks include:</p> <ul style="list-style-type: none"> • an investor in Subordinated Notes assumes an enhanced risk of loss in the event of UniCredit's insolvency as UniCredit's obligations under Subordinated Notes will be unsecured and subordinated and will rank junior in priority of payment to Senior Liabilities;

Element	Title	
		<ul style="list-style-type: none"> Subordinated Notes may be subject to loss absorption on any application of the general bail-in tool or at the point of non-viability of the Issuer. Investors should be aware that, in addition to the general bail-in tools, the bank recovery and resolution directive contemplates that Subordinated Notes may be subject to a write-down or conversion into common shares at the point of non-viability should the Bank of Italy or other authority or authorities having prudential oversight of the relevant Issuer at the relevant time (the Relevant Authority) be given the power to do so. The Subordinated Notes issued under the Programme include provisions setting out that the obligations of the relevant Issuer under such Subordinated Notes are subject to the powers of the Relevant Authority pursuant to applicable law and/or regulation in force from time to time; and
		<ul style="list-style-type: none"> the regulatory classification of the Notes - although it is the Issuers' expectation that the Notes qualify as "Tier 2 capital" there can be no representation that this is or will remain the case during the life of the Notes. <p>There are certain risks associated with investing in Inflation Linked Interest Notes. These risks include:</p> <ul style="list-style-type: none"> potential investors in any such Notes should be aware that depending on the terms of the Inflation Linked Interest Notes they may receive no interest or a limited amount of interest; Inflation Linked Interest Notes may be subject to certain disruption provisions or extraordinary event provisions and if the Calculation Agent determines that any such event has occurred this may delay valuations under and/or settlements in respect of the Notes and consequently adversely affect the value of the Notes; the market price of Inflation Linked Interest Notes may be volatile and may depend on the time remaining to the maturity date or expiration and the volatility of the level of the inflation or consumer price index or indices; and the level of the inflation or consumer price index or indices may be affected by the economic, financial and political events in one or more jurisdictions or areas.

Element	Title	
		<p>There are certain risks associated with investing in Renminbi Notes. These risks include:</p> <ul style="list-style-type: none"> • the Renminbi is not freely convertible and there are significant restrictions on the remittance of the Renminbi into and outside the PRC which may affect the liquidity of the Notes; • there is only limited availability of Renminbi outside the PRC, which may affect the liquidity of the Notes and the relevant Issuer's ability to source Renminbi outside the PRC to service the Renminbi Notes; • an investment in Renminbi Notes is subject to exchange rate risk; • an investment in Renminbi Notes is subject to interest rate risk; • an investment in Renminbi Notes is subject to risk of change in the regulatory regime governing the issuance of Renminbi Notes; and • payments in respect of the Renminbi Notes will only be made to investors in the manner specified in the Renminbi Notes; • the value of Fixed Rate Notes may be adversely affected by movements in market interest rates; and • credit ratings assigned to the Issuers, the Guarantor or any Notes may not reflect all the risks associated with an investment in those Notes.

Section E – Offer

Element	Title	
E.2b	Reasons for the offer and use of proceeds	<p>The net proceeds from each issue of Notes will be applied by the Issuers for their general corporate purposes, which include making a profit. If in respect of any particular issue other than making a profit and/or hedging certain risks, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.¹²</p> <p>[The net proceeds from the issue of Notes will be applied by the Issuer for its general corporate purposes, which include making a profit [and[]].</p>
E.3	Terms and conditions of the offer	<p>The Notes may be offered to the Public as a public offer in one or more specified Public Offer Jurisdictions.</p> <p>The terms and conditions of each offer of Notes will be determined by agreement between the Issuer and the relevant Dealers at the time of issue. An Investor intending to acquire or acquiring any Notes in a Public Offer from an Authorised Offeror will do so, and offers and sales of such Notes to an Investor by such Authorised Offeror will be made, in accordance with any terms and other arrangements in place between such Authorised Offeror and such Investor including as to price, allocations and settlement arrangements.</p> <p>[The Notes are not being offered to the public as part of a Non-Exempt Offer]</p> <p>[This issue of Notes is being offered in a Non-Exempt Offer in []].</p> <p>The issue price of the Notes is [] per cent. of their nominal amount.</p> <p>[Summarise any public offer, copying the language from paragraphs [8viii] and [9] of Part B of the Final Terms.]]</p>
E.4	Interest of natural and legal persons involved in the issue/offer	<p>The relevant Dealer may be paid fees in relation to any issue of Notes under the Programme. Any such Dealer and its affiliates may also have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuers and the Guarantor and their affiliates in the ordinary course of business.¹³</p> <p>The [Dealer[s]/Manager[s]] will be paid aggregate</p>

¹² Delete this paragraph when preparing the issue specific summary note.

¹³ Delete this paragraph when preparing the issue specific summary note.

Element	Title	
		<p>commissions equal to [] per cent. of the nominal amount of the Notes. Any [Dealer/Manager] and its affiliates may also have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer [and the Guarantor] and [its/their respective] affiliates in the ordinary course of business.</p> <p>[Other than as mentioned above,[and save for [],] so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer, including conflicting interests.]</p>
E.7	Expenses charged to the investor by the Issuer or an Offeror	<p>[Offer price: Issue Price.] [Authorised Offerors (as defined above) may, however, charge expenses to investors.]</p> <p>[Selling Concession: <i>[Insert selling concession.]</i>]</p> <p>[Other Commissions: <i>[Insert other commissions.]</i>]</p> <p>[Not applicable. No such expenses will be charged to the investor by the Issuer or a dealer.]</p>

Appendix 2

Risk Factors

Each of the Issuers and the Guarantor believes that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme. All of these factors are contingencies which may or may not occur and neither the Issuers nor the Guarantor is in a position to express a view on the likelihood of any such contingency occurring.

In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

Each of the Issuers and the Guarantor believes that the factors described below represent the material risks inherent in investing in Notes issued under the Programme, but the inability of the Issuers or the Guarantor to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons. The Issuers and the Guarantor have identified in this “Risk Factors” section a number of factors which could materially adversely affect their businesses and ability to make payments due under the Notes. Prospective investors should read these risk factors together with the other detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.

The risk factors relating to the Group are deemed to cover the Issuers and the Guarantor.

FACTORS THAT MAY AFFECT THE RELEVANT ISSUER’S ABILITY TO FULFIL ITS OBLIGATIONS UNDER NOTES ISSUED UNDER THE PROGRAMME – FACTORS THAT MAY AFFECT THE GUARANTOR’S ABILITY TO FULFIL ITS OBLIGATIONS UNDER THE GUARANTEE

Risks connected with the Strategic Plan

On 12 December 2016, the Board of Directors of UniCredit approved the 2016-2019 Strategic Plan (the **2016-2019 Strategic Plan** or the **Strategic Plan**) which envisages, *inter alia*, a review of the business model.

The Strategic Plan contains objectives to be reached, respectively, by 2017 and 2019 (the **Plan Objectives** or the **Projected Data**) based on assumptions of both a general nature and a discretionary nature linked to the impact of specific operational and organisational actions that UniCredit intends to take during the period of time covered by the 2016-2019 Strategic Plan.

UniCredit’s capacity to fulfil the actions and to fulfil the Plan Objectives depends on various assumptions and circumstances, some of which are outside UniCredit’s control, such as hypotheses relating to the macroeconomic context and the evolution of the regulatory context, hypothetical assumptions relating to the effects of specific actions or concerning future events over which UniCredit has a limited degree of influence.

In addition to the above, the Plan Objectives are also based on several assumptions that include actions already undertaken by management or actions that management should undertake over the course of the plan, such as, *inter alia*, the capital strengthening measures (including, *inter alia*, the **M&A Asset Sale Transactions**) and the preparatory activities for improving the quality of balance sheet assets (the latter in relation, specifically, to the reduction of the non-core loans portfolio and the increase of the coverage ratio of impaired loans and unlikely-to-pay loans in the Italian loan portfolio), the proactive reduction of the risk of balance sheet assets and the improvement of the quality of new loans, the transformation of the operating model, the maximisation of the value of the

commercial bank and the adoption of a lean governance model that is strongly directed at the coordination of activities. To this extent, certain assumptions of the Strategic Plan refer to the implementation of measures – as well as the prosecution of such measures in accordance with the previous industrial plan announced on November 2015 – within the UniCredit Group and in relation to the activities of certain subsidiaries.

Taking into consideration that at the date of this Base Prospectus there is no certainty that the above-mentioned actions will be realised in full, in the absence of the anticipated benefits from the actions designed to support profitability or if the above-mentioned Group operating model transformation actions are not completed in full, it is possible the forecasts in the Projected Data might not be achieved and, as a result, there could be negative impacts, including significant ones, on the operating results, capital and financial position of UniCredit and/or the Group.

The Strategic Plan is therefore based on numerous assumptions and hypotheses, some of which refer to events that are out of UniCredit's control. Specifically, the Strategic Plan contains a collection of hypotheses, estimates and forecasts that are based on the realisation of external future events and actions that could be undertaken by management and by the Board of Directors of UniCredit in 2016-2019 which include, among other things, hypothetical assumptions of various natures subject to the risks and uncertainties of the current macroeconomic scenario and the regulatory context, relating to future events and actions of directors and management that may not necessarily take place, and events, actions and other assumptions, including those surrounding the performance of the main capital and economic parameters or other factors that affect development over which the directors and management cannot influence or can only partly influence.

The assumptions at the base of the Plan Objectives could turn out to be inaccurate and/or such circumstances could not be fulfilled, or could be fulfilled only in part or in a different way, or could change during the course of the reference period of the Strategic Plan. Moreover, it is worth noting that as a result of the precariousness associated with the realisation of any future event both as far as the event taking place is concerned and as far as the measurement and timing of its manifestation is concerned, the differences between the actual values and the projected values could be significant, even if the events were to occur.

The failure or partial occurrence of the assumptions or of the positive expected resulting effects could lead to potentially significant deviations from the forecasts in the Projected Data or hinder their achievement with consequent negative effects – even significant – on the assets and the operations, balance sheet and/or income statement of the relevant Issuer and/or the Guarantor, as the case may be, and/or the Group. In particular, it cannot be guaranteed that UniCredit and/or the relevant Group companies will be able to successfully implement the measures provided for in the 2016-2019 Strategic Plan (also including the measures to be carried out in accordance with the previous industrial plan announced in November 2015). Failure to do so, as well as the partial realisation of one or more of such measures, could lead to divergences, even significant, with the provisions of the Projected Data and hinder their fulfilment, with consequent negative effects on the relevant Issuer and/or the Guarantor, as the case may be, and/or the Group's operating results and capital and financial position.

Note, lastly, that the 2016-2019 Strategic Plan was developed on the basis of a UniCredit Group perimeter that was different from the one at the date of this Base Prospectus, anticipating the effects of several extraordinary transactions, several of which have already been completed at the date of this Base Prospectus, while others are in the process of being executed (**the M&A Asset Sale Transactions in the process of being Executed**).

The M&A Asset Sale Transactions in the process of being Executed involve typical execution risks of extraordinary operations and, specifically, the risk of their realisation in time and/or in significantly different ways to those provided for by UniCredit at the date of this Base Prospectus, or even the risk

that the effects deriving from said M&A Asset Sale Transactions in the process of being Executed differ significantly from those provided for by UniCredit.

If the M&A Asset Sale Transactions in the process of being Executed are not completed, in full or in part, or if they are completed in a manner that is partly or totally different from that projected by UniCredit, this could have negative impacts on the activities of the Group and/or on its capacity to achieve the Plan Objectives, with consequent significant negative effects on the operating results, capital and financial position of UniCredit and/or the Group.

Risks associated with the impact of the current macroeconomic uncertainties and the volatility of the markets on the UniCredit Group's performance

The UniCredit Group's performance is affected by the financial markets and the macroeconomic context of the countries in which it operates. Expectations regarding the performance of the global economy remain uncertain both from a short-term and a medium-term perspective. Added to these factors of uncertainty are those relating to the geopolitical context.

This situation of uncertainty which has characterised the global economy since the 2008 crisis has caused, among other things, significant problems for the ordinary activities of a number of leading commercial banks, investment banks and insurance companies, some of which have become insolvent or have had to be incorporated into other financial institutions or request assistance from governmental authorities or central banks and the International Monetary Fund (the **IMF**), which have intervened by injecting liquidity and capital into the system and by participating in the recapitalisation of certain financial institutions. Added to this are other negative factors, such as an increase in unemployment levels and a general fall in demand for financial services.

At the date of this Base Prospectus the macroeconomic situation featured a high level of uncertainty in relation to: (a) the recent developments associated with the referendum in the United Kingdom and the subsequent triggering of Article 50 of the Lisbon Treaty and the consequences resulting from the failed approval of the constitutional reform subject to the referendum in Italy on 4 December 2016; (b) the trends of the real economy and specifically the prospects of recovery and consolidation of the domestic economic growth dynamics and the economies in those countries, like the United States and China; (c) future developments of the European Central Bank (the **ECB**) and the U.S. Federal Reserve (the **FED**) monetary policies; (d) a continuous change in the banking sector at global level, and specifically at European level, which has led to a progressive reduction in the spread between lending and borrowing rates; (e) the sustainability of the sovereign debts of several countries and the related tensions recorded, more or less repeatedly, on the financial markets; and (f) the potential renegotiation or failed agreement of international commercial agreements.

Specifically, in this respect, note the developments of the sovereign debt crisis in Greece which raised considerable uncertainty over Greece remaining in the Eurozone in the future and, except in an extreme case, at least the possible contagion among the sovereign debt markets of the various countries on retaining the European monetary system founded on a single currency, with one or more countries possibly leaving the Eurozone. The risk therefore remains that the future development of the contexts referred to could have negative effects on the operating results and capital and financial position of the relevant Issuer and/or the Guarantor, as the case may be, and/or the Group.

The economic slowdown in the countries where the Group operates has had (and may continue to have) a negative effect on the Group's activities 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.

The UniCredit Group's performance is affected, among other things, by factors such as the expectations and confidence of investors, the liquidity of the financial markets, the availability and cost of borrowing on capital markets, elements, by their very nature, connected to the general

macroeconomic situation. Adverse changes in these factors, particularly at times of economic-financial crisis, could create increases for the UniCredit Group in the cost of funding, as well as cause the partial or incomplete realisation of the Group funding plan, with a potential negative impact on the financial situation and the short and long-term liquidity of the relevant Issuer and/or the Guarantor, as the case may be, and/or the Group.

This situation could be further affected by provisions regarding the currencies adopted in the countries in which the Group operates as well as by political instability and difficulties for governments to implement suitable measures to deal with the crisis, as well as acts of terrorism and/or, in general, political instability at a global level or in the countries in which the Group operates. All this could, in turn, result in decreased profitability, with significant negative consequences on the operating results and capital and financial position of UniCredit and/or the Group.

In addition, there is the risk that following the entry into force of the directive providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms (Directive 2014/59/EU) (the **Bank Recovery and Resolution Directive** or **BRRD**), one or more credit institutions could be subject to the measures pursuant to this Directive and to the related implementing regulations, including the bail-in tool. This tool gives resolution authorities the power to write down certain claims of unsecured creditors of a failing institution and to convert certain unsecured debt claims into shares or other instruments of ownership to absorb the losses and recapitalise the bank in difficulty or a new entity that continues the essential functions. These circumstances could aggravate the macroeconomic situation and, specifically, have adverse effects on the business segments and on the markets in which the UniCredit Group operates, with possible adverse consequences on the operating results and on the capital and/or financial position of the relevant Issuer and/or the Guarantor, as the case may be, and/or the Group.

Risks connected with the volatility of markets

In recent years globally, the financial system suffered from considerable volatility and great uncertainty.

The high degree of uncertainty and volatility, including in the countries where the Group operates, has led to significant distortions of the financial markets and a high degree of volatility in the bond and share market, making access to these markets increasingly complex with a consequent rise in credit spreads and the cost of funding. This context also led to a reduction in the depth of the market with a consequent fall in the realisation value resulting from the disposal of financial assets.

The volatility and uncertainty of the financial markets has had, and could continue to have, a negative effect on the assets of the Group and, specifically, on UniCredit's share price and the cost of borrowing on capital markets, causing, among other things, the partial or incomplete realisation of the Group funding plan, with a potential negative impact on the financial situation and the short and long-term liquidity of the relevant Issuer and/or the Guarantor, as the case may be, and/or the Group.

The volatility of the financial markets has also created and continues to create a risk associated with operations in asset management, asset gathering and brokerage sectors and other activities remunerated through fees in the sectors in which the Group operates, with possible negative consequences on the operating results and capital and financial position of the relevant Issuer and/or the Guarantor, as the case may be, and/or the Group.

Risks connected with the UniCredit Group's activities in different geographical areas

The UniCredit Group operates in different countries and, therefore, the UniCredit Group's activities are affected by the macroeconomic context of the markets in which it operates.

In spite of the geographical diversification of the UniCredit Group's activities, at the date of this Base Prospectus, Italy was the main market in which the UniCredit Group operates and, as a result, its activities are closely connected to the Italian macroeconomic context and could, therefore, be negatively impacted by any changes of the same. Specifically, economic forecasts and the current political context generate considerable uncertainty surrounding the future growth of the Italian economy.

In addition to any other factors that could emerge in the future, economic stagnation and/or a reduction in gross domestic product in Italy, a fall in consumer prices, a rise in unemployment and a negative performance of capital markets could create a drop in consumer confidence, fewer investments in the financial system, an increase in impaired loans and insolvency, causing, among other things, a general reduction in the demand for the services provided by the UniCredit Group.

Therefore, should these adverse economic conditions persist in Italy, or a lasting situation of political and economic uncertainty continue and/or the economic recovery prove to be slower than in other countries of the Organisation for Economic Co-operation and Development (OECD), this could have a further significant negative impact on the assets and the operations, balance sheet and/or income statement of the relevant Issuer and/or the Guarantor, as the case may be, and/or the UniCredit Group.

The UniCredit Group also operates and has a significant presence in Austria and Germany, as well as in Central and Eastern European countries (**CEE countries**) including, among others, Turkey, Russia, Croatia, the Czech Republic, Bulgaria and Hungary. The risks and uncertainties to which the UniCredit Group is exposed are of a different nature and magnitude depending on the country and whether or not the country belongs to the European Union is only one of the major factors to take into consideration when evaluating these risks and uncertainties.

With special reference to Austria and Germany, there is the risk that a deterioration in the macroeconomic conditions in both countries, 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 on the respective markets or an increase in political instability could lead to making the situation in the two countries harsh and have a negative impact on profitability as well as the assets and the operations, balance sheet and/or income statement of the relevant Issuer and/or the Guarantor, as the case may be, and/or the Group. The Austrian and German macroeconomic conditions, as well as the Italian macroeconomic conditions, are affected, in particular, by the uncertainty relating to the European Union and the Eurozone's current situation. In particular, Germany's economy, which is the second market in which the Group operates as at the date of this Base Prospectus, significantly depends on the economies of certain countries with which Germany has various commercial relations, including, in particular, the United States, France, Italy and other countries of the European Union. Therefore, a worsening in the economic situation of these countries may have a significant adverse impact on the strongly export-orientated German economy, with potential negative consequences on the subsidiaries of the UniCredit Group operating in Germany, in particular, on UniCredit Bank AG (**UCB AG**).

CEE countries have also historically featured extremely volatile capital and foreign exchange markets, as well as a certain degree of political, economic and financial instability. In some cases, CEE countries have a less developed political, financial and legal system. 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 nationalisation policies (or introduce similar restrictions), which directly affect Group companies and/or which could have negative consequences on the assets and the operations, balance sheet and/or income statement of the relevant Issuer and/or the Guarantor, as the case may be, and/or the Group.

As far as the outlook of some CEE countries is concerned, note that developments in Russia over the last two years have increased uncertainty for the future of this country, while domestic and geopolitical developments in Turkey have introduced an element of uncertainty which was heightened following the attempted *coup d'état* in July 2016.

It is also not possible to rule out that in CEE countries, also as a result of the introduction of more restrictive regulations than those projected at international level, the UniCredit Group might have to implement further recapitalisation operations for its subsidiaries taking into account the risk of being subject to – among other things – regulatory and governmental initiatives of these countries. In addition to this, and to a similar extent as the risks in all the countries in which the Group operates, local authorities could adopt measures that: (a) require the cancellation or reduction of the amount due with regard to existing loans, with a consequent increase in the provisions required with regard to the levels applied normally consistent with Group policies; (b) require additional capital; and (c) introduce additional taxes on banking activity. As a result, the UniCredit Group may be called upon to ensure a greater level of liquidity for its subsidiaries in these areas, in an international context where access to same could become increasingly more difficult. Furthermore, the Group may have to increase impairments on loans issued due to a rise in estimated credit risk. Negative implications in terms of quality of credit could, specifically, involve the UniCredit Group's exposures denominated in Swiss francs (CHF) in CEE countries, also as a result of the decision by the Swiss Central Bank in January 2015 to remove the Swiss franc/Euro ceiling.

In addition to the above, the lower growth rates in CEE countries' economies than those recorded in the past, together with negative repercussions in these countries resulting from the uncertainties of the economies of Eastern European countries, could have a negative impact on the Group reaching its strategic objectives and, therefore, on the assets and the operations, balance sheet and/or income statement of the relevant Issuer and/or the Guarantor, as the case may be, and/or the Group.

Credit risk and risk of credit quality deterioration

The activity, financial and capital strength and profitability of the UniCredit Group depend on the creditworthiness of its customers, among other things.

In carrying out its credit activities, the Group is 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, among other things, the possibility that the Group's contractual counterparties may not fulfil their payment obligations, as well as the possibility that Group 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 (due to a lack of liquidity, insolvency, etc.), the emergence of circumstances not related to the economic/financial conditions of the debtor, such as country risk, and the effect of operational risks.

Other banking activities, besides the traditional lending and deposit activities, can also expose the Group 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 said transactions or the issuers of securities held by Group entities could fail to comply due to insolvency, political or economic events, a lack of liquidity, operating deficiencies, or other reasons.

The Group has adopted procedures, rules and principles aimed at monitoring and managing credit risk at both individual counterparty and portfolio level. However, there is the risk that, despite these credit risk monitoring and management activities, the Group's credit exposure may exceed predetermined levels pursuant to the procedures, rules and principles it has 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 the activity, operating results and capital and financial position of UniCredit and/or the Group.

As regards the European context however, the average data for the continent's banks shows a percentage of non-performing loans (**non-performing loans** or **NPLs**) that is considerably lower than the average for Italian banks and banking groups.

In spite of the Strategic Plan, including actions aimed at improving the quality of capital assets at the date of this Base Prospectus, there is the risk that, even if the Strategic Plan is implemented in full and the Plan Objectives achieved, at the end of the Plan period the relevant Issuer and/or the Guarantor, as the case may be, may have a level of impaired loans that is not in line with regard to the figures recorded by its main competitors in the same period. Specifically, note that the percentage of gross impaired loans of the UniCredit Group is expected to be at a higher level than the average percentage of gross impaired loans of UniCredit's main European competitors with regard to 31 December 2016.

The Group has adopted valuation policies for customer loans and receivables that take into account write-downs recorded on asset portfolios for which objective loss events have not been identified. These portfolios are subject to a write-down which, taking into account the relevant risk factors with similar characteristics, is calculated partly through statistically defined coverage levels based on available information and historical data. However, in the event of deterioration in economic conditions and a consequent increase in non-performing loans, it cannot be ruled out that there may be significant increases in the write-downs to be performed on the various categories of such loans, and that credit risk estimates may need to be amended. Finally, there is a possibility that losses on loans may exceed the amount of write-downs, which would have a significant negative impact on the operating result capital and financial position of the relevant Issuer and/or the Guarantor, as the case may be, and/or of UniCredit Group.

In addition, on 20 March 2017, the ECB published the "Guidance to banks on non-performing loans" (**Guidance on NPL**) following a consultation conducted between 12 September and 15 November 2016.

These guidelines address the main aspects of the management of non-performing loans, including the definition of the NPL strategy and of the operational plan to the NPL governance and operations, and provide several recommendations, based on best practices, that constitute, in the future, the ECB single supervisory mechanism's (the **Single Supervisory Mechanism** or **SSM**) expectations. Specifically, the guidelines require all banks with a high degree of non-performing loans to establish a clear strategy in line with their own business plan and risk management framework, aimed at reducing the amount of non-performing loans, in a credible and timely manner. The above-mentioned guidelines are among the factors that have determined the execution of the "Porto Project" through the increasing of the coverage ratio on impaired loans and on unlikely-to-pay loans in the Italian loans portfolio, following the changes in estimates, in turn resulting from the changed management approach to non-performing loans approved by UniCredit's Board of Directors and aimed at accelerating the reduction, adopted by UniCredit and other Italian Group companies in December 2016.

On 4 October 2017, ECB published a consultation on an addendum to the Guidance on NPL, introducing “Prudential provisioning backstop for non performing exposure”. The consultation ran until 8 December 2017. The addendum supplements the NPL Guidance by specifying quantitative supervisory expectations concerning the minimum levels of prudential provisions expected for new non-performing exposures (NPEs). The expectations are based on the length of time an exposure has been classified as non-performing (i.e. the “vintage”) as well as the collateral held (if any): after two years of vintage, provisions are expected to be 100 per cent. for unsecured (parts of) NPEs and after seven years of vintage provisions should be 100 per cent. also for the secured (parts of) NPEs. The final contents of the Guidelines and their date of implementation in part depend on the outcome of the consultation and are therefore uncertain at this moment.

Loss Given Default (LGD)

As far as the Loss Given Default (**LGD**) parameter is concerned, part of the impact associated with the Italian non-performing loans portfolio generated before 2009 (i.e. the **Aspra and Legacy Portfolio**) will be subject to an adjusted treatment.

The Aspra and Legacy Portfolio has exceptional characteristics in relation to the UniCredit’s loan portfolio as it originated from and is classified under bad loans mainly before 2009 from various banks which, at the time, belonged to the UniCredit Group (former Capitalia and former UniCredit), based on the underwriting, monitoring and recovery policies that were different from those later adopted by the UniCredit Group.

Guidelines for estimating the PD and the LGD and for dealing with exposures at default

In addition to the above, in November 2016, the European Banking Authority (the **EBA**) published a consultation paper with regard to the revision of the methods for estimating the Probability of Default (**PD**) and the LGD indicators. The provisions of the final text, published in November 2017, apply from 1 January 2021. Institutions should incorporate the requirements of these guidelines in their rating systems by that time, but competent authorities may accelerate the timeline of this transition at their discretion.

Risks associated with disposal on non-performing loans

The deterioration of credit quality and the growing focus shown both at regulatory level and by the financial community on reducing the value of non-performing loans recorded on banks’ balance sheets suggest the opportunity for UniCredit to be able to dispose of non-performing loans.

In recent financial years, the supervisory authorities have focused on the value of non-performing loans and the effectiveness of the processes and organisational structures of the banks tasked with their recovery. The importance of reducing the ratio of non-performing loans to total loans has been stressed on several occasions by the supervisory authorities, both publicly and in the context of ongoing dialogue with Italian banks and, therefore, with the UniCredit Group.

Furthermore, since 2014, the Italian market has seen a slight 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. Specifically, sale prices on the Italian market are affected by the time frames in place for the completion of the implementation procedures (which are generally longer than in other European Union countries), and by the value of the properties under guarantee, which, particularly in the industrial sector, tend to present actual realisable values that are lower than their expected values.

In this context, the UniCredit Group, as of 2014, has launched a structured activity for selling non-performing loans on the market, in order to reduce the amount of problematic loans on its books, while simultaneously seeking to maximise its profitability and strengthen its capital structure.

UniCredit intends to continue pursuing its strategy of disposing of non-performing loans. Specifically, UniCredit has identified the capital risk reduction and the improvement of the quality of new loans as a strategic action under the scope of the 2016-2019 Strategic Plan to be achieved through increasing the coverage ratio of non-performing loans and selling impaired loans. The completion of the sales could involve the entry in the income statement of greater write-downs of loans for an amount which may be significant as a result of the possible differential between the value at which non-performing loans (and in particular impaired loans) are recorded in the financial statements of the Group and the consideration that market operators specialised in the management of distressed assets are prepared to offer for their purchase. In this regard, note that the potential impacts (i.e. debiting the income statement with greater write-downs of loans) of these transactions depend on various factors, including, specifically, the different return expected by specialist market operators compared with that of UniCredit and the recovery costs that are immediately discounted in the purchase prices. In this context, insofar as new operations were completed (particularly if concerning loans of lower quality, in terms of coverage level and/or asset class, than the operations already carried out) or in any case where the conditions existed to modify the forecasts concerning the recovery of the non-performing loans identified as subject to probable future disposal, it could be necessary to record in the financial statements additional value adjustments to said loans, with consequent (possibly significant) negative effects on the operating results and capital and financial position of UniCredit and/or of the Group.

At the date of this Base Prospectus, with regard to the Fino Project, UniCredit has completed the so called Phase 1, in the context of which, on 17 July 2017, UniCredit communicated the signing of the definitive transfer agreements with PIMCO and Fortress for the sale of a €17.7 billion portfolio as defined in phase 1 of Project Fino. As a result, three special purpose vehicles created for Project Fino purchased without recourse (pro soluto) the respective receivables relating to PIMCO and Fortress shares in the €17.7 billion portfolio (gross, as at 30 June 2016). The transfer of the receivables took place in the context of securitisation transactions through the issue by the vehicles of asset-backed securities pursuant to the combined provisions of articles 1 and 5 of the Securitisation Law.

Fino Phase 2 has been started with the following main goals: i) the progressive disposal of the Notes held by UniCredit below 20 per cent. and ii) the optimization of the capital structure of the Notes.

Pursuant to each Framework Agreement, one of the objectives of phase 1 is obtaining the accounting derecognition of the portfolio sold. According to IAS 39, portfolios sold will be subject to accounting derecognition from the financial statements of UniCredit (i) once essentially all risks and associated benefits are transferred to independent third parties or (ii) once a sufficient part of the risks and benefits is transferred to third parties provided that the control of the credit components of said portfolios is not maintained. As at the date of this Base Prospectus, UniCredit has performed the necessary qualitative-quantitative analyses, in particular those related to the pricing mechanism of deferred subscription and to the structure of the securitisation transactions covered by the Framework Agreement, aimed at supporting prospectively the verification of the existence of the conditions mentioned above and the verification of the significant risk transfer as well as the related regulatory treatments of the Fino Project.

The analysis above allowed UniCredit to confirm that the portfolio had to be derecognized from its financial statements as a result of the transfer of risks and rewards and control.

The Significant risk transfer of the portfolio for the purpose of regulatory treatment has not been requested by 30 September 2017. Therefore, the loans portfolio continues to be considered for the calculation of risk weight assets (RWA) as of the same date.

The maintenance of Notes by UniCredit following the implementation of the Fino Project could result in asset impact, even negative, depending on: (i) the absorption of related assets weighted by the credit risk for the purposes of the determination of the regulatory capital ratios; and (ii) the possible future value adjustments arising from the portion of the risk retained. The residual share of the Notes held in the future will also be considered for the purposes of calculation of UniCredit's short and medium/long-term Issuer liquidity coefficients, as in "use not in the short term", thus implying the need for long-term funding of such use on the part of UniCredit.

It should also be noted that each Transfer Agreement includes, among other things, declarations and guarantees issued by UniCredit in relation to each loan portfolio sold and the related compensation liability if these declarations and guarantees are not correct (as an alternative to the compensation liability, UniCredit could, in certain circumstances, ask to buy back the loan). Any incorrect or untrue representations and guarantees issued by UniCredit in relation to each loan portfolio transferred would entail for UniCredit the risk to pay compensation to the relative SPV, capped in terms of amount and term by which it can be claimed.

Risks related to the income results of the Group for the year ended 31 December 2016 and first half 2017

The present risk factor highlights the risks related to investment in the capital of UniCredit in consideration of the variability of its income results, also in relation to current market conditions.

In this regard it should be noted that in 2016 the UniCredit Group recorded a net loss of €11,790 million. Specifically, in the year ended 31 December 2016, the UniCredit Group recorded non-recurrent negative impacts amounting to €13.1 billion on the net income arising from the impact of certain actions provided by the Strategic Plan. Note that the completion of the Fino Project and of the further actions indicated in the Strategic Plan resulted in expected non-recurrent negative impacts on the net result of the fourth quarter of 2016 amounting to €12.2 billion in total.

Group net profit increased to €1,853 million in the first half of 2017, up 40.2 per cent. compared to the same period in the previous year. In any case, the possible persistence of the economic and financial crisis and the uncertainty about the economic recovery could negatively affect the business, the results of operations or the financial condition of UniCredit and/or the Group.

In addition to the above, note that there could be further negative effects on UniCredit from:

- (i) the results of the consultation process regarding the review of the methods for estimating the PD and LGD indicators, as well as the treatment of impaired loans, launched by the EBA in November 2016; and
- (ii) the development of the regulatory framework or interpretive guidelines, which could involve implementation and/or adjustment costs or impacts on the operations of UniCredit and/or the Group.

Risks associated with UniCredit's participation in the Atlante Fund and the Atlante II Fund

UniCredit is currently one of the major subscribers of: (i) the Atlante Fund, a closed-end alternative investment fund intended to support the recapitalisation of Italian banks and to facilitate the disposal of non-performing loans (the **Atlante Fund**); and (ii) the Atlante II Fund, a closed-end alternative investment fund intended to facilitate the disposal of non-performing loans (the **Atlante II Fund** and, together with the Atlante Fund, the **Atlante Funds**). The Atlante Funds are managed by Quaestio SGR.

With reference to the Atlante Fund, UniCredit committed to underwrite 845 shares for a total aggregate value of €845 million.

Since it was formed, the Atlante Fund has participated in two transactions to recapitalize Italian banks (i.e. Banca Popolare di Vicenza S.p.A. (**BPVi**) and Veneto Banca S.p.A. (**Veneto Banca**)) and to acquire notes of Non-Performing Loans of Italian Banks via the Atlante II Fund. The Atlante II Fund has participated in transactions to acquire notes of non-performing loans of Italian banks.

As of 30 June 2017, UniCredit held 845 shares out of 4,249 total shares of the Atlante Fund with a carrying value of €58 million (equal to €742 million for the shares previously paid, net of the impairment of €683 million), classified as financial assets available for sale, and a residual commitment to invest of €103 million.

The units of the Atlante Fund were initially recognised at their subscription value, which was deemed an expression of the fair value of the investment as of the initial recognition date.

After the evaluation update of the units held as of 31 December 2016, according to an internal evaluation model based on multiples of banking baskets, integrated with estimates on Atlante's banks' NPL credit portfolio and related equity/capital needs, a €547 million impairment was recognised. An additional impairment for €136 million has been recognized as at June 2017, zeroing-out the residual share of Atlante's investment into the two Banks according to an internal model based on evidences arising from the liquidation process managed under the Italian banking law (ex Art.80 TUB) by winding down operations split into "good banks" (sold to an Italian Government's selected buyer within an open, fair and transparent sales process in order not to breach EU "state-aid" rules) and "bad banks" where existing shareholders and subordinated debt bondholders will fully contribute to liquidation costs.

Consequently, if the value of the assets in which the Atlante Funds are invested and/or will be invested were to be reduced, among other things, as a result of write-downs or because the assets are sold at a price below the acquisition price, or if such assets were to be replaced with assets having a greater risk profile or that are characterised by a greater degree of capital absorption (for example, non-performing loans), this situation could require UniCredit to further write down UniCredit's investment in the Atlante Funds, which could have an adverse effect on the capital ratios of UniCredit.

With regards to the Atlante II Fund, in August 2016, UniCredit subscribed 155 units for a total value of €155 million; as of 30 June 2017, €56 million had been paid, so that the irrevocable commitment for subsequent payments held by UniCredit in the Atlante II Fund was equal to €99 million.

The regulatory treatment of the units held by UniCredit in Atlante Fund and Atlante Fund II is based on the application of the look-through method to the underlying investments owned by the same Funds, i.e. investments in securitization notes related to non-performing loans.

The stakes indirectly held in Banca Popolare di Vicenza and Veneto Banca were formerly classified as non-significant holdings in a financial sector entity, pursuant to the EU Regulation 2015/923, and fully impaired as of 30 June 2017.

With reference to the commitment held by UniCredit towards Atlante Fund and Atlante Fund II, the regulatory treatment foresees the application of a Credit Conversion Factor equal to 100 per cent. ("full risk" according to the Annex I of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (the **CRD IV Regulation**)), for the calculation of the related Risk Weighted Assets.

Risks associated with the Group's exposure to sovereign debt

Sovereign exposures are bonds issued by and loans given to central and local governments and governmental bodies. For the purposes of the current risk exposure, assets held for disposal and positions held through Asset Backed Securities (**ABS**) are not included.

With reference to the Group's sovereign exposures in debt, the book value of sovereign debts securities as at 30 June 2017 amounted to €117,315 million, of which over 89 per cent. was concentrated in eight countries: Italy with €53,587 million, representing about 46 per cent. of the total; Spain with €16,884 million; Germany with €16,588 million; Austria with €8,509 million; France with €4,078; Hungary with €1,929 million; Bulgaria with €1,751 million and Romania with €1,660 million.

As at 30 June 2017, the remaining 11 per cent. of the total sovereign exposures in debt securities, equal to €12,369 million as recorded at the book value, was divided between 37 countries, including: Russia (€1,229 million), United States (€450 million), Slovenia (€383 million), Portugal (€105 million), Ireland (€28 million) and Argentina (€5 million). The exposures in sovereign debt securities relating to Greece and Ukraine are immaterial.

As at 30 June 2017, there is no evidence of impairment of the exposures in question.

Note that the aforementioned remainder of the sovereign exposures held as at 30 June 2017 also included debt securities relating to supranational organisations, such as the European Union, the European Financial Stability Facility and the European Stability Mechanism, worth €3,510 million.

In addition to the Group's sovereign exposure in debt securities, there were also loans issued to central and local governments and government bodies.

Total loans to countries to which the total exposure is greater than €130 million, which represented over 94 per cent. of said exposures, as at 30 June 2017 amounts to €22,241 million.

Liquidity Risk

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. The activity of the UniCredit Group is subject in particular to funding liquidity risk, market liquidity risk, mismatch risk and contingency risk.

Funding liquidity risk refers to the risk that the relevant Issuer and/or the Guarantor, as the case may be, may not be able to meet its payment obligations, including financing commitments, when these become due. In light of this, the availability of the liquidity needed to carry out the Group's various activities and the ability to access long-term loans are essential for the Group to be able to meet its anticipated and unforeseen cash payment and delivery obligations, so as not to impair its day-to-day operations or financial position. The crisis that hit international financial markets and the subsequent instability gave rise to a considerable reduction in the liquidity accessible through private financing channels, resulting in major monetary policy interventions by the ECB, the reduction of which could lead the relevant Issuer and/or the Guarantor, as the case may be, and/or the Group legal entities to access the wholesale debt market to a greater extent than in the past. With reference to the funding liquidity risk note that as at 30 September 2017, the cash horizon of the UniCredit Group was more than one year. This managerial indicator identifies the number of days beyond which each liquidity reference bank is no longer capable of meeting its payment obligations for the management of liquidity. For this purpose, the cash horizon also takes into account the use of readily marketable securities both at the central banks accessible by the Group and at market counterparties.

In order to assess the liquidity profile of the UniCredit Group, UniCredit also uses the following principal indicators:

- the short-term indicator Liquidity Coverage Ratio (LCR), which expresses the ratio between the amount of available assets readily monetizable (cash and the readily liquidable securities held by UniCredit) and the net cash imbalance accumulated over a 30-day stress period; as of 1 January 2016, the indicator is subject to a minimum regulatory requirement of 70 per cent. which increased to 80 per cent. from 1 January 2017 and will increase to 100 per cent., from 1 January 2018; and
- the 12-month structural liquidity indicator Net Stable Funding Ratio (**NSFR**), which corresponds to the ratio between the available amount of stable funding and the statutory amount of stable funding. The finalisation of this requirement will be carried out in the prescribed timetable. More specifically and on the basis of the Basel III Phase In Arrangements document, the *minimum standard requirement* should be introduced as of 1 January 2018. In Europe, the Basel NSFR rule is proposed to be transposed through a revision of the CRD IV Regulation and will then be applicable two years after the entering into force of the revised CRD IV Regulation.

The Group's access to liquidity could be damaged by the inability of the relevant Issuer and/or the Guarantor, as the case may be, and/or the Group companies to access the debt market, including also the forms of borrowing from retail customers, thus compromising the compliance with prospective regulatory requirements, with consequent negative effects on the operating results and capital and/or financial position of the relevant Issuer and/or the Guarantor, as the case may be, and/or of the Group.

The Group uses financing from the ECB for its activities. Any changes to the policies and requirements for accessing funding from the ECB, including any changes to the criteria for identifying the asset types admitted as collateral and/or their relative valuations, could impact the Group's financial activities, with significant negative effects on the operating results and capital and/or financial position of the relevant Issuer and/or the Guarantor, as the case may be, and/or the Group.

As regards market liquidity, the effects of the highly liquid nature of the assets held are considered as a cash reserve. Sudden changes in market conditions (interest rates and creditworthiness in particular) can have significant effects on the time to sell, including for high-quality assets, typically represented by government securities. The "dimensional scale" factor plays an important role for the Group, insofar as it is plausible that significant liquidity deficits, and the consequent need to liquidate high-quality assets in large volumes, may change market conditions. In addition to this, the consequences of a possible downgrade of the price of the securities held and on the criteria applied by the counterparties in repos operations could make it difficult to ensure that the securities can be easily liquidated under favourable economic terms.

In addition to risks closely connected to funding risk and market liquidity risk, an additional risk that could impact day-to-day liquidity management is represented by differences in the amounts or maturities of incoming and outgoing cash flows (mismatch risk). In addition to its day-to-day management, the relevant Issuer and/or the Guarantor, as the case may be, 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).

Generally, the framework of UniCredit's Internal Liquidity Adequacy Assessment Process (the ILAAP) was judged as adequate; however, in relation to the results of recent inspections, the ECB reported certain areas of improvement under the governance, the reporting and the control of liquidity risk.

Risks associated with system liquidity support

Due to the financial market crisis, followed by instability, the reduced liquidity available to operators in the sector, the increase in risk premium and the higher capital requirements imposed by the supervisory authorities, also following the results of the *comprehensive assessment*, there has been a widespread need to guarantee higher level of capitalisation and liquidity for banking institutions.

This situation has meant that government authorities and national central banks the world over have had to take action to support the credit system (in some cases by directly acquiring banks' share capital), and has caused some of the biggest banks in Europe and in the world to turn to central institutions in order to meet their short-term liquidity needs. These forms of financing have been made technically possible where supported by the provision of securities in guarantee considered suitable by the various central institutions.

In this context, the ECB has implemented important interventions in monetary policy, both through the conventional channel of managing interest rates, and through unconventional channels, such as the provision of fixed rate liquidity with full allotment, the expansion of the list of assets that can be allocated as a guarantee, longer-term refinancing programmes such as the "Targeted Longer-Term Refinancing Operation" (**TLTRO**) introduced in 2014 and the TLTRO II introduced in 2016, and purchases on the debt securities market (i.e. the so-called outright monetary transactions launched in 2012 and quantitative easing announced in 2015). These interventions contributed to reducing the perception of risk towards the banking system, mitigating the size of the funding liquidity risk and also contributed to reducing speculative pressures on the debt market, specifically with regard to so-called peripheral countries.

At 30 September 2017, the UniCredit Group's debt with the ECB through TLTRO amount to a total of €51.15 billion with a timetable of maturities between the end of June 2020 and the end of March 2021.

In addition, at 30 September 2017 the Group presented, within a three-month time horizon, an amount of eligible assets, net of the haircuts required for access to refinancing operations with the Central Banks, of approximately €54 billion as far as UniCredit is concerned (UniCredit Ireland plc and UniCredit International Bank Luxembourg SA included), of approximately €31 billion in respect of UCB AG (including UniCredit Luxembourg SA) and approximately €14 billion in respect of UCB Austria.

Taking into account refinancing operations other than TLTRO II (e.g. one-week refinancing operations), as at 30 September 2017 the UniCredit Group did not have any other operations in place.

It is not possible to predict the duration and the amounts with which these liquidity support operations can be repeated in the future, with the result that it is not possible to rule out a reduction or even the cancellation of this support. This would result in the need for banks to seek alternative sources of borrowing, without ruling out the difficulties of obtaining such alternative funding as well as the risk that the related costs could be higher. Such a situation could therefore adversely affect UniCredit's business, operating results and the economic, financial and / or financial position of UniCredit and / or the Group.

For the sake of completeness, it should also be noted that in spite of the positive impacts of these operations to support the liquidity in the macroeconomic context, there is the risk that an expansionary monetary policy (including specifically, *quantitative easing*) may have an effect on keeping interest rates, currently already negative for short- and medium-term due dates, at minimum levels for all major due dates, with consequent negative effects on the profitability of UniCredit, as well as on the operating results and capital and/or financial position of UniCredit and / or the Group.

Risks related to intra-group exposure

The UniCredit Group companies have historically financed other Group companies, in line with the practices of other banking groups operating in multiple countries, by transferring excess liquidity from one Group legal entity to another. In the past, one of the most significant intra-group exposures was that of UCB AG vis-à-vis UniCredit. UCB AG also has considerable continuous intra-group credit exposures, because the Group's investment banking activities are centralised within it and it acts as an intermediary between Group legal entities and market counterparties in financial risk hedging transactions. Due to the nature of this activity, UCB AG's intra-group credit exposure is volatile and may undergo significant changes from day to day.

As a result of the financial crisis, in many of the countries in which the Group operates, the supervisory authorities have adopted measures aimed at reducing the exposure of banks operating within these territories to associated banks that operate in countries other than those in which the said authorities exercise their regulatory powers. In this context, some supervisory authorities have asked that the Group companies reduce their credit exposure to other Group companies and, in particular, their exposure to UniCredit. This has prompted UniCredit to implement self-sufficiency policies, based essentially on improving the funding gap and using financing from outside the Group where necessary.

In view of the significance of the exposure and the considerations relating to UCB AG's role, as described above, UniCredit's exposure to UCB AG will now be addressed in more detail.

Pursuant to the applicable German regulations, when certain conditions are fulfilled, credit institutions can exclude intra-group exposures from their overall limit for major risks, or apply weights of less than 100 per cent. to said exposures. UCB AG applies this exemption for intra-group exposures. If this exemption were no longer available due to changes in the regulatory framework or for other reasons, UCB AG may have to increase its regulatory capital in order to maintain the minimum solvency ratio established by the regulations for major risks.

In Germany, in light of the overall level of intra-group exposure of UCB AG and the consequent discussions between UniCredit, UCB AG, the German Federal Financial Supervisory Authority (BaFin) and Bank of Italy, UniCredit and UCB AG have agreed to reduce the net intra-group exposure of UCB AG by providing appropriate guarantees, which include liens on financial instruments held by UniCredit.

The adoption of the principle of self-sufficiency by the Group companies has led, as previously mentioned, to the adoption of very strict policies to reduce the funding gap, not only in Italy, but in all subsidiaries. The combined action of such policies could result in a deterioration, whether real or perceived, in the credit profile (particularly in Italy) and could have a significant negative effect on borrowing costs and, consequently, on the operating and financial results of the relevant Issuer and/or the Guarantor, as the case may be, and of the Group.

Market risks

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 the UniCredit Group accordingly includes all activities related to cash transactions and capital structure management, both for the Parent company, as well as for the individual companies making up the Group.

Specifically, the trading book includes positions in financial instruments or commodities held either for trading purposes or to hedge other elements of the trading book. In order to be subject to the capital treatment for the trading book in accordance with the applicable policy “Eligibility Criteria for the Regulatory Trading Book Assignment”, the financial instruments must be free from any contractual restrictions on their being traded, or the relative risk must be able to be totally immunised. Furthermore, the positions must be frequently and accurately valued and the portfolio must be actively managed.

The risk that the value of a financial instrument (asset or liability, liquidity or derivative instrument) may change over time is determined by five standard market risk factors: (i) credit risk: the risk that the value of an instrument may decrease due to a change in credit spreads; (ii) share price risk: the risk that the value of an instrument may decrease due to changes in share prices or indices; (iii) interest rate risk: the risk that the value of an instrument may decrease due to a change in interest rates; (iv) exchange rate risk: the risk that the value of an instrument may decrease due to a change in exchange rates; and (v) commodity price risk: the risk that the value of an instrument may decrease due to a change in the prices of commodities (e.g. gold, crude oil).

The UniCredit Group manages and monitors its market risk using two sets of measures: (i) comprehensive market risk measures; and (ii) specific market risk measures.

The broad risk measures include:

- Value at Risk (**VaR**), the potential loss in value of a portfolio over a defined time period for a given confidence interval;
- Stressed VaR (**SVaR**), which represents the potential VaR of a portfolio subject to a period of 12 months 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 a defined time period for a given confidence interval;
- Loss as Warning Level (**LWL**), set as the 60 days rolling period Accumulated Economic P&L; and
- Stress Test as Warning Level (**STWL**), the potential loss in value of a portfolio calculated on the basis of a specific identified scenario.

As well as being a fundamental metric for calculating the required capital for the trading book, VaR is also used for managerial purposes, as a measure of risk for the trading book and banking book together.

The granular risk measures include:

- 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;
- 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; and
- Nominal levels, which are based on the notional value of the exposure.

Based on the aforementioned measures, two sets of limits are defined:

- The **Broad Market Risk Limits** (LWL, STWL, VaR, SVaR, IRC): these have the purpose of defining a limit to the absorption of economic capital and to the economic loss accepted for trading activities; these limits must be consistent with the revenue budget allocated and the risk-taking capacity assumed.
- The **Granular Market Risk Limits** (limits on sensitivity, stress scenarios and nominal values): these exist independently, but act in parallel to the Broad Market Risk Limits, and operate on a consolidated basis in all Entities (where possible); in order to monitor efficiently and specifically various types of risks, portfolios and products, these limits are generally associated with specific sensitivities or stress scenarios. The levels set for the Granular Market Risk Limits aim to limit concentrated exposure to individual risk factors or excessive exposure to risk factors that are not sufficiently represented by the VaR.

Risks connected with interest rate fluctuations

The Group's activities are affected by fluctuations in interest rates in Europe and the other markets in which the UniCredit Group operates. Interest rate trends are, in turn, affected by various factors outside the Group's control, such as the monetary policies, macroeconomic context and political conditions of the countries in question; the results of banking and financing operations also depend on the management of the UniCredit Group's exposure to interest rates, that is, the relationship between changes in interest rates in the markets in question and changes in net interest income. More specifically, an increase in interest rates may result in an increase in the Group's financing cost that is faster and greater than the increase in the return on assets, due, for example, to a lack of correspondence between the maturities of the assets and the liabilities that are affected by the change in interest rates, or a lack of correspondence between the degree of sensitivity to changes in interest rates between assets and liabilities with a similar maturity. In the same way, a fall in interest rates may also result in a reduction in the return on the assets held by the Group, without an equivalent decrease in the cost of funding.

These events, as well as the protracted, ongoing situation with interest rates at historically low levels, in some cases, even negative, could lead to continued pressure to reduce interest margins as well as having effects on the value of the assets and liabilities held by the Group.

The UniCredit Group implements a hedging policy of risks related to the fluctuation of interest rates.

Such hedges are based on estimates of behavioural models and interest rate scenarios, and an unexpected trend in the latter may have major negative effects on the activity, operating results and capital and financial position of the Group.

A significant change in interest rates may also have a major negative impact on the value of the assets and liabilities held by the Group and, consequently, on the operating results and capital and/or financial position of the relevant Issuer and/or the Guarantor, as the case may be, and/or the Group.

As far as the banking book is concerned, the main metrics adopted are:

- the analysis of the sensitivity of the interest margins following exogenous changes in rates, in different scenarios of changes to rate curves involving maturity and time frames of 12 months; and
- the analysis of changes in the economic value of capital following various rate curve change scenarios in the long term.

Risks connected with exchange rates

A significant portion of the business of the UniCredit Group is done in currencies other than the Euro, predominantly in U.S. dollars, Swiss francs, British Pound, Turkish lira and Russian Ruble. This means that the effects of exchange rate trends could have a significant influence on the assets and the operations, balance sheet and/or income statement of the relevant Issuer and/or the Guarantor, as the case may be, and/or the Group. This exposes the UniCredit Group to the risks connected with converting foreign currencies and carrying out transactions in foreign currencies.

If one considers the exchange risk deriving from the trading book as well as the banking book, including the commercial bank, which then can affect the Group's operating results, the UniCredit Group is exposed mainly to foreign-exchange risk toward the U.S. dollar.

The financial statements and interim reports of the UniCredit Group are prepared in Euro and reflect the currency conversions necessary to comply with the International Accounting Standards (**IAS**).

The Group implements an economic hedging policy for dividends from its subsidiaries outside the Eurozone. Market conditions are taken into consideration when implementing such strategies. However, 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 the activity, operating results and capital and financial position of the relevant Issuer and/or the Guarantor, as the case may be, and/or the Group.

Risks associated with borrowings and evaluation methods of the assets and liabilities of the relevant Issuer and/or the Guarantor

In conformity with the framework dictated by the International Financial Reporting Standards (**IFRS**), the relevant Issuer and/or the Guarantor, as the case may be, should formulate evaluations, estimates and theories that affect the application of accounting standards and the amounts of assets, liabilities, costs and revenues reported in the financial statements, as well as information relating to contingent assets and liabilities. The estimates and related hypotheses are based on past experience and other factors considered reasonable in the specific circumstances and have been adopted to assess the assets and liabilities whose book value cannot easily be deduced from other sources.

The application of IFRS by the UniCredit Group reflects the interpretation decisions made with regard to said principles. In particular, the measurement of fair value is regulated by IFRS 13 "Fair Value Measurement".

Specifically, the relevant Issuer and/or the Guarantor, as the case may be, adopts estimation processes and methodologies in support of the book value of some of the most important entries in the financial statements, as required by the accounting standards and reference standards described above. These processes, based to a great extent on estimates of the future recoverability of the values recorded in the financial statements, bearing in mind the developmental stage of the evaluation models and practices in use, were implemented on a going concern basis, in other words leaving aside the theory of the compulsory liquidation of the items subject to valuation.

In addition to the risks implicit in the market valuations for listed instruments (also with reference to the sustainability of values over a period of time, for causes not strictly related to the intrinsic value of the actual asset), the risk of uncertainty in the estimate is essentially inherent in calculating the value of: (i) the fair value of financial instruments not listed on active markets; (ii) receivables, equity investments and, in general, all other financial assets/liabilities; (iii) severance pay and other employee benefits; (iv) provision for risks and charges and contingent assets; (v) goodwill and other intangible assets; (vi) deferred tax assets; and (vii) real estate, specifically held for investment purposes.

The quantification of the above-mentioned items subject to estimation can vary quite significantly in time depending on trends in: (i) the national and international socio-economic situation and consequent reflections on the profitability of the relevant Issuer and/or the Guarantor, as the case may be, and the solvency of customers; (ii) the financial markets, which influence the fluctuation of interest and foreign exchange rates, prices and actuarial bases; (iii) the real estate market, with consequent effects on the real estate owned by the Group and received as guarantees; and (iv) any changes to existing regulations.

The quantification of fair value can also vary in time as a result of the corporate capacity to effectively measure this value based on the availability of adequate systems and methodologies and updated historical-statistical parameters and/or series.

In addition to the above-mentioned explicit factors, the quantification of the values can also vary as a result of changes in managerial decisions, both in the approach to evaluation systems and as a result of the revision of corporate strategies, also following changed market and regulatory contexts.

Due to the measurement at fair value of its liabilities, the Group could benefit financially if its credit spread or that of its subsidiaries worsens. This benefit (lower value of liabilities, net of associated hedging positions), could lessen if said spread improves, with a negative effect on the Group's income statement. These effects, positive and negative, are, in any event, destined to be reabsorbed as the liabilities come to a natural end.

Specifically with reference to the measurement of investments in associates and joint ventures (as defined by IAS 28) or unconsolidated control or control for the purpose of the separate financial statements of the relevant Issuer and/or the Guarantor, as the case may be, note that in line with the provisions of IAS 36, the adequacy of the book value of equity investments is regularly checked through impairment tests. Note that the measurements were made particularly complex in view of the macroeconomic and market context, the regulatory framework and the consequent difficulties and uncertainties involving the long-term income forecasts. Therefore, the information and parameters used for recoverability checks, which were significantly affected by the factors mentioned above, could develop in different ways to those envisaged. If the Group were forced, as a result of extraordinary and/or sales transactions, as well as changing market conditions, to review the value of equity investments held, it could be compelled to make write-downs, including significant ones, with possible negative effects on the assets and the operations, balance sheet and/or income statement of the relevant Issuer and/or the Guarantor, as the case may be, and/or the Group.

Risks relating to deferred taxes

Deferred tax assets (**DTAs**) and liabilities are recognised in UniCredit's consolidated financial statements according to accounting principle IAS 12. As of 30 June 2017, DTAs amounted in aggregate to €10,912 million, of which €8,317 million may be converted into tax credits pursuant to Law No. 214 of 22 December 2011 (**Law 214/2011**). As of 31 December 2016, DTAs amounted to €14,018 million, of which €11,340 million was available for conversion to tax credits pursuant to Law 214/2011. In the second quarter of 2017, in connection with approval of the 2016 financial statements, a DTA conversion into tax credit occurred for an amount equal to €3,018 million.

Under the terms of 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 where the company has a full-year loss in its non-consolidated accounts (to which such convertible DTAs relate) (**Convertible DTAs**). The conversion into tax credits operates with respect to Convertible DTAs recognised 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 the 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 where there is a tax loss on a non-consolidated basis. In such circumstances, the conversion operates on the Convertible DTAs recognised in the financial statements against the tax loss, limited in respect of the part of 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).

In the current regulatory environment, recovery of Convertible DTAs is normally assured even in the event UniCredit does not generate sufficient taxable income in the future to make use of the deductions corresponding to the Convertible DTAs in the ordinary way. The tax regulations, introduced by Law 214/2011, and as confirmed in the document provided by Bank of Italy, the *Commissione Nazionale per la Società e la Borsa (CONSOB)* and the Istituto per la Vigilanza sulle Assicurazioni (IVASS, the former ISVAP) entitled “Trattamento contabile delle imposte anticipate derivante dalla Legge 214/2011” (Accounting of the Convertible DTAs as effected by Law 214/2011), giving certainty of the recovery of Convertible DTAs, impact the sustainability/recoverability test provided for by the accounting principle IAS 12, making it automatically satisfied in regards to this particular category of deferred tax asset. The regulatory environment provides for a more favourable treatment of Convertible DTAs than for other kinds of DTAs. For the purposes of the capital adequacy regime which applies to us, the former are not included as deductions from own funds like the other DTAs and contribute to the determination of the risk weighted assets (**RWA** or **Risk Weighted Assets**) at a 100 per cent. weighting.

With regard to the Convertible DTAs, in accordance with Law 214/2011, Legislative Decree No. 59/2016 (ratified by law on 30 June 2016), as recently amended by Law Decree of 23 December 2016, No. 237 (**Law Decree No. 237/2016**) (passed by law on 17 February 2017), established, *inter alia*, provisions on deferred tax receivables, allowing companies involved in the regulation of Convertible DTAs to continue to apply the existing rules on conversion of DTAs into tax credits, provided that they exercise an appropriate irrevocable option and that they pay an annual fee in respect of each tax year from 2016 until 2030. This rule should eliminate the doubts raised by the European Commission as to whether the regulatory treatment of DTAs in Italy could potentially be qualified as unlawful state aid. The fee for a given year is determined by applying a 1.5 per cent. tax rate to a base obtained by adding (i) the difference between the Convertible DTAs recorded in the financial statements for that financial year and the corresponding Convertible DTAs recorded in the 2007 financial statements for IRES and 2012 financial statements for IRAP and (ii) the total amount of conversions into tax credits made until the year in question, net of taxes, identified by the Decree, paid with regard to the specific tax years established by the Decree. Such fee is deductible for income tax purposes.

UniCredit exercised the above-mentioned option by paying before 31 July 2016 deadline the fee due for 2016 of €126.9 million by the Group companies to which such regime is applicable. In the consolidated financial statements for the financial year ended 31 December 2016, an estimated amount of €253.7 million was recognised, which includes the fee due for the year 2015, paid in July 2016, and an estimation of the fee due for year 2016. The fee for 2016 was paid in June 2017 for an amount equal to €117 million, therefore €10 million lower than the amount estimated and accrued in the financial statements for the year ended 31 December 2016. On 17 February 2017, upon conversion into law of the Decree “*salva-risparmio*” (Law Decree No. 237/2016), amendments to article 11 of the Law Decree 59/2016 has been introduced, among which the one-year postponement for the DTA fee payment period from 2015-2029 to 2016-2030. These amendments have been considered as “nonadjusting events” as of 31 December 2016, the preconditions of “virtual certainty” and “substantively enactment” required by the IFRS in order to recognise the effect of these amendments where not fulfilled in the consolidated financial statements for the financial year ended 31 December 2016.

With reference to future Convertible DTAs, by effect of Legislative Decree No. 83/2015, converted into law in August 2015, such amount will not increase in the future. In particular, the requirement for the recognition of DTAs in relation to write-downs and losses on loans has ceased to apply in 2016, as such costs have become fully deductible by virtue of their inclusion in the financial statements. Also, as a result of Legislative Decree No. 83/2015, DTAs relating to goodwill and certain other intangible assets recorded from 2015 onward will no longer be convertible into tax credits.

From 2015 onwards, the immediate deductibility of write-downs and losses on loans means a significant reduction of the portion of UniCredit's consolidated income that is subject to IRES and IRAP (both as defined below).

Convertible DTAs related to impairments of loans, which, as of 31 December 2016, amounted to €5,768 million (€6,171 million as of 31 December 2015), are similarly deemed to decrease over time to zero in fiscal year 2025, as a result of the assets' gradual conversion into current tax assets. This amount comes from the pre-existing tax treatment of the write-downs and losses on loans, which, until 2015, were deductible from taxable income only in relation to a small proportion of the balance sheet, and, in relation to the excess, could only be deducted in the quotas set by the tax provisions, which is different to other countries, where such negative components were fully deductible.

Convertible DTAs related to goodwill and certain other intangible assets relevant for tax purposes amounted to €5,744 million as of 31 December 2016 (€5,781 million as of 31 December 2015). Such assets are expected to be naturally reduced over time, as they are gradually converted into current tax assets. The fiscal amortisation of such assets takes place on a straight-line basis over several years. Currently, it is not expected that there will be any increase in tax-deferred assets arising solely from tax recognition of goodwill as a result of any acquisition of business divisions or similar long-term investments (the fact remains that, in any case, such DTAs would not be convertible).

Non-convertible DTAs related to deductible administrative costs in the years following their recognition in the financial statements (typically provisions for risks, costs related to net equity increase, etc.) amounted to €4,600 million gross of compensation between DTA and Deferred Tax Liabilities (**DTL**) as of 31 December 2016 (compared to €5,021 million gross of compensation between DTA and DTL as of 31 December 2015).

As of 31 December 2016, non-convertible DTAs for tax losses totalled €524 million (€487 million as of 31 December 2015) related primarily to the German subsidiary, Bayerische Hypo-und Vereinsbank AG (HVB), for €366 million (€369 million as of 31 December 2015), and related to UniCredit for €90 million (zero as of 31 December 2015). Pursuant to accounting principle IAS 12, the DTA on the tax losses carried forward and on the ACE surpluses, together with other DTAs that are not convertible into tax credits pursuant to Law 214/2011, have been recorded in the consolidated financial statements for the financial year ended 31 December 2016 (as well as in the consolidated financial statements for the financial year ended 31 December 2015) upon verification of the reasonable existence of future taxable income as shown from the business plan sufficient to ensure their recovery in the coming years (known as the probability test).

In particular, with regard to the deconsolidation of the non-performing loan portfolio, together with the change of tax treatment of losses on loans to customers (which are now fully tax deductible in the same year in which they are accrued), UniCredit projected decreased future taxable income with the effect of lengthening the recovery timeframe of relevant DTAs. This will have subsequent impacts on the valuation of the previously recognised non-convertible DTAs and on the recognition of DTAs on tax losses, notwithstanding the fact that the current IRES tax law provides for recovery, without a time limit, of any tax losses eventually incurred.

As of 31 December 2016, the sustainability test was performed pursuant to IAS 12 in order to verify whether the projected future taxable income is sufficient to absorb the future reversal of DTAs on tax

losses and on temporary differences. The test takes into account the amount of taxable income currently foreseeable for future years and the projection of the DTA conversion pursuant to Law No. 214/2011 over a five-year time period. Based on the outcome of the test, for the year ended 31 December 2016, a limited portion of DTAs, related to both tax losses and temporary differences, was recognised.

Risks connected with interests in the capital of Bank of Italy

UniCredit currently holds a 14.6 per cent. shareholding in the Bank of Italy, with a book value as of 30 June 2017 of €1,096 million. In 2013, in order to promote the reallocation of shareholdings, the Bank of Italy introduced a cap on ownership of its shares of 3 per cent. and a loss of rights to dividends on shares in excess of this limit from December 2016.

Since 2015, shareholders with excess shares began selling, finalizing sales, as of 30 June 2017, for around 24.0 per cent. of the total capital. With the objective of facilitating the redistribution of excess shares, Bank of Italy's Governing Board began a process of dematerializing shareholdings in the Bank's capital, passing a resolution to transfer them to the central securities depository at Monte Titoli S.p.A., with effect from 18 January 2016.

The book value at 30 June 2017, in line with the figure at the end of the last period and the outcome of the measurement conducted by the committee of high-level experts on behalf of Bank of Italy at the time of the capital increase in 2013, is supported by the price of the transactions. In the first half of 2017, the main shareholders sold about 7.4 per cent. of Bank of Italy's share capital for a price equal to the carrying value (€554 million or €25 thousand per share). In the same period UniCredit sold about 5,800 shares (equal to 1.9 per cent. of the share capital) for a price equal to the carrying value (€144.8 million or €25 thousand per share). The relevant measurement was therefore confirmed as level 2 in the fair value classification. Initiatives aimed at selling the shares exceeding the 3 per cent. limit are underway, with the completion of this process constituting a significant factor for the sustainability of value in the near future.

With reference to the regulatory treatment of UniCredit's shareholding in the Bank of Italy, the carrying value is risk weighted at 100 per cent. (according to Article 133 of the CRD IV Regulation "Equity exposure"); the revaluation recognised on the income statement of UniCredit for the year ended 31 December 2013 is not filtered out.

Counterparty risk in derivative and repo operations

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) and credit rights, as well as repos, 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 that the counterparty of said derivative contracts or repos may fail to fulfil its obligations or may become insolvent before the contract matures, when the relevant Issuer and/or the Guarantor, as the case may be, or one of the other Group companies still holds a credit right against the counterparty.

This risk, which was increased by the volatility of the financial markets, may also manifest itself when netting agreements and collateral guarantees are in place, if such guarantees provided by the counterparty in favour of the relevant Issuer and/or the Guarantor, as the case may be, or one of the Group companies in connection with exposures in derivatives are not realised or liquidated at a value that is sufficient to hedge the exposure relating to said counterparty.

The counterparty risk associated with derivatives and/or repo operations is monitored by the Group via guidelines and policies aimed at managing, measuring and controlling such risk. Specifically, the entire framework involves rules for the admission of risk mitigation, such as netting agreements only if there is a positive clear legal opinion in the jurisdiction in which the counterparty operates and stringent rules regarding the collateral accepted (cash in the currency of low risk countries, quality in terms of issuer and country ratings, liquidity of the instrument, type of instrument accepted), in order to reduce the risks consistent with the current regulation and operate within the defined risk appetite. It cannot, however, be ruled out that failure by the counterparties to fulfil the obligations they assumed pursuant to the derivative contracts stipulated with the relevant Issuer and/or the Guarantor, as the case may be, or one of the Group companies and/or the realisation or liquidation of the related collateral guarantees, where present, at insufficient values may have major negative effects on the activity, operating results and capital and financial position of the relevant Issuer and/or the Guarantor, as the case may be, and/or Group.

Under the scope of its operations the Group also concludes derivative contracts with central governments and banks. Any changes in applicable regulations or in case-law guidelines, as well as the introduction of restrictions or limitations to such transactions, may have impacts (including potentially retroactive impacts) on the Group's operations with said counterparties, with possible negative effects on the activity, operating results and capital and financial position of the relevant Issuer and/or the Guarantor, as the case may be, and/or Group. In this regard it should be noted that at the date of this Base Prospectus, the Court of Auditors is conducting investigations into transactions in derivative contracts between the Public Administration and certain counterparties (not including the UniCredit Group), the outcome of which remains uncertain at the date of this Base Prospectus. However, it cannot be excluded that, as a result of such proceedings and their findings, guidelines capable of causing negative consequences for the UniCredit Group may become consolidated.

Risks connected with exercising the Goodwill Impairment Test and losses in value relating to goodwill

As at 30 September 2017, the UniCredit Group's intangible assets stood at €3.27 billion (of which €1.48 billion related to goodwill) representing 6 per cent. of the Group's net shareholders' equity and 0.4 per cent. of consolidated assets.

The parameters and information used to verify the sustainability of the goodwill (specifically the financial projections and discount rates used) are significantly influenced by certain factors, including macroeconomic developments and the volatility of financial markets, which could be affected by changes that were unforeseeable at the time goodwill was quantified. Future changes in these factors, as well as changes in our corporate strategy, could lead the Group to reduce its estimate of cash flows for an individual cash-generating unit or revise its assumptions for calculating such estimates which, in turn, could have a material adverse impact on impairment tests and on its business, financial condition and results of operations.

Risks connected with existing alliances and joint ventures

At the date of this Base Prospectus, the UniCredit Group has several alliance agreements, as well as several shareholders' agreements stipulated by the Group and other parties under the scope of co-investment agreements (e.g. agreements for the establishment of joint ventures), with special reference to the insurance sector (Aviva S.p.A., CNP UniCredit Vita S.p.A., Creditas Assicurazioni S.p.A., Creditas Vita S.p.A. and Incontra Assicurazioni S.p.A.) and with reference to which there are also distribution agreements.

Under the scope of these agreements, as per market practice, there are investment protective clauses which, depending on the case, allow the parties to negotiate their respective positions on the underlying investment in the case of their exit, through mechanisms that require purchase and/or sale.

These provisions are usually applied after a certain period of time and/or when specific events occur, also connected to the underlying distribution agreements.

At the date of this Base Prospectus, the underlying assumptions of the above-mentioned protective investment clauses have not been met and therefore, as at the date of this Base Prospectus, the relevant Issuer and/or the Guarantor, as the case may be, does not have definitive obligations to purchase the equity investments pertaining to one or more contractual counterparties. If these assumptions were to be met and the relevant Issuer and/or the Guarantor, as the case may be, and/or one or more of the UniCredit Group companies were to be compelled to buy the investments pertaining to one or more contractual counterparties, they may have to cope with possibly significant outlays in order to fulfil their obligations which may have negative effects on the operations, balance sheet and/or income statement of the relevant Issuer and/or the Guarantor, as the case may be, and/or the Group.

In addition, as a result of these purchases the UniCredit Group might see its own investment share in these parties increase (thereby also gaining control), with impacts on the calculation of deductions relating to positions held in entities in the financial sector and/or with the consequent need to deal with subsequent investments, all of which could have negative impacts on the Group's capital ratios.

In addition, under the scope of the transaction relating to the sale of the Pioneer Global Asset Management S.p.A.'s (**PGAM**) assets, UniCredit, UCB AG and UniCredit Bank Austria AG (**UCB Austria**) has signed separate distribution agreements with several companies of the group whose parent company is PGAM. These agreements involve UniCredit Group companies meeting specific annual targets in terms of sales volumes, which, if they fail to reach will result in the activation of specific compensation liabilities pertaining to the respective UniCredit Group companies, which could result in negative impacts on the operating results and capital and financial position of the relevant Issuer and/or the Guarantor, as the case may be, and/or the Group. In addition, if the distribution agreements are terminated in certain situations identified in the Master Sale and Purchase Agreement (relating mainly to the termination of distribution agreements through the violation by UniCredit or one of the subsidiaries of the UniCredit Group of the obligations and/or commitments therein and/or interventions by the supervisory authorities), the price reduction mechanisms could be activated on behalf of the purchaser (i.e. Amundi S.A.).

Risks connected with the performance of the property market

The UniCredit Group is exposed to the risks of the property market, both as a result of investments held directly in properties owned (both in Italy and abroad), and as a result of loans granted to companies operating in the property sector where the cash flow is generated mainly by the rental or sale of properties (commercial real estate), as well as due to granting loans to individuals where the collateral is property.

Any downturn in the property market (already seen in recent years through a fall in market prices) could result in the Group having to make impairments to the property investments it owns at a value that is higher than the recoverable value, with consequent negative effects, including significant ones, on the operating results and capital and financial position of the relevant Issuer and/or the Guarantor, as the case may be, and/or the Group.

Under the scope of property transactions, commercial real estate is the sector that has seen a greater fall in market prices and the number of transactions in recent years; as a result, the subjects operating in this section have had to deal with a decrease in transaction volumes and margins, an increase in commitments resulting from financial expenses, as well as greater difficulties in refinancing, with negative consequences on the profitability of their activities, which could have a negative impact on the ability to repay the loans granted by the Group.

With reference to commercial real estate transactions and granting loans to individuals where the collateral is property, note that any deterioration of the property market could result in the need of the Group to make value adjustments to the loans supplied to companies operating in the sector and/or to private individuals and/or to loans guaranteed by properties, with consequent negative effects, including significant ones, on the operations, balance sheet and/or income statement of the relevant Issuer and/or the Guarantor, as the case may be, and/or the Group.

In this scenario, in spite of the fact that the provision of loans is usually accompanied by the issuing of collateral and the Group has valuation procedures at the time of the issuing as well as monitoring processes for the value of the guarantees received, the Group still remains exposed to the risk of price trends in the property market.

Specifically, the continuation of poor market conditions and/or, more generally, the protracted economic-financial crisis could lead to a fall in value of the collateral properties as well as difficulties in terms of monetisation of said collateral under the scope of enforcement procedures, with possible negative effects in times of realisation times and values, as well as on the operations, balance sheet and/or income statement of the relevant Issuer and/or the Guarantor, as the case may be, and/or the Group.

Risks connected with pensions

The UniCredit Group is exposed to certain risks relating to commitments to pay pension benefits to employees following the termination of their employment. These risks vary depending on the nature of the pension plan in question.

A distinction therefore needs to be made between: (i) defined-benefit plans, which guarantee employees a series of benefits that depend on factors such as age, years of service and compensation requirements; and (ii) defined-contribution plans, whereby the company pays fixed contributions and the benefit is based on the accumulated amount (made up of the contributions themselves and the return on them).

More specifically, in relation to the commitments connected to defined-benefit plans, the UniCredit Group assumes both the actuarial risk and the investment risk. The assumed liability reflects an estimate, which is calculated based on IFRS. Therefore, depending on the actuarial risk and investment risk, as well as the demographic and market contexts, the amount of said liability could be lower than the amount of the benefits to be paid over time, potentially resulting in major negative effects on the UniCredit Group's capital and financial position.

Specifically, at the date of this Base Prospectus, there are numerous defined-benefit plans within the UniCredit Group, established in Italy and abroad.

The Group's plans do not include assets held for sale, with the exception of the defined-benefit plans in Germany – including the Direct Pension Plan (namely an external fund managed by independent trustees), the “HVB Trust Pensionfonds AG” and the “Pensionkasse der Hypovereinsbank WaG”, all three established by UCB AG – and the defined-benefit plans established by UniCredit and by UCB AG in the United Kingdom and in Luxembourg by UniCredit.

From 1 January 2013, as a result of the entry into force of the amendments to IAS 19 (IAS 19R), the elimination of the corridor approach has had an impact on the shareholders' equity of the Group connected with the recognition in the valuation reserve of actuarial profits or losses not previously recognised.

In addition to the above, in the context of the restructuring activities of UCB Austria, UCB Austria and the Workers' Council, signed an agreement that involves the definitive move of its employees to

the state pension system (on the other hand the employees of UCB Austria already retired at this date will not be involved). The Austrian Parliament approved a new law which involves the framework governing the transfer of pension obligations relating to UCB Austria employees from the company to the national pension system; however, there is the risk that the retirees could oppose the agreement signed by UCB Austria and the Workers' Council, challenging the transfer to the state pension system, with possible negative consequences, also of a reputational nature, on the activities and the capital and financial position of the relevant Issuer and/or the Guarantor, as the case may be, and/or the Group.

Risks connected with risk monitoring methods and the validation of such methods

The UniCredit Group has an organisational structure, corporate processes, human resources and expertise that it uses to identify, monitor, control and manage the various risks that characterise its operations, and develops specific policies and procedures for this purpose.

The Group's Risk Management division oversees and controls the various risks at 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.

The Group uses internal models for measuring both credit risk and market and operating risk. As at the date of this Base Prospectus, these models, where used for the purpose of calculating the capital requirements, were validated by the regulatory authority.

However, the above-mentioned methods and strategies could prove to be inadequate or the valuations and assumptions underpinning these policies and procedures could turn out to be incorrect, exposing the relevant Issuer and/or the Guarantor, as the case may be, to unexpected risks or risks which may not have been correctly quantified so therefore UniCredit and/or the Group could suffer losses, even significant ones, with possible negative effects on the operations, balance sheet and/or income statement of the relevant Issuer and/or the Guarantor, as the case may be, and/or the Group.

In addition, in spite of the presence of the above-mentioned 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 the incapacity of the Group's structures and human resources 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 the operations, balance sheet and/or income statement of the relevant Issuer and/or the Guarantor, as the case may be, and/or the Group.

Over the course of routine inspections, the ECB and the regulatory authorities of the countries in which the Group operates have identified a series of areas of improvement in the Group models, specifically the Italian ones. The implementation of these improvements, which would involve a greater capital requirement given the same assets, is already reflected in the 2016-2019 Strategic Plan. Moreover, these actions to adapt the internal models will be subject, in any event, to the approval of the regulatory authorities. Their overall impact in terms of capital will therefore depend on the regulatory developments in the regulatory capital calculation rules as well as on the development of the volumes of assets and how these volumes differ compared with the Strategic Plan.

There is a possibility that, following investigations or checks carried out by supervisory authorities in the countries in which the Group operates, the internal models may be considered no longer sufficient, potentially having a significant negative impact on the calculation of capital requirements.

The ECB acknowledged that UniCredit's ICAAP (Internal Capital Adequacy Assessment Process) covers all categories of significant risk, however, some areas requiring attention have been identified

in relation to correlation methodologies and assumptions, to concentration and diversification of intra-risk in the scope of the credit portfolio model. Therefore the ECB has asked UniCredit to improve the supporting information justifying the reliability of the model assumptions.

Lastly, in light of the regulatory developments involving the adoption of internal models, it will probably be necessary to revise some models to ensure that they conform in full to the new regulatory requirements. For the specific segments currently managed through internal models it may also be necessary to impose the adoption of the standardised approach, that is under revision at the date of this Base Prospectus. The new regulatory features, which involve the entire banking system, could therefore involve changes to capital measures, but they will, however, come into force after the time horizon of the 2016-2019 Strategic Plan.

Risks relating to IT system management

The complexity and geographical distribution of the UniCredit Group's activities requires, among other things, a capacity to carry out a large number of transactions efficiently and accurately, in compliance with the various different regulations applicable. The UniCredit Group is therefore exposed to operational risk, namely the risk of suffering losses due to errors, violations, interruptions, damages caused by internal processes, personnel, strikes, systems (including IT systems on which the UniCredit Group depends 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 operational 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 operational risk. The UniCredit Group has a system for managing operational risks, comprising a collection of policies and procedures for controlling, measuring and mitigating Group 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 the control of the UniCredit Group (including, for example, fraud, deception or losses resulting from the disloyalty of employees and/or from the violation of control procedures, IT virus / cyber attacks or the malfunction of electronic and/or communication services, possible terrorist attacks). The realisation of one or more of these risks could have significant negative effects on the activity, operating results and capital and financial position of the relevant Issuer and/or the Guarantor, as the case may be, and/or the Group.

Moreover, in the context of its operation, the UniCredit Group outsources 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 execution of the outsourced services is regulated by specific service level agreements entered into with the relevant outsourcers. 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. In particular, the relevant Issuer and/or the Guarantor, as the case may be, and the other Group companies are subject to the risk, including adverse actions by supervisory authorities, resulting from omissions, mistakes, delays or interruptions by the suppliers in the execution of the services offered, which might cause discontinuity with respect to the contractually agreed levels, in the service offered. Moreover, the continuity of the service level might be affected by the occurrence of certain events negatively impacting the suppliers, such as, for example, a declaration of insolvency, as well as the incurrence of certain suppliers in insolvency procedures.

Furthermore, if the existing agreements with the outsourcers terminated or ceased to have effect, it would not be possible to ensure that the relevant Issuer and/or the Guarantor, as the case may be, can promptly enter into new agreements or enter into new agreements with non-negative terms and conditions in respect of the existing agreements as at the date of this Base Prospectus.

The UniCredit Group's operations depend on, among other things, the correct and adequate operation of the IT systems that the Group uses as well as their continuous maintenance and constant updating.

The UniCredit Group has always invested a lot of energy and resources in upgrading its IT systems and improving its defence and monitoring systems. However, possible risks remain with regard to the reliability of the system (disaster recovery), 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 relevant Issuer and/or the Guarantor, as the case may be, 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. Like attack attempts, such violations 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 relevant Issuer and/or the Guarantor, as the case may be and/or the Group.

In addition, the investment by the UniCredit Group in important 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.

In this regard, note that the possibility of capitalising the costs incurred for the development of IT systems and related software depends, among other things, on the possibility of demonstrating, on a recurring basis, the technical and financial feasibility of the project as well as its future usefulness.

The disappearance of these conditions as a result of the supervening technical or financial impossibility of bringing the project to a conclusion and/or technological obsolescence and/or changes in the business pursued and/or other unforeseeable causes, could determine the need to (i) consider removing, in full or in part, by recording write-downs in the income statement, the assets capitalised following the irrecoverability of the investments recorded in the statement of assets and liabilities and/or (ii) shortening the useful life calculated previously by increasing the amortisation rates in the income statement in the residual useful life period, with consequent negative effects, including significant ones, on the capital and financial position of the relevant Issuer and/or the Guarantor, as the case may be, and/or the Group.

Risks connected with non-banking activities

In addition to the traditional banking activities of collecting deposits and granting loans, the UniCredit Group also carries out activities that may expose it to a higher level of credit and/or counterparty risk.

There is a risk that the counterparties of this type of operation, such as counterparties of trading operations or issuers of securities held by UniCredit Group companies, may not be able to fulfil their obligations towards the Group due to insolvency, political or economic events, a lack of liquidity, operating problems or other reasons. Default by the counterparties of a series of operations, or by the counterparty of one or more operations of considerable value, could have major negative effects on the activity, operating results and capital and financial position of UniCredit and/or the Group.

The UniCredit Group has also made a series of significant equity investments, some of which arose from the conversion of debt into equity instruments held or issued by borrower companies as part of a

debt restructuring/workout process. Any operating or financial losses or risks that the companies of which equity instruments are held may be exposed to could, first of all, limit the possibilities for the UniCredit Group to dispose of the aforementioned equity investments and considerably reduce the value of said investments, with possible major negative effects on the Group's operating results and capital and financial position.

Furthermore, following the enforcement of guarantees and/or the signing of debt restructuring agreements, the Group holds and could in future acquire controlling or minority equity investments in companies operating in sectors other than those in which the Group operates, including, by way of example and not exhaustively, the real estate, oil, energy, infrastructures, transport, telecommunications and IT and consumer goods sectors.

These sectors require specific knowledge and management expertise that the Group does not have. However, during the course of any disposal operations, the Group may have to manage such companies and possibly include them, depending on the extent of the stake acquired, in its consolidated financial statements. This exposes the Group to both risks relating to the activities carried out by the individual subsidiaries or affiliates and risks arising from inefficient management of such equity investments, with possible major negative effects on the operating results and capital and financial position of the relevant Issuer and/or the Guarantor, as the case may be, and/or the Group.

Risks connected with legal proceedings in progress and supervisory authority measures

Risks connected with legal proceedings in progress

As at the date of this Base Prospectus, there are legal proceedings (which may include disputes of a commercial nature, investigations and other contentious issues of a regulatory nature) pending with regard to UniCredit and other companies belonging to the UniCredit Group. Specifically, as at 30 June 2017, there were approximately 20,500 legal proceedings (other than labour law, tax and debt recovery related under the scope of which counterclaims were submitted or objections raised with regard to the credit claims of Group companies) and 512 labour law proceedings pending with regard to UniCredit. In addition, from time to time, directors, representatives and employees, including former ones, may be involved in civil and/or criminal cases, the details of which the UniCredit Group may not be entitled to know or disclose. In many of these cases, there is considerable uncertainty with regard to the possible outcome of the proceedings and the scale of any loss suffered. These cases include criminal proceedings, administrative proceedings brought by supervisory authorities or investigators and/or rulings for which the amount of any claims for compensation and/or potential liabilities that the Group is responsible for is not and cannot be determined according to the claim presented and/or the nature of the actual proceedings. In such cases, until it is impossible 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 at 30 June 2017, the UniCredit Group had around €1,279 million of provisions for risks and charges to cover the liabilities that may arise from the pending cases in which it is a defendant (not including labour law, tax or debt recovery cases). As at 30 June 2017, the total amount claimed with reference to legal proceedings excluding labour law, tax cases and credit recovery actions was €10.4 billion. That figure reflects the inconsistent nature of the pending disputes and the large number of different jurisdictions, as well as the circumstances in which the UniCredit Group is involved in counterclaims. As regards UniCredit's pending labour law dispute, the overall amount of the petition on 30 June 2017 was equal to €474 million and the related risk provision, on the same date, was equal to €18 million.

The estimate of the above-mentioned obligations which could reasonably arise as well as the extent of the above-mentioned provision are based on the information available at the date the financial statements or the interim financial position are approved, but also, as a result of the many uncertainties arising from legal proceedings, involve a significant degree of assessment. More specifically, sometimes it is not possible to produce a reliable estimate, as in cases in which the proceedings have not yet begun or where there are legal or factual uncertainties that make any estimate unreliable. Therefore, it cannot be ruled out that in the future the provisions could be insufficient to fully cover the charges, expenses, fines and claims for compensation and payment of costs connected to pending cases and/or that the Group may, in the future, be obliged to deal with expenses from claims for compensation or refunds not covered by the provisions, with possible negative effects, including significant ones, on the operating results and capital and/or financial position of the relevant Issuer and/or the Guarantor, as the case may be, and/or the Group. Any unfavourable outcomes for the UniCredit Group in the disputes in which it is involved – specifically those with a greater media impact – or the emergence of new disputes could have reputational impacts, including significant ones, on the UniCredit Group, with possible consequent negative effects on the assets and the operations, balance sheet and/or income statement of same as well as its ability to comply with capital requirements.

It is also necessary for the Group to comply in the most appropriate way with the various legal and regulatory requirements in relation to the different aspects of the activity such as the rules on the subject of conflict of interest, ethical questions, anti-money laundering, customers' assets, rules governing competition, privacy and security of information and other regulations. In spite of the fact that at the date of this Base Prospectus there have been no significant negative consequences from confirmed or alleged violations of these regulations, there is the risk that in future there could be violations that could have negative consequences, including significant ones, on the operating results and capital and/or financial position of the relevant Issuer and/or the Guarantor, as the case may be, and/or the Group. Specifically, the actual or alleged failure to comply with these provisions could lead to further disputes and investigations, making the Group subject to claims for compensation, fines imposed by the supervisory authority, other sanctions and/or reputational damage. In view of the nature of the Group's activities and the reorganisation it has been involved in over a period of time, there is also the risk that requests or questions initially relating to only one of the companies could involve or have effects on other Group companies, with possible negative effects on the operating results and capital and financial position of the relevant Issuer and/or the Guarantor, as the case may be, and/or the Group.

With regard to criminal proceedings, note that at the date of this Base Prospectus, the UniCredit Group and its representatives (including those no longer in office), are involved in various criminal proceedings and/or, as far as UniCredit is aware, are the subject of investigations by the competent authorities aimed at checking any liability profiles of its representatives with regard to various cases linked to banking transactions, including, specifically, in Italy, investigations related to checking any liability profiles in relation to the offence pursuant to Article 644 (usury) of the Criminal Code. At the date of this Base Prospectus, these criminal proceedings have not had significant negative impacts on the operating results and capital and/or financial position of the relevant Issuer and/or the Guarantor, as the case may be, and/or the Group; however, there is the risk that if the relevant Issuer and/or the Guarantor, as the case may be, and/or other UniCredit Group companies or their representatives (including ones no longer in office) were to be convicted following the confirmed violation of provisions of criminal significance, this situation could have an impact on the reputation of the relevant Issuer and/or the Guarantor, as the case may be, and/or the UniCredit Group.

Risks connected with Supervisory Authority measures

During the course of its normal activities, the UniCredit Group is subject to structured regulations and supervision by various supervisory authorities, each according to their respective area of responsibility.

In exercising their supervisory powers, the ECB, Bank of Italy, CONSOB and other supervisory authorities subject the UniCredit Group to inspections on a regular basis, which could lead to the demand for measures of an organisational 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. The extent of any shortcomings could also cause the launch of disciplinary proceedings against company representatives and/or related Group companies, with possible adverse effects on the operating results, capital and/or financial position of the Group.

In particular, as at the date of this Base Prospectus, the following is noted:

Bank of Italy inspections:

- (a) in April 2016, the Bank of Italy began looking into the “Remuneration methods of loans and overdrafts” at UniCredit, which was concluded at the end of May 2016. Following notification of the findings, UniCredit sent its reply and action plan to the Bank of Italy on 15 February 2017.
- (b) In February 2017, the Bank of Italy launched an inspection related to “Transparency” of various branches in UniCredit’s domestic network. The inspection was concluded in April 2017 and the final results were notified to UniCredit in August 2017. UniCredit has sent reply and action plan to the regulator on 27 October 2017.
- (c) In February 2017, the Bank of Italy launched an inspection related to “Governance, Operational Risk, Capital and AML” of UniCredit’s subsidiary Cordusio Fiduciaria S.p.A. concluded in April 2017. The final results were notified in June 2017, while UniCredit sent its reply and action plan on 3 August 2017.
- (d) In March 2017, the Bank of Italy announced an inspection related to “Procedures to determine and enhance due diligence in respect of PEPs” of all the Italian banking companies of the Group. The inspection took place in June/July 2017 and the final results were notified to UniCredit on 21 September 2017. UniCredit will send reply and action plan to the regulator within December 2017.
- (e) In November 2017, the Bank of Italy launched an inspection related to “Transparency and Usury”.

ECB inspections:

- (a) In January 2016, the ECB launched an inspection into the “Capital position calculation accuracy” of the Group also with regard to Group-wide credit models, with the inspection at UniCredit concluding in May 2016. The supervisor notified UniCredit of the assessment outcome, while in December 2016 UniCredit presented to and discussed with the ECB possible measures – and deadlines – identified by the bank in order to remedy the problems emerged during the inspection, in particular concerning the processes for calculation of capital and of RWA. In March 2017, UniCredit received the official notice of the findings from ECB, highlighting also that the impact of the findings was already incorporated into the 2016-2019 Strategic Plan. The consequential action plan was sent to the ECB in April 2017.

- (b) In February 2016, the ECB launched an inspection into the “Management of distressed assets/bad loans”, as far as Italy was concerned, with the inspection at UniCredit concluding in May 2016. In November 2016 the supervisor notified UniCredit of the assessment outcome, highlighting possible areas for improvement with regard to the organisation, classification, monitoring, recovery, provision policy and management of guarantees, and recommending UniCredit continue the activities undertaken to resolve the ECB’s findings. The consequential action plan, discussed with the ECB, was sent to the ECB in February 2017.
- (c) In June 2016, the ECB launched an investigation into Market Risk models, which was concluded at the end of July 2016. In March 2017, UniCredit was notified of the findings of the inspection and on 14 April 2017 delivered the action plan to the ECB.
- (d) In September 2016, the ECB launched an inspection into the “IRBB management and risk control system”, which was concluded in December 2016. In June 2017 UniCredit was notified of the findings of the inspection and on 12 September 2017 delivered the action plan to the ECB.
- (e) In September 2016, the ECB launched an inspection into the “Governance and Risk management – governance structure and business organisation of the foreign branches of UCB AG”, which was concluded in December 2016. In July 2017, UCB AG was notified of the findings of the inspection and on 11 August 2017 delivered the action plan to the ECB.
- (f) In November 2016, the ECB launched an inspection into the “Governance and RAF” (Risk Appetite Framework), which was concluded in February 2017. In June 2017, UniCredit was notified of the findings of the inspection and, on 4 July 2017, UniCredit delivered the action plan to the ECB.
- (g) In November 2016, the ECB launched an inspection into the “Business Model and Profitability – Funding transfer price” which was concluded in March 2017. In October 2017, UniCredit was notified of the findings of the inspection and on 3 November 2017, UniCredit delivered the action plan to the ECB.

With regard to the action plans currently in progress, relating to the findings of inspections prior to 2016, there have been no deviations from the forecasts of implementation of the corrective measures. It is not possible, however, to rule out that deviations may arise in future, both in relation to the action plans that UniCredit will present involving the above-mentioned inspections. This eventuality could involve further intervention requests by the competent supervisory authorities and/or the launch of disciplinary proceedings against representatives of the company and/or Group companies, with possible negative effects on the operating results and capital and/or financial position of the Group.

- (h) In March 2017, the ECB announced an inspection related to “Collateral, provisioning and securitisation” of the Group. The inspection was launched in April 2017 and concluded in July 2017. UniCredit was notified of the findings of the inspection on 8 December 2017, while the ECB recommendations are still pending.
- (i) In May 2017, the ECB provided UniCredit with the results of the Thematic Review of the risk data aggregation capabilities and the risk reporting practices based on BCBS239 principles. The ECB found certain shortcomings, including inter alia governance and data reconciliation, at the UniCredit Group level UniCredit provided at the end of September 2017 an action plan to address the ECB’s findings.

- (j) In May 2017, the ECB announced an inspection related to “Business model and profitability” of UniCredit subsidiaries UCB AG and UniCredit Luxembourg SA. The inspection was launched in May and concluded in July 2017. The final results have not yet been notified.
- (k) In May 2017, the ECB announced a TRIM – Targeted Review of Internal Models inspection related to “Credit risk (PD, LGD, CCF/EAD)”, with particular reference to: Retail – secured by real estate non-SME. The inspection was launched in July 2017 and concluded in September 2017. The final results have not yet been notified.
- (l) In June 2017, the ECB announced a TRIM – Targeted Review of Internal Models inspection related to “Market risk (IRC, VaR, SVaR)”, with particular reference to: Commodities risk, Debt instruments – general risk, Debt instruments – specific risk, Equity – general risk, Equity – specific risk, Forex risk. The inspection was launched in September 2017.
- (m) In July 2017, the ECB announced a TRIM – Targeted Review of Internal Models inspection related to “Credit risk (PD, LGD)”, with particular reference to: Corporate – SME including the assessment of an approval of material change related to PD and LGD for Corporate – SME. The inspection was launched in October 2017.
- (n) In August 2017, the ECB announced a TRIM – Targeted Review of Internal Models inspection related to “Credit risk (PD)”, with particular reference to: Retail – other SME, including an assessment of an approval of material change related to Credit risk (PD) for Retail – other SME. The inspection was launched in November 2017.
- (o) In August 2017, the ECB announced an inspection related to “IT risk”. The inspection was launched in October 2017.
- (p) In August 2017, the ECB announced an inspection related to “Business model and profitability” of UniCredit subsidiary UniCredit Bank Austria AG. The inspection was launched in October 2017.

In April 2016, the Italian Competition Authority (**AGCM**) notified the extension to UniCredit (as well as to ten other banks) of the I/794 ABI/SEDA proceedings launched in January 2016 with regard to the Italian Banking Association (**ABI**), aimed at ascertaining of the existence of alleged concerted practices with reference to the Sepa Compliant Electronic Database Alignment (**SEDA**).

On 28 April 2017, the AGCM issued a final notice whereby it confirmed that the practices carried out by the ABI, UniCredit and the other banks in connection with the adoption of the SEDA service model of compensation constituted an anti-competitive practice and therefore a violation of European competition regulations. With such notice, the AGCM ordered the parties to cease the infringement, submit a report evidencing the relevant measures adopted by 1 January 2018 to the AGCM, and refrain from enacting similar practices in the future. Given the fact that the infringements were minor in light of the legislative framework, the AGCM did not impose any monetary or administrative sanctions, also in consideration of the fact that, in the course of the proceeding, the ABI and the banks proposed a redefined SEDA service remuneration model which, if correctly implemented by the banks, is expected to decrease the current SEDA costs by half, which benefits the enterprises utilizing the service and, ultimately, the end-users of the utilities.

In connection with the proposed new SEDA service remuneration model, two possible further risk factors can be envisaged, namely: (a) the economic risk relating to possible lower earnings from the service given that the proposed new remuneration structure is expected to involve lower levels than the current ones; and (b) the economic risk relating to the costs of adjusting the IT procedures that will be necessary for the new service remuneration structure. In addition, in light of the AGCM final notice, there is also the risk of claims against UniCredit in civil court by parties seeking damages for

anti-competitive behaviour. UniCredit decided to appeal the AGCM decision at the TAR (the Italian Regional Court). At the date of this Base Prospectus the appeal filed *vis-à-vis* the regional court is still pending.

In April 2017, the AGCM launched proceedings against UniCredit (and to two more banks), at the same time requesting information, relating to alleged commercial practice concerning the compound interest (so called "*anatocismo*"). In November 2017, the AGCM imposed pecuniary administrative penalties against UniCredit and other banks (€5 million applied to UniCredit). At present the proceedings are still pending.

In April 2017, the AGCM extended to UniCredit (and to one other bank) the proceeding opened in January 2017 against IDB S.p.A. and IDB Intermediazioni S.r.l.. In October 2017, the AGCM imposed pecuniary administrative penalties against the parties (€ 4 million against UniCredit), for an alleged unfair commercial practices relating to investments in diamonds. At the date of this Base Prospectus the proceedings are still pending.

Risks arising from tax disputes

At the date of this Base Prospectus, 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.

Specifically, as at 30 June 2017, there were 678 tax disputes involving counterclaims pending with regard to UniCredit and other companies belonging to the UniCredit Group's "Italian" perimeter, net of settled disputes, for a total amount equal to €468.58 million. As far as the tax inspections which were concluded during the course of the financial year ended at 31 December 2016 are concerned, note, among other things, that:

- UniCredit Business Integrated Solutions S.C.p.A. has been interested by an assessment for IRES and IRAP purposes relating to years 2011 and 2012, at end of which on 21 July 2016 a tax audit report was served. The total amount of the contested taxes was €10.2 million. As at 31 December 2016, an assessment notice relating to IRES and IRAP for the year 2011 was served, which confirmed the findings relating to 2011. Subsequently, the assessment relating to 2011 was settled out of Court. Pursuant to such settlement the company paid a total amount of €2.5 million (including higher taxes, interest and penalties). At the date of this Base Prospectus, the deadline for tax assessment notifications relating to the 2012 financial year has not yet expired;
- UniCredit Leasing S.p.A. has been interested by a tax assessment for IRES, IRAP and VAT purposes relating to years 2011 and 2012 ended on 29 September 2016 with the notification of a tax audit report. As at 31 December 2016, an assessment notice exclusively relating to 2011 for IRAP and VAT purposes was served. The amounts established are equal to €21.2 million of which €7.3 million was for VAT and IRAP taxes, €12.5 million for penalties and €1.4 million for interests. At the date of this Base Prospectus, the deadline for tax assessment notifications relating to the 2012 financial year has not yet expired. The company has filed an appeal with respect to the 2011 tax assessment and the judgement is pending; and
- On 10 October 2016, UCB AG - a permanent establishment in Italy, was served with a tax audit report which contests €0.2 million of withholdings on capital income which were allegedly omitted. Subsequently, two notices of assessment have been notified for IRES and IRAP purposes, for a total amount of about €18 thousand. Such notices of assessment have been cancelled by the Tax Authorities since they have been served beyond the legal term.

As far as new litigations are concerned, note that a notice of assessment was served on 7 April 2017, referred to the company Dicembre 2007 S.p.A., liquidated, of which UniCredit S.p.A. was a shareholder. The assessment is related to the alleged incorrect application of the participation exemption regime. The total amount is equal to €14.6 million, plus interest (€7.7 million for higher IRES and €6.9 million for penalties). UniCredit S.p.A. is liable up to 46.67 per cent. of the higher sums requested; therefore, the share referred to UniCredit S.p.A. is equal to €6.9 million. The company has filed a claim with the Tax Court and the litigation is currently pending.

The Italian revenue agency has implemented monitoring activities for IRES, IRAP and VAT purposes, pursuant to Legislative Decree No. 185 of 29 November 2008 (**monitoring system**), on UniCredit and other Group companies which form part of the “Italian” perimeter, which were completed during 2014, 2015 and 2016. No claim or dispute has been declared in respect of these activities. The monitoring system is addressed to large tax payers and is based on specific risk analysis that allows to diversify the level of control; said activities mainly consist of requests of data and information related to the annual tax return submitted in the previous year.

In consideration of the uncertainty that defines the tax proceedings in which the Group is involved, there is the risk that an unfavourable outcome and/or the emergence of new proceedings could lead to an increase in risks of a tax nature for UniCredit and/or for the Group, with the consequent need to make further provisions and/or outlays, with possible negative effects on the operating results and capital and financial position of UniCredit and/or the Group.

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, the UniCredit Group could see its tax-related risks increase, potentially resulting in an increase in tax disputes and possible reputational damage.

Risks related to international sanctions with regard to sanctioned countries and to investigations and/or proceedings by the U.S. authorities

UniCredit and, in general, the UniCredit Group, have clients and partners located around the world. For this reason, UniCredit and the Group are required to comply with sanctions regimes in the jurisdictions where they operate. In particular, UniCredit and the Group must comply with economic sanctions imposed, pursuant to the above-mentioned sanctions regimes, by the United States of America, the European Union and the United Nations on certain countries (**sanctioned countries**), in each case to the extent applicable, and these regimes are subject to change, which cannot be predicted.

Such sanctions may limit the ability of UniCredit and the UniCredit Group 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 Base Prospectus, UniCredit and the UniCredit Group have limited commercial relationships with certain counterparties located in sanctioned countries, but these are carried out in compliance with applicable laws and regulations.

Also note that, at the date of this Base Prospectus, UniCredit and the UniCredit Group are subject to certain investigations in the United States of America. Certain companies in the UniCredit Group are cooperating with various U.S. authorities, including the U.S. Treasury Department’s Office of Foreign Assets Control (**OFAC**), the U.S. Department of Justice (**DOJ**), the District Attorney for New York County (**NYDA**), the FED and the New York Department of Financial Services, regarding potential violations of U.S. sanctions involving U.S. dollar payments and related practices. More specifically, in March 2011, UCB AG received a subpoena from the NYDA relating to historical transactions involving certain Iranian entities designated by OFAC and their affiliates. In June 2012, the DOJ opened an investigation of OFAC-related compliance by UCB AG and its subsidiaries more generally.

In this context, UCB AG commenced a voluntary internal investigation of its U.S. dollar payments practices and its historical compliance with applicable U.S. financial sanctions, in the course of which certain historical non-transparent practices have been identified. In addition, UCB Austria has independently initiated a voluntary investigation of its historical compliance with applicable U.S. financial sanctions and has similarly identified certain historical non-transparent practices. UniCredit is also in the process of conducting a voluntary review of its historical compliance with applicable U.S. financial sanctions. The scope, duration and outcome of any such review or investigation will depend on facts and circumstances specific to each individual case. Each of these entities is cooperating with the relevant U.S. authorities and remediation activities have commenced and are ongoing as at the date of this Base Prospectus. Each UniCredit Group entity subject to investigations is updating its regulators as appropriate.

It is also possible that investigations into historical compliance practices may be extended to other UniCredit Group companies or that new proceedings may be commenced against the relevant Issuer and/or the Guarantor, as the case may be, and/or the Group.

Note, also, that these investigations and/or proceedings into certain Group companies could result in the relevant Issuer and/or the Guarantor, as the case may be, and/or the Group being required to pay material fines and/or being the subject of criminal or civil penalties.

Lastly, note that the relevant Issuer and/or the Guarantor, as the case may be, and the Group companies have not yet entered into any agreement with the various U.S. authorities and therefore it is not possible to determine the form, extent or the timing of any resolution with any relevant authorities, including what final costs, remediation, payments or other legal liability may occur in connection therewith.

While the timing of any agreement with the various U.S. authorities is not determinable at the date of this Base Prospectus, it is possible that the investigations into one or all of the Group entities could be completed within a year.

Recent violations of U.S. sanctions and certain U.S. dollar payment practices by other European financial institutions have resulted in those institutions entering into settlements and paying material fines and penalties to various U.S. authorities. At the date of this Base Prospectus, the relevant Issuer and/or the Guarantor, as the case may be, and the Group companies have no reliable basis on which to compare the ongoing investigations relating to UniCredit to any settlements involving other European institutions; however, it is not possible to exclude the possibility that any such settlement between the relevant Issuer and/or the Guarantor, as the case may be, the Group companies and the competent U.S. authorities will not be material.

The investigation costs, remediation required and/or payment or other legal liability incurred in connection with above-mentioned proceedings could lead to liquidity outflows and could potentially negatively affect UniCredit's net assets and net results and those of one or more of UniCredit's subsidiaries. Such an adverse outcome to one or more of the Group entities subject to investigation could have a material adverse effect on both UniCredit's reputation and on the Group's business, results of operations or financial condition, as well as on its capacity to comply with capital requirements.

Risks connected with the organisational and management model pursuant to Legislative Decree 231/2001 and the accounting administrative model pursuant to Law 262/2005

On 13 October 2016 and on 16 May 2017, UniCredit was notified of the conclusion of the preliminary investigations by the Public Prosecutor at the Court of Tempio Pausania of two notices pursuant to Article 415-bis of the Code of Civil Procedure as the party responsible for the administrative offence under Article 24-ter of Legislative Decree 231/2001 as a result of offences contested by the former

representatives of the Banca del Mezzogiorno – MedioCredito Centrale S.p.A. (**MCC**), later renamed “Capitalia Merchant S.p.A.”, then “UniCredit Merchant S.p.A.” and at the date of this Base Prospectus merged by incorporation into UniCredit, as well as Sofipa SGR S.p.A. and Capitalia S.p.A. (at the date of this Base Prospectus merged by incorporation into UniCredit). This concerns a complex case involving UniCredit as the successor of MCC, relating to shareholdings owned by the above-mentioned MCC in the group for which Colony Sardegna S.à r.l. is the parent company. The directors of this company are charged with decisions concerning financial transactions which resulted in capital gains on behalf of third-party companies and to the detriment of the company managed, as well as failures to declare IRES income; the charges involving UniCredit refer to the years 2003/2011 (in May 2011 UniCredit Merchant S.p.A. actually sold its shareholding).

In May 2004, UniCredit adopted the organisational and management model set out in Legislative Decree 231/2001 in order to create a system of rules designed to prevent unlawful behaviour by top management, directors and employees. On 10 November 2016, UniCredit’s Board of Directors approved the new version of the organisational and management model in force at the date of this Base Prospectus. The model of Legislative Decree 231/2001 applies also to Italian companies controlled directly or indirectly by UniCredit, as well as the stable organisations operating in Italy by foreign companies controlled directly or indirectly by UniCredit.

However, it is possible that the model adopted by UniCredit could be considered inadequate by the judiciary authority that may be called upon to verify the cases under these regulations.

In this event, and if UniCredit is not exonerated from responsibility based on the provisions in said decree, UniCredit may be responsible for a financial penalty as well as, in more serious cases, the possible application of a ban, such as a prohibition on carrying out activities, the suspension or revocation of authorisations, licences or concessions, a ban on entering into contracts with the public administration, as well as, lastly, a ban on publicising goods and services, with negative effects – including of a reputational nature – on the operating results and capital and financial position of the relevant Issuer and/or the Guarantor, as the case may be, and/or the Group.

Without prejudice to the foregoing and taking into account the preliminary stage of the proceedings, at the date of this Base Prospectus, UniCredit and/or its subsidiaries belonging to the UniCredit Group are not involved in legal proceedings and have not been the subject of significant provisions pursuant to Legislative Decree 231/2001. The method adopted by UniCredit Group in order to comply with Law No. 262/05, so called “Legge sulla tutela del risparmio”, is consistent with the “Internal Control – Integrated Framework (CoSO)” and with the “Control Objective for IT and Related Technologies (Cobit)”, which represent the benchmark standards for the evaluation of the internal control system and for financial reporting in particular, generally accepted at international level.

This internal control system is constantly updated. It is therefore not possible to rule out that in the future there may be the need to make controls and certification for other processes which are currently not mapped.

Risks connected with Alternative Performance Indicators (APIs)

In order to facilitate the understanding of the Group’s economic and financial performance, UniCredit has identified several Alternative Performance Indicators (**APIs**). These indicators are also the instruments that help UniCredit to identify operating trends and take decisions surrounding investments, the allocation of resources and other operating decisions.

With regard to the interpretation of these APIs, note the explanations given below:

- (i) these indicators are constructed exclusively from the UniCredit Group’s historical data and are not indicative of the Group’s future performance;

- (ii) the APIs are not provided for in the IFRS and, although derived from the consolidated financial statements, they are not subject to auditing;
- (iii) APIs should not be seen as replacing the indicators laid down by IFRS;
- (iv) APIs should be read together with the Group's financial information taken from the consolidated financial statements for the financial year ended 31 December 2016, the six months results at 30 June 2017 and the nine months results at 30 September 2017;
- (v) as the definitions of the indicators used by the UniCredit Group do not come from IFRS, they may not be standardised with those adopted by other companies/groups and therefore are not comparable with them; and
- (vi) the APIs used by the Group are continuously processed with standardised definitions and representations for all periods.

Risks connected with operations in the banking and financial sector

UniCredit and the companies belonging to the UniCredit Group are subject to the risks arising from competition in their respective sectors of activity, both in Italy and abroad (particularly in the German, Austrian and CEE markets). The UniCredit Group in particular operates in the main credit and financial brokerage sectors.

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 the UniCredit Group operates.

With regard to this, note how 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 liberalising the European Union banking sector; (ii) the deregulation of the banking sector and the connected 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 behaviour of competitors (also following the changes introduced by Law 33 of 24 March 2015, which converted Decree Law 3 of 24 January 2015 regarding "people's banks" and the aggregative processes which followed or which could follow); (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 change in several Italian tax and banking laws; (vii) the advance of services with a strong element of technological innovation, such as internet banking and mobile banking; and (viii) the influx of new competitors, and other factors not necessarily under the Group's control. 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 the control of the Group, including aggregation processes both in Italy (particularly following and/or in the context of the transformation of "people's banks" into joint stock companies), and in Europe, which could involve large groups, comparable to the UniCredit Group, applying increasingly comprehensive economies of scale.

If the Group were unable to meet this growing competitive pressure by, for example, offering innovative and rewarding products and services that can meet customers' needs, it could lose market share in various sectors, with consequent significant negative effects on the operating results and capital and financial position of the relevant Issuer and/or the Guarantor, as the case may be, and/or the Group.

The banking and financial sector is influenced by the uncertainties surrounding the stability and overall situation of the financial markets. In spite of the various measures adopted at European level, international financial markets continue to record high levels of volatility and a general reduction in the depth of the market. 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 and capital and financial position of the relevant Issuer and/or the Guarantor, as the case may be, 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, the UniCredit Group.

Risks connected with ordinary and extraordinary contributions to funds established under the scope of the banking crisis rules

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.

Deposit Guarantee Scheme and Single Resolution Fund

As a result of: (i) Directive 2014/49/EU (Deposit Guarantee Schemes Directive (the **DGSD**) of 16 April 2014; (ii) the BRRD; and (iii) the SRM Regulation establishing the predecessor of the current Single Resolution Fund (the **Single Resolution Fund** or **SRF**, which as of 1 January 2016, includes national compartments to which contributions raised at the national level by each participating Member State through its National Resolution Fund (**National Resolution Fund** or **NRF**) are allocated, UniCredit is obligated to provide the financial resources necessary for funding the deposit guarantee scheme and the SRF. These contribution obligations could have a significant impact on UniCredit's financial and capital position. UniCredit cannot currently predict the multi-year costs of the extraordinary contribution components which may be necessary for the management of any future banking crises.

In particular, with respect to the deposit guarantee scheme, UniCredit has the following obligations for ordinary and extraordinary contributions:

- annual ordinary *ex ante* contribution to the DGS, from 2015 to 2024, aimed at the establishment of funds equal to 0.8% of the covered deposits at the target date. The contribution resumes when the funding capacity is below the target level, at least until the target level is reached. If, after the target level is reached for the first time, the financial means available have been reduced to less than two-thirds of the target level, the regular contribution is set at a level that allows the target level to be reached within six years; and
- (*ex post*) payment commitment, in relation to any extraordinary contributions required if the financial means available are insufficient to repay the depositors; these extraordinary contributions cannot exceed 0.5% of the covered deposits for any calendar year, but in exceptional cases and with the consent of the competent authority, the DGS can also demand higher contributions.

Following implementation in Italy of the BRRD, the Italian Bank Deposit Guarantee Fund (the **FITD**), has adapted its by-laws, through the shareholders' resolution of 26 November 2015 anticipating the introduction of an *ex ante* contribution mechanism (aimed at achieving the multi-year objective mentioned above with a target of 2024). For 2016, UniCredit contributed approximately

€193 million as of 31 December 2016 to national DGS schemes. As of 30 June 2017, UniCredit contributed €79 million.

Our contribution obligations to the SRF are as follows:

- annual ordinary *ex ante* contribution until 2023, aimed at the establishment of funds equal to 1 per cent. of the covered deposits by the end of 2023. The accumulation period can be extended by another four years if the financing mechanisms have made cumulative disbursements of more than 0.5 per cent. of the covered deposits. If, after the accumulation period, the financial means available go below the target level, the collection of contributions resumes until this level is restored. In addition, after reaching the target level for the first time and, if the financial means available fall below two-thirds of the target level, these contributions are set at the level that allows the target level to be reached within a period of six years. The contribution mechanism involves ordinary annual contributions aimed at distributing the costs for contributing banks evenly over a period of time. A transition stage of contributions to national compartments of the SRF is planned as well as their gradual mutualisation. For 2016, UniCredit's ordinary contribution as of 31 December 2016 was approximately €253 million. As at 30 June 2017, UniCredit contributed €304 million. The annual value of the contribution is subject to review on the basis of the performance of the risk parameters and volumes of covered deposits; and
- (*ex post*) payment commitments, in relation to any additional extraordinary contributions requested, equal to a maximum of three times the planned annual contributions, where the financial means available are insufficient to cover the losses and the costs relating to the SRF's interventions.

For 2015, UniCredit's ordinary contribution was €73 million. UniCredit was also required to make an extraordinary contribution of €219 million to the NRF as a result of a resolution programme approved by the Bank of Italy in its capacity of National Resolution Authority for Banca delle Marche, Banca Popolare dell'Etruria e del Lazio, Cassa di Risparmio di Ferrara and Cassa di Risparmio della Provincia di Chieti.

In addition to the ordinary and extraordinary contributions that UniCredit is required to make, UniCredit has in the past provided, and may continue to provide, the liquidity necessary to operate such restructuring programmes. For example, UniCredit provided a loan (no longer outstanding) of approximately €783 million to the SRF (representing UniCredit's share of a €2.35 billion loan provided with other banks), as well as a second tranche of funding (due in 2017) whose value as of 31 December 2016 stood at €516 million (i.e. the share pertaining to a total loan of €1,550 million provided together with other banks). UniCredit also made a commitment to provide funds of €33 million to the NRF (the share pertaining to a total commitment of €100 million for a possible further tranche of the loan to be provided together with other banks).

With regard to the loan for the resolution of the four banks mentioned above, Legislative Decree 183/2015 introduced an additional guarantee for 2016, due to the NRF, for the payment of any contributions equal to the maximum of two further portions (in relation to the three statutory required extraordinary portions) of the ordinary contribution for the Single Resolution Fund, actionable if the funds available to the NRF net of recoveries from divestment transactions set up by the actual fund for the assets of the four banks mentioned above were insufficient to cover the obligations, losses and costs for which the Fund is responsible with regard to the measures under the provisions launching the resolution.

Moreover, Article 1, paragraph 848 of Law No. 208/2015 (the **2016 Stability Law**) provided for additional contributions that Italian banks shall pay to the NRF in case ordinary and extraordinary contributions already paid in are not sufficient to cover obligations, losses, costs and other expenses

relating to the measures set forth in the previous resolutions. Such contributions are determined by the Bank of Italy and must comply within the limits established in articles 70 and 71 of the Regulation (EU) No. 806/2014. As regards the year 2016, the overall limit has been increased by twice the amount of the ordinary contribution determined according to Article 70 of the Regulation (EU) No. 806/2014 and the relevant implementing Regulation (EU) No. 2015/81 of 19 December 2014. The scope of the obligations, losses, costs and other expenses mentioned in the 2016 Stability Law has been then specified with Law Decree No. 237/2016 – converted into Law No. 15/2017 – where, at Article 25, it is stated that the Bank of Italy may determine the amount of the additional contribution to be paid in the NRF no later than two years following the year to which such additional contribution refers and may also determine that such additional contribution is due within a pre-defined time frame which, however, cannot exceed five years.

By notice dated 28 December 2016 - the Bank of Italy requested an extraordinary contribution to the NRF in conformity with Article 1(848) of 2016 Stability Law for €214 million, booked into 2016 Profit & Loss and paid in March 2017.

The NRF and/or the SRF could ask for further contributions in the future in an amount that cannot currently be quantified, with potentially materially adverse effects on UniCredit's business, results of operation and financial condition.

Voluntary Scheme

UniCredit and its subsidiary FinecoBank have joined the voluntary scheme (the **Voluntary Scheme**), introduced by the FITD in November 2015 for an initial €300 million (total value of the scheme) through a change to its by-laws. The Voluntary Scheme constitutes an instrument for solving banking crises through arrangements supporting the banks belonging to the scheme, through recourse to the specific conditions set out by the regulations. The Voluntary Scheme has an independent financial endowment and the member banks are obligated to provide the resources when requested to implement the interventions. The Voluntary Scheme, in the capacity of a private entity, intervened in April 2016 through an arrangement involving a total of €272 million (UniCredit's share was €49 million) for the restructuring of the support arrangement which the FITD made in July 2014 for Banca Tercas. Specifically, the European Commission concluded that this support, granted at the time by the FITD under the Italian compulsory deposit guarantee system, constituted incompatible state aid; therefore Banca Tercas has repaid the contribution received at the time to the FITD. These sums were credited to the banks belonging to the FITD by way of restitution for the intervention that took place in 2014 and debited immediately afterwards from the banks belonging to the Voluntary Scheme, on their own initiative. Later on, the provision of the Voluntary Scheme was increased up to €700 million (UniCredit's total share was approximately €125 million). In this area, in June 2016, the Voluntary Scheme approved an arrangement in favour of Cassa di Risparmio di Cesena, relating to that bank's capital increase approved on 8 June 2016 for €280 million (commitment relating to the Group amounted to €51 million). As of 31 December 2016, this commitment was translated into a monetary disbursement that involved the recognition of capital instruments classified as "available for sale" of €51 million, with a consequent reduction of the remaining commitment to €74 million. The update of evaluation of the instruments as of 31 December 2016, according to an internal evaluation model based on multiples of banking baskets, integrated with estimates on Cassa di Risparmio di Cesena's credit portfolio and related equity/capital needs, has resulted in the full impairment of the position.

On 2 August 2017, UniCredit Group approved to increase by €18 million its position toward the Voluntary Scheme, bringing it to €95 million; on 29 September 2017, UniCredit Group commitment was partially drawn for the recognition of an "Available for sale" equity instrument of €10 million (consistent with the cash outflow); hence the commitment towards the Voluntary Scheme was reduced to €85 million. Since this outflow faces the planned intervention for the capitalization of target banks (disposal at the "symbolic price" of €1), this equity position was fully impaired.

UniCredit Group's residual commitment, equal to €85 million as above mentioned, is broken down as follows:

- €52 million is related to investments in equity shares of target banks; on the basis of the foregoing considerations, this amount was fully impaired as of 30 September 2017;
- €33 million is destined to the purchase of non-performing loans securitizations; the related regulatory treatment foresees the application of a Credit Conversion Factor equal to 100 per cent. ("full risk" according to the Annex I of CRD IV Regulation), for the calculation of the related Risk Weighted Assets.

All of these contribution obligations contribute to reducing profitability and have a negative impact on UniCredit's capital resources. Both the amount of ordinary contributions required from Group banks, as well as any extraordinary contributions, may increase significantly in the future. This would require UniCredit to record further extraordinary expenses which may have a material impact on UniCredit's capital and financial condition.

The ordinary contribution obligations indicated in the previous paragraphs contribute to reducing profitability and have a negative impact on the Group's capital resources. It is not possible to rule out that the level of ordinary contributions required from the Group banks will increase in the future in relation to the development of the amount related to protected deposits and/or the risk relating to Group banks compared with the total number of banks committed to paying said contributions. In addition, it is not possible to rule out that, even in future, as a result of events that cannot be controlled or predetermined, the FITD, the NRF and/or the SRF do not find themselves in a situation of having to ask for more, new extraordinary contributions. This would involve the need to record further extraordinary expenses with impacts, including significant ones, on the capital and financial position of UniCredit and/or the Group.

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

The UniCredit Group is exposed, like other parties 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). Specifically, in future the UniCredit 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 in financial plans for future years and this could lead the Group to having to restate financial data published previously.

In this regard, an important change is expected in 2018 from when IFRS 9 "Financial Instruments" comes into force. On 24 July 2014, the International Accounting Standard Board (the **IASB**) issued the final version of the new IFRS 9 which replaces the previous versions published in 2009 and 2010 for the classification and measurement stage, and in 2013 for the hedge accounting stage and completes the IASB project to replace IAS 39 "Financial Instruments: Recognition and Measurement".

With particular reference to the accounting standards which will be effective in future periods, UniCredit highlights that IFRS 9:

- will introduce significant changes, compared to IAS39, to classification and measurement of loans and debt instruments based on the "business model" and on the characteristics of the cash flows of the financial instrument (SPPI - Solely Payments of Principal and Interests criteria);

- requires the classification of the equity instruments at fair value either through profit or loss or through “other comprehensive income”. In this second case, unlike previous requirements for available for sale assets set by IAS39, IFRS9 has eliminated the request to recognize impairment losses and provide that, in case of disposal of the instruments, the gain or losses from disposal shall be recycled to other equity reserve and not to profit and loss accounts;
- will introduce a new accounting model for impairment, based on expected losses approach substituting the current approach based on the incurred losses and will introduce the concept of “lifetime” expected losses which may require an anticipation and increase of the structural provisioning with particular reference to credit losses;
- works on the hedge accounting, rewriting the rules for the designation of a hedge accounting relationship and for the verification of its effectiveness in order to achieve a stronger alignment between the hedge accounting treatment and the underlying risk management logics. It should be noted that the principle allows the entity to make use of the possibility to continue to apply IAS 39 hedge accounting rules until the IASB has completed the project on definition of the macrohedging rules; and
- changes the accounting treatment of "own credit", in other words changes in the fair value of issued debt liabilities designated at fair value not attributable to changes of the own credit price. The new accounting standard requires these changes shall be recognised in a specific equity reserve, rather than to the income statement, as requested under IAS 39, therefore removing a volatility source from the economic results.

The effective date of IFRS 9 will be 1 January 2018, following the entry into force on 19 December 2016 of Regulation (EU) No. 2016/2067 of the Commission of 22 November 2016.

It is expected that at the first application date the main impacts on the UniCredit Group could come from the application of the new impairment accounting model based on an expected losses approach, which is expected to cause an increase in the write-downs made to unimpaired assets (specifically receivables from customers), as well as the application of the new rules for the transfer of positions between the different classification stages under the new standard. Specifically, it is expected that greater volatility may be generated in the financial results between the different accounting periods, due to the dynamic change between the different stages of financial assets recorded in the financial statements (particularly between Stage 1 which will mainly include the new positions supplied and all the fully performing positions and Stage 2 which will include the positions in financial instruments which have suffered a deterioration in credit quality compared with the time of initial recognition). The changes in the book value of financial instruments due to the transition to IFRS 9 will be recognised against shareholders' equity at 1 January 2018.

On 10 November 2016, the EBA published a report that summarises the main results of the analysis of the impact on a sample of 50 European banks (including UniCredit). As far as the quality component of the questionnaire is concerned, the authority highlighted how the sample of banks involved an operational complexity, specifically with regard to the aspects related to the quality of data, and technology in the introduction of the new principle. The report also pointed out how the change to the impairment model would lead, in the sample of banks examined, to average growth of the IAS 39 provisions (of approximately 18 per cent.) as well as having an impact on common equity tier 1 and on the total capital of 59 and 45 percentage points, respectively. In light of the above report, the UniCredit Group has estimated a negative impact, when IFRS 9 is first applied, of approximately 34 basis points on the CET 1 ratio and this impact has been included in the estimates of the development of regulatory capital ratios within the 2016-2019 Strategic Plan.

On 26 November 2016, the EBA launched a second impact assessment exercise, on the same sample of banks, in order to gather more detailed and updated insights regarding the implementation of the

new Standard. UniCredit Group performed this exercise using as reference date 30 September 2016. The outcome of the analysis substantially confirms the impacts estimated for the first impact assessment.

This is aligned with the outcome of the survey undertaken by the European Banking Authority on the largest 54 European banking groups, published on 13 July 2017.¹⁴

Further to the entry into force of IFRS9, the European Council has adopted a regulation that will allow, as an option, financial institutions to adopt a transitional regime where the additional loan loss provisions could be included in CET1 with a “phase-in” mechanism over 5 years starting from 2018. UniCredit Group will not adopt the phase-in option and will implement IFRS9 FTA starting from 1 January 2018; impacts will be attributed directly to equity.

In that regard, the proposals under discussion would allow, as an option, financial institutions to adopt a transitional regime where the additional loan loss provisions could be included in CET1 with a “phase-in” mechanism over 5 years starting from 2018. Nevertheless the final terms of that mechanism are still to be finalised.

For the sake of completeness, also note that the IASB issued, respectively on 28 May 2014 and 13 January 2016, the final versions of IFRS 15 "Revenues from contracts with customers" and IFRS 16 "Leases".

The new IFRS 15 will apply from 1 January 2018, with the possibility of opting for early application, subject to the completion of the endorsement process by the European Union, in progress at the date of this Base Prospectus. This principle changes the current set of IFRS replacing the principles and interpretations of "revenue recognition" in force at the date of this Base Prospectus and, specifically, IAS 18. IFRS 15 includes:

- two approaches for measuring revenues ("at point in time" or "over time");
- a new transactions analysis model ("Five steps model") focused on the transfer of control; and
- greater information to be included in the notes to the financial statements.

The new IFRS 16, on the other hand, will apply from 1 January 2019 once it has been endorsed by the European Union.

IFRS 16 changes the current set of international accounting principles and interpretations in force on leasing, and, specifically IAS 17. IFRS 16 introduces a new definition of leasing and confirms the current distinction between the two types of leasing (operating and financial) with regard to the accounting model that the lessor must apply.

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 reflecting the future payments of the lease contract.

After the initial recognition the right-of-use will be measured on the basis of the provisions set for tangible assets applying the cost model less any accumulated depreciation and any eventual accumulated impairment losses, at the revaluation model of the fair value model set by IAS 16 or IAS 40.

¹⁴ <https://www.eba.europa.eu/-/eba-updates-on-the-impact-of-ifs-9-on-banks-across-the-eu-and-highlights-current-implementation-issues>

From the time the above principle comes into force there are plans from 1 January 2019 for the quantitative effects resulting from its adoption, not currently available, to form part of the Group's future estimates. It is, however, expected that the application of IFRS 16 could result in a revision, for the relevant Issuer and/or the Guarantor, as the case may be, and/or other Group companies, of the accounting methods for revenues and costs relating to existing transactions as well as the recording of new assets and liabilities associated with operating lease agreements signed. These effects will create the consequent need to consistently and retrospectively revise the previous.

Based on regulatory and/or technological developments and/or the business context, it is also possible that the Group could, in the future, further revise the operating methods for applying the IFRS, with possible negative impacts, including significant ones, on the operating results and capital and financial position of the relevant Issuer and/or the Guarantor, as the case may be, and/or other Group companies.

Risks connected with the political and economic decisions of EU and Eurozone countries and the United Kingdom leaving the European Union (Brexit)

On 23 June 2016, the United Kingdom voted, in a referendum, to leave the European Union (Brexit). On 29 March 2017, the British Prime Minister gave formal notice to the European Council under Article 50 of the Treaty on European Union of the intention to withdraw from the European Union, thus triggering the two-year period for withdrawal.

The process of negotiation will determine the future terms of the UK's relationship with the EU. Depending on the terms of the Brexit negotiations, the UK could also lose access to the single EU market and to the global trade agreements negotiated by the EU on behalf of its members. Given the unprecedented nature of a departure from the EU, the timing, terms and process for the United Kingdom's exit, are unknown and cannot be predicted.

Regardless of the time scale and the term of the United Kingdom's exit from the European Union, the result of the referendum in June 2016 created significant uncertainties with regard to the political and economic outlook of the United Kingdom and the European Union.

The exit of the United Kingdom from the European Union; the possible exit of Scotland, Wales or Northern Ireland from the United Kingdom; the possibility that other European Union countries could hold similar referendums to the one held in the United Kingdom and/or call into question their membership of the European Union; and the possibility that one or more countries that adopted the Euro as their national currency might decide, in the long term, to adopt an alternative currency or prolonged periods of uncertainty connected to these eventualities could have significant negative impacts on international markets. These could include further falls in equity markets, a further fall in the value of the pound and, more in general, increase financial markets volatility, with possible negative consequences on the asset prices, operating results and capital and/or financial position of the relevant Issuer and/or the Guarantor, as the case may be, and/or the Group.

In addition to the above and in consideration of the fact that at the date of this Base Prospectus there is no legal procedure or practice aimed at facilitating the exit of a Member State from the Euro, the consequences of these decisions are exacerbated by the uncertainty regarding the methods through which a Member State could manage its current assets and liabilities denominated in Euros and the exchange rate between the newly adopted currency and the Euro. A collapse of the Eurozone could be accompanied by the deterioration of the economic and financial situation of the European Union and could have a significant negative effect on the entire financial sector, creating new difficulties in the granting of sovereign loans and loans to businesses and involving considerable changes to financial activities both at market and retail level. This situation could therefore have a significant negative impact on the operating results and capital and financial position of the relevant Issuer and/or the Guarantor, as the case may be, and/or the Group.

Basel III and CRD IV

In the wake of the global financial crisis that began in 2008, the Basel Committee on Banking Supervision (the **BCBS**) approved, in the fourth quarter of 2010, revised global regulatory standards (**Basel III**) on bank capital adequacy and liquidity, which impose requirements for, *inter alia*, higher and better-quality capital, better risk coverage, measures to promote the build-up of capital that can be drawn down in periods of stress and the introduction of a leverage ratio as a backstop to the risk-based requirement as well as two global liquidity standards. The Basel III framework adopts a gradual approach, with the requirements to be implemented over time, with full enforcement in 2019.

In January 2013, the BCBS revised its original proposal in respect of the liquidity requirements in light of concerns raised by the banking industry, providing for a gradual phasing-in of the Liquidity Coverage Ratio with a full implementation in 2019 as well as expanding the definition of high-quality liquid assets to include lower quality corporate securities, equities and residential mortgage backed securities. Regarding the other liquidity requirement, the net stable funding ratio, the BCBS published the final rules in October 2014 which will take effect from 1 January 2018.

The Basel III framework has been implemented in the EU through new banking requirements: Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (the **CRD IV Directive**) and the CRD IV Regulation (together with the CRD IV Directive, the **CRD IV Package**). Full implementation began on 1 January 2014, with particular elements being phased in over a period of time (the requirements will be largely fully effective by 2019 and some minor transitional provisions provide for phase-in until 2024) but it is possible that in practice implementation under national laws could be delayed. Additionally, it is possible that Member States may introduce certain provisions at an earlier date than that set out in the CRD IV Package. National options and discretions that were so far exercised by national competent authorities will be exercised by the SSM (as defined below) in a largely harmonised manner throughout the Banking Union. In this respect, on 14 March 2016, the ECB adopted Regulation (EU) No. 2016/445 on the exercise of options and discretions. Depending on the manner in which these options/discretions were so far exercised by the national competent authorities and on the manner in which the SSM will exercise them in the future, additional/lower capital requirements may result.

In Italy, the Government approved a Legislative Decree on 12 May 2015 (**Decree 72/2015**) implementing the CRD IV Directive. Decree 72/2015 entered into force on 27 June 2015. Decree 72/2015 impacts, *inter alia*, on:

- proposed acquirers of holdings in credit institutions, requirements for shareholders and members of the management body (Articles 23 and 91 of the CRD IV Directive);
- competent authorities' powers to intervene in cases of crisis management (Articles 64, 65, 102 and 104 of the CRD IV Directive);
- reporting of potential or actual breaches of national provisions (so called whistleblowing, Article 71 of the CRD IV Directive); and
- administrative penalties and measures (Article 65 of the CRD IV Directive).

The Bank of Italy published new supervisory regulations on banks in December 2013 (Circular of the Bank of Italy No. 285 of 17 December 2013 as subsequently amended from time to time by the Bank of Italy (the **Circular No. 285**)) which came into force on 1 January 2014, implementing the CRD IV Package, and setting out additional local prudential rules. According to Article 92 of the CRD IV Regulation, institutions shall at all times satisfy the following own funds requirements: (i) a CET1 Capital ratio of 4.5 per cent.; (ii) a Tier 1 Capital ratio of 6 per cent.; and (iii) a Total Capital ratio of 8

per cent. These minimum ratios are complemented by the following capital buffers to be met with CET1 Capital:

- *Capital conservation buffer*: The capital conservation buffer has applied to UniCredit since 1 January 2014 pursuant to Article 129 of the CRD IV Directive and Part I, Title II, Chapter I, Section II of Circular No. 285. According to the 18th update¹⁵ to Circular No. 285 published on 4 October 2016, new transitional rules were set providing for a capital conservation buffer set for 2017 at 1.25 per cent. of RWAs, increasing to 1.875 per cent. of RWAs in 2018 and to 2.5 per cent. of RWAs from 2019;
- *Counter-cyclical capital buffer*: The countercyclical capital buffer applied starting from 1 January 2016. Pursuant to Article 160 of the CRD IV Directive and the transitional regime granted by Bank of Italy, institutions' specific countercyclical capital buffer shall consist of Common Equity Tier 1 capital capped to 1.25 per cent. of the total of the risk-weighted exposure amounts of the institution for 2017 and to 1.875 per cent. for 2018. As of 30 September 2017:
 - the specific countercyclical capital rate of UniCredit Group amounted to 0.03 per cent.;
 - countercyclical capital rates have generally been set at 0 per cent., except for the following countries: Czech Republic (0.50 per cent.); Hong Kong (1.25 per cent.); Iceland (1.00 per cent.); Norway (1.50 per cent.); Sweden (2.00 per cent.); and Slovakia (0.05 per cent., starting date 1 August 2017);
 - with reference to the exposures towards Italian counterparties, the Bank of Italy has set the rate equal to 0 per cent.;
- *Capital buffers for globally systemically important institutions (G-SIIs)*: It represents an additional loss absorbency buffer (ranging from 1.0 per cent. to 3.5 per cent. in terms of required level of additional common equity loss absorbency as a percentage of risk-weighted assets), determined according to specific indicators (e.g. size, interconnectedness, complexity). It is subject to phase-in starting from 1 January 2016 (Article 131 of the CRD IV Directive and Part I, Title II, Chapter I, Section IV of Circular No. 285) becoming fully effective on 1 January 2019. Based on the most recent list of G-SIIs published by the Financial Stability Board (**FSB**) in November 2017 (the list is updated annually), the UniCredit Group is confirmed as a global systemically important bank (**G-SIB**) included in "Bucket 1" (in a ranking from 1, where 5 is the highest); therefore, it has to comply with a target requirement of 1 per cent. in 2019 (0.50 per cent. for 2017 and 0.75 per cent. for 2018); and
- *Capital buffers for other systemically important institutions (O-SIIs)*: O-SII buffer, equal to 0 per cent. for the UniCredit Group for 2017; identified by the Bank of Italy as an O-SII authorised to operate in Italy, UniCredit has to maintain a capital buffer of 1 per cent. of its total risk exposure, to be achieved according to the following transitional period: 0.25 per cent. for 2018, and then increased by 0.25 per cent. on a yearly basis reaching the target of 1 per cent. from 1 January 2021. According to Article 131.14 of the CRD IV Directive, the higher of the G-SII and the O-SII buffer will apply: hence, the UniCredit Group is subject to the application of the G-SII buffer (0.50 per cent. for 2017 and 0.75 per cent. for 2018).

¹⁵ On 6 October 2016, the Bank of Italy published the 18th update of Circular No. 285 that modifies 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 Italian law in January 2014, where the fully loaded Capital Conservation Buffer at 2.50% was requested, by aligning national regulation the transitional regime allowed by CRD IV.

In addition to the above-listed capital buffers, under Article 133 of the CRD IV Directive, each Member State may introduce a Systemic Risk Buffer of Common Equity Tier 1 capital for the financial sector or one or more subsets of that sector in order to prevent and mitigate long-term non-cyclical systemic or macroprudential risks not otherwise covered by the CRD IV Package, in the sense of a risk of disruption in the financial system with the potential of having serious negative consequences on the financial system and the real economy in a specific Member State. Currently, no provision is taken on the systemic risk buffer in Italy.

Failure to comply with such combined buffer requirements triggers restrictions on distributions and the need for the bank to adopt a capital conservation plan on necessary remedial actions (Articles 140 and 141 of the CRD IV Directive).

In addition, UniCredit is subject to the Pillar 2 requirements for banks imposed under the CRD IV Package, which will be impacted, on an ongoing basis, by the SREP. The SREP is aimed at ensuring that institutions have in place adequate arrangements, strategies, processes and mechanisms to maintain the amounts, types and distribution of internal capital commensurate to their risk profile, as well as robust governance and internal control arrangements. The key purpose of the SREP is to ensure that institutions have adequate arrangements as well as capital and liquidity to ensure sound management and coverage of the risks to which they are or might be exposed, including those revealed by stress testing, as well as risks the institution may pose to the financial system. See “*ECB Single Supervisory Mechanism*” below for further details.

During the course of 2016, the UniCredit Group has been subject to this SREP process, resulting in a Pillar 2 Requirement of 2.50 per cent. for 2017. A table setting out the UniCredit Group’s transitional capital requirements and buffers – which also indicates TSCR (Total SREP Capital Requirement) and OCR (Overall Capital Requirement) – is reported below:

Requirements 2017	CET1	T1	Total Capital
A) Pillar 1 Requirements	4.50%	6.00%	8.00%
B) Pillar 2 Requirements	2.50%	2.50%	2.50%
C) TSCR (A+B)	7.00%	8.50%	10.50%
D) Combined capital buffer requirement, of which:	1.78%	1.78%	1.78%
1. <i>Capital Conservation buffer</i>	<i>1.25%</i>	<i>1.25%</i>	<i>1.25%</i>
2. <i>Global Systemically Important Institution buffer</i>	<i>0.50%</i>	<i>0.50%</i>	<i>0.50%</i>
3. <i>Institution-specific Countercyclical Capital buffer (as of 30 September 2017)</i>	<i>0.03%</i>	<i>0.03%</i>	<i>0.03%</i>
E) OCR (C+D)	8.78%	10.28%	12.28%

The actual Capital ratios as of 30 September 2017 were as follows:

CET1	T1	Total Capital
13.94%	15.32%	18.19%

Also during the course of 2017, the UniCredit Group has been subject to the SREP process. As a result of the 2017 SREP process, the Pillar 2 Requirement for UniCredit has been reduced by 50 basis points, from 2.50 per cent. to 2.00 per cent. A table setting out the UniCredit Group's transitional capital requirements and buffers starting from January 2018 is reported below:

Requirements 2018	CET1	T1	Total Capital
A) Pillar 1 Requirements	4.50%	6.00%	8.00%
B) Pillar 2 Requirements	2.00%	2.00%	2.00%
C) TSCR (A+B)	6.50%	8.00%	10.00%
D) Combined capital buffer requirement, of which:	2.70%	2.70%	2.70%
1. <i>Capital Conservation buffer</i>	<i>1.88%</i>	<i>1.88%</i>	<i>1.88%</i>
2. <i>Global Systemically Important Institution buffer</i>	<i>0.75%</i>	<i>0.75%</i>	<i>0.75%</i>
3. <i>Institution-specific Countercyclical Capital buffer</i> ¹⁶	<i>0.07%</i>	<i>0.07%</i>	<i>0.07%</i>
E) OCR (C+D)	9.20%	10.70%	12.70%

The quantum of any Pillar 2 requirement imposed on a bank, the type of capital which it must apply to meeting such capital requirements, and whether the Pillar 2 requirement is “stacked” below the capital buffers (i.e. the bank's resources must first be applied to meeting the Pillar 2 requirements in full before capital can be applied to meeting the capital buffers) or “stacked” above the capital buffers (i.e. the bank's capital resources can be applied to meeting the capital buffers in priority to the Pillar 2 requirement) may all impact a bank's ability to comply with the combined buffer requirement.

As set out in the “Opinion of the European Banking Authority on the interaction of Pillar 1, Pillar 2 and combined buffer requirements and restrictions on distributions” published on 16 December 2015, in the EBA's opinion competent authorities should ensure that the Common Equity Tier 1 Capital to be taken into account in determining the Common Equity Tier 1 Capital available to meet the combined buffer requirement is limited to the amount not used to meet the Pillar 1 and Pillar 2 own funds requirements of the institution. In effect, this would mean that Pillar 2 capital requirements would be “stacked” below the capital buffers, and thus a firm's CET1 resources would only be applied to meeting capital buffer requirements after Pillar 1 and Pillar 2 capital requirements have been met in full.

¹⁶ The Institution-specific Countercyclical Capital buffer of 0.07 per cent. has been estimated based on the exposures as of September 2017 and considering the buffer rates defined by the national competent authorities that will apply in the fourth quarter of 2018.

However, more recently, the EBA and the ECB appear to have adopted a more flexible approach to Pillar 2. In its publication of the 2016 EU-wide stress test results on 29 July 2016, the EBA has recognised a distinction between “pillar 2 requirements” (stacked below the capital buffers) and “Pillar 2 capital guidance” (stacked above the capital buffers). With respect to Pillar 2 capital guidance, the publication stated that, in response to the stress test results, competent authorities may (among other things) consider “setting capital guidance, above the combined buffer requirement. Competent authorities have, remedial tools if an institution refuses to follow such guidance. The ECB published a set of “Frequently asked questions on the 2016 EU-wide stress test”, confirming this distinction between Pillar 2 requirements and Pillar 2 capital guidance and noting that “Under the stacking order, banks facing losses will first fail to fulfil their Pillar 2 capital guidance. In case of further losses, they would next breach the combined buffers, then Pillar 2 requirements, and finally Pillar 1 requirements”.

The CRD Reform Package proposes to legislate this distinction between “Pillar 2 requirements” and “Pillar 2 capital guidance”. Whereas the former are mandatory requirements imposed by supervisors to address risks not covered or not sufficiently covered by Pillar 1 and buffer capital requirements, the latter refers to the possibility for competent authorities to communicate to an institution their expectations for such institution to hold capital in excess of its capital requirements (Pillar 1 and Pillar 2) and combined buffer requirements in order to cope with forward-looking and remote situations. Under the CRD Reform Package proposals, (and as described above), only Pillar 2 requirements, and not Pillar 2 capital guidance, will be relevant in determining whether an institution is meeting its combined buffer requirement.

The 2017 SREP letter also introduces Pillar 2 capital guidance, to be fully satisfied with CET1 Capital.

As part of the CRD IV Package transitional arrangements, regulatory capital recognition of outstanding instruments which qualified as Tier I and Tier II capital instruments under the framework which the CRD IV Package has replaced that no longer meet the minimum criteria under the CRD IV Package will be gradually phased out. Fixing the base at the nominal amount of such instruments outstanding on 1 January 2013, their recognition is capped at 80 per cent. in 2014, with this cap decreasing by 10 per cent. in each subsequent year.

The CRD IV Package introduces a new leverage ratio with the aim of restricting the level of leverage that an institution can take on to ensure that an institution’s assets are in line with its capital. The Leverage Ratio Delegated Regulation (EU) No. 2015/62 was adopted on 10 October 2014 and was published in the Official Journal of the European Union in January 2015 amending the calculation of the leverage ratio compared to the current text of the CRD IV Regulation. Institutions have been required to disclose their leverage ratio from 1 January 2015. Full implementation of the leverage ratio as a Pillar 1 measure is currently under consultation as part of the CRD Reform Package, as defined below. The CRD IV 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 harmonisation in Europe through the Single Rule Book.

During the period of the Strategic Plan, the compliance on the part of UniCredit Group with minimum levels of capital ratios applicable on the basis of prudential rules in force and/or those imposed by the supervisory authorities (for example in the context of the SREP) and the achievement of the forecasts of a regulatory nature indicated therein depends, *inter alia*, on the implementation of strategic actions, which may have a positive impact on the capital ratios. Therefore, if such strategic actions are not carried out in whole or in part, or if the same should result in benefits other than and/or lower than those envisaged in the 2016-2019 Strategic Plan, which could result in deviations, even significant, with respect to the Plan Objectives, as well as producing negative impacts on the ability of the

UniCredit Group to meet the constraints provided by the prudential rules applicable and/or identified by the supervisory authorities and the economic situation, the financial assets of the Group itself.

Should UniCredit not be able to implement the approach to capital requirements it considers optimal in order to meet the capital requirements imposed by the CRD IV Package, it may be required to maintain levels of capital which could potentially impact its credit ratings, and funding conditions and which could limit UniCredit's growth opportunities.

Forthcoming regulatory changes

In addition to the substantial changes in capital and liquidity requirements introduced by Basel III and the CRD IV Package, there are several other initiatives, in various stages of finalisation, which represent additional regulatory pressure over the medium term and will impact the EU's future regulatory direction. These initiatives include, among others, a revised Markets in Financial Instruments EU Directive and Markets in Financial Instruments EU Regulation which are expected to apply as of 3 January 2018, subject to certain transitional arrangements. The BCBS has also published certain proposed changes to the current securitisation framework which may be accepted and implemented in due course.

On 9 November 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 recapitalisation 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 FSB will undertake a review of the technical implementation of the TLAC Principles and Term Sheet by the end of 2019. 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 buffer requirement as of 1 January 2019 and 18 per cent. plus the combined buffer requirement as of 1 January 2022, and (b) 6 per cent. of the Basel III Tier 1 leverage ratio exposure as of 1 January 2019, and 6.75 per cent. as of 1 January 2022. For UniCredit, the combined buffer requirement that is expected to apply from January 2019 is 3.57 per cent., assuming countercyclical capital buffer of 0.07 per cent. G-SIB buffer of 1 per cent. and embedding the fully loaded Capital Conservation Buffer of 2.5 per cent., leading the TLAC requirement on RWA to 19.57 per cent. and 21.57 per cent. respectively as of 1 January 2019 and as of 1 January 2022.

Based on the most recently updated FSB list of G-SIBs published in November 2017 (updated annually), the UniCredit Group is a G-SIB included in bucket 1 and it will be subject to the TLAC requirements when they are implemented into applicable law, provided that at that time the UniCredit Group will still be included in the list of G-SIBs.

On 23 November 2016, the European Commission released a package of proposals amending CRD IV and the CRD IV Regulation (the **CRD Reform Package**), being part of the package proposals amending also the BRRD and the SRM Regulation (together with the CRD Reform Package, the **Risk Reduction Measures Package**), which is expected to become applicable beginning 2019 (but this will ultimately depend on the procedure and the outcome of the discussions in the European Parliament and the Council). Among other things, these proposals aim to implement a number of new Basel standards (such as the leverage ratio, the net stable funding ratio, market risk rules and requirements for own funds and eligible liabilities) and to transpose the FSB's TLAC termsheet into European law. Once these proposals are finalised, changes to the CRD IV Regulation will become directly applicable to the UniCredit Group. The CRD IV amendments and the amendments to the BRRD will need to be transposed into Italian law before taking effect. See *"The bank recovery and resolution directive is intended to enable a range of actions to be taken in relation to credit institutions and investment firms considered to be at risk of failing. The taking of any such actions (or*

the perception that the taking of any such action may occur) could materially adversely affect the value of the Notes and/or the rights of Noteholders” below for further details on the implementation of TLAC in the EEA through changes to the BRRD.

Moreover, it is worth mentioning that the BCBS has embarked on a very significant RWA variability agenda. This includes the Fundamental Review of the Trading Book, revised standardised approaches (credit, counterparty credit, market, operational risk), constraints to the use of internal models as well as the introduction of a capital floor. The regulator’s primary aim is to eliminate unwarranted levels of RWA variance, to improve consistency and comparability across banks. The finalisation of the new framework was completed in respect of market risk in 2016, and in respect of credit risk and operational risk in December 2017. It is designed to enhance the robustness and risk sensitivity of the standardised approach, constrain the use of internally modelled approaches and complement the risk-weighted capital ratio with a finalised leverage ratio and a revised and robust capital floor. Due to the wide undergoing revision by global and European regulators and supervisors, the internal models are expected to be subject to either changes or withdrawal in favor of a new standardised approach, which is also under revision. The regulatory changes will impact the entire banking system and consequently could lead to changes in the measurement of capital (although they will become effective after the time frame covered by the Strategic Plan). In 2016, the ECB began a review of the internal rating models authorised 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. The TRIM will be ongoing through 2018 and is structured in two stages, with an institution-specific review commenced in 2016 and a model specific review in 2017 and 2018/2019. In stage one, the ECB reviewed governance relating to UniCredit’s IRB models as well as model mapping priorities, based on a sample of five “high default” portfolios. UniCredit is involved in on-site inspections in connection with stage two of the TRIM. This second stage is focussing on high default portfolio models in 2017 and low default portfolio models in 2018/2019.

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 finalised the regulatory standards for the Internal Rating Based methodology and the Guidelines on the new Definition of Default, while final Guidelines on Probability of Default and the Loss Given Default estimation and treatment of defaulted assets were published in November 2017. Based on the EBA’s proposal, the rules for internally estimating the LGD would become significantly tighter. The implementation of all the proposed changes is expected by January 2021.

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.

ECB Single Supervisory Mechanism

In October 2013, the Council of the European Union adopted regulations establishing the Single Supervisory Mechanism for all banks in the euro area, which have, beginning in November 2014, given the ECB, in conjunction with the national competent authorities of the eurozone states, direct supervisory responsibility over “banks of systemic importance” in the Banking Union as well as their subsidiaries in a participating non-euro area Member State. The SSM framework regulation (ECB/2014/17) setting out the practical arrangements for the SSM was published in April 2014 and entered into force in May 2014. Banks directly supervised by the ECB include, *inter alia*, any eurozone bank that has: (i) assets greater than €30 billion; (ii) assets constituting at least 20 per cent.

of its home country's gross domestic product; or (iii) requested or received direct public financial assistance from the European Financial Stability Facility or the European Stability Mechanism.

The ECB is also exclusively responsible for key tasks concerning the prudential supervision of credit institutions, which includes, *inter alia*, the power to: (i) authorise and withdraw the authorisation of all credit institutions in the eurozone; (ii) assess acquisition and disposal of holdings in other banks; (iii) ensure compliance with all prudential requirements laid down in general EU banking rules; (iv) set, where necessary, higher prudential requirements for certain banks to protect financial stability under the conditions provided by EU law; (v) ensure compliance with robust corporate governance practices and internal capital adequacy assessment controls; and (vi) intervene at the early stages when risks to the viability of a bank exist, in coordination with the relevant resolution authorities. The ECB also has the right to impose pecuniary sanctions.

National competent authorities will continue to be responsible for supervisory matters not conferred on the ECB, such as consumer protection, money laundering, payment services, and branches of third country banks, besides supporting ECB in day-to-day supervision. In order to foster consistency and efficiency of supervisory practices across the eurozone, the EBA is developing a Single Rule Book. The Single Rule Book aims to provide a single set of harmonised prudential rules which institutions throughout the EU must respect.

The ECB has fully assumed its new supervisory responsibilities of UniCredit and the UniCredit Group. The ECB is required under the SSM Regulation to carry out a SREP at least on an annual basis. In addition to the above, the EBA published on 19 December 2014 its final guidelines for common procedures and methodologies in respect of the SREP (the **EBA SREP Guidelines**). Included in these guidelines were the EBA's proposed guidelines for a common approach to determining the amount and composition of additional Pillar 2 own funds requirements to be implemented from 1 January 2016. Under these guidelines, national supervisors should set a composition requirement for the Pillar 2 requirements to cover certain specified risks of at least 56 per cent. CET1 Capital and at least 75 per cent. Tier 1 capital. The guidelines also contemplate that national supervisors should not set additional own funds requirements in respect of risks which are already covered by the combined buffer requirements (as described above) and/or additional macro-prudential requirements. Accordingly, the additional Pillar 2 own funds requirement that may be imposed on UniCredit and/or the UniCredit Group by the ECB pursuant to the SREP will require UniCredit and/or the UniCredit Group to hold capital levels above the minimum Pillar 1 capital requirements.

The bank recovery and resolution directive is intended to enable a range of actions to be taken in relation to credit institutions and investment firms considered to be at risk of failing. The taking of any such actions (or the perception that the taking of any such action may occur) could materially adversely affect the value of the Notes and/or the rights of Noteholders.

On 2 July 2014, the BRRD entered into force and Member States were expected to implement the majority of its provisions. On 23 November 2016, the European Commission published a proposal to amend certain provisions of the BRRD (the **BRRD Reforms**). The proposal includes an amendment to Article 108 of the BRRD aimed at further harmonising the creditor hierarchy as regards the priority ranking of holders of bank senior unsecured debt in resolution and insolvency. A new class of so called "senior non-preferred debt" is proposed to be added that would be eligible to meet TLAC and MREL requirements. This new class of debt will be senior to all subordinated debt, but junior to ordinary unsecured senior claims. The envisaged amendments to the BRRD should not affect the existing stocks of bank debt and their statutory ranking in insolvency pursuant to the relevant laws of the Member State in which the bank is incorporated.

The BRRD provides resolution authorities with comprehensive arrangements to deal with failing banks at national level, as well as cooperation arrangements to tackle cross-border banking failures.

The BRRD sets out the rules for the resolution of banks and large investment firms in all EU Member States. Banks are required to prepare recovery plans to overcome financial distress. Competent authorities are also granted a set of powers to intervene in the operations of banks to avoid them failing. If banks do face failure, resolution authorities are equipped with comprehensive powers and tools to restructure them, allocating losses to shareholders and creditors following a specified hierarchy. Resolution authorities have the powers to implement plans to resolve failing banks in a way that preserves their most critical functions and avoids taxpayer bail outs.

The BRRD contains four resolution tools and powers which may be used alone (except for the asset separation tool) or in combination with other resolution tools where the relevant resolution authority considers that (a) an institution is failing or likely to fail, (b) there is no reasonable prospect that any alternative private sector measures would prevent the failure of such institution within a reasonable timeframe and (c) a resolution action is in the public interest: (i) sale of business – which enables resolution authorities to direct the sale of the institution or the whole or part of its business on commercial terms; (ii) bridge institution – which enables resolution authorities to transfer all or part of the business of the firm to a “bridge institution” (an entity created for this purpose that is wholly or partially in public control); (iii) asset separation – which enables resolution authorities to transfer impaired or problem assets to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only); and (iv) bail-in – which gives resolution authorities the power to write down certain claims of unsecured creditors of a failing institution and to convert certain unsecured debt claims (including the Senior Notes and Subordinated Notes) into shares or other instruments of ownership (i.e. other instruments that confer ownership, instruments that are convertible into or give the right to acquire shares or other instruments of ownership, and instruments representing interests in shares or other instruments of ownership) (the **general bail-in tool**). Such shares or other instruments of ownership could also be subject to any future application of the BRRD. For more details on the implementation in Italy, Ireland and Luxembourg please refer to the paragraphs below.

An SRF (as defined below) was set up under the control of the SRB (as defined below). It will ensure the availability of funding support while the bank is resolved. It is funded by contributions from the banking sector. The SRF can only contribute to resolution if at least 8 per cent. of the total liabilities, including own funds, of the bank have been bailed-in.

The BRRD requires all Member States to create a national, prefunded resolution fund, reaching a level of at least 1 per cent. of covered deposits by 31 December 2024. The National Resolution Fund for Italy was created in November 2015 and required both ordinary and extraordinary contributions to be made by Italian banks and investment firms, including UniCredit. In the Banking Union, the National Resolution Funds set up under the BRRD were superseded by the Single Resolution Fund as of 1 January 2016 and those funds will be pooled together gradually. Therefore, as of 2016, the Single Resolution Board calculates, in line with a Council implementing act, the annual contributions of all institutions authorised in the Member States participating in the SSM and the SRM (as defined below). The SRF is financed by the European banking sector. The total target size of the Fund is equal to at least 1 per cent. of the covered deposits of all banks in the Member States participating in the Banking Union. The SRF is to be built up over eight years, beginning in 2016, to the target level of EUR 55 billion (the basis being 1 per cent. of the covered deposits in the financial institutions of the Banking Union). Once this target level is reached, in principle, the banks will have to contribute only if the resources of the SRF are actually used in order to deal with resolutions of other institutions.

Under the BRRD, the target level of the National Resolution Funds is set at national level and calculated on the basis of deposits covered by deposit guarantee schemes. Under the SRM, the target level of the SRF is European and is the sum of the covered deposits of all institutions established in the participating Member States. This would result in significant variations in the contributions by the

banks under the SRM as compared to the BRRD. As a consequence of this difference, when contributions started to be paid based on a joint target level as of 2016, contributions of banks established in Member States with a high level of covered deposits would have sometimes abruptly decreased, while contributions of those banks established in Member States with fewer covered deposits would have sometimes abruptly increased. In order to prevent such abrupt changes, the Council Implementing Act provides for an adjustment mechanism to remedy these distortions during the transitional period by way of a gradual phasing in of the SRM methodology.

The BRRD also provides for a Member State as a last resort, after having assessed and applied the above resolution tools (including the general bail-in tool) to the maximum extent practicable whilst maintaining financial stability, to be able to provide extraordinary public financial support through additional financial stabilisation tools. These consist of the public equity support and temporary public ownership tools. Any such extraordinary financial support must be provided in accordance with the burden sharing requirements of the EU state aid framework and the BRRD.

As an exemption from these principles, the BRRD allows for three kinds of extraordinary public support to be provided to a solvent institution without triggering resolution: 1) a State guarantee to back liquidity facilities provided by central banks according to the central banks' conditions; 2) a State guarantee of newly issued liabilities; or 3) an injection of own funds in the form of precautionary recapitalisation. In the case of precautionary recapitalization EU state aid rules require that shareholders and junior bond holders contribute to the costs of restructuring.

In addition to the general bail-in tool and other resolutions tools, the BRRD provides for resolution authorities to have the further power to write-down permanently/convert into equity capital instruments such as the Subordinated Notes at the point of non-viability and before any other resolution action is taken with losses taken in accordance with the priority of claims under normal insolvency proceedings (**Non-Viability Loss Absorption**). Any shares issued to holders of the Subordinated Notes upon any such conversion into equity capital instruments may also be subject to any future application of the BRRD.

For the purposes of the application of any Non-Viability Loss Absorption measure, the point of non-viability under the BRRD is the point at which the relevant authority determines that the institution meets the conditions for resolution (but no resolution action has yet been taken) or that the institution or, in certain circumstances, its group, will no longer be viable unless the relevant capital instruments (such as the Subordinated Notes) are written-down/converted or extraordinary public support is to be provided and without such support the appropriate authority determines that the institution and/or, as appropriate, its group, would no longer be viable.

In the context of these resolution tools, the resolution authorities have the power to amend or alter the maturity of certain debt instruments (such as the Senior Notes and Subordinated Notes) issued by an institution under resolution or amend the amount of interest payable under such instruments, or the date on which the interest becomes payable, including by suspending payment for a temporary period.

Implementation of the BRRD in Italy

The BRRD has been implemented in Italy through the adoption of two Legislative Decrees by the Italian Government, namely Legislative Decrees No. 180/2015 and 181/2015 (together, the **BRRD Decrees**), both of which were published in the Italian Official Gazette (*Gazzetta Ufficiale*) on 16 November 2015. Legislative Decree No. 180/2015 is a stand-alone law which implements the provisions of BRRD relating to resolution actions, while Legislative Decree No. 181/2015 amends the existing Banking Law (Legislative Decree No. 385 of 1 September 1993, as amended) and deals principally with recovery plans, early intervention and changes to the creditor hierarchy. The BRRD Decrees entered into force on the date of publication on the Italian Official Gazette (i.e. 16 November 2015), save that: (i) the general bail-in tool applied from 1 January 2016; and (ii) a “depositor

preference” granted for deposits other than those protected by the deposit guarantee scheme and excess deposits of individuals and SMEs will apply from 1 January 2019.

It is important to note that, pursuant to article 49 of Legislative Decree No. 180/2015, resolution authorities may not exercise the write down/conversion powers in relation to secured liabilities, including covered bonds or their related hedging instruments, save to the extent that these powers may be exercised in relation to any part of a secured liability (including covered bonds and their related hedging instruments) that exceeds the value of the assets, pledge, lien or collateral against which it is secured.

In addition, because (i) Article 44(2) of the BRRD excludes certain liabilities from the application of the general bail-in tool and (ii) the BRRD provides, at Article 44(3), that the resolution authority may, in specified exceptional circumstances, partially or fully exclude certain further liabilities from the application of the general bail-in tool, the BRRD specifically contemplates that *pari passu* ranking liabilities may be treated unequally. Accordingly, holders of Senior Notes and Subordinated Notes of a Series may be subject to write-down/conversion upon an application of the general bail-in tool while other Series of Senior Notes or, as appropriate, Subordinated Notes (or, in each case, other *pari passu* ranking liabilities) are partially or fully excluded from such application of the general bail-in tool. Further, although the BRRD provides a safeguard in respect of shareholders and creditors upon application of resolution tools, Article 75 of the BRRD sets out that such protection is limited to the incurrence by shareholders or, as appropriate, creditors, of greater losses as a result of the application of the relevant tool than they would have incurred in a winding up under normal insolvency proceedings. It is therefore possible not only that the claims of other holders of junior or *pari passu* liabilities may have been excluded from the application of the general bail-in tool and therefore the holders of such claims receive a treatment which is more favourable than that received by holders of the Senior Notes or Subordinated Notes, but also that the safeguard referred to above does not apply to ensure equal (or better) treatment compared to the holders of such fully or partially excluded claims because the safeguard is not intended to address such possible unequal treatment but rather to ensure that shareholders or creditors do not incur greater losses in a bail-in (or other application of a resolution tool) than they would have received in a winding up under normal insolvency proceedings.

Also, in respect of Senior Notes, Article 108 of the BRRD requires that Member States modify their national insolvency regimes such that deposits of natural persons and micro, small and medium sized enterprises in excess of the coverage level contemplated by deposit guarantee schemes created pursuant to DGSD have a ranking in normal insolvency proceedings which is higher than the ranking which applies to claims of ordinary, unsecured, non-preferred creditors, such as holders of Senior Notes. In addition, the BRRD does not prevent Member States, including Italy, from amending national insolvency regimes to provide other types of creditors, with rankings in insolvency higher than ordinary, unsecured, non-preferred creditors. Legislative Decree No. 181/2015 has amended the creditor hierarchy in the case of admission of Italian banks and investment firms to liquidation proceedings (and therefore the hierarchy which will apply in order to assess claims pursuant to the safeguard provided for in Article 75 of the BRRD as described above), by providing that, as from 1 January 2019, all deposits other than those protected by the deposit guarantee scheme and excess deposits of individuals and SMEs (which benefit from the super-priority required under Article 108 of the BRRD) will benefit from priority over senior unsecured liabilities, though with a ranking which is lower than that provided for individual/SME deposits exceeding the coverage limit of the deposit guarantee scheme. This means that, as from 1 January 2019, significant amounts of liabilities in the form of large corporate and interbank deposits which under the national insolvency regime currently in force in Italy rank *pari passu* with Senior Notes, will rank higher than Senior Notes in normal insolvency proceedings and therefore that, on application of the general bail-in tool, such creditors will be written-down/converted into equity capital instruments only after Senior Notes. Therefore the safeguard set out in Article 75 of the BRRD (referred to above) would not provide any protection against this result since, as noted above, Article 75 of the BRRD only seeks to achieve compensation

for losses incurred by creditors which are in excess of those which would have been incurred in a winding-up under normal insolvency proceedings.

Legislative Decree No. 181/2015 has also introduced strict limitations on the exercise of the statutory rights of set-off normally available under Italian insolvency laws, in effect prohibiting set-off by any creditor in the absence of an express agreement to the contrary. Since each holder of Subordinated Notes and, in circumstances where the waiver is selected as applicable in the relevant Final Terms, the holders of the Senior Notes will have expressly waived any rights of set-off, netting, counterclaim, abatement or other similar remedy which they might otherwise have, under the laws of any jurisdiction, in respect of such Senior Notes or Subordinated Notes, it is clear that the statutory right of set-off available under Italian insolvency laws will likewise not apply.

As the BRRD has only recently been implemented in Italy and other Member States, there is uncertainty as to the effects of its application in practice.

The powers set out in the BRRD will impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors. Holders of Senior Notes and Subordinated Notes may be subject to write-down or conversion into equity capital instruments on any application of the general bail-in tool and, in the case of Subordinated Notes, Non-Viability Loss Absorption, which may result in such holders losing some or all of their investment. The exercise of these, or any other power under the BRRD or any suggestion or perceived suggestion of such exercise could, therefore, materially adversely affect the rights of Noteholders, the price or value of their investment in any Notes and/or the ability of the relevant Issuer and/or the Guarantor, as the case may be, to satisfy its obligations under any Notes and/or the Guarantee.

In addition to the capital requirements under CRD IV, the BRRD introduces requirements for banks to maintain at all times a sufficient aggregate amount of Minimum Requirement for Own Funds and Eligible Liabilities (the **MREL**). The aim is that the minimum amount should be proportionate and adapted for each category of bank on the basis of their risk or the composition of their sources of funding and to ensure adequate capitalisation to continue exercising critical functions post resolution. The final draft regulatory technical standards published by the EBA in July 2015 set out the assessment criteria that resolution authorities should use to determine the MREL for individual firms.

The BRRD does not foresee an absolute minimum, but attributes the competence to set a minimum amount for each bank to national resolution authorities (for banks not subject to supervision by the ECB) or to the Single Resolution Board (the **SRB**) for banks subject to direct supervision by the ECB. The EBA has issued its final draft regulatory technical standards which further define the way in which national resolution authorities/the SRB shall calculate MREL. As from 1 January 2016, the resolution authority for UniCredit is the SRB and it is subject to the authority of the SRB for the purposes of determination of its MREL requirement. The SRB has indicated that it took core features of the TLAC standard into account in its 2016 MREL decisions and also that it may make decisions on the quality (in particular a subordination requirement) for all or part of the MREL. The SRB has targeted the end of 2017 for calculating binding MREL targets (applicable from 2019) at the consolidated level of all banking groups under its remit. MREL decisions for subsidiaries will be made in a second stage, based on, among other things, their individual characteristics and the consolidated level which has been set for the group. The draft regulatory technical standards published by the EBA contemplate that a maximum transitional period of 48 months may be applied for the purposes of meeting the full MREL requirement.

At the same time as it released the CRD Reform Package, the European Commission released the BRRD Reforms, both being part of the Risk Reduction Measures Package. Among other things, these proposals aim to implement TLAC and to ensure consistency, where appropriate, of MREL with TLAC. These proposals introduce a minimum harmonised MREL requirement (also referred to as a **Pillar 1 MREL requirement**) applicable to G-SIIs (such as UniCredit) only. In addition, resolution

authorities will be able, on the basis of bank-specific assessments, to require that G-SIIs comply with a supplementary MREL requirement (a **Pillar 2 MREL requirement**). Banks will be allowed to use certain additional types of highly loss absorbent liabilities to comply with their Pillar 2 MREL requirement.

In order to ensure compliance with MREL requirements, and in line with the FSB standard on TLAC, the BRRD Reforms propose that in case a bank does not have sufficient eligible liabilities to comply with its MREL, the resultant shortfall is automatically filled up with CET1 Capital that would otherwise be counted towards meeting the combined capital buffer requirement. However, the BRRD Reforms envisage a six-month grace period before restrictions to discretionary payments to the holders of regulatory capital instruments and employees take effect due to a breach of the combined capital buffer requirement.

Implementation of BRRD in Luxembourg

The BRRD was implemented into Luxembourg law by the Luxembourg Act dated 18 December 2015 on resolution, recovery and liquidation measures of credit institutions and certain investment firms, which was officially published on 24 December 2015 in the Luxembourg official gazette (Memorial A, n° 246) (the **BRR Act 2015**). Under the BRR Act 2015, the competent authority is the CSSF and the resolution authority is the CSSF acting as Resolution Council (Conseil de résolution). The provisions of the BRR Act 2015 (including as regards the bail-in tools and powers) apply since its date of publication in the Luxembourg official gazette.

The BRR Act 2015 provides, in line with the BRRD, for certain resolution measures, including the power to impose in certain circumstances a suspension of activities. Any suspension of activities can, to the extent determined by the CSSF, result in the partial or complete suspension of the performance of agreements entered into by a Luxembourg incorporated credit institution or investment firm. The BRR Act 2015 also grants the power to the Resolution Council to take any of the resolution measures provided for in the BRRD (as described above). The powers set out in the BRR Act 2015 will impact how credit institutions or investment firms established in Luxembourg, are managed as well as, in certain circumstances, the rights of creditors.

In line with the BRRD, if the general bail-in tool and the statutory write-down and conversion power provided in the BRR Act 2015 are applied to Unicredit International Luxembourg, the Notes issued by Unicredit International Luxembourg may be subject to write-down or conversion into equity (ordinary shares or other instruments of ownership) on any application of the bail-in tool, which may result in such holders losing some or all of their investment. Subject to certain conditions, the terms of the obligations owed under the Notes issued by Unicredit International Luxembourg may also be varied by the Resolution Council (e.g. as to maturity, interest and interest payment dates). The exercise of any power under the BRR Act 2015 or any suggestion of such exercise could materially adversely affect the rights of the Holders of the Notes issued by Unicredit International Luxembourg, the price or value of their investment in any Notes issued by Unicredit International Luxembourg and/or the ability of Unicredit International Luxembourg to satisfy its obligations under the Notes issued by Unicredit International Luxembourg.

Regulation (EU) no. 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of significant credit institutions and financial groups, in the framework of the SRM (as defined below) and the Fund (as defined below), established a centralised power of resolution and entrusted such power to the SRB and to the national resolution authorities of participating EU Member States (including Luxembourg and the CSSF through the Resolution Council). Starting on 1 January 2015, the SRB works in close cooperation with the Resolution Council, in particular in relation to the elaboration of resolution planning, and assumed full resolution powers since 1 January 2016.

Implementation of BRRD in Ireland

The BRRD was implemented into Irish law by the European Union (Bank Recovery and Resolution) Regulations 2015 (the **Irish BRR Regulations**). Under the Irish BRR Regulations, the competent authority and the resolution authority is the Central Bank of Ireland. The Irish BRR Regulations came into force, for the most part, on 15 July 2015.

The Irish BRR Regulations provide, in line with the BRRD, for certain resolution measures, including the power to impose in certain circumstances a suspension of activities. Any suspension of activities can, to the extent determined by the Central Bank of Ireland, result in the partial or complete suspension of the performance of agreements entered into by an Irish incorporated credit institution or investment firm. The Irish BRR Regulations also grants the power to the Central Bank of Ireland to take any of the resolution measures provided for in the BRRD (as described above). The powers set out in the Irish BRR Regulations will impact how credit institutions or large investment firms established in Ireland are managed and the rights of creditors.

In line with the BRRD, if the general bail-in tool and the statutory write-down and conversion power provided in the Irish BRR Regulations are applied to Unicredit Ireland, the Notes issued by Unicredit Ireland may be subject to write-down or conversion into equity in order to absorb losses and recapitalise the relevant institution on any application of the bail-in tool, which may result in such holders losing some or all of their investment. Subject to certain conditions, the terms of the obligations owed under the Notes issued by Unicredit Ireland may also be varied by the Central Bank of Ireland (e.g. as to maturity, interest and interest payment dates). The exercise of any power under the Irish BRR Regulations or any suggestion of such exercise could materially adversely affect the rights of the Holders of the Notes issued by Unicredit Ireland, the price or value of their investment in any Notes issued by Unicredit Ireland and/or the ability of Unicredit Ireland to satisfy its obligations under the Notes issued by Ireland.

As of 2016 the UniCredit Group is subject to the provisions of the Regulation establishing the Single Resolution Mechanism

After having reached an agreement with the Council, in April 2014, the European Parliament adopted the Regulation establishing a Single Resolution Mechanism (the **SRM**). The SRM became fully operational on 1 January 2016. Certain provisions, including those concerning the preparation of resolution plans and provisions relating to the cooperation of the SRB with national resolution authorities, entered into force on 1 January 2015. On 23 November 2016, the European Commission published a proposal to amend certain provisions of the SRM. In particular, the main objective of such proposal is to implement the TLAC standard and to integrate the TLAC requirement into the general MREL rules by avoiding duplication by applying two parallel requirements.

The SRM, which complements the ECB Single Supervisory Mechanism, applies to all banks supervised by the ECB Single Supervisory Mechanism. It mainly consists of the SRB and a Single Resolution Fund (the **SRF**) see risk factors “*Risks connected with ordinary and extraordinary contributions to funds established under the scope of the banking crisis rules*” and “*The bank recovery and resolution directive is intended to enable a range of actions to be taken in relation to credit institutions and investment firms considered to be at risk of failing. The taking of any such actions (or the perception that the taking of any such action may occur) could materially adversely affect the value of the Notes and/or the rights of Noteholders*” for details.

Decision-making is centralised with the SRB, and involves the European Commission and the Council (which will have the possibility to object to the SRB’s decisions) as well as the ECB and national resolution authorities.

The establishment of the SRM is designed to ensure that supervision and resolution is exercised at the same level for countries that share the supervision of banks within the ECB Single Supervisory Mechanism.

The European proposed financial transactions tax (the FTT)

On 14 February 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No. 1287/2006 are exempt.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation. Additional EU Member States may decide to participate. Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

Ratings

UniCredit is rated by Fitch Italia S.p.A. (**Fitch**), by Moody's Italia S.r.l. (**Moody's**) and by Standard & Poor's Credit Market Services Italy S.r.l. (**Standard & Poor's**), each of which is established in the European Union and registered under Regulation (EC) No. 1060/2009 on credit rating agencies as amended from time to time (the **CRA Regulation**) as set out in the list of credit rating agencies registered in accordance with the CRA Regulation published on the website of the European Securities and Markets Authority pursuant to the CRA Regulation (for more information, please visit the ESMA webpage).

In determining the rating assigned to UniCredit, these rating agencies consider and will continue to review various indicators of UniCredit's creditworthiness, including (but not exhaustive) the Group's performance, profitability and its ability to maintain its consolidated capital ratios within certain target levels. If UniCredit fails to achieve or maintain any or a combination of more than one of the indicators, this may result in a downgrade of UniCredit's rating by Fitch, Moody's or Standard & Poor's.

Any rating downgrade of UniCredit or other entities of the Group would be expected to increase the re-financing costs of the Group and may limit its access to the financial markets and other sources of liquidity, all of which could have a material adverse effect on its business, financial condition and results of operations. See further "*Risks related to the market generally – Credit ratings may not reflect all risks and may be lowered, suspended, withdrawn or not maintained*" below.

FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH NOTES ISSUED UNDER THE PROGRAMME

The Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Base Prospectus or in any applicable supplement;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (d) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Neither the obligations of the Issuers under the Notes nor those of the Guarantor in respect of Notes issued by UniCredit Ireland or UniCredit International Luxembourg are covered by deposit insurance schemes in the Republic of Italy, Ireland or Luxembourg. Furthermore, neither Notes issued by UniCredit nor Notes issued by UniCredit Ireland or by UniCredit International Luxembourg will be guaranteed by, respectively, the Republic of Italy, Ireland or Luxembourg under any legislation that is or will be passed to address liquidity issues in the credit markets, including government guarantees or similar measures.

Risks related to the structure of a particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features, distinguishing between factors which may occur in relation to any Notes and those which might occur in relation to certain types of Exempt Notes:

Risks applicable to all Notes

If the relevant Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return.

Notes subject to optional redemption by the relevant Issuer

An optional redemption feature is likely to limit the market value of the Notes. During any period when the relevant Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period.

At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

If so specified in the applicable Final Terms, the relevant Issuer may also, at its option, redeem Senior Notes or Non-Preferred Senior Notes for tax reasons in the circumstances described in, and in accordance with, Condition 8.2 (*Redemption for tax reasons*) or in accordance with Condition 8.4 (*Redemption at the option of the Issuer (Issuer Call)*) or in the circumstances described in, and in accordance with Condition 8.5 (*Issuer Call Due to MREL or TLAC Disqualification Event*). Any redemption of the Senior Notes or Non-Preferred Senior Notes is subject to compliance by the Issuer with any conditions to such redemption prescribed by the Regulatory Capital Requirements at the relevant time (including any requirements applicable to such redemption due to the qualification of such Senior Notes or Non-Preferred Senior Notes at such time as eligible liabilities available to meet the MREL and TLAC Requirements). See “Early redemption and purchase of the Senior Notes and Non-Preferred Senior Notes may be restricted” below for further information.

In addition, if so specified in the applicable Final Terms, the relevant Issuer (UniCredit and/or UniCredit Ireland) may also, at its option, redeem Subordinated Notes for tax reasons in the circumstances described in, and in accordance with, Condition 8.2 (*Redemption for tax reasons*) or following a change of the regulatory classification of the relevant Subordinated Notes in the circumstances described in, and in accordance with Condition 8.3 (*Redemption for regulatory reasons (Regulatory Call)*) or in accordance with Condition 8.4 (*Redemption at the option of the Issuer (Issuer Call)*). Any redemption of the Subordinated Notes is subject to the prior approval of the relevant Competent Authority and in accordance with applicable laws and regulations, including Articles 77(b) and 78 of the CRD IV Regulation. See “*Regulatory classification of the Notes*” below for further information.

If the relevant Issuer has the right to convert the interest rate on any Notes from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned

Fixed/Floating Rate Notes are Notes which may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the relevant Issuer has the right to effect such a conversion, this will affect the secondary market in and the market value of the Notes since the relevant Issuer may be expected to convert the rate when it is likely to result in a lower overall cost of borrowing for the Issuer. If the relevant Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other

Notes. If the relevant Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing market rates.

Notes which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates

The market values of securities issued at a substantial discount (such as Zero Coupon Notes) or premium to their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for more conventional interest-bearing securities. Generally, the longer the remaining term of such securities, the greater the price volatility as compared to more conventional interest-bearing securities with comparable maturities.

The credit rating assigned to the Notes may be suspended, reduced or withdrawn

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Risks relating to Senior Notes and Non-Preferred Senior Notes

Senior Notes and Non-Preferred Senior Notes could be subject to an MREL or TLAC Disqualification Event redemption

If at any time a MREL or TLAC Disqualification Event occurs and is continuing in relation to any Series of Senior Notes or Non-Preferred Senior Notes, and the applicable Final Terms for the Senior Notes or Non-Preferred Senior Notes of such Series specify that Issuer Call due to an MREL or TLAC Disqualification Event is applicable, the relevant Issuer may redeem all, but not some only, of the Notes of such Series at the price set out in the applicable Final Terms together with any outstanding interest. Senior Notes or Non-Preferred Senior Notes may only be redeemed by the relevant Issuer provided that (except to the extent that the Competent Authority does not so require at the time of the proposed redemption) the relevant Issuer has given such notice to the Competent Authority as the Competent Authority may then require prior to such redemption and no objection thereto has been raised by the Competent Authority or (if required) the Competent Authority has provided its consent thereto and any other requirements of the Competent Authority applicable (if any) to such redemption at the time have been complied with by the relevant Issuer. A MREL or TLAC Disqualification Event shall be deemed to have occurred if, by reason of a change in the MREL or TLAC Requirements as implemented in Italian law and regulations and/or EU regulations, as the case may be, which was not reasonably foreseeable by the relevant Issuer at the Issue Date of the Senior Notes or Non-Preferred Senior Notes, all or part of the aggregate outstanding nominal amount of such Series of Senior Notes or Non-Preferred Senior Notes are or will be excluded fully or partially from the eligible liabilities available to meet the MREL or TLAC Requirements. The implementation of the minimum requirements for eligible liabilities under the BRRD is subject to the implementation of the EC Proposals in the EU and in Italy and the proposed term sheet published by the FSB on total loss absorbing capacity requirements for global systemically important banks is subject to further consultation and finalization.

If the Senior Notes or Non-Preferred Senior Notes are to be so redeemed, there can be no assurance that Noteholders will be able to reinvest the amounts received upon redemption at a rate that will provide the same rate of return as their investment in the Senior Notes or Non-Preferred Senior Notes. In addition, the occurrence of a MREL or TLAC Disqualification Event could result in a decrease in the market price of the Notes.

Waiver of set-off

In each of Condition 4 (*Status of the Senior Notes and the Senior Guarantee*) and Condition 4.A (*Status of the Non-Preferred Senior Notes*), each holder of a Senior Note or of a Non-Preferred Senior Note, as applicable, unconditionally and irrevocably waives any right of set-off, netting, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Senior Note or Non-Preferred Senior Note, as applicable, and, in respect of Guaranteed Notes, the Guarantee.

Redemption for tax reasons

The Senior Notes and Non-Preferred Senior Notes may be redeemed at the option of the Issuer if certain events have occurred, as described in Condition 8.2 (*Redemption for tax reasons*), subject to, *inter alia*, compliance by the Issuer with any conditions to such redemption prescribed by the MREL or TLAC Requirements at the relevant time. There can be no assurance that holders of such Senior Notes or Non-Preferred Senior Notes will be able to reinvest the amounts received upon redemption at a rate that will provide the same rate of return as their investments in the relevant Senior Notes or Non-Preferred Senior Notes, as the case may be. In addition, the occurrence of any such event could result in a decrease in the market price of the Notes.

Senior Notes and Non-Preferred Senior Notes have limited Events of Default and remedies

The Events of Default in respect of Senior Notes and Non-Preferred Senior Notes, being events upon which the Trustee (or, in certain circumstances, the Noteholders) may declare the Senior Notes or Non-Preferred Senior Notes to be immediately due and payable, are limited to circumstances in which the relevant Issuer becomes subject to insolvency or liquidation (or, in the case of UniCredit, subject to *Liquidazione Coatta Amministrativa* as defined in Legislative Decree No. 385 of September 1, 1993 of the Republic of Italy (as amended from time to time)) as set out in Condition 11.1. Accordingly, other than following the occurrence of an Event of Default, even if the relevant Issuer fails to meet any of its obligations under the Senior Notes or Non-Preferred Senior Notes, including the payment of any interest, the Trustee (and the Noteholders) will not have the right of acceleration of principal and the sole remedy available to Noteholders for recovery of amounts owing in respect of any of the Notes will be the institution of proceedings to enforce such payment. Notwithstanding the foregoing, the Issuer will not, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

Early redemption and purchase of the Senior Notes and Non-Preferred Senior Notes may be restricted

Any early redemption or purchase of Senior Notes and Non-Preferred Senior Notes is subject to compliance by the relevant Issuer with any conditions to such redemption or repurchase prescribed by the Regulatory Capital Requirements at the relevant time, including any requirements applicable to such redemption or repurchase due to the qualification of such Senior Notes or Non-Preferred Senior Notes at such time as eligible liabilities available to meet the MREL or TLAC Requirements.

In addition, under the EC Proposals, the early redemption or purchase of Senior Notes and Non-Preferred Senior Notes which qualify as eligible liabilities available to meet MREL or TLAC Requirements is subject to the prior approval of the Competent Authority where applicable from time to time under the applicable laws and regulations. The EC Proposals state that the Competent Authority would approve an early redemption of the Senior Notes and Non-Preferred Senior Notes where any of the following conditions is met:

- on or before such early redemption or purchase of the Senior Notes or Non-Preferred Senior Notes, the relevant Issuer replaces the Senior Notes or Non-Preferred Senior Notes with own

funds instruments or eligible liabilities of an equal or higher quality on terms that are sustainable for the income capacity of the relevant Issuer;

- the relevant Issuer has demonstrated to the satisfaction of the Competent Authority that its Own Funds and eligible liabilities would, following such redemption or purchase, exceed the requirements for own funds and eligible liabilities set out in the CRD IV Directive or the BRRD (or, in either case, any relevant provisions of Italian law implementing the CRD IV Directive or, as appropriate, the BRRD) or the CRD IV Regulation by a margin that the Competent Authority considers necessary; or
- the Issuer has demonstrated to the satisfaction of the Competent Authority that the partial or full replacement of the eligible liabilities with own funds instruments is necessary to ensure compliance with the own funds requirements laid down in the CRD IV Regulation and in the CRD IV Directive for continuing authorisation.

The Competent Authority shall consult with the Resolution Authority before granting that permission.

The EC Proposals are in draft form and may be subject to change prior to any implementation (please refer to the risk factor titled “*The bank recovery and resolution directive is intended to enable a range of actions to be taken in relation to credit institutions and investment firms considered to be at risk of failing. The taking of any such actions (or the perception that the taking of any such action may occur) could materially adversely affect the value of the Notes and/or the rights of Noteholders*”).

Senior Notes and Non-Preferred Senior Notes may be subject to substitution and modification without Noteholder consent

If (i) at any time a MREL or TLAC Disqualification Event occurs and is continuing in relation to any Series of Senior Notes or Non-Preferred Senior Notes, and the applicable Final Terms for the Senior Notes or Non-Preferred Senior Notes of such Series specify that Issuer Call due to an MREL or TLAC Disqualification Event is applicable or (ii) in order to ensure the effectiveness and enforceability of Condition 22 (*Contractual Recognition of Statutory Bail-In Powers*), then the relevant Issuer may, subject to giving any notice required to be given to, and receiving any consent required from, the Competent Authority (without any requirement for the consent or approval of the Holders of the Senior Notes or Non-Preferred Senior Notes of that Series), at any time either substitute all (but not some only) of such Senior Notes or Non-Preferred Senior Notes, or vary the terms of such Senior Notes or Non-Preferred Senior Notes so that they remain or, as appropriate, become, Qualifying Senior Notes or Qualifying Non-Preferred Senior Notes, as applicable, provided that such variation or substitution does not itself give rise to any right of the relevant Issuer to redeem the varied or substituted securities.

Qualifying Senior Notes or Qualifying Non-Preferred Senior Notes, as applicable, are securities issued by the relevant Issuer that, other than in respect of the effectiveness and enforceability of Condition 22 (*Contractual Recognition of Statutory Bail-In Powers*), have terms not materially less favourable to the Noteholders (as reasonably determined by the Issuer) than the terms of the relevant Senior Notes or Non-Preferred Senior Notes, as applicable. However, no assurance can be given as to whether any of these changes will negatively affect any particular Noteholder. In addition, the tax and stamp duty consequences of holding such substituted or varied notes could be different for some categories of Noteholders from the tax and stamp duty consequences for them of holding the notes prior to such substitution or variation.

The Guarantee may be limited by applicable laws or subject to certain defences that may limit their validity and enforceability

The Guarantee given by the Guarantor provides Noteholders with a direct claim against the Guarantor in respect of the relevant Issuers' obligations under the Notes. Enforcement of the Guarantee would be subject to certain generally available defences, which may include those relating to corporate benefit, fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or affecting the rights of creditors generally. If a court were to find the Guarantee given by the Guarantor void or unenforceable, then Noteholders would cease to have any claim in respect of the Guarantor and would be creditors solely of the Issuers.

Enforcement of the Guarantee is subject to the detailed provisions contained in the Trust Deed (and any supplemental Trust Deed) which include certain limitations reflecting mandatory provisions of Italian laws, such as that the payment obligations of UniCredit S.p.A. under the Guarantee shall at no time exceed €66,000,000,000.

Risks relating to Subordinated Notes

An investor in Subordinated Notes assumes an enhanced risk of loss in the event of insolvency of UniCredit

UniCredit's obligations under Subordinated Notes will be unsecured and subordinated and will rank junior in priority of payment to Senior Liabilities. **Senior Liabilities** means any direct, unconditional, unsecured and unsubordinated indebtedness or payment obligations (or indebtedness or obligations which are subordinated but to a lesser degree than the obligations under the relevant Subordinated Notes) of UniCredit for money borrowed or raised or guaranteed by UniCredit or UniCredit Ireland, as the case may be, and any indebtedness or mandatory payment obligations preferred by the laws of the Republic of Italy. Although Subordinated Notes may pay a higher rate of interest than comparable Notes which are not subordinated, there is a real risk that an investor in Subordinated Notes will lose all or some of his investment should UniCredit become insolvent.

In no event will holders of Subordinated Notes be able to accelerate the maturity of their Subordinated Notes; such holders will have claims only for amounts then due and payable on their Subordinated Notes. After UniCredit has fully paid all deferred interest on any issue of Subordinated Notes and if that issue of Subordinated Notes remains outstanding, future interest payments on that issue of Subordinated Notes will be subject to further deferral as described above.

Waiver of set-off

As specified in Conditions 5.1(d) (*Status of Subordinated Notes issued by UniCredit*) each holder of a Subordinated Note unconditionally and irrevocably waives any right of set-off, netting, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Subordinated Note.

Subordinated Notes may be subject to loss absorption on any application of the general bail-in-tool or at the point of non-viability of the Issuer

Investors should be aware that, in addition to the general bail-in tools, the BRRD contemplates that Subordinated Notes may be subject to a write-down or conversion into common shares at the point of non-viability should the Bank of Italy, the SRB or other authority or authorities having prudential oversight of UniCredit at the relevant time exercise the power to do so. The BRRD is

intended to enable a range of actions to be taken in relation to credit institutions and investment firms considered to be at risk of failing.

Subordinated Notes may be subject to substitution and modification without Noteholder consent

In order to ensure the effectiveness and enforceability of Condition 22 (*Contractual Recognition of Statutory Bail-In Powers*), then the relevant Issuer may, subject to giving any notice required to be given to, and receiving any consent required from, the Competent Authority (without any requirement for the consent or approval of the Holders of the Senior Notes or Non-Preferred Senior Notes of that Series), at any time either substitute all (but not some only) of a Series of Subordinated Notes, or vary the terms of such Subordinated Notes so that they remain or, as appropriate, become, Qualifying Subordinated Notes, as applicable, provided that such variation or substitution does not itself give rise to any right of the relevant Issuer to redeem the varied or substituted securities.

Qualifying Subordinated Notes are securities issued by the relevant Issuer that, other than in respect of the effectiveness and enforceability of Condition 22 (*Contractual Recognition of Statutory Bail-In Powers*), have terms not materially less favourable to the Noteholders (as reasonably determined by the Issuer) than the terms of the relevant Subordinated Notes. However, no assurance can be given as to whether any of these changes will negatively affect any particular Noteholder. In addition, the tax and stamp duty consequences of holding such substituted or varied notes could be different for some categories of Noteholders from the tax and stamp duty consequences for them of holding the notes prior to such substitution or variation.

Regulatory classification of the Notes

The intention of UniCredit is for Subordinated Notes to qualify on issue as "Tier 2 capital" for regulatory capital purposes. Current regulatory practice by the Bank of Italy (acting as lead regulator) does not require (or customarily provide) a confirmation prior to the issuance of Subordinated Notes that the Notes will be treated as such.

Although it is UniCredit's expectation that the Notes qualify on issue as "Tier 2 capital", there can be no representation that this is or will remain the case during the life of the Notes. If there is a change in the regulatory classification of the Subordinated Notes that would be likely to result in their exclusion from "Tier 2 capital" and, in respect of any redemption of the relevant Subordinated Notes proposed to be made prior to the fifth anniversary of the Issue Date, both of the following conditions are met: (i) the Competent Authority (as defined in Condition 8.3) considers such a change to be reasonably certain and (ii) UniCredit demonstrates to the satisfaction of the Competent Authority that the change in the regulatory classification of the Subordinated Notes was not reasonably foreseeable by UniCredit as at the date of the issue of the relevant Subordinated Notes, UniCredit will (if so specified in the applicable Final Terms) have the right to redeem the Subordinated Notes in accordance with Condition 8.3 (*Redemption for regulatory reasons (Regulatory Call)*), subject to, *inter alia*, the prior approval of the relevant Competent Authority and in accordance with applicable laws and regulations, including Articles 77(b) and 78 of the CRD IV Regulation. There can be no assurance that holders of such Subordinated Notes will be able to reinvest the amounts received upon redemption at a rate that will provide the same rate of return as their investments in the relevant Notes, as the case may be. In addition, the occurrence of such event could result in a decrease in the market price of the Notes.

Redemption for tax reasons

The Subordinated Notes may be redeemed at the option of the Issuer if certain events have occurred, as described in Condition 8.2 (Redemption for tax reasons), subject to, *inter alia*, the prior approval of the relevant Competent Authority and in accordance with applicable laws and

regulations, including Articles 77(b) and 78 of the CRD IV Regulation. There can be no assurance that holders of such Subordinated Notes will be able to reinvest the amounts received upon redemption at a rate that will provide the same rate of return as their investments in the relevant Subordinated Notes, as the case may be. In addition, the occurrence of such an event could result in a decrease in the market price of the Notes.

Risks relating to Inflation Linked Interest Notes

The relevant Issuer may issue Inflation Linked Interest Notes where the amount of interest is dependent upon the level of an inflation/consumer price index or indices.

Potential investors in any such Notes should be aware that depending on the terms of the Inflation Linked Interest Notes they may receive no interest or a limited amount of interest. In addition, the movements in the level of the inflation/consumer price index or indices may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices and the timing of changes in the relevant level of the index or indices may affect the actual return to investors, even if the average level is consistent with their expectations.

Inflation Linked Interest Notes may be subject to certain disruption provisions or extraordinary event provisions. Relevant events may relate to an inflation/consumer price index publication being delayed or ceasing or such index being rebased or modified. If the Calculation Agent determines that any such event has occurred this may delay valuations under and/or settlements in respect of the Notes and consequently adversely affect the value of the Notes. Any such adjustments may be by reference to a Related Bond if specified in the applicable Final Terms. In addition certain extraordinary or disruption events may lead to early termination of the Notes which may have an adverse effect on the value of the Notes. Whether and how such provisions apply to the relevant Notes can be ascertained by reading the Inflation Linked Conditions in conjunction with the applicable Final Terms.

If the amount of interest payable is determined in conjunction with a multiplier greater than one or by reference to some other leverage factor, the effect of changes in the level of the inflation/consumer price index or the indices or interest payable will be magnified.

A relevant consumer price index or other formula linked to a measure of inflation to which the Notes are linked may be subject to significant fluctuations that may not correlate with other indices. Any movement in the level of the index may result in a reduction of the interest payable on the Notes (if applicable).

The timing of changes in the relevant consumer price index or other formula linked to the measure of inflation comprising the relevant index or indices may affect the actual yield to investors on the Notes, even if the average level is consistent with their expectations.

An inflation or consumer price index to which interest payments are linked is only one measure of inflation for the relevant jurisdiction or area, and such Index may not correlate perfectly with the rate of inflation experienced by Noteholders in such jurisdiction or area.

The market price of Inflation Linked Interest Notes may be volatile and may depend on the time remaining to the maturity date or expiration and the volatility of the level of the inflation or consumer price index or indices. The level of the inflation or consumer price index or indices may be affected by the economic, financial and political events in one or more jurisdictions or areas.

Risks applicable to certain types of Exempt Notes

There are particular risks associated with an investment in certain types of Exempt Notes, such as Index Linked Notes and Dual Currency Notes. In particular, an investor might receive less interest than expected or no interest in respect of such Notes and may lose some or all of the principal amount invested by it.

The relevant Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or to other factors (each, a **Relevant Factor**). In addition, the relevant Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- (a) the market price of such Notes may be volatile;
- (b) they may receive no interest;
- (c) payment of principal or interest may occur at a different time or in a different currency than expected;
- (d) they may lose all or a substantial portion of their principal;
- (e) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (f) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable will likely be magnified; and
- (g) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical experience of an index or other Relevant Factor should not be viewed as an indication of the future performance of such Relevant Factor during the term of any Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Notes linked to a Relevant Factor and the suitability of such Notes in the light of its particular circumstances.

Where Notes are issued on a partly paid basis, an investor who fails to pay any subsequent instalment of the issue price could lose all of its investment

The relevant Issuer may issue Notes where the issue price is payable in more than one instalment. Any failure by an investor to pay any subsequent instalment of the issue price in respect of his Notes could result in such investor losing all of its investment.

Notes which are issued with variable interest rates or which are structured to include a multiplier or other leverage factor are likely to have more volatile market values than more standard securities

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or

other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Inverse Floating Rate Notes will have more volatile market values than conventional Floating Rate Notes

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Notes are typically more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Risks related to Notes generally

Set out below is a description of material risks relating to the Notes generally:

The conditions of the Notes contain provisions which may permit their modification without the consent of all investors and confer significant discretions on the Trustee which may be exercised without the consent of the Noteholders and without regard to the individual interests of particular Noteholders

The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The conditions of the Notes also provide that the Trustee may, without the consent of Noteholders and without regard to the interests of particular Noteholders, agree to (a) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or (b) determine without the consent of the Noteholders that any Event of Default or potential Event of Default shall not be treated as such or (c) the substitution of another company as principal debtor under any Notes in place of the relevant Issuer, in the circumstances described in Condition 17 (*Meetings of Noteholders, Modification, Waiver and Substitution*) of the conditions of the Notes.

The regulation and reform of “benchmarks” may adversely affect the value of Notes linked to such “benchmarks”

Rates and indices which are deemed to be "benchmarks", are the subject of recent national, international and other regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to such a “benchmark”. Regulation (EU) 2016/1011 (the **Benchmarks Regulation**) was published in the official journal of the EU on 29 June 2016 and will apply from 1 January 2018. The Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. It will, among other things, (i) require benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevent certain uses by EU supervised entities (such as the Issuer) of "benchmarks" of administrators that are not authorised/registered (or, if non-EU based, deemed equivalent or recognised or endorsed).

The Benchmarks Regulation could have a material impact on any Notes linked to a rate or index deemed to be a “benchmark” , in particular, if the methodology or other terms of the “benchmark” are changed in order to comply with the requirements of the Benchmarks Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the “benchmark”.

More broadly, any of the international, national or other proposals for reform, or the general increased regulatory scrutiny of "benchmarks", could increase the costs and risks of administering or otherwise participating in the setting of a "benchmark" and complying with any such regulations or requirements. Such factors may have the following effects on certain “benchmarks”: (i) discourage market participants from continuing to administer or contribute to such “benchmark”; (ii) trigger changes in the rules or methodologies used in the “benchmark” or (iii) lead to the disappearance of the "benchmark". Any of the above changes or any other consequential changes as a result of international, national or other proposals for reform or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to a "benchmark".

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation reforms, investigations and licensing issues in making any investment decision with respect to the Notes linked to a “benchmark”.

Risks related to Singapore taxation

Notes issued in Singapore dollars are intended to be, where applicable, "qualifying debt securities" for the purposes of the Income Tax Act, Chapter 134 of Singapore (the **ITA**), subject to the fulfilment of certain conditions as further described under "*Taxation in Singapore*". However, there is no assurance that such Notes will continue to enjoy the tax concessions in connection therewith under the ITA should the relevant tax laws be amended or revoked at any time, which amendment or revocation may be prospective or retroactive.

Call options are subject to the prior consent of the relevant Competent Authority

In addition to the call rights described under “*Regulatory classification of the Notes*” below, Subordinated Notes may also contain provisions allowing the relevant Issuer to call them after a minimum period of, for example, five years. To exercise such a call option, the Issuer must obtain the prior written consent of the relevant Competent Authority in accordance with applicable laws and regulations, including Articles 77(b) and 78 of the CRD IV Regulation.

Holders of such Notes have no rights to call for the redemption of such Notes and should not invest in such Notes in the expectation that such a call will be exercised by the relevant Issuer. The relevant Competent Authority must agree to permit such a call, based upon its evaluation of the regulatory capital position of the relevant Issuer and certain other factors at the relevant time and in accordance with applicable laws and regulations, including Articles 77(b) and 78 of the CRD IV Regulation. There can be no assurance that the relevant Competent Authority will permit such a call. Holders of such Notes should be aware that they may be required to bear the financial risks of an investment in such Notes for a period of time in excess of the minimum period.

U.S. Hiring Incentives to Restore Employment Act Withholding

The U.S. Hiring Incentives to Restore Employment Act (the **HIRE Act**) imposes a 30 per cent. withholding tax on amounts attributable to U.S. source dividends that are paid or “deemed paid” under certain financial instruments if certain conditions are met. If the relevant Issuer or any withholding agent determines that withholding is required, neither the relevant Issuer nor any

withholding agent will be required to pay any additional amounts with respect to amounts so withheld. Prospective investors should refer to the section “U.S. Hiring Incentives to Restore Employment Act” in the Taxation section.

The value of the Notes could be adversely affected by a change in English law or administrative practice

The conditions of the Notes are based on English law in effect as at the date of this Base Prospectus, save that subordination provisions applicable to Subordinated Notes issued by UniCredit are governed by, and shall be construed in accordance with, Italian law in effect as at the date of this Base Prospectus, and Subordinated Notes issued by UniCredit Ireland are governed by, and shall be construed in accordance with, Irish law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or to Italian law for the Subordinated Notes issued by UniCredit or to Irish law for the Subordinated Notes issued by UniCredit Ireland or administrative practice after the date of this Base Prospectus and any such change could materially adversely impact the value of any Notes affected by it.

Investors who hold less than the minimum Specified Denomination may be unable to sell their Notes and may be adversely affected if definitive Notes are subsequently required to be issued.

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination. Further, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination.

If such Notes in definitive form are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

The Renminbi is not freely convertible and there are significant restrictions on the remittance of the Renminbi into and outside the PRC which may affect the liquidity of the Notes

The Renminbi is not freely convertible at present. The government of the PRC (the **PRC Government**) continues to regulate conversion between the Renminbi and foreign currencies, including the Hong Kong dollar, despite the significant reduction over the years by the PRC Government of control over routine foreign exchange transactions under current accounts. This represents a current account activity. However, remittance of Renminbi by foreign investors into the PRC for purposes such as capital contributions, known as capital account items, is generally only permitted upon obtaining specific approvals from the relevant authorities on a case-by-case basis and subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into the PRC for settlement of capital account items are developing gradually.

Although since 1 October 2016, the Renminbi has been added to the Special Drawing Rights basket created by the IMF, there is no assurance that the PRC Government will continue to liberalise the control over cross-border Renminbi remittances in the future, that any pilot schemes for Renminbi cross-border liberalisation will not be discontinued or that new PRC regulations, or that new PRC regulations will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. Further, if any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the remittance of Renminbi for payment of transactions categorised as capital accounts items, then such remittances will need to be made subject to the specific requirements or restrictions set out in such rules. In the event that funds cannot be repatriated outside the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer to source Renminbi to finance its obligations under Notes denominated in Renminbi (the **Renminbi Notes**).

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of the Notes and the relevant Issuer's ability to source Renminbi outside the PRC to service the Renminbi Notes

As a result of the restrictions imposed by the PRC Government on cross-border Renminbi fund flows, the availability of Renminbi outside of the PRC is limited. While the PBoC has entered into agreements on the clearing of RMB business (the **Settlement Agreements**) with financial institutions in a number of financial centres and cities (the **RMB Clearing Banks**), including but not limited to Hong Kong, and are in the process of establishing RMB clearing and settlement mechanisms in several other jurisdictions, the current size of RMB denominated financial assets outside the PRC is limited.

Renminbi business participating banks do not have direct Renminbi liquidity support from the PBoC. The relevant Renminbi Clearing Bank only has access to onshore liquidity support from the PBoC only for the purpose of squaring open positions of participating banks for limited types of transactions. The relevant Renminbi Clearing Bank is not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services and participating banks will need to source Renminbi from the offshore market to square such open positions.

The offshore Renminbi market is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that no new PRC regulations will be promulgated or the Settlement Agreements will not be terminated or amended so as to have the effect of restricting the availability of Renminbi offshore. The limited availability of Renminbi outside the PRC may affect the liquidity of the Renminbi Notes. To the extent that the relevant Issuer is required to source Renminbi in the offshore market to service the Renminbi Notes, there is no assurance that it will be able to source such Renminbi on satisfactory terms, if at all. If the Renminbi is not available in certain circumstances as described in the conditions applicable to Renminbi Notes, the relevant Issuer can make payments under the Renminbi Notes in U.S. Dollars or such other currency as specified in the applicable final terms or pricing supplement of the Notes (as the case may be).

Investment in the Renminbi Notes is subject to exchange rate risks

The value of the Renminbi against the U.S. dollar and other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions and by many other factors. In August 2015, the PBoC implemented changes to the way it calculates the midpoint against the U.S. Dollar to take into account market-maker quotes before announcing the daily midpoint. This change, among others that may be implemented, may increase the volatility in the value of the Renminbi against other currencies. All payments of interest and principal will be made with respect to the Renminbi Notes in Renminbi unless otherwise specified. As a result, the value of these Renminbi payments in U.S. dollar terms (or in terms of other applicable foreign

currencies) may vary with the prevailing exchange rates in the market place. If the value of Renminbi depreciates against the U.S. dollar or other foreign currencies, the value of the investment in U.S. dollar or other applicable foreign currency terms will decline.

In the event that access to Renminbi becomes restricted to the extent that, by reason of Inconvertibility, Non-transferability or Illiquidity (as defined in the terms and conditions of the Notes), the relevant Issuer is unable, or it is impractical for it, to pay interest or principal in Renminbi, the Conditions of the Notes allow the Issuer to make payment in U.S. dollars or such other currency as specified in the applicable final terms or pricing supplement of the Notes (as the case may be) at the prevailing Spot Rate (as defined in the Conditions of the Notes) for the relevant Determination Date (as defined in the Conditions of the Notes), all as provided in more detail in the Conditions of the Notes. As a result, the value of these Renminbi payments may vary with the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against the U.S. dollar or other foreign currencies, the value of a holder's investment in U.S. dollar or other foreign currency terms will decline.

An investment in Renminbi Notes is subject to interest rate risk

The PRC Government has gradually liberalised the regulation of interest rates in recent years. Further liberalisation may increase interest rate volatility. In addition, the interest rate for Renminbi in markets outside the PRC may significantly deviate from the interest rate for Renminbi in the PRC as a result of foreign exchange controls imposed by PRC law and regulations and prevailing market conditions. The Renminbi Notes may carry a fixed interest rate. Consequently, the trading price of such Renminbi Notes will vary with fluctuations in interest rates. If a holder of Renminbi Notes tries to sell any Renminbi Notes before their maturity, they may receive an offer that is less than the amount invested.

An investment in Renminbi Notes is subject to risk of change in the regulatory regime governing the issuance of Renminbi Notes

Renminbi Notes issuance is subject to laws and regulations of the relevant RMB Settlement Centre(s) (as defined in the terms and conditions of the Notes). The PRC Government currently views Hong Kong as one of the key offshore RMB-denominated debt instrument centres and has established a cooperative relationship with Hong Kong's local government to develop the RMB-denominated debt instrument market. There can be no assurance that the PRC Government will continue to encourage issuance of RMB-denominated debt instruments outside of mainland China and any change in the Chinese government's policy or the regulatory regime governing the issuance of RMB-denominated debt instruments may adversely affect the Renminbi Notes.

Payments in respect of the Renminbi Notes will only be made to investors in the manner specified in the terms and conditions of the relevant Notes

Investors may be required to provide certification and other information (including Renminbi account information) in order to be allowed to receive payments in Renminbi in accordance with the Renminbi clearing and settlement system for participating banks in the RMB Settlement Centre(s). All Renminbi payments to investors in respect of the Notes will be made solely (i) for so long as the Notes are represented by Global Notes held with the common depositary or common safekeeper, as the case may be, for Euroclear and Clearstream, Luxembourg or any alternative clearing system by transfer to a Renminbi bank account maintained in RMB Settlement Centre(s) in accordance with prevailing Euroclear and/or Clearstream, Luxembourg rules and procedures, or (ii) for so long as the Notes are in definitive form, by transfer to a Renminbi bank account maintained in the RMB Settlement Centre(s) in accordance with prevailing rules and regulations. Other than described in the Conditions of the Notes, the Issuers and the Guarantor cannot be required to make payment by any

other means (including in any other currency or in bank notes, by cheque or draft or by transfer to a bank account in the PRC).

PRC Taxation

Prospective purchasers or Holders of the Notes are advised to consult their own tax advisers as to the overall PRC tax consequences of the purchase, ownership and disposal of Notes, including the effect of any state or local taxes, under the tax laws of the PRC.

Risks related to the market generally

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his Notes

Notes may have no established trading market when issued, and one may never develop. If a market for the Notes does develop, it may not be very liquid and may be sensitive to changes in financial markets. Therefore investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case should the Issuer be in financial distress, which may result in any sale of the Notes having to be at a substantial discount to their principal amount or for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities.

If an investor holds Notes which are not denominated in the investor's home currency, it will be exposed to movements in exchange rates adversely affecting the value of its holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes

The Issuers will pay principal and interest on the Notes and the Guarantor will make any payments under the Guarantee in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (a) the Investor's Currency-equivalent yield on the Notes, (b) the Investor's Currency-equivalent value of the principal payable on the Notes and (c) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuers or the Guarantor to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

The value of Fixed Rate Notes may be adversely affected by movements in market interest rates

Investment in Fixed Rate Notes involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Notes, this will adversely affect the value of the Fixed Rate Notes.

Credit ratings assigned to the Issuers, the Guarantor or any Notes may not reflect all the risks associated with an investment in those Notes

One or more independent credit rating agencies may assign credit ratings to the Issuers, the Guarantor or the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). The list of registered and certified rating agencies published by the ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Base Prospectus.

Appendix 3

Terms and Conditions of the Notes

Any reference in the Terms and Conditions to "applicable Final Terms" or "Final Terms" shall be deemed to include a reference to "applicable Pricing Supplement" or "Pricing Supplement" where relevant in the case of Exempt Notes.

The following are the Terms and Conditions of the Notes which will be attached to or (in the case of Notes issued by UniCredit Ireland) incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange, the competent authority or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Pricing Supplement in relation to any Tranche of Exempt Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Applicable Final Terms" for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of Notes constituted by a Twelfth Amended and Restated Trust Deed (such Twelfth Amended and Restated Trust Deed, as modified and/or supplemented and/or restated from time to time, the **Trust Deed**) dated 15 June 2017 and made between UniCredit S.p.A. (**UniCredit** or the **Parent**), UniCredit Bank Ireland p.l.c. (**UniCredit Ireland**), UniCredit International Bank (Luxembourg) S.A. (**UniCredit International Luxembourg**) and Citicorp Trustee Company Limited as trustee for the time being for the Noteholders (the **Trustee**, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed), and issued by UniCredit or UniCredit Ireland or UniCredit International Luxembourg (or any other company which has become an issuer under the Programme and the Trust Deed in accordance with Condition 17) as indicated in the applicable Final Terms (each of them, the **Issuer**, which expression shall include any company substituted in place of the Issuer in accordance with Condition 17). The terms of the guarantee applicable to the Notes issued by UniCredit Ireland and UniCredit International Luxembourg and provided by UniCredit (in its capacity as guarantor of Notes issued by UniCredit Ireland (other than Subordinated Notes) and UniCredit International Luxembourg, the **Guarantor**, which expression shall include any company substituted in place of the Guarantor in accordance with Condition 17) are contained in the Trust Deed. These terms and conditions (the **Conditions**) include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Notes, Registered Notes, Coupons, Receipts and Talons referred to below. References herein to the **Notes** shall be references to the Notes of this Series and shall mean:

- (a) in relation to any Notes represented by a global Note (a **Global Note**), units of each Specified Denomination in the Specified Currency;
- (b) any Global Note;
- (c) any definitive Notes in bearer form (**Definitive Bearer Notes**) issued in exchange for a Global Note in bearer form; and
- (d) definitive Notes in registered form (**Definitive Registered Notes**) (whether or not issued in exchange for a Global Note in registered form).

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of a Fifteenth Amended and Restated Agency Agreement dated 15 June 2017 (such Fifteenth Amended and Restated Agency Agreement, as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) and made between UniCredit, UniCredit Ireland, UniCredit International Luxembourg, the Guarantor, the Trustee, Citibank, N.A., London Branch as issuing and principal paying agent (the **Principal Paying Agent**, which expression shall include any successor principal paying agent) and the other paying agents named therein (together with the Principal Paying Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents), Citibank, N.A., London Branch as exchange agent (the **Exchange Agent** which expression shall include any successor exchange agent) and Citigroup Global Markets Deutschland AG as registrar (the **Registrar**, which expression shall include any successor registrar) and a transfer agent and the other transfer agents named therein (together with the Registrar, the **Transfer Agents**, which expression shall include any additional or successor transfer agents).

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms (or Pricing Supplement, in the case of Exempt Notes) attached to or endorsed on this Note which complete these Terms and Conditions (the **Conditions**) and, in the case of a Note which is neither admitted to trading on a regulated market in the EEA nor offered in the EEA in circumstances where a prospectus is required to be published under the Prospectus Directive (an **Exempt Note**), may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Conditions, replace or modify the Conditions for the purposes of this Note. References to **the applicable Final Terms** are, unless otherwise stated, to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note or to the **applicable Pricing Supplement** (or the relevant provisions thereof) attached to or endorsed on this Note. The expression **Prospectus Directive** means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU).

Interest bearing definitive Bearer Notes (unless otherwise indicated in the applicable Final Terms) have interest coupons (**Coupons**) and, in the case of Notes which, when issued in definitive form, have more than 27 interest payments remaining, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Exempt Notes in definitive form which are repayable in instalments have receipts (**Receipts**) for the payment of the instalments of principal (other than the final instalment) attached on issue. Registered Notes and Global Notes do not have Receipts, Coupons or Talons attached on issue.

The Trustee acts for the benefit of the Noteholders (which expression shall mean (in the case of Bearer Notes) the holders of the Notes and (in the case of Registered Notes) the persons in whose name the Notes are registered and shall, in relation to any Notes represented by a Global Note, be construed as provided below), the holders of the Receipts (the **Receiptholders**) and the holders of the Coupons (the **Couponholders**, which expression shall, unless the context otherwise requires, include the holders of the Talons), in accordance with the provisions of the Trust Deed.

As used herein, **Tranche** means Notes which are identical in all respects (including as to listing and admission to trading) and **Series** means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (a) expressed to be consolidated and form a single series and (b) have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue.

Copies of the Trust Deed, the Agency Agreement and a deed poll dated 15 June 2017 (the **Deed Poll**) and executed by UniCredit, UniCredit Ireland and UniCredit International Luxembourg are available for inspection during normal business hours at the principal office for the time being of the Trustee being at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB and at the specified office of each of the Principal Paying Agent, the Registrar and the other Paying Agents and Transfer Agents

(such Agents and the Registrar being together referred to as the **Agents**) and KBL European Private Bankers S.A. (the **Luxembourg Listing Agent**) as long as the Notes are admitted to trading on the Luxembourg Stock Exchange's regulated market and listed on the Official List of the Luxembourg Stock Exchange. If the Notes are to be admitted to trading on the regulated market of the Luxembourg Stock Exchange, the applicable Final Terms will be published on the website of the Luxembourg Stock Exchange (www.bourse.lu). If this Note is an Exempt Note, the applicable Pricing Supplement will only be obtainable by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Issuer, the Trustee and the relevant Paying Agent as to its holding of such Notes and identity unless the regulations of the relevant stock exchange require otherwise. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement and the applicable Final Terms or applicable Pricing Supplement which are applicable to them.

Words and expressions defined in the Trust Deed, the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Trust Deed and the Agency Agreement, the Trust Deed will prevail and, in the event of inconsistency between the Trust Deed or the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

1. FORM, DENOMINATION AND TITLE

The Notes are in bearer form or in registered form as specified in the applicable Final Terms and, in the case of definitive Notes, serially numbered, in the currency (the **Specified Currency**) and the denominations (the **Specified Denomination(s)**) specified in the applicable Final Terms. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination and Bearer Notes may not be exchanged for Registered Notes and *vice versa*.

Unless this Note is an Exempt Note, this Note may be a Fixed Rate Note, a Floating Rate Note, an Inflation Linked Interest Note, a Zero Coupon Note, a CMS Linked Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

If this Note is an Exempt Note, this Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, a Dual Currency Interest Note (each as hereinafter defined), or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

If this Note is an Exempt Note, this Note may also be an Index Linked Redemption Note, an Instalment Note, a Dual Currency Redemption Note and a Partly Paid Note or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Final Terms.

This Note may be an Extendible Note, depending on the Redemption/Payment Basis shown in the applicable Final Terms (or Pricing Supplement if applicable).

This Note may also be a Senior Note issued by UniCredit, UniCredit Ireland or UniCredit International Luxembourg or a Subordinated Note or a Non-Preferred Senior Note issued by UniCredit, as indicated in the applicable Final Terms.

Definitive Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in the Conditions are not applicable.

Subject as set out below, title to the Notes, Receipts and Coupons will pass by delivery and title to the Registered Notes will pass upon registration of transfers in accordance with the provisions of the Trust Deed and the Agency Agreement. The Issuer, the Guarantor (in the case of Guaranteed Notes), the Paying Agents and the Trustee will (except as otherwise required by law or as otherwise required by a court of competent jurisdiction or a public official authority) deem and treat the bearer of any Bearer Note, Receipt or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank S.A./N.V. (**Euroclear**) and/or Clearstream Banking, S.A. (**Clearstream, Luxembourg**), and/or the Depositary Trust Company (**DTC**) or its nominee, each person (other than Euroclear or Clearstream, Luxembourg or DTC) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg or of DTC as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg or DTC as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error or proven error) shall be treated by the Issuer, the Guarantor (in the case of Guaranteed Notes) the Paying Agents and the Trustee as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer, the Guarantor (in the case of Guaranteed Notes) any Paying Agent and the Trustee as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of DTC, Euroclear and Clearstream, Luxembourg, as the case may be.

References to DTC, Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in Part B the applicable Final Terms, provided that, in the case of the Notes issued in NGN form, such additional or alternative clearing system must also be authorised to hold such Notes as eligible collateral for Eurosystem monetary policy and intra-day credit operations.

2. TRANSFERS OF REGISTERED NOTES

2.1 Transfers of interests in Registered Global Notes

Transfers of beneficial interests in Registered Global Notes will be effected by DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Notes in definitive form or for a beneficial interest in another Registered Global Note of the same series only in the authorised denominations set out in the applicable Final Terms and only in accordance with the rules and operating procedures for the time being of DTC, Euroclear or Clearstream, Luxembourg, as the case may be and in accordance with the terms and conditions specified in the Trust Deed and the Agency Agreement.

Transfers of a Registered Global Note registered in the name of a nominee for DTC shall be limited to transfers of such Registered Global Note, in whole but not in part, to another nominee of DTC or to a successor of DTC or such successor's nominee.

2.2 Transfers of Registered Notes in definitive form

Subject as provided in Conditions 2.3 and 2.6 below, upon the terms and subject to the conditions set forth in the Trust Deed and the Agency Agreement, a Registered Note in definitive form may be transferred in whole or in part (in the authorised denominations set out in the applicable Final Terms). In order to effect any such transfer (a) the holder or holders must (i) surrender the Registered Note for registration of the transfer of the Registered Note (or the relevant part of the Registered Note) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (ii) complete and deposit such other certifications as may be required by the Registrar or, as the case may be, the relevant Transfer Agent and (b) the Registrar or, as the case may be, the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer, the Trustee and the Registrar may from time to time prescribe (with the prior written approval of the Trustee) (the initial such regulations being set out in Schedule 4 to the Agency Agreement). Subject as provided above, the Registrar will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), deliver, or procure the delivery of, at its specified office or the specified office of a Transfer Agent to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Registered Note in definitive form, duly authenticated by the Registrar, of a like aggregate nominal amount to the Registered Note (or the relevant part of the Registered Note) transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

2.3 Registration of transfer upon partial redemption

In the event of a partial redemption of Notes under Condition 8, the Issuer shall not be required to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

2.4 Costs of registration

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

2.5 Transfers of interests in Regulation S Global Notes

Prior to expiry of the applicable Distribution Compliance Period, transfers by the holder of, or of a beneficial interest in, a Regulation S Global Note to a transferee in the United States or who is a U.S. person will only be made:

- (a) upon receipt by the Registrar of a written certification substantially in the form set out in the Trust Deed, amended as appropriate (a **Transfer Certificate**), copies of which are available from the specified office of the Registrar or any Transfer Agent, from the transferor of the Note or beneficial interest therein to the effect that such transfer is being made:
 - (i) to a person whom the transferor reasonably believes to be a QIB in a transaction meeting the requirements of Rule 144A; or
 - (ii) to a person who is an Institutional Accredited Investor, together with a duly executed investment letter from the relevant transferee substantially in the form set out in the Trust Deed (an **IAI Investment Letter**); or
- (b) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States, and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

In the case of (a)(i) above, such transferee may take delivery through a Legended Note in global or definitive form and, in the case of (a)(ii) above, such transferee may take delivery only through a Legended Note in definitive form. After expiry of the applicable Distribution Compliance Period (A) beneficial interests in Regulation S Global Notes registered in the name of a nominee for DTC may be held through DTC directly, by a participant in DTC, or indirectly through a participant in DTC and (B) such certification requirements will no longer apply to such transfers.

2.6 Transfers of interests in Legended Notes

Transfers of Legended Notes or beneficial interests therein may be made:

- (a) to a transferee who takes delivery of such interest through a Regulation S Global Note, upon receipt by the Registrar of a duly completed Transfer Certificate from the transferor to the effect that such transfer is being made in accordance with Regulation S and that, in the case of a Regulation S Global Note registered in the name of a nominee for DTC, if such transfer is being made prior to expiry of the applicable Distribution Compliance Period, the interests in the Notes being transferred will be held immediately through Euroclear and/or Clearstream, Luxembourg; or
- (b) to a transferee who takes delivery of such interest through a Legended Note:
 - (i) where the transferee is a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, without certification;
 - (ii) where the transferee is an Institutional Accredited Investor, subject to delivery to the Registrar of a Transfer Certificate from the transferor to the

effect that such transfer is being made to an Institutional Accredited Investor, together with a duly executed IAI Investment Letter from the relevant transferee; or

- (c) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel that such transfer is in compliance with any applicable securities laws of any State of the United States,

and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

Notes transferred by Institutional Accredited Investors to QIBs pursuant to Rule 144A or outside the United States pursuant to Regulation S will be eligible to be held by such QIBs or non-U.S. investors through DTC, Euroclear or Clearstream, Luxembourg, as appropriate, and the Registrar will arrange for any Notes which are the subject of such a transfer to be represented by the appropriate Registered Global Note, where applicable.

Upon the transfer, exchange or replacement of Legended Notes, or upon specific request for removal of the legend, the Registrar shall deliver only Legended Notes or refuse to remove such legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence as may reasonably be required by the Issuer, which may include an opinion of U.S. counsel that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

2.7 Exchanges of Registered Notes generally

Holders of Registered Notes in definitive form that were sold outside the United States in accordance with regulation S (**Regulation S Notes**) may exchange such Notes for Regulation S Global Notes at any time and holders of Rule 144A Notes in definitive form may exchange such Notes for interests in a Rule 144A Global Note of the same type at any time.

2.8 Definitions

In this Condition, the following expressions shall have the following meanings:

Distribution Compliance Period means the period that ends 40 days after the completion of the distribution of each Tranche of Notes, as certified by the relevant Dealer (in the case of a non-syndicated issue) or the relevant Lead Manager (in the case of a syndicated issue);

Institutional Accredited Investor means accredited investors (as defined in Rule 501(a) (1), (2), (3) or (7) under the Securities Act) that are institutions;

Legended Note means Registered Notes in definitive form that are issued to Institutional Accredited Investors and Registered Notes (whether in definitive form or represented by a Registered Global Note) sold in private transactions to QIBs in accordance with the requirements of Rule 144A which bear a legend specifying certain restrictions on transfer (a **Legend**);

QIB means a “qualified institutional buyer” within the meaning of Rule 144A as defined below;

Regulation S means Regulation S under the Securities Act;

Regulation S Global Note means a Registered Global Note representing Notes sold outside the United States in reliance on Regulation S;

Rule 144A means Rule 144A under the Securities Act;

Rule 144A Global Note means a Registered Global Note representing Notes sold in the United States or to QIBs; and

Securities Act means the United States Securities Act of 1933, as amended.

3. **GUARANTEED NOTES**

This Condition 3 applies only to Notes specified in the applicable Final Terms as being Guaranteed Notes.

If the Notes are specified in the applicable Final Terms to be guaranteed (**Guaranteed Notes**), the Guarantor has unconditionally and irrevocably guaranteed the due performance of all payment and other obligations of the Issuer under the Notes, Receipts and Coupons, these Conditions and the Trust Deed. The obligations of the Guarantor in this respect (the **Guarantee**) are contained in the Trust Deed.

4. **STATUS OF THE SENIOR NOTES AND THE SENIOR GUARANTEE**

This Condition 4 applies only to Notes specified in the applicable Final Terms as Senior and being Senior Notes (and, for the avoidance of doubt, does not apply to Non-Preferred Senior Notes).

The Senior Notes and any relative Receipts and Coupons and (in the case of Guaranteed Notes) the obligations of the Guarantor under the Guarantee constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and the Guarantor respectively, ranking (subject to any obligations preferred by any applicable law) *pari passu* with all other unsecured obligations (other than obligations ranking junior to the Senior Notes from time to time (including Non-Preferred Senior Notes and any further obligations permitted by law to rank junior to the Senior Notes following the Issue Date), if any) of the Issuer and the Guarantor respectively, present and future and, in the case of the Senior Notes, *pari passu* and rateably without any preference among themselves. Any payment by the Guarantor under the Guarantee shall (to the extent of such payment) extinguish the corresponding debt of the Issuer.

Each holder of a Senior Note unconditionally and irrevocably waives any right of set-off, netting, counterclaim, abatement or other similar remedy which it might otherwise have under the laws of any jurisdiction in respect of such Senior Note and, in the case of Guaranteed Notes, the Guarantee.

4.A **STATUS OF THE NON-PREFERRED SENIOR NOTES**

This Condition 4.A applies only to Notes issued by UniCredit specified in the applicable Final Terms as Non-Preferred Senior and being Non-Preferred Senior Notes.

Non-Preferred Senior Notes (notes intending to qualify as *strumenti di debito chirografario di secondo livello* of the Issuer, as defined under Article 12-bis of the Legislative Decree No. 385 of 1 September 1993 of the Republic of Italy, as amended (the Italian Banking Act)), any related Receipts and Coupons constitute direct, unconditional, unsubordinated, and unsecured and non-preferred obligations of the

Issuer, ranking junior to Senior Notes and any other unsecured and unsubordinated obligations of the Issuer which rank, or are expressed to rank by their terms, senior to the Non-Preferred Senior Notes, *pari passu* without any preferences among themselves, and with all other present or future obligations of the Issuer which do not rank or are not expressed by their terms to rank junior or senior to the relevant Non-Preferred Senior Notes and in priority to any subordinated instruments and to the claims of shareholders of the UniCredit, pursuant to Article 91, section 1-*bis*, letter c-*bis* of the Italian Banking Act, as amended from time to time.

Each holder of a Non-Preferred Senior Note unconditionally and irrevocably waives any right of set-off, netting, counterclaim, abatement or other similar remedy which it might otherwise have under the laws of any jurisdiction in respect of such Non-Preferred Senior Note.

5. STATUS OF THE SUBORDINATED NOTES

This Condition 5 applies only to Notes issued by UniCredit specified in the applicable Final Terms as Subordinated and being Subordinated Notes.

5.1 Status of Subordinated Notes issued by UniCredit

- (a) Subordinated Notes (notes intended to qualify as Tier 2 capital for regulatory capital purposes, in accordance with Part II, Chapter 1 of the Bank of Italy's *Disposizioni di Vigilanza per le Banche*, as set out in Bank of Italy Circular No. 285 of 17 December 2013, as amended or supplemented from time to time (the **Bank of Italy Regulations**), including any successor regulations, and Article 63 of the Regulation No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms) and any relative Receipts and Coupons constitute direct, unconditional, unsecured and subordinated obligations of UniCredit and rank after unsubordinated unsecured creditors (including depositors and holders of Senior Notes and Non-Preferred Senior Notes) of UniCredit and after all creditors of UniCredit holding instruments which are less subordinated than the relevant Subordinated Notes but at least *pari passu* without any preferences among themselves and with all other present and future subordinated obligations of UniCredit which do not rank or are not expressed by their terms to rank junior or senior to the relevant Subordinated Notes and in priority to the claims of shareholders of UniCredit.
- (b) In relation to each Series of Subordinated Notes all Subordinated Notes of such Series will be treated equally and all amounts paid by UniCredit in respect of principal and interest thereon will be paid *pro rata* on all Subordinated Notes of such Series.
- (c) Each holder of a Subordinated Note unconditionally and irrevocably waives any right of set-off, netting, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Subordinated Note.

6. INTEREST

The applicable Final Terms will indicate whether the Notes are Fixed Rate Notes, Floating Rate Notes, Inflation Linked Interest Notes or Zero Coupon Notes or, in the case of Exempt Notes, whether a different interest basis applies.

6.1 Interest on Fixed Rate Notes

This Condition 6.1 applies to Fixed Rate Notes only. The applicable Final Terms contains provisions applicable to the determination of fixed rate interest and must be read in conjunction with this Condition 6.1 for full information on the manner in which interest is calculated on Fixed Rate Notes. In particular, the applicable Final Terms will specify the Interest Commencement Date, the Rate(s) of Interest, the Interest Payment Date(s), any applicable Business Day Convention, the Maturity Date, the Fixed Coupon Amount, any applicable Broken Amount, the Calculation Amount, the Day Count Fraction and any applicable Determination Date.

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (but excluding) the Maturity Date. The Rate of Interest may be specified in the applicable Final Terms either (i) as the same Rate of Interest for all Interest Periods or (ii) as a different Rate of Interest in respect of one or more Interest Periods.

In respect of Notes which are denominated in Renminbi, if the Business Day Convention is specified as the Modified Following Business Day Convention in the applicable Final Terms or Pricing Supplement, as the case may be, if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

If the Notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

As used in the Conditions, **Fixed Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the cases of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to the Calculation Amount, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such subunit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form comprises more than one Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the aggregate of the amount (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

Day Count Fraction means, in respect of the calculation of an amount of interest, in accordance with this Condition 6.1:

- (a) if “Actual/Actual (ICMA)” is specified in the applicable Final Terms:
 - (i) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the

Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (A) the number of days in such Determination Period and (B) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

(ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Dates that would occur in one calendar year; and

(B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Dates that would normally occur in one calendar year;

(b) if "30/360" is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360;

(c) if "Actual/Actual (ISDA)" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365); and

(d) If "Actual/365 (Fixed)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365.

In these Conditions:

Business Day means a day which is both:

(i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in any Additional Business Centre specified in the applicable Final Terms; and

(ii) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the relevant RMB Settlement Centre(s).

Determination Period means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing

on the first Determination Date prior to, and ending on the first Determination Date falling after, such date);

RMB Settlement Centre, means the financial centre(s) specified as such in the applicable Final Terms or Pricing Supplement in accordance with applicable laws and regulations. If no RMB Settlement Centre is specified in the relevant Final Terms or Pricing Supplement, the RMB Settlement Centre shall be deemed to be Hong Kong; and

sub-unit means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

6.2 Interest on Floating Rate Notes and Inflation Linked Interest Notes

(a) Interest Payment Dates

This Condition 6.2 applies to Floating Rate Notes and Inflation Linked Interest Notes only. The applicable Final Terms contains provisions applicable to the determination of floating rate interest and inflation linked rate interest and must be read in conjunction with this Condition 6.2 for full information on the manner in which interest is calculated on Floating Rate Notes, or, as appropriate, Inflation Linked Interest Notes. In particular, the applicable Final Terms will identify any Specified Interest Payment Dates, any Specified Period, the Interest Commencement Date, the Business Day Convention, any Additional Business Centres, whether ISDA Determination or Screen Rate Determination applies to the calculation of interest (applicable to Floating Rate Notes only), the party who will calculate the amount of interest due if it is not the Agent, the Margin, any maximum or minimum interest rates and the Day Count Fraction. Where, in the case of Floating Rate Notes, ISDA Determination applies to the calculation of interest, the applicable Final Terms will also specify the applicable Floating Rate Option, Designated Maturity and Reset Date. Where Screen Rate Determination applies to the calculation of interest, the applicable Final Terms will also specify the applicable Reference Rate, Interest Determination Date(s) and Relevant Screen Page.

Each Floating Rate Note and Inflation Linked Interest Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (i) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or
- (ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an **Interest Payment Date**) which falls in the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period. In these Conditions, **Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date

should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified as:

- (A) in any case where Specified Periods are specified in accordance with Condition 6.2(a)(ii), the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis*; or
- (B) or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls in the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (C) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (D) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (E) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Conditions:

Business Day means a day which is both:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in any Additional Business Centre specified in the applicable Final Terms; and
- (ii) either (a) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than any Additional Business Centre and which if the Specified Currency is Australian dollars, New Zealand dollars or Renminbi shall be Sydney, Auckland and the relevant RMB Settlement Centre(s), respectively) or (b) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the **TARGET2 System**) is open.

RMB Settlement Centre(s) means the financial centre(s) specified as such in the applicable Final Terms or Pricing Supplement in accordance with applicable laws and regulations. If no RMB Settlement Centre is specified in the relevant Final Terms or Pricing Supplement, the RMB Settlement Centre shall be deemed to be Hong Kong.

(b) Rate of Interest – Floating Rate Notes

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Final Terms. It may be specified in the Final Terms that the Rate of Interest is multiplied by a factor.

(i) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this subparagraph (i), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent under an interest rate swap transaction if the Principal Paying Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the **ISDA Definitions**) and under which:

- (A) the Floating Rate Option is as specified in the applicable Final Terms;
- (B) the Designated Maturity is a period specified in the applicable Final Terms;
and
- (C) the relevant Reset Date is the day specified in the applicable Final Terms.

For the purposes of this subparagraph (i), Floating Rate, Calculation Agent, Floating Rate Option, Designated Maturity and Reset Date have the meanings given to those terms in the ISDA Definitions. Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

(ii) Screen Rate Determination for Floating Rate Notes (other than CMS Linked Interest Notes)

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (A) the offered quotation; or
- (B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate (being either the London interbank offered rate (**LIBOR**) or the Euro-zone interbank offered rate (**EURIBOR**), as specified in the applicable Final Terms) which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Principal Paying Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one

only of such quotations) shall be disregarded by the Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If the Relevant Screen Page is not available or if no offered quotation appears or, in the case of fewer than three such offered quotations appears, in each case as at the Specified Time, the Principal Paying Agent shall request each of the Reference Banks to provide the Principal Paying Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Specified Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Principal Paying Agent with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Principal Paying Agent.

If on any Interest Determination Date one only or none of the Reference Banks provides the Principal Paying Agent with an offered quotation as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Principal Paying Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Principal Paying Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Specified Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or the inter-bank market of the Relevant Financial Centre (if any other Reference Rate is used) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Principal Paying Agent with offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Specified Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the relevant Issuer suitable for the purpose) informs the Principal Paying Agent it is quoting to leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or the inter-bank market of the Relevant Financial Centre (if any other Reference Rate is used) plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period). Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

(iii) *Screen Rate Determination for Floating Rate Notes which are CMS Linked Interest Notes*

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be:

- (A) where "CMS Reference Rate" is specified as the Reference Rate in the applicable Final Terms, determined by the Calculation Agent by reference to the following formula:

$$\text{CMS Rate} + \text{Margin}$$

- (B) where "Leveraged CMS Reference Rate" is specified as the Reference Rate in the applicable Final Terms, determined by the Calculation Agent by reference to the following formula:

$$\text{Leverage} \times \text{CMS Rate}$$

- (C) where "Steepener CMS Reference Rate" is specified as the Reference Rate in the applicable Final Terms, determined by the Calculation Agent by reference to the following formula:

Either:

- (a) where "Steepener CMS Reference Rate: Unleveraged" is specified in the applicable Final Terms:

$$\text{CMS Rate 1} - \text{CMS Rate 2}$$

or

- (b) where "Steepener CMS Reference Rate: Leveraged" is specified in the applicable Final Terms:

$$\text{Leverage} \times [(\text{Min}(\text{CMS Rate 1}; \text{Cap}) - \text{CMS Rate 2})] + \text{Margin}$$

- (D) where "Call Spread CMS Reference Rate" is specified as the Reference Rate in the applicable Final Terms, determined by the Calculation Agent by reference to the following formula:

$$\text{Leverage} \times \text{Min} [\text{Max}(\text{CMS Rate} + \text{Margin}; \text{Floor}); \text{Cap}]$$

Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

For the purposes of this sub-paragraph (B):

CMS Rate shall mean the applicable swap rate for swap transactions in the Reference Currency with a maturity of the Designated Maturity, expressed as a percentage, as published on the Relevant Screen Page on the relevant Determination Date, all as determined by the Calculation Agent. If the Relevant Screen Page is not available, the Calculation Agent shall request each of the Reference Banks to provide the Calculation Agent with its quotation for the Relevant Swap Rate at approximately the Specified Time on the Interest Determination

Date in question. If at least three of the Reference Banks provide the Calculation Agent with such quotation, the CMS Rate for such Interest Period shall be the arithmetic mean of such quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If on any Interest Determination Date less than three or none of the Reference Banks provides the Calculation Agent with such quotations as provided in the preceding paragraph, the CMS Rate shall be determined by the Calculation Agent in good faith on such commercial basis as considered appropriate by the Calculation Agent in its absolute discretion, in accordance with standard market practice;

CMS Rate 1 and **CMS Rate 2** shall mean the CMS Rate with a particular Designated Maturity as specified in the relevant Final Terms;

Cap means a percentage per annum as specified in the relevant Final Terms;

Floor means a percentage per annum as specified in the relevant Final Terms;

Leverage means a percentage number as specified in the relevant Final Terms;

Margin means a percentage per annum as specified in the relevant Final Terms;

Reference Banks means (i) where the Reference Currency is Euro, the principal office of five leading swap dealers in the inter-bank market, (ii) where the Reference Currency is Sterling, the principal London office of five leading swap dealers in the London interbank market, (iii) where the Reference Currency is United States dollars, the principal New York City office of five leading swap dealers in the New York City inter-bank market, or (iv) in the case of any other Reference Currency, the principal Relevant Financial Centre office of five leading swap dealers in the Relevant Financial Centre inter-bank market, in each case selected by the Calculation Agent;

Relevant Swap Rate means:

- (i) where the Reference Currency is Euro, the mid-market annual swap rate determined on the basis of the arithmetic mean of the bid and offered rates for the annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for floating euro interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, in each case calculated on an Actual/360 day count basis, is equivalent to EUR-EURIBOR-Reuters (as defined in the ISDA Definitions) with a designated maturity determined by the Calculation Agent by reference to standard market practice and/or the ISDA Definitions;
- (ii) where the Reference Currency is Sterling, the mid-market semi-annual swap rate determined on the basis of the arithmetic mean of the bid and offered rates for the semi-annual fixed leg, calculated on an Actual/365 (Fixed) day count basis, of a fixed-for-floating Sterling interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, in each case calculated on an Actual/365 (Fixed) day count basis, is equivalent (A) if the Designated Maturity is greater than one year, to GBP-LIBOR-BBA (as defined in the ISDA Definitions) with a designated maturity of six months or (B) if the Designated Maturity is one year or less, to GBP-LIBOR-BBA with a designated maturity of three months;

- (iii) where the Reference Currency is United States dollars, the mid-market semi-annual swap rate determined on the basis of the mean of the bid and offered rates for the semi-annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating United States dollar interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, calculated on an Actual/360 day count basis, is equivalent to USD-LIBOR-BBA (as defined in the ISDA Definitions) with a designated maturity of three months; and
- (iv) where the Reference Currency is any other currency or if the Final Terms specify otherwise, the mid-market swap rate as determined in accordance with the applicable Final Terms; and

Representative Amount means an amount that is representative for a single transaction in the relevant market at the relevant time.

(c) **Rate of Interest – Inflation Linked Interest Notes**

The Rate of Interest payable from time to time in respect of Inflation Linked Interest Notes, for each Interest Period, shall be determined by the Calculation Agent, or other party specified in the Final Terms, on the relevant Determination Date in accordance with the following formula:

$$\text{Rate of Interest} = [[\text{Index Factor}] * \text{YoY Inflation}] + \text{Margin}$$

subject to the Minimum Rate of Interest or the Maximum Rate of Interest if, in either case, designated as applicable in the applicable Final Terms in which case the provisions of paragraph (d) below shall apply as appropriate.

The Rate of Interest shall be rounded (if necessary) to the fifth decimal place, with 0.000005 being rounded upwards.

Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

Definitions

For the purposes of the Conditions:

Index Factor has the meaning given to it in the applicable Final Terms, provided that if Index Factor is specified as "Not Applicable", the Index Factor shall be deemed to be equal to one;

Inflation Index has the meaning given to it in the applicable Final Terms;

Inflation Index (t) means the value of the Inflation Index for the Reference Month in the calendar year in which the relevant Specified Interest Payment Date falls;

Inflation Index (t-1) means the value of the Inflation Index for the Reference Month in the calendar year preceding the calendar year in which the relevant Specified Interest Payment Date falls;

Margin has the meaning given to it in the applicable Final Terms;

Reference Month has the meaning given to it in the applicable Final Terms; and

YoY Inflation (t) means in respect of the Specified Interest Payment Date falling in month (t), the value calculated in accordance with the following formula:

$$\left[\frac{\text{InflationIndex}(t)}{\text{InflationIndex}(t-1)} - 1 \right]$$

(d) Minimum Rate of Interest and/or Maximum Rate of Interest

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (a) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(e) Change of Interest Basis

If Change of Interest Basis is specified as applicable in the applicable Final Terms, the interest payable in respect of the Notes will be calculated in accordance with Condition 6.1 or Condition 6.2 above, each applicable only for the relevant periods specified in the applicable Final Terms.

If Change of Interest Basis is specified as applicable in the applicable Final Terms, and Issuer's Switch Option is also specified as applicable in the applicable Final Terms, the Issuer may, on one or more occasions, as specified in the applicable Final Terms, at its option (any such option, a **Switch Option**), having given notice to the Noteholders in accordance with Condition 16 on or prior to the relevant Switch Option Expiry Date, change the Interest Basis of the Notes from Fixed Rate to Floating Rate or Floating Rate to Fixed Rate or as otherwise specified in the applicable Final Terms with effect from (and including) the Switch Option Effective Date specified in the applicable Final Terms to (but excluding) the Maturity Date (or, where more than one Switch Option Effective Date is specified in the applicable Final Terms, up to and excluding the next following Switch Option Effective Date), provided that (A) the Switch Option may be exercised only in respect of all the outstanding Notes, (B) upon exercise of a Switch Option, the Interest Basis change will be effective from (and including) the relevant Switch Option Effective Date until the Maturity Date (or, where more than one Switch Option Effective Date is specified as applicable in the applicable Final Terms, up to and excluding the next following Switch Option Effective Date to the extent the related Switch Option is exercised), and (C) where a Switch Option has not been exercised prior to the relevant Switch Option Expiry Date, the Issuer shall no longer be entitled to exercise such Switch Option and the Interest Basis shall not change.

Switch Option Expiry Date and Switch Option Effective Date shall mean any date specified as such in the applicable Final Terms provided that any date specified in the applicable Final Terms as a Switch Option Effective Date shall be deemed as such subject to the exercise of the relevant Switch Option having been notified to the Issuer pursuant to this Condition and in accordance with Condition 16 prior to the relevant Switch Option Expiry Date.

(f) **Determination of Rate of Interest and calculation of Interest Amounts**

The Principal Paying Agent, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Inflation Linked Interest Notes, will, at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Inflation Linked Interest Notes, the Calculation Agent will notify the Principal Paying Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Principal Paying Agent will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to the Calculation Amount, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note or, as appropriate, an Inflation Linked Interest Note in definitive form comprises more than one Calculation Amount, the Interest Amount payable in respect of such Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

Calculation Agent means the entity designated for such purpose as is specified in the applicable Final Terms.

Day Count Fraction means, in respect of the calculation of an amount of interest for any Interest Period:

- (A) if “Actual/Actual (ISDA)” or “Actual/Actual” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (B) if “Actual/365 (Fixed)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (C) if “Actual/365 (Sterling)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (D) if “Actual/360” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (E) if “30/360”, “360/360” or “Bond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

Y₁ is the year, expressed as a number, in which the first day of the Interest Period falls;

- Y₂** is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;
- M₁** is the calendar month, expressed as a number, in which the first day of the Interest Period falls;
- M₂** is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;
- D₁** is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D₁ will be 30; and
- D₂** is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30;

- (F) if “30E/360” or “Eurobond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

- Y₁** is the year, expressed as a number, in which the first day of the Interest Period falls;
- Y₂** is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;
- M₁** is the calendar month, expressed as a number, in which the first day of the Interest Period falls;
- M₂** is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;
- D₁** is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D₁ will be 30; and
- D₂** is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D₂ will be 30;

- (G) if “30E/360 (ISDA)” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

- Y₁** is the year, expressed as a number, in which the first day of the Interest Period falls;

- Y₂** is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;
- M₁** is the calendar month, expressed as a number, in which the first day of the Interest Period falls;
- M₂** is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;
- D₁** is the first calendar day, expressed as a number, of the Interest Period, unless (I) that day is the last day of February or (II) such number would be 31, in which case D₁ will be 30; and
- D₂** is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (I) that day is the last day of February but not the Maturity Date or (II) such number would be 31 and in which case D₂ will be 30.

(g) Linear Interpolation

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Final Terms or Pricing Supplement if applicable) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Final Terms or Pricing Supplement if applicable), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period provided however that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

Designated Maturity means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

(h) Notification of Rate of Interest and Interest Amounts

The Principal Paying Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Luxembourg Stock Exchange at the latest on the first London Business Day of each Interest Period, the Issuer and any stock exchange on which the relevant Floating Rate Notes or Inflation Linked Interest Notes are for the time being listed and notice thereof to be published in accordance with Condition 16 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes or Inflation Linked Interest Notes are for the time being listed and to the Noteholders in accordance with Condition 16. For the purposes of this paragraph (h), the expression **London Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(i) Determination or Calculation by Trustee

If for any reason at any relevant time the Principal Paying Agent or, as the case may be, the Calculation Agent defaults in its obligation to determine the Rate of Interest or calculate any Interest Amount in accordance with paragraph (b) or (e) above, as the case may be, and in each case in accordance with paragraph (c) above, the Trustee may (without any liability for loss, damage, cost, expense or any other claim whatsoever) determine the Rate of Interest at such rate plus or minus (as appropriate) the relevant margin (if any) as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition 6.2, but subject always to paragraph (b) above, it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee may (without any liability for loss, damage, cost, expense or any other claim whatsoever) calculate the Interest Amount(s) in the manner referred to in paragraph (e) above, and such determination or calculation shall be deemed to have been made by the Principal Paying Agent or the Calculation Agent, as applicable.

(j) Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 6.2 by the Principal Paying Agent or, if applicable, the Calculation Agent, or, if applicable, the Trustee, shall (in the absence of wilful default, bad faith or manifest error or proven error) be binding on the Issuer, the Guarantor (in the case of the Guaranteed Notes), the Trustee, the Principal Paying Agent, the Calculation Agent (if applicable), the other Agents and all Noteholders, Receipholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Guarantor (in the case of Guaranteed Notes), the Trustee, the Noteholders, the Receipholders or the Couponholders shall attach to the Principal Paying Agent or, if applicable, the Calculation Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

6.3 Inflation Linked Interest Note Provisions

Unless previously redeemed or purchased and cancelled in accordance with this Condition 6.3 or as specified in the applicable Final Terms and subject to this Condition 6.3, each Inflation Linked Interest Note will bear interest in the manner specified in the applicable Final Terms and the Conditions.

The following provisions apply to Inflation Linked Interest Notes:

Additional Disruption Event means any of Change of Law, Hedging Disruption and/or Increased Cost of Hedging, in each case if specified in the applicable Final Terms, and such other events (if any) specified as an Additional Disruption Event in the applicable Final Terms;

Change in Law means that, on or after the Trade Date (as specified in the applicable Final Terms):

- (a) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or
- (b) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority),

the Calculation Agent determines in its discretion that (i) it has become illegal to hold, acquire or dispose of any relevant hedging arrangements in respect of the Inflation Index, (ii) any Hedging Party will incur a materially increased cost in performing its obligations in relation to the Notes (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on the tax position of the Issuer, any of its Affiliates or any other Hedging Party), or (iii), if the Notes are Guaranteed Notes, the performance of the Guarantor under the Guarantee has become unlawful;

Cut-Off Date means, in respect of a Determination Date, five (5) Business Days prior to any due date for payment under the Notes for which valuation on the relevant Determination Date is relevant, unless otherwise stated in the applicable Final Terms;

Delayed Index Level Event means, in respect of any Determination Date and an Inflation Index, that the relevant Inflation Index Sponsor fails to publish or announce the level of such Inflation Index (the **Relevant Level**) in respect of any Reference Month which is to be utilised in any calculation or determination to be made by the Issuer in respect of such Determination Date, at any time on or prior to the Cut-Off Date;

Determination Date means each date specified as such in the applicable Final Terms;

End Date means each date specified as such in the applicable Final Terms;

Fallback Bond means, in respect of an Inflation Index, a bond selected by the Calculation Agent and issued by the government of the country to whose level of inflation the relevant Inflation Index relates and which pays a coupon or redemption amount which is calculated by reference to such Inflation Index, with a maturity date which falls on (a) the End Date specified in the applicable Final Terms, (b) the next longest maturity after the End Date if there is no such bond maturing on the End Date, or (c) the next shortest maturity before the End Date if no bond defined in (a) or (b) is selected by the Calculation Agent. If the relevant Inflation Index relates to the level of inflation across the European Monetary Union, the Calculation Agent will select an inflation-linked bond that is a debt obligation of one of the governments (but not any government agency) of France, Italy, Germany or Spain and which pays a coupon or redemption amount which is calculated by reference to the level of inflation in the European Monetary Union. In each case, the Calculation Agent will select the Fallback Bond from those inflation-linked bonds issued on or before the Issue Date and, if there is more than one inflation-linked bond maturing on the same date, the Fallback Bond shall be selected by the Calculation Agent from those bonds. If the Fallback Bond redeems, the Calculation Agent will select a new Fallback Bond on the same basis, but notwithstanding the immediately prior sentence, selected from all eligible bonds in issue at the time the original Fallback Bond redeems (including any bond for which the redeemed bond is exchanged);

Hedging Disruption means that any Hedging Party is unable, after using commercially reasonable efforts, to (a) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the relevant price risk of the Issuer (or the Guarantor (as appropriate)) issuing and performing its obligations with respect to the Notes, or (b) freely realise, recover, remit, receive, repatriate or transfer the proceeds of any such transaction(s) or asset(s), as determined by the Calculation Agent;

Hedging Party means at any relevant time, the Issuer, or any of its Affiliates or any other party providing the Issuer directly or indirectly with hedging arrangements in relation to the Notes as the Issuer may select at such time;

Increased Cost of Hedging means that any Hedging Party would incur a materially increased (as compared with circumstances existing on the Trade Date) amount of tax, duty, expense or

fee (other than brokerage commissions) to (a) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the market risk (including, without limitation, price risk, foreign exchange risk and interest rate risk) of the Issuer (or, if the Notes are Guaranteed Notes, the Guarantor (as appropriate)) issuing and performing its obligations with respect to the Notes, or (b) realise, recover or remit the proceeds of any such transaction(s) or asset(s), provided that any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer and/or any of its Affiliates shall not be deemed an Increased Cost of Hedging;

Inflation Index means each inflation index specified in the applicable Final Terms and related expressions shall be construed accordingly;

Inflation Index Sponsor means, in relation to an Inflation Index, the entity that publishes or announces (directly or through an agent) the level of such Inflation Index which, as of the Issue Date, is the Inflation Index Sponsor specified in the applicable Final Terms;

Reference Month means the calendar month for which the level of the Inflation Index is reported as specified in the applicable Final Terms, regardless of when this information is published or announced, except that if the period for which the Relevant Level was reported is a period other than a month, the Reference Month shall be the period for which the Relevant Level is reported;

Related Bond means, in respect of an Inflation Index, the bond specified as such in the applicable Final Terms. If the Related Bond specified in the applicable Final Terms is "Fallback Bond", then, for any Related Bond determination, the Calculation Agent shall use the Fallback Bond. If no bond is specified in the applicable Final Terms as the Related Bond and "Fallback Bond: Not Applicable" is specified in the applicable Final Terms, there will be no Related Bond. If a bond is specified as the Related Bond in the applicable Final Terms and that bond redeems or matures before the End Date (i) unless "Fallback Bond: Not Applicable" is specified in the applicable Final Terms, the Calculation Agent shall use the Fallback Bond for any Related Bond determination and (ii) if "Fallback Bond: Not Applicable" is specified in the applicable Final Terms, there will be no Related Bond; and

Relevant Level has the meaning set out in the definition of "Delayed Index Level Event" above;

Inflation Index Delay And Disruption Provisions

(a) Delay in Publication

If the Calculation Agent determines that a Delayed Index Level Event in respect of an Inflation Index has occurred with respect to any Determination Date, then the Relevant Level for such Inflation Index with respect to the relevant Reference Month subject to such Delayed Index Level Event (the **Substitute Index Level**) shall be determined by the Calculation Agent as follows:

- (i) if "Related Bond" is specified as applicable for such Inflation Index in the relevant Final Terms, the Calculation Agent shall determine the Substitute Index Level by reference to the corresponding index level determined under the terms and conditions of the relevant Related Bond;
- (ii) if (I) "Related Bond" is not specified as applicable for such Inflation Index in the relevant Final Terms, or (II) the Calculation Agent is not able to determine a Substitute Index Level under (i) above, the Calculation Agent

shall determine the Substitute Index Level by reference to the following formula:

Substitute Index Level = Base Level x (Latest Level/Reference Level); or

- (iii) otherwise in accordance with any formula specified in the relevant Final Terms,

in each case as of such Determination Date,

where:

Base Level means, in respect of an Inflation Index, the level of such Inflation Index (excluding any "flash" estimates) published or announced by the relevant Inflation Index Sponsor in respect of the month which is 12 calendar months prior to the month for which the Substitute Index Level is being determined.

Latest Level means, in respect of an Inflation Index, the latest level of such Inflation Index (excluding any "flash" estimates) published or announced by the relevant Inflation Index Sponsor prior to the month in respect of which the Substitute Index Level is being determined.

Reference Level means, in respect of an Inflation Index, the level of such Inflation Index (excluding any "flash" estimates) published or announced by the relevant Inflation Index Sponsor in respect of the month that is 12 calendar months prior to the month in respect of the Latest Level.

The Issuer shall give notice to Noteholders, in accordance with Condition 16 (*Notices*) of any Substitute Index Level calculated pursuant to Condition 6.3.

If the Relevant Level (as defined above) is published or announced at any time on or after the relevant Cut-off Date, such Relevant Level will not be used in any calculations. The Substitute Index Level so determined pursuant to this Condition 6.3 will be the definitive level for that Reference Month.

(b) Cessation of Publication

If the Calculation Agent determines that the level for the Inflation Index has not been published or announced for two (2) consecutive months, the Inflation Index Sponsor announces that it will no longer continue to publish or announce the Inflation Index or the Inflation Index Sponsor otherwise cancels the Inflation Index, then the Calculation Agent shall determine a successor inflation index (the **Successor Inflation Index**) (in lieu of any previously applicable Inflation Index) for the purposes of the Inflation Linked Interest Notes by using the following methodology:

- (i) if at any time (other than after an early redemption or cancellation event has been designated by the Calculation Agent pursuant to Condition 6.3(b)(v) below), a successor inflation index has been designated by the calculation agent (or equivalent) pursuant to the terms and conditions of the Related Bond, such successor inflation index shall be designated a "Successor Inflation Index" notwithstanding that any other Successor Inflation Index may previously have been determined under Conditions 6.3(b)(ii), 6.3(b)(iii) or 6.3(b)(iv) below;

- (ii) if a Successor Inflation Index has not been determined pursuant to Condition 4(b)(i) above, and a notice has been given or an announcement has been made by the Inflation Index Sponsor, specifying that the Inflation Index will be superseded by a replacement Inflation Index specified by the Inflation Index Sponsor, and the Calculation Agent determines that such replacement index is calculated using the same or substantially similar formula or method of calculation as used in the calculation of the previously applicable Inflation Index, such replacement index shall be the Inflation Index for purposes of the Inflation Linked Interest Notes from the date that such replacement Inflation Index comes into effect;
- (iii) if a Successor Inflation Index has not been determined pursuant to Conditions 6.3(b)(i) or 6.3(b)(ii) above, the Calculation Agent shall ask five leading independent dealers to state what the replacement index for the Inflation Index should be. If four or five responses are received and, of those four or five responses, three or more leading independent dealers state the same index, this index will be deemed the "Successor Inflation Index". If three responses are received and two or more leading independent dealers state the same index, this index will be deemed the "Successor Inflation Index". If fewer than three responses are received or no Successor Inflation Index is determined pursuant to this Condition 6.3(b)(iii), the Calculation Agent will proceed to Condition 6.3(b)(iv) below;
- (iv) if no replacement index or Successor Inflation Index has been determined under Conditions 6.3(b)(i), 6.3(b)(ii) or 6.3(b)(iii) above by the next occurring Cut-Off Date, the Calculation Agent, subject as provided below, will determine an appropriate alternative index from such Cut-Off Date, and such index will be deemed a "Successor Inflation Index"; or
- (v) if the Calculation Agent determines that there is no appropriate alternative index in relation to Inflation Linked Interest Notes, on giving notice to Noteholders in accordance with Condition 16 (*Notices*), the Issuer shall redeem or cancel, as applicable all but not some only of the Inflation Linked Interest Notes, each Inflation Linked Interest Note being redeemed or cancelled, as applicable by payment of the relevant Early Redemption Amount. Payments will be made in such manner as shall be notified to the Noteholders in accordance with Condition 16 (*Notices*).

(c) **Rebasing of the Inflation Index**

If the Calculation Agent determines that the Inflation Index has been or will be rebased at any time, the Inflation Index as so rebased (the **Rebased Index**) will be used for purposes of determining the level of the Inflation Index from the date of such rebasing; provided, however, that the Calculation Agent shall make adjustments as are made by the calculation agent (or equivalent) pursuant to the terms and conditions of the Related Bond, if "Related Bond" is specified as applicable in the applicable Final Terms, to the levels of the Rebased Index so that the Rebased Index levels reflect the same rate of inflation as the Inflation Index before it was rebased, or, if "Related Bond" is not specified as applicable in the applicable Final Terms, the Calculation Agent shall make adjustments to the levels of the Rebased Index so that the Rebased Index levels reflect the same rate of inflation as the Inflation Index before it was rebased.

(d) Material Modification Prior to Last Occurring Cut-Off

If, on or prior to the last occurring Cut-Off Date, the Inflation Index Sponsor announces that it will make a material change to the Inflation Index then the Calculation Agent shall make any such adjustments, if "Related Bond" is specified as applicable in the applicable Final Terms, consistent with adjustments made to the Related Bond, or, if "Related Bond" is not specified as applicable in the applicable Final Terms, only those adjustments to the Inflation Index necessary for the modified Inflation Index to continue as the Inflation Index.

(e) Manifest Error in Publication

With the exception of any corrections published after the day which is three (3) Business Days prior to the relevant Maturity Date, if, within thirty (30) calendar days of publication, the Calculation Agent determines that the Inflation Index Sponsor has corrected the level of the Inflation Index to remedy a manifest error in its original publication, the Calculation Agent may, in its discretion, make such adjustments to the terms of the Inflation Linked Interest Notes as it determines appropriate to account for the correction and will notify the Noteholders of any such adjustments in accordance with Condition 16 (*Notices*).

(f) Consequences of an Additional Disruption Event

If the Calculation Agent determines that an Additional Disruption Event has occurred, the Issuer may at its option:

- (i) require the Calculation Agent to determine in its sole and absolute discretion the appropriate adjustment, if any, to be made to any terms of the Conditions and/or the applicable Final Terms to account for the Additional Disruption Event and determine the effective date of that adjustment; or
- (ii) redeem or cancel, as applicable, all but not some of the Inflation Linked Interest Notes on the date notified by the Calculation Agent to Noteholders in accordance with Condition 16 (*Notices*) by payment of the relevant Early Redemption Amount, as at the date of redemption or cancellation, as applicable, taking into account the relevant Additional Disruption Event.

(g) Inflation Index Disclaimer

- (i) The Notes are not sponsored, endorsed, sold or promoted by the Inflation Index or the Inflation Index Sponsor and the Inflation Index Sponsor does not make any representation whatsoever, whether express or implied, either as to the results to be obtained from the use of the Inflation Index and/or the levels at which the Inflation Index stands at any particular time on any particular date or otherwise. Neither the Inflation Index nor the Inflation Index Sponsor shall be liable (whether in negligence or otherwise) to any person for any error in the Inflation Index and the Inflation Index Sponsor is under no obligation to advise any person of any error therein. The Inflation Index Sponsor is not making any representation whatsoever, whether express or implied, as to the advisability of purchasing or assuming any risk in connection with the Notes. Neither the Issuer nor, if the Notes are guaranteed Notes, the Guarantor shall have liability to the Noteholders for any act or failure to act by the Inflation Index Sponsor in connection with the calculation, adjustment or maintenance of the Inflation Index. Except as

disclosed prior to the Issue Date specified in the applicable Final Terms, neither the Issuer nor, if the Notes are Guaranteed Notes, the Guarantor nor their Affiliates has any affiliation with or control over the Inflation Index or the Inflation Index Sponsor or any control over the computation, composition or dissemination of the Inflation Index. Although the Calculation Agent will obtain information concerning the Inflation Index from publicly available sources it believes reliable, it will not independently verify this information. Accordingly, no representation, warranty or undertaking (express or implied) is made and no responsibility is accepted by the Issuer, if the Notes are Guaranteed Notes, the Guarantor, its, or as appropriate, their Affiliates or the Calculation Agent as to the accuracy, completeness and timeliness of information concerning the Inflation Index.

6.4 Exempt Notes

In the case of Exempt Notes which are also Floating Rate Notes where the applicable Pricing Supplement identifies that Screen Rate Determination applies to the calculation of interest, if the Reference Rate from time to time is specified in the applicable Pricing Supplement as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Exempt Notes will be determined as provided in the applicable Pricing Supplement.

The rate or amount of interest payable in respect of Exempt Notes which are not also Fixed Rate Notes or Floating Rate Notes shall be determined in the manner specified in the applicable Pricing Supplement, provided that where such Notes are Index Linked Interest Notes the provisions of Condition 6.2 shall, save to the extent amended in the applicable Pricing Supplement, apply as if the references therein to Floating Rate Notes and to the Agent were references to Index Linked Interest Notes and the Calculation Agent, respectively, and provided further that the Calculation Agent will notify the Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

Partly Paid Notes

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Pricing Supplement.

Dual Currency Note

In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable in respect of Dual Currency Interest Notes shall be determined in the manner specified in the applicable Pricing Supplement.

7. PAYMENTS

7.1 Method of payment

Subject as provided below:

- (a) payments in a Specified Currency other than euro and Renminbi will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively);

- (b) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee; and
- (c) payments in Renminbi will be made by credit or transfer to an account denominated in Renminbi and maintained by the payee with a bank in the relevant RMB Settlement Centre(s) in accordance with applicable laws, rules and regulations and guidelines issued from time to time (including all applicable laws and regulations with respect to settlement in Renminbi in the relevant RMB Settlement Centre(s)).

7.2 Payments Subject to Fiscal and Other Laws

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 9, and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

7.3 Presentation of definitive Bearer Notes, Receipts and Coupons

Payments of principal in respect of definitive Bearer Notes will (subject as provided below) be made in the manner provided in Condition 7.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

Fixed Rate Notes in definitive bearer form (other than Long Maturity Notes (as defined below) and save as provided in Condition 7.5) should be presented for payment together with all unmaturing Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmaturing Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmaturing Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of ten years after the Relevant Date (as defined in Condition 9) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 10) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmaturing Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note or Long Maturity Note in definitive bearer form becomes due and repayable, unmaturing Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A **Long Maturity Note** is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note

shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Bearer Note.

7.4 Payments in respect of Bearer Global Notes

Payments of principal and interest (if any) in respect of Notes represented by any Global Note in bearer form will (subject as provided below) be made in the manner specified above in relation to definitive Bearer Notes and otherwise in the manner specified in the relevant Global Note against presentation or surrender, as the case may be, of such Global Note at the specified office of the Principal Paying Agent. A record of each payment made against presentation or surrender of any Global Note in bearer form, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note by the Principal Paying Agent and such record shall be *prima facie* evidence that the payment in question has been made.

7.5 Specific provisions in relation to payments in respect of certain types of Exempt Notes

Payments of instalments of principal (if any) in respect of definitive Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in Condition 7.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in Condition 7.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the definitive Note to which it appertains. Receipts presented without the definitive Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Upon the date on which any Dual Currency Note or Index Linked Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.

7.6 Payments in respect of Registered Notes

Payments of principal (other than instalments of principal prior to the final instalment) in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the **Register**) (a) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date and (b) where in

definitive form, at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. For these purposes, **Designated Account** means the account (which, in the case of a payment in Japanese Yen to a non-resident of Japan, shall be a non-resident account) maintained by a holder with a Designated Bank and identified as such in the Register and **Designated Bank** means the account (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account and, in the case of a payment in Renminbi, means the Renminbi account maintained by or on behalf of the Noteholder with a bank in the relevant RMB Settlement Centre(s), details of which appear on the Register at the close of business on the fifth business day before the due date for payment) maintained by a holder with a Designated Bank and identified as such in the Register and Designated Bank means (in the case of payment in a Specified Currency other than euro and Renminbi) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney or Auckland, respectively) and (in the case of a payment in euro) any bank which processes payments in euro and (in the case of a payment in Renminbi) a bank in the relevant RMB Settlement Centre(s).

Payments of interest and payments of instalments of principal (other than the final instalment) in respect of each Registered Note (whether or not in global form) will be made by transfer on the due date to the Designated Account of the holder (or the first named of joint holders) of the Registered Note appearing in the Register (a) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (b) where in definitive form, at the close of business on the fifth day (in the case of Renminbi) and at the close of the fifteenth business day (in the case of a currency other than Renminbi) (whether or not such fifth day or fifteenth day is a business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) (the **Record Date**). Payment of the interest due in respect of each Registered Note on redemption and the final instalment of principal will be made in the same manner as payment of the principal amount of such Registered Note.

No commissions or expenses shall be charged to the holders by the Registrar in respect of any payments of principal or interest in respect of Registered Notes.

All amounts payable to DTC or its nominee as registered holder of a Registered Global Note in respect of Notes denominated in a Specified Currency other than U.S. dollars shall be paid by transfer by the Registrar to an account in the relevant Specified Currency of the Exchange Agent on behalf of DTC or its nominee for conversion into and payment in U.S. dollars unless the participant in DTC with an interest in the Notes has elected to receive any part of such payment in that Specified Currency, in the manner specified in the Agency Agreement and in accordance with the rules and procedures for the time being of DTC.

None of the Issuer, the Guarantor (in the case of Guaranteed Notes), the Trustee or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

7.7 General provisions applicable to payments

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer or, as the case may be, the Guarantor (in the case of Guaranteed Notes) will be discharged by payment to, or to the order of, the

holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or DTC as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear, Clearstream, Luxembourg or DTC, as the case may be, for his share of each payment so made by the Issuer or, as the case may be, the Guarantor (in the case of Guaranteed Notes) to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Bearer Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

- (a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;
- (b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (c) such payment is then permitted under United States law without involving, in the opinion of the Issuer and the Guarantor, adverse tax consequences to the Issuer or the Guarantor (in the case of Guaranteed Notes).

7.8 Payment Day

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 10) is:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits):
 - (i) in the case of Notes in definitive form only, in the relevant place of presentation; and
 - (ii) in any Additional Financial Centre specified in the applicable Final Terms; and
- (b) either (i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation and any Additional Financial Centre and which, if the Specified Currency is Australian dollars New Zealand dollars or Renminbi, shall be Sydney, Auckland and the relevant RMB Settlement Centre(s), respectively) or (ii) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

7.9 RMB Currency Event

If “RMB Currency Event” is specified in the applicable Final Terms or Pricing Supplement, as the case may be, and if by reason of a RMB Currency Event, as determined by the relevant Issuer acting in good faith and in a commercially reasonable manner, the relevant Issuer is not able to pay any amount in respect of any Note, Receipt or Coupon, the Issuer’s obligation to make a payment in RMB under the terms of the Notes shall be replaced by an obligation to pay such amount in the Relevant Currency converted using the Spot Rate for the relevant Determination Date.

The relevant Issuer shall give not less than 10 nor more than 60 days’ notice (prior to the date of payment) to the Noteholders in accordance with Condition 16 (*Notices*) stating the occurrence of the RMB Currency Event, giving details thereof.

For the purpose of this Condition and unless stated otherwise in the applicable Final Terms or Pricing Supplement, as the case may be:

Determination Business Day means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in the relevant RMB Settlement Centre(s), London and foreign exchange markets settle payments and the principal financial centre of the country of the Relevant Currency;

Determination Date means the day which is two Determination Business Days before the due date of the relevant payment under the Notes;

Governmental Authority means any *de facto* or *de jure* government (or any agency or instrumentality thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of the relevant RMB Settlement Centre(s);

Mainland China means the People’s Republic of China (excluding Hong Kong, Macau and Taiwan);

Relevant Currency means U.S. dollars or such other currency as may be specified in the applicable Final Terms or Pricing Supplement, as the case may be;

Relevant Currency Valuation Time means the time specified as such in the applicable Final Terms or Pricing Supplement, as the case may be;

RMB Currency Events means any one of RMB Illiquidity, RMB Non-Transferability and RMB Inconvertibility;

RMB Illiquidity means the general Renminbi exchange market in the relevant RMB Settlement Centre(s) becomes illiquid and, as a result of which, the Issuer cannot obtain sufficient Renminbi in order to satisfy its obligation to pay any amount in respect of the Notes as determined by the Issuer in good faith and in a commercially reasonable manner following consultation with two independent foreign exchange dealers of international repute active in the RMB exchange market in the relevant RMB Settlement Centre(s);

RMB Inconvertibility means the occurrence of any event that makes it impossible for the Issuer to convert any amount due in respect of the Notes into RMB on any payment date at the general RMB exchange market in the relevant RMB Settlement Centre(s), other than where such impossibility is due solely to the failure of the Issuer to comply with any law, rule

or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date of the first Tranche of the relevant Series and it is impossible for the Issuer, due to an event beyond its control, to comply with such law, rule or regulation);

RMB Non-Transferability means the occurrence of any event that makes it impossible for the relevant Issuer to deliver RMB, (A) between accounts inside the relevant RMB Settlement Centre(s), (B) from an account inside the relevant RMB Settlement Centre(s) to an account outside the relevant RMB Settlement Centre(s) and outside Mainland China (including where the RMB clearing and settlement system for participating banks in the relevant RMB Settlement Centre(s) is disrupted or suspended), (C) from an account outside the relevant RMB Settlement Centre(s) and outside Mainland China to an account inside the relevant RMB Settlement Centre(s), other than where such impossibility is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date of the first Tranche of the relevant Series and it is impossible for the Issuer, due to an event beyond its control, to comply with such law, rule or regulation); and

Spot Rate means the spot CNY/Relevant Currency exchange rate for the purchase of the Relevant Currency with Renminbi in the over-the-counter Renminbi exchange market in the relevant RMB Settlement Centre(s) for settlement in two Determination Business Days, as determined by the Calculation Agent at or around the Relevant Valuation Time on the Determination Date by reference to the Relevant Spot Rate Screen Page. If such rate is not available, the Calculation Agent shall determine the rate taking into consideration all available information which the Calculation Agent deems relevant, including pricing information obtained from the Renminbi non-deliverable exchange market in the relevant RMB Settlement Centre(s) or elsewhere and the CNY/Relevant Currency exchange rate in the PRC domestic foreign exchange market. All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this by the Calculation Agent, will (in the absence of wilful default, bad faith or manifest error) be binding on the relevant Issuer, the Guarantor, the Paying Agents and all holders of the Notes.

7.10 Interpretation of principal and interest

Any reference in the Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (a) any additional amounts which may be payable with respect to principal under Condition 9;
- (b) the Final Redemption Amount of the Notes;
- (c) the Early Redemption Amount of the Notes;
- (d) the Optional Redemption Amount(s) (if any) of the Notes;
- (e) in relation to Exempt Notes redeemable in instalments, the Instalment Amounts;
- (f) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 8.6); and
- (g) any premium and any other amounts which may be payable by the Issuer under or in respect of the Notes.

Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 9. Any reference in these Conditions to payment of any sums in respect of the Notes (including, in respect of Index Linked Notes and other structured Notes) shall be deemed to include, as applicable, delivery of any relevant Reference Asset (as defined in Condition 8.12) if so provided in the applicable Pricing Supplement and references to “paid” and “payable” shall be construed accordingly.

8. REDEMPTION AND PURCHASE

8.1 Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer on the Maturity Date specified in the applicable Final Terms or Pricing Supplement (i) at *par* in case of Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes, Inflation Linked Interest Notes and CMS Linked Interest Notes as indicated in the applicable Final Terms in the relevant Specified Currency or (ii) at its Final Redemption Amount, in case of Exempt Notes, which is such amount as may be specified in the applicable Pricing Supplement in the relevant Specified Currency.

8.2 Redemption for tax reasons

Subject to Condition 8.6, the Notes may be redeemed at the option of the Issuer (but subject, in the case of Subordinated Notes, to the provisions of Condition 8.14 and, in the case of Senior Notes and Non-Preferred Senior Notes, to the provisions of Condition 8.15) in whole, but not in part, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Principal Paying Agent and the Trustee and, in accordance with Condition 16, the Noteholders (which notice shall be irrevocable), if:

- (a) on the occasion of the next payment due under the Notes (in the case of Subordinated Notes, in respect of payments of interest only), the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 9 or the Guarantor (in the case of Guaranteed Notes) would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts, in each case as a result of any change in, or amendment to, the laws or regulations of, or applicable in, a Tax Jurisdiction (as defined in Condition 9) or any political subdivision of, or any authority in, or of, a Tax Jurisdiction having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective after the date on which agreement is reached to issue the first Tranche of the Notes, provided that in the case of any redemption of Subordinated Notes proposed to be made prior to the fifth anniversary of the Issue Date, if and to the extent then required under the relevant Regulatory Capital Requirements (as defined in Condition 8.5) any such change or amendment is, to the satisfaction of the relevant Competent Authority, material and was not reasonably foreseeable by the relevant Issuer as at the date of the issue of the relevant Subordinated Notes; and
- (b) such obligation cannot be avoided by the Issuer or, as the case may be, the Guarantor (in the case of Guaranteed Notes) taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the Guarantor (in the case of

Guaranteed Notes) would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver or procure that there is delivered to the Trustee to make available at its specified office to the Noteholders a certificate signed by two authorised signatories of the Issuer or, as the case may be, two authorised signatories of the Guarantor stating that the said circumstances prevail and describe the facts leading thereto and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders, the Receiptholders and the Couponholders.

Upon the expiry of any such notice as is referred to in this Condition 8.2, the Issuer shall be bound to redeem the Notes in accordance with this Condition 8.2. Notes redeemed pursuant to this Condition 8.2 will be redeemed at their Early Redemption Amount referred to in Condition 8.6 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

8.3 Redemption for regulatory reasons (Regulatory Call)

This Condition 8.3 applies only to Notes specified in the applicable Final Terms as being Subordinated Notes.

If Regulatory Call is specified in the applicable Final Terms, the Notes may be redeemed at the option of the Issuer (subject to the provisions of Condition 8.14), in whole, but not in part, at any time (if the Note is neither a Floating Rate Note, an Index Linked Interest Note nor a Dual Currency Interest Note) or on any Interest Payment Date (if the Note is either a Floating Rate Note, an Index Linked Interest Note or a Dual Currency Interest Note), on giving not less than 15 nor more than 30 days' notice to the Principal Paying Agent and the Trustee and, in accordance with Condition 16, the Noteholders (which notice shall be irrevocable), if there is a change in the regulatory classification of the Subordinated Notes that would be likely to result in their exclusion from "Tier 2" capital and, in respect of any redemption of the relevant Subordinated Notes proposed to be made prior to the fifth anniversary of the Issue Date, both of the following conditions are met: (i) the Competent Authority considers such a change to be reasonably certain and (ii) the Issuer demonstrates to the satisfaction of the Competent Authority that the change in the regulatory classification of the Subordinated Notes was not reasonably foreseeable by the relevant Issuer as at the date of the issue of the relevant Subordinated Notes.

In this Condition 8.3:

Prior to the publication of any notice of redemption pursuant to this Condition, the relevant Issuer shall deliver or procure that there is delivered to the Trustee a certificate signed by two authorised signatories of the Issuer or, as the case may be, two authorised signatories of the Guarantor stating that the said circumstances prevail and describe the facts leading thereto and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders, the Receiptholders and the Couponholders.

Upon the expiry of any such notice as is referred to in this Condition 8.3, the Issuer shall be bound to redeem the Notes in accordance with this Condition 8.3. Notes redeemed pursuant to this Condition 8.3 will be redeemed at their Early Redemption Amount referred to in Condition 8.6 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

8.4 Redemption at the option of the Issuer (Issuer Call)

This Condition 8.4 applies to Notes which are subject to redemption prior to the Maturity Date at the option of the Issuer (other than for taxation reasons or for regulatory reasons), such option being referred to as an Issuer Call. The applicable Final Terms contains provisions applicable to any Issuer Call and must be read in conjunction with this Condition 8.4 for full information on any Issuer Call. In particular, the applicable Final Terms will identify the Optional Redemption Date(s), the Optional Redemption Amount, any minimum or maximum amount of Notes which can be redeemed and the applicable notice periods.

If Issuer Call is specified as being applicable in the applicable Final Terms, the Issuer may (subject to, in the case of Subordinated Notes, the provisions of Condition 8.14 and, in the case of Senior Notes and Non-Preferred Senior Notes, Condition 8.15), having given not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Noteholders in accordance with Condition 16 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms.

The Optional Redemption Amount will either be the specified percentage of the nominal amount of the Notes stated in the applicable Final Terms or, if a Make-whole Amount is specified in the applicable Final Terms, will be an amount calculated by the Agent equal to the higher of:

- (a) 100 per cent. of the nominal amount of the Notes to be redeemed; or
- (b) the sum of the present values of the nominal amount of the Notes to be redeemed and the Remaining Term Interest on such Notes (exclusive of interest accrued to the Optional Redemption Date) discounted to the Optional Redemption Date on an annual basis (based on the actual number of days elapsed divided by 365 or (in the case of a leap year) 366) at the Reference Bond Rate (as defined below), plus the specified Redemption Margin,

plus in each case, for the avoidance of doubt, any interest accrued on the Notes to, but excluding, the Optional Redemption Date.

In the Conditions:

FA Selected Bond means a government security or securities selected by the Financial Adviser as having an actual or interpolated maturity comparable with the remaining term of the Notes that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities denominated in the same currency as the Notes and of a comparable maturity to the remaining term of the Notes;

Financial Adviser means an independent and internationally recognised financial adviser selected by the Issuer;

Redemption Margin shall be as set out in the applicable Final Terms;

Reference Bond shall be as set out in the applicable Final Terms or the FA Selected Bond;

Reference Bond Price means, with respect to the Optional Redemption Date, (a) the arithmetic average of the Reference Government Bond Dealer Quotations for such date of redemption, after excluding the highest and lowest such Reference Government Bond Dealer Quotations, or (b) if the Agent obtains fewer than four such Reference Government Bond Dealer Quotations, the arithmetic average of all such quotations;

Reference Bond Rate means, with respect to the Optional Redemption Date, the rate per annum equal to the annual or semi-annual yield (as the case may be) to maturity or interpolated yield to maturity (on the relevant day count basis) of the Reference Bond, assuming a price for the Reference Bond (expressed as a percentage of its nominal amount) equal to the Reference Bond Price for such Optional Redemption Date;

Reference Government Bond Dealer means each of five banks selected by the Issuer, or their affiliates, which are (a) primary government securities dealers, and their respective successors, or (b) market makers in pricing corporate bond issues;

Reference Government Bond Dealer Quotations means, with respect to each Reference Government Bond Dealer and the Optional Redemption Date, the arithmetic average, as determined by the Agent, of the bid and offered prices for the Reference Bond (expressed in each case as a percentage of its nominal amount) at the Quotation Time specified in the applicable Final Terms on the Reference Date quoted in writing to the Agent by such Reference Government Bond Dealer; and

Remaining Term Interest means, with respect to any Note, the aggregate amount of scheduled payment(s) of interest on such Note for the remaining term of such Note determined on the basis of the rate of interest applicable to such Note from and including the Optional Redemption Date.

All notifications, opinions, determinations, certifications, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 8.4 by the Agent, shall (in the absence of negligence, wilful default or fraud) be binding on the Issuer, the Agent, the Paying Agents and all Noteholders and Couponholders.

In the case of a partial redemption of Notes, the Notes to be redeemed (**Redeemed Notes**) will, subject to compliance with applicable law, be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the **Selection Date**). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 16 (*Notices*) not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 8.4 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 16 (*Notices*) at least five days prior to the Selection Date.

8.5 Issuer Call Due to MREL or TLAC Disqualification Event

This Condition 8.5 applies only to Notes specified in the applicable Final Terms as being Senior Notes or Non-Preferred Senior Notes.

If Issuer Call due to MREL or TLAC Disqualification Event is specified as being applicable in the applicable Final Terms, then any Series of Senior Notes or of Non-Preferred Senior Notes may (subject to the provisions of Condition 8.15) on or after the date specified in a notice published on the Issuer's website be redeemed at the option of the Issuer in whole, but not in part, at any time (if the Note is neither a Floating Rate Note, an Index Linked Interest Note or a Dual Currency Interest Note) or on any Interest Payment Date (if the Note is either a Floating Rate Note, an Index Linked Interest Note or a Dual Currency Interest Note) on giving not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Principal Paying Agent and the Trustee and, in accordance with Condition 16, the Noteholders (which notice shall be irrevocable), if the Issuer determines that an MREL or TLAC Disqualification Event has occurred and is continuing.

Upon the expiry of any such notice as is referred to in this Condition 8.5, the Issuer shall be bound to redeem the Notes in accordance with this Condition 8.5. Notes redeemed pursuant to this Condition 8.5 will be redeemed at their Early Redemption Amount referred to in Condition 8.6 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

As used in these Conditions:

Bail-in Power means any statutory write-down and/or conversion power existing from time to time under any laws, regulations, rules or requirements, whether relating to the resolution or independent of any resolution action, of credit institutions, investment firms and/or Group Entities incorporated in the relevant Member State in effect and applicable in the relevant Member State to the Issuer or other Group Entities, including (but not limited to) any such laws, regulations, rules or requirements that are implemented, adopted or enacted within the context of any European Union directive or regulation of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms and/or within the context of a relevant Member State resolution regime or otherwise, pursuant to which liabilities of a credit institution, investment firm and/or any Group Entities can be reduced, cancelled and/or converted into shares or obligations of the obligor or any other person;

BRRD means Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms, as amended or replaced from time to time;

CRD IV means, taken together (i) the CRD IV Directive, (ii) the CRD IV Regulation, and (iii) the Future Capital Instruments Regulations;

CRD IV Directive means Directive 2013/36/EU of the European Parliament and of the Council of June 26, 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC, as amended or replaced from time to time;

CRD IV Regulation means Regulation (EU) No. 2013/575 of the European Parliament and of the Council of June 26, 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012, as amended or replaced from time to time;

EC Proposals means the amendments proposed to the CRD IV Directive, the CRD IV Regulation and BRRD published by the European Commission on 23 November 2016;

Future Capital Instruments Regulations means any regulatory capital rules or regulations introduced after the Issue Date by the Competent Authority or which are otherwise applicable to the Issuer (on a solo or, if relevant, consolidated basis), which prescribe (alone or in conjunction with any other rules or regulations) the requirements to be fulfilled by financial instruments for their inclusion in the Own Funds of the Issuer (on a consolidated basis) to the extent required by (i) the CRD IV Regulation or (ii) the CRD IV Directive;

Group and **UniCredit Group** means UniCredit and each entity within the prudential consolidation of UniCredit pursuant to Chapter 2 of Title II of Part One of the CRD IV Regulation;

Group Entity means UniCredit or any legal person that is part of the UniCredit Group;

MREL or TLAC Disqualification Event means that, by reason of the introduction of or a change in MREL or TLAC Requirements, which was not reasonably foreseeable by the Issuer at the Issue Date of the Notes, all or part of the aggregate outstanding nominal amount of such Series of Notes are or will be excluded fully or partially from eligible liabilities available to meet the MREL or TLAC Requirements. For the avoidance of doubt: (a) the exclusion of a Series of Senior Notes or of Non-Preferred Senior Notes from the MREL or TLAC Requirements due to the remaining maturity of such Notes being less than any period prescribed thereunder, does not constitute a MREL or TLAC Disqualification Event; (b) the exclusion of all or some of a Series of Senior Notes from the MREL or TLAC Requirements due to there being insufficient headroom for such Senior Notes within a prescribed exception to the otherwise applicable general requirements for eligible liabilities does not constitute a MREL or TLAC Disqualification Event; and (c) any exclusion shall not be 'reasonably foreseeable' by the Issuer at the Issue Date where such exclusion arises as a result of (i) any legislation which gives effect to the EC Proposals differing, as it applies to the Issuer and/or the Group, in any respect from the form of the EC Proposals, or if the EC Proposals have been amended as at the Issue Date of the first Series of the Notes, in the form so amended at such date (including if the EC Proposals are not implemented in full), or (ii) the official interpretation or application of the EC Proposals as applicable to the Issuer and/or the Group (including any interpretation or pronouncement by any relevant court, tribunal or authority) differing in any respect from the official interpretation or application, if any, in place as at the Issue Date of the first Series of the Notes;

MREL or TLAC Requirements means the laws, regulations, requirements, guidelines, rules, standards and policies relating to minimum requirements for own funds and eligible liabilities and/or loss-absorbing capacity instruments applicable to the Issuer and/or the Group, from time to time, including, without limitation to the generality of the foregoing, any delegated or implementing acts (such as regulatory technical standards) adopted by the European Commission and any regulations, requirements, guidelines, rules, standards and policies relating to minimum requirements for own funds and eligible liabilities and/or loss absorbing capacity instruments adopted by the Republic of Italy, a relevant Competent Authority or a Relevant Resolution Authority from time to time (whether or not such requirements, guidelines or policies are applied generally or specifically to the Issuer and/or the Group), as any of the preceding laws, regulations, requirements, guidelines, rules, standards, policies or interpretations may be amended, supplemented, superseded or replaced from time to time;

Regulatory Capital Requirements means any requirements contained in the regulations, rules, guidelines and policies of the Competent Authority, or of the European Parliament and Council then in effect in the Republic of Italy, relating to capital adequacy and applicable to the Issuer and/or the Group from time to time (including, but not limited to, as at the Issue Date of the relevant Series of Notes, the rules contained in, or implementing, CRD IV and the

BRRD, delegated or implementing acts adopted by the European Commission and guidelines issued by the European Banking Authority);

Relevant Resolution Authority means the Italian resolution authority, the Single Resolution Board (SRB) established pursuant to the SRM Regulation and/or any other authority entitled to exercise or participate in the exercise of any Resolution Power or Bail-in Power from time to time (including, in respect of UniCredit Ireland, the Irish resolution authority and, in respect of UniCredit International Luxembourg, the Luxembourg resolution authority);

Resolution Power means any statutory write-down, transfer and/or conversion power existing from time to time under any laws regulations, rules or requirements relating to the resolution of the Issuer or any other entities of the Group, including but not limited to any laws, regulations, rules or requirements implementing the BRRD and/or the SRM Regulation; and

SRM Regulation means Regulation (EU) No 806/2014 of the European Parliament and Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010, as amended or replaced from time to time.

8.6 Early Redemption Amounts

For the purpose of Condition 8.2, Condition 8.3 and Condition 8.5 above and Condition 11:

- (a) in the case of a Note with a Final Redemption Amount equal to the Issue Price of the first Tranche of the Series, at the Final Redemption Amount thereof;
- (b) in the case of a Note (other than a Zero Coupon Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price of the first Tranche of the Series, at the amount specified in the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount; or
- (c) in the case of a Zero Coupon Note, at an amount (the **Amortised Face Amount**) calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} (1 + \text{AY})^y$$

where:

RP means the Reference Price;

AY means the Accrual Yield expressed as a decimal; and

y is the Day Count Fraction specified in the applicable Final Terms which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360- day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii)

Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365).

8.7 Extendible Notes

Notes may be issued with an initial maturity date (the **Initial Maturity Date**) which may be extended from time to time upon the election of the Noteholders on specified dates (each, an **Election Date**) up to a final maturity date (the **Final Maturity Date**) as set forth in the applicable Final Terms (or Pricing Supplement if applicable) (**Extendible Notes**). To make an election effective on any Election Date, the Noteholder must deliver a notice of election in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, Registrar (a **Notice of Election**), during the Notice Period for that Election Date specified in the Final Terms (or Pricing Supplement if applicable) in accordance with Condition 16 (*Notices*). Any Notice of Election so given by a Noteholder pursuant to this paragraph will be irrevocable and binding upon that Noteholder. The Final Terms (or Pricing Supplement if applicable) relating to each issue of Extendible Notes will specify the Initial Maturity Date, the Final Maturity Date, the Election Date(s) and the applicable Notice Period.

8.8 Specific redemption provisions applicable to certain types of Exempt Notes

The Final Redemption Amount, any Optional Redemption Amount and the Early Redemption Amount in respect of Index Linked Redemption Notes and Dual Currency Redemption Notes may be specified in, or determined in the manner specified in, the applicable Pricing Supplement. For the purposes of Condition 8.2, Index Linked Interest Notes and Dual Currency Interest Notes may be redeemed only on an Interest Payment Date.

Instalments

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates specified in the applicable Pricing Supplement. In the case of early redemption, the Early Redemption Amount of Instalment Notes will be determined in the manner specified in the applicable Pricing Supplement.

Partly Paid Notes

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Pricing Supplement.

8.9 Purchases

Subject to Condition 8.15 in respect of Senior Notes and Non-Preferred Senior Notes and Condition 8.14, in respect of Subordinated Notes, the Parent, the Issuer or any subsidiary of the Parent may at any time purchase Notes (provided that, in the case of definitive Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. If purchases are made by tender, tenders must be available to all Noteholders alike. Such Notes may be held, reissued, resold or, at the option of the purchaser, surrendered to any Paying Agent for cancellation.

Subordinated Notes may only be purchased by the Parent, the Issuer or any of the Parent's subsidiaries, unless and to the extent permitted by the relevant Regulatory Capital Requirements (as defined in Condition 8.5) at the relevant time the Notes to be purchased (a)

do not exceed the lower of (i) 10 per cent. (or any other threshold as may be requested or required by the Competent Authority from time to time) of the aggregate nominal amount of the relevant Series of the Subordinated Notes and (ii) 3 per cent. (or any other threshold as may be requested or required by the Competent Authority from time to time) of the aggregate nominal amount of the Subordinated Notes qualified on issue as "Tier 2 capital" for regulatory capital purposes of the Issuer from time to time outstanding and (b) are not purchased in order to be surrendered to any Paying Agent for cancellation.

8.10 Cancellation

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and the Notes purchased by the Parent, the Issuer or any Subsidiary of the Issuer and surrendered to any Paying Agent for cancellation pursuant to Condition 8.9 above (together with all unmatured Receipts, Coupons and Talons cancelled therewith) (and subject, in the case of the cancellation of Subordinated Notes purchased by the Parent or any of the Parent's subsidiaries, to the prior permission of the relevant Competent Authority) shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

8.11 Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 8.1, 8.2, 8.3, 8.4, or upon its becoming due and repayable as provided in Condition 11 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 8.6(b) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Principal Paying Agent, the Trustee or the Registrar and notice to that effect has been given to the Noteholders in accordance with Condition 16.

8.12 Index Linked Notes and other Structured Notes

The Issuer may, as indicated in the applicable Pricing Supplement, be entitled to redeem Index Linked Notes or other structured Notes, including where the amount of principal and/or interest in respect of such Notes is based on the price, value, performance or some other factor relating to an asset or other property (**Reference Asset**), by physical delivery of all or part of the Reference Asset or of some other asset or property (**Physically-Settled Notes**).

8.13 Italian Civil Code

The Notes are not subject to Article 1186 of the Italian Civil Code nor, to the extent applicable, to Article 1819 of the Italian Civil Code.

8.14 Conditions to Early Redemption and Purchase of Subordinated Notes

Any redemption or purchase of Subordinated Notes in accordance with Conditions 8.2 (*Redemption for tax reasons*), 8.3 (*Redemption for regulatory reasons (Regulatory Call)*), 8.4 (*Redemption at the option of the Issuer (Issuer Call)*) or 8.9 (*Purchases*) is subject to:

- (a) the relevant Issuer giving notice to the relevant Competent Authority and such Competent Authority granting prior permission to redeem or purchase the relevant Subordinated Notes (in each case to the extent, and in the manner, required by the relevant Regulatory Capital Requirements, including Articles 77(b) and 78 of the CRD IV Regulation); and
- (b) compliance by the relevant Issuer with any alternative or additional pre-conditions to redemption or purchase, as applicable, set out in the relevant Regulatory Capital Requirements for the time being.

In these Conditions, **Competent Authority** means, in the case of Subordinated Notes, Senior Notes and Non-Preferred Senior Notes issued by UniCredit, the Bank of Italy and/or, to the extent applicable in any relevant situation, the European Central Bank or any successor or replacement entity to either, or other authority having primary responsibility for the prudential oversight and supervision of UniCredit.

8.15 Conditions to Redemption and Purchase of Senior Notes and Non-Preferred Senior Notes

Any redemption or purchase in accordance with Conditions 8.2, 8.4, 8.5 or 8.9 of Senior Notes and Non-Preferred Senior Notes is subject to compliance by the Issuer with any conditions to such redemption or repurchase prescribed by the Regulatory Capital Requirements at the relevant time (including any requirements applicable to such redemption or repurchase due to the qualification of such Senior Notes or Non-Preferred Senior Notes at such time as eligible liabilities available to meet the MREL or TLAC Requirements).

9. TAXATION

All payments of principal and interest (including any Arrear of Interest and Default Interest) in respect of the Notes, Receipts and Coupons by the Issuer or the Guarantor (in the case of Guaranteed Notes) will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature, imposed or levied by or on behalf of any Tax Jurisdiction, unless such withholding or deduction is required by law. In such event, the Issuer or, as the case may be, the Guarantor (in the case of Guaranteed Notes) will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest, in the case of Senior Notes or Non-Preferred Senior Notes (if permitted by the MREL or TLAC Requirements), or interest only, in the case of Subordinated Notes, which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction, except that:

- (a) (in respect of payments by the Parent) no such additional amounts shall be payable with respect to any Note, Receipt or Coupon for or on account of *imposta sostitutiva* (at the then applicable rate of tax) pursuant to Italian Legislative Decree No. 239 of 1 April 1996 or Italian Legislative Decree No. 461 of 21 November 1997 (as any of the same may be amended or supplemented) or any related implementing regulations; and

- (b) no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:
- (i) the holder of which is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with the Tax Jurisdiction other than the mere holding of such Note; or
 - (ii) presented for payment by, or on behalf of, a holder who is entitled to avoid such withholding or deduction in respect of such Note, Receipt or Coupon by making a declaration or any other statement to the relevant tax authority, including, but not limited to, a declaration of residence or non-residence or other similar claim for exemption; or
 - (iii) presented for payment more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to such additional amounts on presenting the same for payment on such thirtieth day (assuming such day to have been a Payment Day as defined in Condition 7.8); or
 - (iv) presented for payment (in the case of Guaranteed Notes and Notes issued by UniCredit) in the Republic of Italy; or
 - (v) presented for payment (in the case of Notes issued by UniCredit Ireland) in Ireland; or
 - (vi) presented for payment (in the case of Notes issued by UniCredit International Luxembourg) in Luxembourg; or
 - (vii) presented for payment (in respect of payments by UniCredit) in the event of payment to a non-Italian resident legal entity or a non-Italian resident individual, to the extent that interest or any other amount is paid to a non-Italian resident legal entity or a non-Italian resident individual which is resident in a country which does not allow for a satisfactory exchange of information with the Italian authorities; or
 - (viii) presented for payment (in respect of payments by UniCredit) in all circumstances in which the procedures set forth in Legislative Decree No. 239 of 1 April 1996, as amended, have not been met or complied with, except where such requirements and procedures have not been met or complied with due to the actions or omissions of UniCredit or its agents; or
 - (ix) in respect of Notes that are not qualified as bonds or similar securities where such withholding or deduction is required pursuant to Law Decree No. 512 of 30 September 1983, as amended, supplemented and/or re-enacted from time to time; or
 - (x) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note/Coupon to another Paying Agent in a Member State of the European Union; or
 - (xi) where the holder who would have been able to lawfully avoid (but has not so avoided) such deduction or withholding by complying, or procuring that any third party complies, with any statutory requirements; or

- (xii) where such withholding or deduction is imposed on a payment pursuant to (i) Sections 1471 through 1474 of the Code, any regulations or agreements thereunder or any official interpretations thereof or any law implementing an intergovernmental approach thereto.

As used herein:

- (A) **Tax Jurisdiction** means (I) (in the case of payments by UniCredit) the Republic of Italy or any political subdivision or any authority thereof or therein having power to tax, (II) (in the case of payments by UniCredit Ireland) the Republic of Ireland or any political subdivision or any authority thereof or therein having power to tax, and (III) (in the case of payment by UniCredit International Luxembourg) Luxembourg or any political subdivision or any authority thereof or therein having power to tax, or in any such case any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the relevant Issuer or the Guarantor (in the case of Guaranteed Notes), as the case may be, becomes subject in respect of payments made by it of principal and interest on the Notes, Receipts and Coupons; and
- (B) the **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Principal Paying Agent, the Trustee or the Registrar, as the case may be, on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 16.

Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 9 or under any obligation undertaken in addition thereto or in substitution therefor pursuant to the Trust Deed.

10. PRESCRIPTION

The Notes (whether in bearer or registered form), Receipts and Coupons will become void unless presented for payment within a period of ten years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 9) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 7.3 or any Talon which would be void pursuant to Condition 7.3.

In relation only to the Notes issued by UniCredit International Luxembourg, the Luxembourg Act dated 3 September, 1996 on the involuntary dispossession of bearer securities, as amended (the **Involuntary Dispossession Act 1996**), requires that any amount that is payable under the Notes, Receipts and Coupons (if any) (but which has not yet been paid to the holders of the Notes), in the event that (i) an opposition has been filed in relation to the Notes and (ii) the Notes mature prior to becoming forfeited (as provided for in the Involuntary Dispossession Act 1996), is paid to the *Caisse des consignations* in Luxembourg until the opposition has been withdrawn or the forfeiture of the Notes occurs.

11. EVENTS OF DEFAULT

11.1 Events of Default relating to Senior Notes and Non-Preferred Senior Notes

This Condition 11.1 applies only to Notes specified in the applicable Final Terms as Senior Notes and Non-Preferred Senior Notes.

The Trustee, at its discretion, may, and if so requested in writing by the holders of at least one quarter in principal amount of the Notes then outstanding, or if so directed by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders, shall (subject in each case to the Trustee being indemnified and/or secured to its satisfaction) give notice to the Issuer and, in the case of the Guaranteed Notes, the Guarantor that each Note is, and each Note shall thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued interest as provided in the Trust Deed if any of the following events (an **Event of Default**) shall occur:

- (A) if the Issuer is UniCredit, the Issuer shall become subject to Liquidazione Coatta Amministrativa as defined in Legislative Decree No. 385 of September 1, 1993 of the Republic of Italy (as amended from time to time); and
- (B) if the Issuer is UniCredit Ireland or UniCredit International Luxembourg, the Issuer shall be insolvent, wound up, liquidated or dissolved (otherwise than for the purposes of an amalgamation, merger, reconstruction or reorganisation on terms previously approved in writing by the Trustee or an Extraordinary Resolution of the Noteholders).

11.2 Events of Default relating to Subordinated Notes

This Condition 11.2 applies only to Notes issued by UniCredit specified in the applicable Final Terms as being Subordinated Notes.

The Trustee, at its discretion, may, and if so requested in writing by the holders of at least one quarter in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to the Trustee being indemnified and/or secured to its satisfaction) give notice to UniCredit, that the Notes are, and shall accordingly forthwith become, immediately due and repayable at their Early Redemption Amount plus accrued interest as provided in the Trust Deed, in case of Subordinated Notes issued by UniCredit in the event that UniCredit shall become subject to Liquidazione Coatta Amministrativa as defined in Legislative Decree No. 385 of 1 September 1993 of the Republic of Italy as amended from time to time (otherwise than for the purposes of an amalgamation, merger, reconstruction or reorganisation on terms previously approved in writing by the Trustee or an Extraordinary Resolution of the Noteholders).

12. ENFORCEMENT

- 12.1 Subject (in the case of Senior Notes, Non-Preferred Senior Notes and Subordinated Notes issued by UniCredit) to paragraph 12.2 below, the Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer and/or the Guarantor as it may think fit to enforce the obligations of the Issuer and/or the Guarantor under the Trust Deed or the Notes, but it shall not be bound to take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least one-quarter in principal amount of the Notes then outstanding, and (b) it shall have been indemnified and/or secured to its satisfaction.

No Noteholder, Receiptholder or Couponholder shall be entitled to proceed directly against the Issuer and/or the Guarantor unless the Trustee, having become bound so to proceed as aforesaid, fails so to do within a reasonable time and such failure is continuing.

- 12.2 This Condition 12.2 applies only to Notes specified in the applicable Final Terms as being Senior Notes, Non-Preferred Senior Notes or Subordinated Notes issued by UniCredit.

Proceedings for the winding-up or liquidation of UniCredit may only be initiated in the Republic of Italy (and not elsewhere), by the Trustee on behalf of the Noteholders, in accordance with the laws of the Republic of Italy (except for the purposes of an Approved Reorganisation).

In these Conditions, **Approved Reorganisation** means a solvent and voluntary reorganisation involving, alone or with others, UniCredit and whether by way of consolidation, amalgamation, merger, transfer of all or part of any business or assets, or otherwise, provided that the principal resulting, surviving or transferee entity which is a banking company effectively assumes all the obligations of UniCredit under, or in respect of, the Notes and, in the case of Guaranteed Notes, the Guarantee.

13. **REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS**

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent or the Paying Agent in Luxembourg (in the case of Bearer Notes, Receipts or Coupons) or the Registrar (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

14. **AGENTS**

The initial Agents are set out above. If any additional Agents are appointed in connection with any Series, the names of such Agents will be specified in Part B of the applicable Final Terms.

The Issuer is entitled (with the prior written approval of the Trustee) to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, provided that:

- (a) there will at all times be a Paying Agent (which may be the Principal Paying Agent), having a specified office in a Member State of the European Union other than the jurisdiction in which the Issuer or the Guarantor (as the case may be) is incorporated, and a Registrar;
- (b) so long as the Notes are listed on any stock exchange or admitted to trading by any other relevant authority, there will at all times be a Paying Agent (in the case of Bearer Notes) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange, the competent authority or other relevant authority; and
- (c) so long as any of the Registered Global Notes payable in a Specified Currency other than U.S. dollars are held through DTC or its nominee, there will at all times be an Exchange Agent.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 7.6. Except as provided in the Agency Agreement, any variation, termination, appointment or change shall only take effect after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Trustee and Noteholders in accordance with Condition 16.

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and the Guarantor (in the case of the Guaranteed Notes) and, in certain circumstances specified in the Agency Agreement and the Trust Deed, of the Trustee, and do not assume any obligation to, or relationship of agency or trust with, any Noteholder, Receiptholder or Couponholder. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

15. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 10.

16. NOTICES

All notices regarding the Bearer Notes will be deemed to be validly given if published (if and for so long as the Bearer Notes are admitted to trading on the Luxembourg Stock Exchange's regulated market and listed on the Official List of the Luxembourg Stock Exchange) either on the website of the Luxembourg Stock Exchange (www.bourse.lu) or in a daily newspaper of general circulation in Luxembourg. It is expected that any such publication in a newspaper will be made in the *Luxemburger Wort* or the *Tageblatt*. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any other stock exchange or other relevant authority on which the Bearer Notes are for the time being listed or by which they have been admitted to trading including publication on the website of the relevant stock exchange or relevant authority if required by those rules. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

All notices regarding the Registered Notes will be deemed to be validly given if sent by first-class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and (if and for so long as the Registered Notes are admitted to trading on the Luxembourg Stock Exchange's regulated market and listed on the Official List of the Luxembourg Stock Exchange) if published on the website of the Luxembourg Stock Exchange (www.bourse.lu) or in a daily newspaper of general circulation in Luxembourg. It is expected that any such publication in a newspaper will be made in the *Luxemburger Wort* or the *Tageblatt*. In addition, for so long as any Registered Notes are listed on any other stock exchange and the rules of that exchange so require, such notice will be published in a daily newspaper of general circulation in the place or places required by the rules of that stock exchange.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg and/or DTC, be substituted for publication as provided above, the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or DTC for communication by them to the holders of the Notes, and (if and for so long as the Notes are admitted to trading on the Luxembourg Stock Exchange's regulated market and listed on the Official of the Luxembourg Stock Exchange) publication on the website of the Luxembourg Stock Exchange (www.bourse.lu) or in a daily newspaper of general circulation in Luxembourg. It is expected that any such publication in a newspaper will be made in the *Luxemburger Wort* or the *Tageblatt*. In addition, for so long as any Notes are listed on any other stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published as may be required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the second day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg and/or DTC.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Principal Paying Agent or the Registrar through Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, in such manner as the Principal Paying Agent or the Registrar and Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, may approve for this purpose.

17. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer, the Guarantor (in the case of the Guaranteed Notes) or Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Receipts, the Coupons, these Conditions or the Trust Deed (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, the Receipts or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders.

The Trustee may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to:

- (a) any modification of the Notes, the Receipts, the Coupons, these Conditions or the Trust Deed or any waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or potential Event of Default shall not be treated as such, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders so to do; or
- (b) any modification of the Notes, the Receipts, the Coupons, these Conditions or the Trust Deed which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law.

Any such modification, waiver, authorisation or determination shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall, unless the Trustee agrees otherwise, be notified to the Noteholders in accordance with Condition 16 as soon as practicable thereafter.

Without prejudice to the aforementioned discretions, the Trustee may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to the substitution at any time or times of any successor company (as defined in the Trust Deed) of the Issuer or any subsidiary or holding company of the Issuer or any successor company to such successor company, as the principal debtor under the Trust Deed and the Notes. Such agreement shall be subject to the relevant provisions of the Trust Deed, including (except where a successor company of the Issuer is the new principal debtor) the irrevocable and unconditional guarantee of the Notes by the Issuer and, in the case of Guaranteed Notes (except where the Guarantor is the new principal debtor), the irrevocable and unconditional guarantee of the Notes by the Guarantor. The Trustee may also agree without the consent of the Noteholders, the Receiptholders or the Couponholders to the addition of another company as an issuer of Notes under the Programme and the Trust Deed and to the substitution (in the case of Guaranteed Notes) of any successor company of the Guarantor or any subsidiary or holding company of the Parent as the guarantor in respect of Guaranteed Notes. Any such addition shall be subject to the relevant provisions of the Trust Deed and to such amendment thereof and such other conditions as the Trustee may require. In the case of any proposed substitution or addition, the Trustee may agree, without the consent of the Noteholders, the Receiptholders or the Couponholders, to a change of the law governing the Notes, the Receipts, the Coupons and/or the Trust Deed provided that such change would not, in the opinion of the Trustee, be materially prejudicial to the interest of the Noteholders.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, substitution or change of law as aforesaid), the Trustee shall have regard to the general interests of the Noteholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Noteholders, Receiptholders or Couponholders, whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders, Receiptholders or Couponholders, (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political subdivision thereof, and the Trustee shall not be entitled to require, nor shall any Noteholder, Receiptholder or Couponholder be entitled to claim, from the Issuer, the Guarantor, or the Trustee any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders, Receiptholders or Couponholders except to the extent

already provided for in Condition 9 and/or any undertaking or covenant given in addition to, or in substitution for, Condition 9 pursuant to the Trust Deed.

The provisions of articles 84 to 94-8 of the Luxembourg Act dated 10 August 1915 on commercial companies, as amended relating to meetings of Noteholders will not apply in respect of the Notes issued by UniCredit International Luxembourg.

In addition, (i) in the case of Senior Notes or Non-Preferred Senior Notes, if at any time a MREL or TLAC Disqualification Event occurs or (ii) in the case of all Notes, in order to ensure the effectiveness and enforceability of Condition 22, then the Issuer may, subject to giving any notice required to be given to, and receiving any consent required from, the Competent Authority (without any requirement for the consent or approval of the Holders of the relevant Notes of that Series) and having given not less than 30 nor more than 60 days' notice to the Trustee and the Holders of the Notes of that Series, at any time either substitute all (but not some only) of such Notes, or vary the terms of such Notes so that they remain or, as appropriate, become, Qualifying Senior Notes, Qualifying Non-Preferred Senior Notes or Qualifying Subordinated Notes, as applicable, provided that such variation or substitution does not itself give rise to any right of the Issuer to redeem the varied or substituted securities.

In these Conditions:

"Qualifying Non-Preferred Senior Notes" means securities issued by the Issuer that:

- (a) other than in respect of the effectiveness and enforceability of Condition 22, have terms not materially less favourable to a Holder of the Non-Preferred Senior Notes (as reasonably determined by the Issuer) than the terms of the Non-Preferred Senior Notes, and they shall also (A) contain terms which at such time result in such securities being eligible to count towards fulfilment of the Issuer's and/or the UniCredit Group's (as applicable) minimum requirements for own funds and eligible liabilities under the then applicable MREL or TLAC Requirements; (B) include a ranking at least equal to that of the Non-Preferred Senior Notes; (C) have at least the same interest rate and the same Interest Payment Dates as those from time to time applying to the Non-Preferred Senior Notes; (D) have the same redemption rights as the Non-Preferred Senior Notes; and (E) are assigned (or maintain) the same credit ratings as were assigned to the Non-Preferred Senior Notes immediately prior to such variation or substitution; and
- (b) are listed on a recognised stock exchange if the Non-Preferred Senior Notes were listed immediately prior to such variation or substitution.

"Qualifying Senior Notes" means securities issued by the Issuer that:

- (a) other than in respect of the effectiveness and enforceability of Condition 22, have terms not materially less favourable to a Holder of the Senior Notes (as reasonably determined by the Issuer) than the terms of the Senior Notes, and they shall also (A) contain terms which at such time result in such securities being eligible to count towards fulfilment of the Issuer's and/or the UniCredit Group's (as applicable) minimum requirements for own funds and eligible liabilities under the then applicable MREL or TLAC Requirements; (B) include a ranking at least equal to that of the Senior Notes; (C) have at least the same interest rate and the same Interest Payment Dates as those from time to time applying to the Senior Notes; (D) have the same redemption rights as the Senior Notes; and (E) are assigned (or maintain) the same credit ratings as were assigned to the Senior Notes immediately prior to such variation or substitution; and

- (b) are listed on a recognised stock exchange if the Senior Notes were listed immediately prior to such variation or substitution.

"Qualifying Subordinated Notes" means securities issued by the Issuer that:

- (a) other than in respect of the effectiveness and enforceability of Condition 22, have terms not materially less favourable to a Holder of the Subordinated Notes (as reasonably determined by the Issuer) than the terms of the Subordinated Senior Notes, and they shall also (A) comply with the then-current requirements of the Bank of Italy Regulations in relation to Tier 2 capital, (B) include a ranking at least equal to that of the Subordinated Notes; (C) have at least the same interest rate and the same Interest Payment Dates as those from time to time applying to the Subordinated Notes; (D) have the same redemption rights as the Subordinated Notes; and (E) are assigned (or maintain) the same credit ratings as were assigned to the Subordinated Notes immediately prior to such variation or substitution; and
- (b) are listed on a recognised stock exchange if the Subordinated Notes were listed immediately prior to such variation or substitution.

18. INDEMNIFICATION OF THE TRUSTEE

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings to enforce repayment unless indemnified and/or secured to its satisfaction and to be paid to its costs and expenses in priority to the claims of the Noteholders.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or the Guarantor and/or any of the Issuer's other subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and or the Guarantor and/or any of the Issuer's other subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders, Receipholders or Couponholders, and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

19. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Noteholders, the Receipholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue and so that the same shall be consolidated and form a single Series with the outstanding Notes.

The Issuer may from time to time, with the prior written consent of the Trustee, create and issue other series of Notes having the benefit of the Trust Deed. The Trust Deed contains provisions for and governs the convening of a single meeting of the Noteholders and the holders of bearer or registered notes of other Series in certain circumstances where the Trustee so decides.

20. GOVERNING LAW AND SUBMISSION TO JURISDICTION

20.1 Governing law

The Trust Deed, the Agency Agreement, the Guarantee, the Notes (except for Condition 4.A, Condition 5 and Condition 22), the Receipts and the Coupons and any non-contractual obligations arising out of or in connection with them shall be governed by, and construed in accordance with, English law. Each of Condition 4.A, Condition 5.1 and Condition 22 and any non-contractual obligations arising out of or in connection with each of them shall be governed by, and construed in accordance with, Italian law.

20.2 Submission to jurisdiction

The Trustee, the Issuer and (in the case of Guaranteed Notes) the Guarantor each agrees, for the benefit of the Noteholders, the Receiptholders and the Couponholders, that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Notes, the Receipts and/or the Coupons (including a dispute relating to any non-contractual obligations arising out of or in connection with them) and that accordingly (subject, in the case of Subordinated Notes, to the provisions of Condition 12.2) any suit, action or proceedings (together referred to as **Proceedings**) arising out of or in connection with the Notes, the Receipts and the Coupons (including any Proceedings relating to any non-contractual obligations arising out of or in connection with them) may be brought in such courts.

The Issuer and (in the case of Guaranteed Notes) the Guarantor each hereby irrevocably waives any objection which it may have now or hereafter to the laying of the venue of any such Proceedings in any such court and any claim that any such Proceedings have been brought in an inconvenient forum, and hereby further irrevocably agrees that a judgment in any such Proceedings brought in the English courts shall be conclusive and binding upon it and may be enforced in the courts of any other jurisdiction.

Nothing contained in this Condition shall limit any right to take Proceedings against the Issuer or (in the case of Guaranteed Notes) the Guarantor in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.

20.3 Waiver of trial by jury

Without prejudice to condition 20.2, each of the Issuers and the Guarantor waives any right it may have to a jury of trial or cause of action in connection with the Trust Deed, the Notes, the Receipts and the Coupons. These conditions may be filed as a written consent to a bench trial.

20.4 Appointment of Process Agent

Each of the Issuers and (in the case of the Guaranteed Notes) the Guarantor agrees that any documents required to be served on it in relation to any Proceedings (including any documents which start any Proceedings) may be served on it by being delivered to UniCredit S.p.A., London Branch at Moor House, 120 London Wall, London, EC2Y 5ET or, if different, its principal office for the time being in London. In the event of UniCredit S.p.A., London Branch ceasing to act or ceasing to be registered in England, each of the Issuers and (in the case of Guaranteed Notes) the Guarantor will appoint such other person as the Trustee may approve and as the Issuers and (in the case of Guaranteed Notes) the Guarantor may nominate in writing to the Trustee for the purpose of accepting service of process on its behalf

in England in respect of any Proceedings. Nothing herein shall affect the right to serve Proceedings in any other manner permitted by law.

20.5 Non-exclusivity

The submission to the jurisdiction of the courts of England shall not (and shall not be construed so as to) limit the right of any Noteholder, Receipholder or Couponholder to take Proceedings in any other court of competent jurisdiction, nor shall the taking of Proceedings in any one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not) if and to the extent permitted by law.

21. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

22. CONTRACTUAL RECOGNITION OF STATUTORY BAIL-IN POWERS

By the acquisition of the Notes, each Noteholder acknowledges and agrees to be bound by the exercise of any Bail-in Power by the Relevant Resolution Authority that may result in the write-down or cancellation of all or a portion of the principal amount of, or distributions on, the Notes and/or the conversion of all or a portion of the principal amount of, or distributions on, the Notes into ordinary shares or other obligations of the Issuer, the Guarantor (in the case of Guaranteed Notes) or another person, including by means of a variation to the terms of the Notes to give effect to the exercise by the Relevant Resolution Authority of such Bail-in Power. Each Noteholder further agrees that the rights of the Noteholders are subject to, and will be varied if necessary so as to give effect to, the exercise of any Bail-in Power by the Relevant Resolution Authority.

Upon the Issuer or, in the case of Guaranteed Notes, the Guarantor being informed or notified by the Relevant Resolution Authority of the actual exercise of the date from which the Bail-in Power is effective with respect to the Notes, the Issuer or, as appropriate, the Guarantor shall notify the Noteholders without delay. Any delay or failure by the Issuer or, as appropriate, the Guarantor to give notice shall not affect the validity and enforceability of the Bail-in Power nor the effects on the Notes described in this clause.

The exercise of the Bail-in Power by the Relevant Resolution Authority with respect to the Notes shall not constitute an Event of Default and the terms and conditions of the Notes shall continue to apply in relation to the residual principal amount of, or outstanding amount payable with respect to, the Notes subject to any modification of the amount of distributions payable to reflect the reduction of the principal amount, and any further modification of the terms that the Relevant Resolution Authority may decide in accordance with applicable laws and regulations relating to the resolution of credit institutions, investment firms and/or Group Entities incorporated in the relevant Member State.

Each Noteholder also acknowledges and agrees that this provision is exhaustive on the matters described herein to the exclusion of any other agreements, arrangements or understandings relating to the application of any Bail-in Power to the Notes.

Appendix 4

TAXATION IN THE REPUBLIC OF ITALY

Tax treatment of Notes issued by an Italian resident issuer

Legislative Decree No. 239 of 1 April 1996, as subsequently amended, (**Decree 239**) provides for the applicable regime with respect to the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) from Notes falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*), issued, *inter alia*, by Italian banks.

The tax regime set forth by Decree 239 also applies to interest, premium and other income from regulatory capital financial instruments complying with EU and Italian regulatory principles, issued by, *inter alia*, Italian banks, other than shares and assimilated instruments, as set out by Article 2, paragraphs 22 and 22-*bis*, of Law Decree No. 138 of 13 August 2011, as converted with amendments by Law No. 148 of 14 September 2011 and as further amended and clarified by Law No. 147 of 27 December 2013.

Italian resident Noteholders

Where an Italian resident Noteholder is (a) an individual not engaged in an entrepreneurial activity to which the Notes are connected; (b) a non-commercial partnership; (c) a non-commercial private or public institution; or (d) an investor exempt from Italian corporate income taxation (unless the Noteholders under (a), (b) or (c) above opted for the application of the *risparmio gestito* regime – see “Capital gains tax” below), interest, premium and other income relating to the Notes, accrued during the relevant holding period, are subject to a substitute tax, referred to as “*imposta sostitutiva*”, levied at the rate of 26 per cent. In the event that the Noteholders described under (a) and (c) above are engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* applies as a provisional tax.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity to which the Notes are connected or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from any income taxation, including the *imposta sostitutiva*, on interest, premium and other income relating to the Notes if the Notes are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1(88-114) of Law No. 232 of 11 December 2016, as subsequently amended (the **Finance Act 2017**).

Where an Italian resident Noteholder is a company or similar commercial entity, or a permanent establishment in Italy of a foreign company to which the Notes are effectively connected, and the Notes are deposited with an authorised intermediary, interest, premium and other income from the Notes will not be subject to *imposta sostitutiva*, but must be included in the relevant Noteholder’s income tax return and are therefore subject to general Italian corporate taxation (and, in certain circumstances, depending on the “status” of the Noteholder, also to the regional tax on productive activities (**IRAP**)).

Under the current regime provided by Law Decree No. 351 of 25 September 2001 converted into law with amendments by Law No. 410 of 23 November 2001 (**Decree 351**), and Article 9, par. 1, Legislative Decree No. 44 of 4 March 2014, payments of interest, premiums or other proceeds in respect of the Notes made to Italian resident real estate investment funds established pursuant to Article 37 of Legislative Decree No. 58 of 24 February 1998 (the **Financial Services Act**) or pursuant

to Article 14-bis of Law No. 86 of 25 January 1994, and Italian real estate investment companies with fixed capital (the **Real Estate SICAFs** and, together with the Italian resident real estate investment funds, the **Real Estate Funds**) are subject neither to *imposta sostitutiva* nor to any other income tax in the hands of the Real Estate Fund, but subsequent distributions made in favour of unitholders or shareholders will be subject, in certain circumstances, to a withholding tax of 26 per cent.; subject to certain conditions, depending on the status of the investor and percentage of participation, income of the Real Estate Fund is subject to taxation in the hands of the unitholder or shareholder regardless of distribution.

If the investor is resident in Italy and is an open-ended or closed-ended investment fund, a SICAF (an investment company with fixed capital other than a Real Estate SICAF) or a SICAV (an investment company with variable capital) established in Italy and either (i) the fund, the SICAF or the SICAV or (ii) their manager is subject to the supervision of a regulatory authority (the **Fund**), and the relevant Notes are held by an authorised intermediary, interest, premium and other income accrued during the holding period on such Notes will not be subject to *imposta sostitutiva* nor to any other income tax in the hands of the Fund, but subsequent distributions made in favour of unitholders or shareholders will be subject, in certain circumstances, to a withholding tax of 26 per cent. (the **Collective Investment Fund Withholding Tax**).

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by Article 17 of Legislative Decree No. 252 of 5 December 2005) and the Notes are deposited with an authorised intermediary, interest, premium and other income relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period to be subject to a 20 per cent. substitute tax. Subject to certain conditions (including minimum holding period requirement) and limitations, interest, premium and other income relating to the Notes may be excluded from the taxable base of the 20 per cent. substitute tax if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1 (88-114) of Finance Act 2017. Pursuant to Decree 239, *imposta sostitutiva* is applied by banks, SIMs, fiduciary companies, SGRs, stockbrokers and other entities identified by a decree of the Ministry of Finance (each an **Intermediary**).

An Intermediary must (a) be resident in Italy or be a permanent establishment in Italy of a non-Italian resident financial intermediary and (b) intervene, in any way, in the collection of interest or in the transfer of the Notes. For the purpose of the application of the *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Notes or in a change of the Intermediary with which the Notes are deposited.

Where the Notes are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by any entity paying interest to a Noteholder.

Non-Italian resident Noteholders

Where the Noteholder is a non-Italian resident without a permanent establishment in Italy to which the Notes are connected, an exemption from the *imposta sostitutiva* applies provided that the non-Italian resident beneficial owner is either (a) resident, for tax purposes, in a country which allows for a satisfactory exchange of information with Italy as listed in Ministerial Decree of 4 September 1996, as amended by Ministerial Decree of 23 March 2017 and possibly further amended according to Article 11(4)(c) of Decree 239 (as amended by Legislative Decree No. 147 of 14 September 2015) (the **White List**); or (b) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or (c) a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or (d) an institutional investor which is established in a country

which allows for a satisfactory exchange of information with Italy, as listed in the White List, even if it does not possess the status of taxpayer therein.

The *imposta sostitutiva* will be applicable at the rate of 26 per cent. (or at the reduced rate provided for by the applicable double tax treaty, if any) to interest, premium and other income paid to Noteholders who are resident, for tax purposes, in countries which do not allow for a satisfactory exchange of information with Italy.

In order to ensure gross payment, non-Italian resident Noteholders must be the beneficial owners of the payments of interest, premium or other income and (a) deposit, directly or indirectly, the Notes with a resident bank or SIM or a permanent establishment in Italy of a non-Italian resident bank or SIM or with a non-Italian resident entity or company participating in a centralised securities management system which is in contact, via computer, with the Ministry of Economy and Finance and (b) file with the relevant depository, prior to or concurrently with the deposit of the Notes, a statement of the relevant Noteholder, which remains valid until withdrawn or revoked, in which the Noteholder declares to be eligible to benefit from the applicable exemption from *imposta sostitutiva*. Such statement, which is not requested for international bodies or entities set up in accordance with international agreements which have entered into force in Italy nor in case of foreign Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State, must comply with the requirements set forth by Ministerial Decree of 12 December 2001, as subsequently amended.

Tax treatment of Notes issued by a non-Italian resident issuer

Decree 239 also provides for the applicable regime with respect to the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) from notes falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) issued, *inter alia*, by a non-Italian resident issuer.

Italian resident Noteholders

Where the Italian resident Noteholder is (a) an individual not engaged in an entrepreneurial activity, to which the relevant Notes are connected, (b) a non-commercial partnership, (c) a non-commercial private or public institution, or (d) an investor exempt from Italian corporate income taxation (unless the Noteholders under (a), (b) or (c) above opted for the application of the *risparmio gestito* regime – see under “Capital gains tax” below), interest, premium and other income relating to Notes, accrued during the relevant holding period, are subject to a withholding tax, referred to as “*imposta sostitutiva*”, levied at the rate of 26 per cent. In the event that Noteholders described under (a) and (c) above are engaged in an entrepreneurial activity to which the relevant Notes are connected, the *imposta sostitutiva* applies as a provisional tax.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity to which the Notes are connected or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from any income taxation, including the *imposta sostitutiva*, on interest, premium and other income relating to the Notes if the Notes are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1(100-114) of the Finance Act 2017.

Where an Italian resident Noteholder is a company or similar commercial entity or a permanent establishment in Italy of a foreign company to which the Notes are effectively connected and the Notes are deposited with an Intermediary, interest, premium and other income from the Notes will not be subject to *imposta sostitutiva*, but must be included in the relevant Noteholder’s annual income tax return and are therefore subject to general Italian corporate taxation (and, in certain circumstances, depending on the “status” of the Noteholder, also to IRAP).

Under the current regime provided by Decree 351 and Article 9, par. 1, Legislative Decree No. 44 of 4 March 2014, payments of interest, premiums or other proceeds in respect of the Notes made to Real Estate Funds are subject neither to *imposta sostitutiva* nor to any other income tax in the hands of the Real Estate Fund, but subsequent distributions made in favour of unitholders or shareholders will be subject, in certain circumstances, to a withholding tax of 26 per cent.

If the investor is resident in Italy and is a Fund, and the relevant Notes are held by an authorised intermediary, interest, premium and other income accrued during the holding period on the Notes will not be subject to *imposta sostitutiva*, but must be included in the management result of the Fund. The Fund will not be subject to taxation on such result, but the Collective Investment Fund Withholding Tax will apply, in certain circumstances, to subsequent distributions made in favour of unitholders or shareholders.

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by Article 17 of the Legislative Decree No. 252 of 5 December 2005) and the Notes are deposited with an authorised intermediary, interest, premium and other income relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 20 per cent. substitute tax. Subject to certain conditions (including minimum holding period requirement) and limitations, interest, premium and other income relating to the Notes may be excluded from the taxable base of the 20 per cent. substitute tax if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1 (88-114) of Finance Act 2017.

Pursuant to Decree 239, *imposta sostitutiva* is applied by an Intermediary.

An Intermediary must (a) be resident in Italy or be a permanent establishment in Italy of a non-Italian resident financial intermediary and (b) intervene, in any way, in the collection of interest or in the transfer of the Notes.

For the purpose of the application of the *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Notes or in a change of the Intermediary with which the Notes are deposited.

Where the Notes are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by any entity paying interest to a Noteholder.

Non-Italian resident Noteholders

No Italian *imposta sostitutiva* is applied on payments to a non-Italian resident Noteholder of interest or premium relating to Notes issued by a non-Italian resident issuer, provided that, if such Notes are held in Italy, the non-Italian resident Noteholder declares itself to be a non-Italian resident according to Italian tax regulations.

Payments made by an Italian resident guarantor

With respect to payments on the Notes made to Italian resident Noteholders by an Italian resident guarantor, in accordance with one interpretation of Italian tax law, any payment of liabilities equal to interest and other proceeds from the Notes may be subject to a provisional withholding tax at a rate of 26 per cent. pursuant to Presidential Decree No. 600 of 29 September 1973. In case of payments to non-Italian resident Noteholders, the final withholding tax may be applied at 26 per cent.

Double taxation treaties entered into by Italy may apply allowing for a lower (or, in certain cases, nil) rate of withholding tax.

In accordance with another interpretation, any such payment made by the Italian resident guarantor will be treated, in certain circumstances, as a payment by the relevant issuer and will thus be subject to the tax regime described in the previous paragraphs of this section.

Atypical securities

Interest payments relating to Notes that are not deemed to fall within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) may be subject to a withholding tax, levied at the rate of 26 per cent. For this purpose, debentures similar to bonds are securities that incorporate an unconditional obligation to pay, at maturity, an amount not lower than their nominal value with or without the payment of periodic interest, and do not give any right to directly or indirectly participate in the management of the issuer or to the business in connection to which the securities were issued, nor to control the same.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from any income taxation, including the withholding tax on interest, premium and other income relating to the Notes not falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*), if such Notes are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1(100-114) of the Finance Act 2017.

In the case of Notes issued by an Italian resident issuer, where the Noteholder is (a) an Italian individual engaged in an entrepreneurial activity to which the Notes are connected; (b) an Italian company or a similar Italian commercial entity; (c) a permanent establishment in Italy of a foreign entity; (d) an Italian commercial partnership; or (e) an Italian commercial private or public institution, such withholding tax is a provisional withholding tax. In all other cases, including when the Noteholder is a non-Italian resident, the withholding tax is a final withholding tax. For non-Italian resident Noteholders, the withholding tax rate may be reduced by any applicable tax treaty.

If the Notes are issued by a non-Italian resident issuer, the withholding tax mentioned above does not apply to interest payments made to a non-Italian resident Noteholder and to an Italian resident Noteholder which is (a) a company or similar commercial entity (including the Italian permanent establishment of foreign entities); (b) a commercial partnership; or (c) a commercial private or public institution.

Capital gains tax

Any gain obtained from the sale or redemption of the Notes would be treated as part of the taxable income (and, in certain circumstances, depending on the “status” of the Noteholder, also as part of the net value of the production for IRAP purposes) if realised by an Italian company or a similar commercial entity (including the Italian permanent establishment of foreign entities to which the Notes are connected) or Italian resident individuals engaged in an entrepreneurial activity to which the Notes are connected.

Where an Italian resident Noteholder is an (i) an individual holding the Notes not in connection with an entrepreneurial activity, (ii) a non-commercial partnership, (iii) a non-commercial private or public institution, any capital gain realised by such Noteholder from the sale or redemption of the Notes would be subject to an *imposta sostitutiva*, levied at the current rate of 26 per cent. Noteholders may set off losses with gains.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not engaged in an entrepreneurial activity to which the Notes are connected or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from Italian capital gain taxes, including the *imposta sostitutiva*, on capital gains realised upon sale or redemption of the Notes, if the Notes are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1(88-114) of Finance Act 2017.

In respect of the application of *imposta sostitutiva*, taxpayers may choose one of the three regimes described below.

Under the tax declaration regime (*regime della dichiarazione*), which is the default regime for Noteholders under (i) to (iii) above, the *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any incurred capital loss, realised by the investor in connection with an entrepreneurial activity pursuant to all sales or redemptions of the Notes carried out during any given tax year. The relevant Noteholder must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return and pay *imposta sostitutiva* on such gains together with any balance of income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years. Pursuant to Law Decree No. 66 of 24 April 2014, as converted into law with amendments by Law No. 89 of 23 June 2014 (**Decree 66**), capital losses may be carried forward to be offset against capital gains of the same nature realised after 30 June 2014 for an overall amount of 76.92 per cent. of the capital losses realised from 1 January 2012 to 30 June 2014.

As an alternative to the tax declaration regime, Italian resident Noteholders under (i) to (iii) above may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the Notes (the “*risparmio amministrato*” regime). Such separate taxation of capital gains is allowed subject to (a) the Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries (including permanent establishments in Italy of foreign intermediaries) and (b) an express election for the *risparmio amministrato* regime being timely made in writing by the relevant Noteholder. The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Notes (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose. Under the *risparmio amministrato* regime, where a sale or redemption of the Notes results in a capital loss, such loss may be deducted from capital gains subsequently realised, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the Noteholder is not required to declare the capital gains in the annual tax return. Pursuant to Decree 66, capital losses may be carried forward to be offset against capital gains of the same nature realised after 30 June 2014 for an overall amount of 76.92 per cent. of the capital losses realised from 1 January 2012 to 30 June 2014.

Any capital gains realised by Italian resident Noteholders under (i) to (iii) above who have entrusted the management of their financial assets, including the Notes, to an authorised intermediary and have opted for the so-called “*risparmio gestito*” regime will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a substitute tax at a rate of 26 per cent., to be paid by the managing authorised intermediary. Under the *risparmio gestito* regime, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under the *risparmio gestito* regime, the Noteholder is not required to declare the capital gains realised in the annual tax return. Pursuant to Decree 66, decreases in value of the management assets may be carried forward to be offset against any subsequent increase in value accrued as of 1 July 2014.

for an overall amount of 76.92 per cent. of the decreases in value registered from 1 January 2012 to 30 June 2014.

Any capital gains realised by a Noteholder who is a Real Estate Fund will be subject neither to *imposta sostitutiva* nor to any other income tax at the level of the Real Estate Fund, but subsequent distributions made in favour of unitholders or shareholders will be subject, in certain circumstances, to a withholding tax of 26 per cent.; subject to certain conditions, depending on the status of the investor and percentage of participation, income of the Real Estate Fund is subject to taxation in the hands of the unitholder or the shareholder regardless of distribution.

Any capital gains realised by a Noteholder which is a Fund will not be subject to *imposta sostitutiva*. Such result will not be taxed with the Fund, but subsequent distributions in favour of unitholders or shareholders may be subject to the Collective Investment Fund Withholding Tax.

Any capital gains realised by a Noteholder who is an Italian pension fund (subject to the regime provided for by article 17 of the Legislative Decree No. 252 of 5 December 2005) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 20 per cent. substitute tax. Subject to certain conditions (including minimum holding period requirement) and limitations, interest, premium and other income relating to the Notes may be excluded from the taxable base of the 20 per cent. substitute tax if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1 (88-114) of Finance Act 2017.

Capital gains realised by non-Italian resident Noteholders, not having a permanent establishment in Italy to which the Notes are connected, from the sale or redemption of Notes issued by an Italian resident issuer and traded on regulated markets are neither subject to the *imposta sostitutiva* nor to any other Italian income tax.

Capital gains realised by non-Italian resident Noteholders from the sale or redemption of Notes issued by an Italian resident issuer not traded on regulated markets are not subject to the *imposta sostitutiva*, provided that the effective beneficiary: (a) is resident in a country which allows for a satisfactory exchange of information with Italy, as listed in the White List; or (b) is an international entity or body set up in accordance with international agreements which have entered into force in Italy; or (c) is a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or (d) is an institutional investor which is established in a country which allows for a satisfactory exchange of information with Italy, as listed in the White List even if it does not possess the status of taxpayer therein.

If none of the conditions above is met, capital gains realised by non-Italian resident Noteholders from the sale or redemption of Notes issued by an Italian resident issuer not traded on regulated markets are subject to the *imposta sostitutiva* at the current rate of 26 per cent.

In any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes issued by an Italian resident issuer are connected that may benefit from a double taxation treaty with Italy providing that capital gains realised upon the sale or redemption of Notes are to be taxed only in the country of tax residence of the recipient, will not be subject to *imposta sostitutiva* in Italy on any capital gains realised upon the sale or redemption of Notes issued by an Italian resident issuer.

Capital gains realised by non-Italian resident Noteholders from the sale or redemption of Notes issued by a non-Italian resident issuer are not subject to Italian taxation, provided that the Notes are held outside Italy.

Inheritance and gift taxes

Pursuant to Law Decree No. 262 of 3 October 2006, converted into Law No. 286 of 24 November 2006, as subsequently amended, the transfers of any valuable asset (including shares, notes or other securities) as a result of death or donation are taxed as follows:

- (i) transfers in favour of spouses and direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4 per cent. on the value of the inheritance or the gift exceeding, for each beneficiary, €1,000,000;
- (ii) transfers in favour of relatives to the fourth degree or relatives-in-law to the third degree are subject to an inheritance and gift tax at a rate of 6 per cent. on the entire value of the inheritance or the gift. Transfers in favour of brothers/sisters are subject to the 6 per cent. inheritance and gift tax on the value of the inheritance or the gift exceeding, for each beneficiary, €100,000; and
- (iii) any other transfer is, in principle, subject to an inheritance and gift tax applied at a rate of 8 per cent. on the entire value of the inheritance or the gift.

If the transfer is made in favour of persons with severe disabilities, the tax is levied at the rate mentioned above in (i), (ii) and (iii) on the value exceeding, for each beneficiary, €1,500,000.

Transfer tax

Following the repeal of the Italian transfer tax, contracts relating to the transfer of securities are subject to the following registration tax: (i) public deeds and notarised deeds are subject to fixed registration tax at a rate of €200.00; (ii) private deeds are subject to registration tax only in the case of voluntary registration.

Stamp duty

Pursuant to Article 19(1) of Decree No. 201 of 6 December 2011 (**Decree 201**), a proportional stamp duty applies on an annual basis to the periodic reporting communications sent by financial intermediaries to their clients for the Notes deposited in Italy. The stamp duty applies at a rate of 0.20 per cent.; and cannot exceed €14,000 for taxpayers other than individuals; this stamp duty is determined on the basis of the market value or, if no market value figure is available, the nominal value or redemption amount or in the case the nominal or redemption values cannot be determined, on the purchase value of the Notes held. Based on the wording of the law and the implementing decree issued by the Italian Ministry of Economy on 24 May 2012, the stamp duty applies to any investor who is a client (as defined in the regulations issued by the Bank of Italy) of an entity that exercises in any form a banking, financial or insurance activity within the Italian territory.

Wealth Tax on securities deposited abroad

Pursuant to Article 19(18) of Decree 201, Italian resident individuals holding the Notes outside the Italian territory are required to pay an additional tax at a rate of 0.20 per cent (“IVAFE”).

This tax is calculated on the market value of the Notes at the end of the relevant year or, if no market value figure is available, the nominal value or the redemption value or in the case the nominal or redemption values cannot be determined, on the purchase value of such financial assets held outside the Italian territory. Taxpayers are entitled to an Italian tax credit equivalent to the amount of wealth taxes paid in the State where the financial assets are held (up to an amount equal to the Italian wealth tax due).

THE EUROPEAN PROPOSED FINANCIAL TRANSACTIONS TAX (FTT)

On 14 February 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.