SECOND SUPPLEMENT DATED 20 DECEMBER 2021

TO THE BASE PROSPECTUS DATED 7 JUNE 2021

UNICREDIT S.p.A.

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

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

This supplement (the **Supplement**) to the base prospectus dated 7 June 2021, as supplemented by the first supplement dated 10 August 2021 (the **Base Prospectus**), constitutes a supplement for the purposes of Article 23(1) of the Prospectus Regulation 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** or the **Issuer**). Terms defined in the Base Prospectus have the same meaning when used in this Supplement. When used in this Supplement, **Prospectus Regulation** means Regulation (EU) 2017/1129.

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

The Issuer accepts responsibility for the information contained in this Supplement. To the best of the knowledge of the Issuer (which has 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.

Purpose of the Supplement

The purpose of the submission of this Supplement is to update the Base Prospectus following the publication of the Strategic Plan of UniCredit S.p.A. and in particular to update the following sections of the Base Prospectus: (i) "*General Description of the Programme*"; (ii) "*Risks Factors*"; (iii) "*Documents Incorporated by Reference*"; (iv) "*Applicable Final Terms*"; (v) "*Applicable Pricing Supplement*"; (vi) "*Terms and Conditions for the Italian Law Notes*"; (vii) "*Description of UniCredit and the UniCredit Group*"; and (viii) "*General Information*".

The amendments in relation to the "*Applicable Final Terms*" and the "*Applicable Pricing Supplement*" sections of the Base Prospectus shall only apply to final terms and pricing supplements the date of which falls on or after the approval of this supplement.

General Description of the Programme

- The section titled "Denomination of Notes" at pages 19-20 of the Base Prospectus is deleted in its entirety and replaced as follows:

"**Denomination of Notes:**	The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer(s) save that (i) the

minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or by any laws or regulations applicable to the relevant Specified Currency, (ii) the minimum denomination of each Note which is not a Non-Preferred Senior Note or a Subordinated Note or an Additional Tier 1 Note may be €1,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency), (iii) where it is a Note to be admitted to trading only on a regulated market, or a specific segment of a regulated market, to which only qualified investors (as defined in the Prospectus Regulation) have access, the minum denominational may be €1,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency), (iv) the minimum denomination of each Non-Preferred Senior Note will be Euro 150,000 (or, if the Senior Non-Preferred Notes are denominated in a currency other than euro, the equivalent amount in such currency) or such other higher amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) and (v) the minimum denomination of each Subordinated Note or Additional Tier 1 Note will be Euro 200,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency) or such other higher amount as may be allowed or required from time to time by the relevant central bank (or equivalent body)."

Risk Factors

The "*Risk Factors*" section of the Base Prospectus is amended as follows:

- In the subsection "*Risks related to the financial situation of the Issuer and the Group*", the Risk Factor headed "*Risks associated with the impact of current macroeconomic uncertainties and the effects of the COVID-19 pandemic outbreak*" on pages 23-26 of the Base Prospectus shall be deleted in its entirety and replaced as follows:

"1.1.1 *<u>Risks associated with the impact of current macroeconomic uncertainties and the effects of the COVID-19 pandemic outbreak</u>*

*The UniCredit Group's performance is affected by the financial markets and the macroeconomic and political environment of the countries in which it operates. Expectations regarding the performance of the global economy remain uncertain in both the short term and medium term. Therefore, there is a risk that changes in the macroeconomic environment may have adverse effects on the financial and economic situation as well as on the creditworthiness of the Issuer and/or the Group. It should be noted that the national and international macroeconomic environment is subject to the risks arising from the outbreak of the viral pneumonia known as "Coronavirus" (**COVID-19**) and that, currently, the negative effects of this virus on international and domestic economic activities are still existing, thus having an inevitable impact on the performance of the Group.*

From the main effects of COVID-19 observed impacting on UniCredit performance in 2020, important to be noticed are the following: (i) negative impacts on the retail loans demand and on the corporate loans interest rates, even following the facilitation of loans with state guarantees, with resulting decrease on the interest margin; about the customer loans moratorium, they did not significantly affect the interest margin; (ii) decreases of the commissions, in all service areas; (iii) additional costs, specifically for devices and equipment needed for the employee's protection and for a massive transfer to a remote way of working (smart working); (iv) worsening of the cost of risk because of higher provisions on loans. The current environment continues to be characterised by highly uncertain *elements, with the possibility that the slowdown of the economy, jointly with the termination of the safeguard measures, such as the customer loans moratorium, generates a worsening of the loan portfolio quality, followed by an increase of the non-performing loans and the necessity to increase the provisions to be charged to the income statement.*

It should be noted that in 2020 the Group registered a decrease in revenues compared to the 2019, reflecting the extended COVID-19 related restrictions present in all geographies, down 9.0% Y/Y, to Euro 17.1 billion in FY20 with a decrease in all revenue line items.

In 3Q21 the Group delivered revenues of Euro 4.4 billion, up 0.8 per cent. Q/Q and up 1.9 per cent. Y/Y, driven by fees Y/Y and net interest income Q/Q.

*Considering the impact of the macroeconomic scenario update and further additional Loan Loss Provisions (**LLPs**) UniCredit realized an overall amount of Euro 4,996 million in Financial Year 2020 (**FY20**) (+47.7 per cent. FY/FY) of which Euro 2,220 million were specific LLPs, and Euro 2,203 million were overlays on LLP increasing the forward-looking coverage to reflect COVID-19 economic impact on the portfolio, and Euro 572 million on regulatory impacts stemming from the introduction of new models or updating of the existing ones and from the quantification of the evaluative effects correlated to the new European rules on to the classification of the default clients (new Definition of Default).*

In 3Q21, the Group realized LLPs totalled Euro 297 million (-17.6 per cent. Q/Q, -59.9 per cent. Y/Y) of which Euro 241 million[1] *were overlays on loans updating the forward looking coverage to reflect COVID-19 economic impact on the portfolio, -Euro 16 million were write-backs specific LLPs and Euro 72 million on regulatory impacts stemming from the introduction of new models or updating of the existing ones.*

In 9M21, the Group realized LLPs totalled Euro 824 million.

The Group stated in 2020 a net loss of Euro 2,785 million, compared with the Euro 3,373 million of net profit achieved in 2019, mainly driven by the charges related to the sale of approximately 21% Yapi integration costs in Italy and CIB goodwill impairment, in addition to the financial-economic context deteriorated by the COVID-19 crisis. The Group delivered underlying net profit of Euro 1.3 billion for FY20, decreasing compared to the underlying net profit of Euro 4.7 billion delivered for FY19.

The new Strategic Plan of UniCredit was presented to the financial community on 9 December 2021 with a set of financial targets that consider the current scenario and result from the assessment performed in latest months.

Macro assumptions[2] *exclude unexpected materially adverse developments such as the COVID-19 pandemic, a situation that UniCredit is monitoring closely. Macro assumptions consider the recent and still existing impacts of COVID with a gradual normalisation over the upcoming years. The scenario does not assume that the current COVID situation will develop in a particularly negative way in the upcoming years.*

The macroeconomic trend will affect the Group profitability and the parameters, such as discount rates, used for evaluating Group's assets. As a result, the evaluation made for Investments in associates and Deferred Tax Assets, whose recoverable amount depends on cash flows projections, might be subject

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[1] Includes among others: IFRS9 macro economic scenario update, sector based provisioning, IFRS9 methodological enhancements, proactive classification and coverage increases in Stage2, where relevant.

[2] GDP and Banking Sector Loan Growth from UniCredit Macroeconomic and Banking Scenario, October 2021. Aggregations are weighted average based on allocated capital. Interest rate from Bloomberg. RRF from European Commission, 2021. Category split from Bruegel dataset as of July 2021, referring to EU countries that submitted the plan.

to a change not foreseeable at the moment and from which could derive possible negative effects, including significant ones, on the bank's financial and economic situation.

The UniCredit Group's performance is affected by the financial markets and the macroeconomic and political environment of the countries in which it operates. Expectations regarding the performance of the global economy remain still uncertain in both the short term and medium term.

The past year has been defined by the outbreak of the form of viral pneumonia known as "Coronavirus" (**COVID-19**) which had a profound impact on communities, employees and customers. Despite vaccine campaigns, the negative effects of this virus on international and domestic economic activities are still evident.

From the main effects of COVID-19 observed impacting on UniCredit performance in 2020, important to be noticed are the following:

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

Revenues were down 9.0 per cent. FY/FY to Euro 17.1 billion in FY20 with a decrease in all revenue line items. In 1Q21, revenues were up 7.1 per cent. Y/Y to Euro 4.7 billion with stronger fees (+ 4.3 per cent. Y/Y) and trading (+ Euro 466 million Y/Y) more than offsetting lower NII (-12.6 per cent. Y/Y). In 2Q2021 revenues were down 6.1 per cent. Q/Q to Euro 4.4 billion (+5.5 Y/Y) with fees equal to -0.8 per cent. Q/Q (+21.4 per cent. Y/Y, +12.2 per cent. Half Year/Half Year) and stable NII (+1.0 per cent. Q/Q, -8.0 per cent. Y/Y, -10.3 per cent. Half Year/Half Year). For the FY20 and both first and second Q21, the largest revenue contribution came from Commercial Banking Italy (**CB Italy**), Corporate & Investment Banking (**CIB**) and Central and Eastern Europe (**CEE**). In 3Q21 the Group delivered revenues of Euro 4.4 billion, up 0.8 per cent. Q/Q and up 1.9 per cent. Y/Y, driven by fees up 12.5 per cent. Y/Y (down 1.4 per cent. Q/Q) and net interest income up 3.1 per cent. Q/Q (down 1.4 per cent. Y/Y) supported by non-commercial dynamics.

In detail: (i) Net interest income was down 6.3 per cent. FY/FY to Euro 9.4 billion, mainly due to lower customer rates and volumes reflecting the Group's prudent approach, only partially offset by the positive effect of TLTRO3. In 1Q21, NII was down 3.1 per cent. Q/Q to Euro 2.2 billion, mainly due to lower customer rates impacted by market rates, competition and lower yielding government guaranteed loans as well as the impact of weak demand on volumes (- Euro 13 million Q/Q) mainly in CIB. A further element to be considered in the decrease compared to the previous quarter derives from the fact that in the fourth quarter of 2020, on the basis of the accounting standards in force (**IFRS9**), the positive effects deriving from the improvement in the economic conditions of "TLTRO3"[3] were accounted which, with reference only to the incremental financing volumes compared to the previous issuance defined "TLTRO2", amounted to Euro 18 million[4]. Another negative element derives from the effects related to the Treasury and the investment portfolio (- Euro 18 million Q/Q), in any case offset by term funding (+ Euro 24 million Q/Q); in 2Q21, NII was up 1.0 per cent. Q/Q to Euro 2.2 billion supported by TLTRO additional take-up at end of 1Q21 (+Euro 15 million Q/Q in terms of net interest contribution) and by contribution from loan volumes. Customer loan rates still impacted by lower

[3] The ECB Governing Council in December 2020 extended the more favorable conditions referred to TLTRO3 to the period June 2021 - June 2022,subject to the achievement of certain thresholds; these more favorable conditions were recognized in the increase of the effective interest rate at 31 December 2020.
[4] Managerial Calculation referred to 3Q20 given the recognition in 4Q20.

yielding loans issued under government guarantee schemes and continued competition; in 3Q21 NII was up 3.1 per cent., supported by days effect (+ Euro 13 million Q/Q) and a non recurring item in Germany (+38 million), to Euro 2.3 billion over the quarter, a quarter again characterized by excess liquidity in the system. All divisions, with the exception of Central Europe, delivered growth in average loan volumes in the quarter, with the economic recovery feeding through to the demand of credit. Customer loan rates impacted by front book pricing continuing to be lower than back book, especially in Italy. Markets rates, however, were relatively stable and did not significantly impact the quarter; (ii) fees and commission were down 5.2 per cent. FY/FY, totaling Euro 6.0 billion reflecting the lockdown impact on client activity from 2Q20 onwards. In 1Q21 fees and commission were up 4.3 per cent. Y/Y, totalling Euro 1.7 billion. Fees and commission were up 21.4 per cent. Y/Y, at Euro 1.7 billion in 2Q21, due to gross sales of asset management and insurance products; in 3Q21 fees and commission at Euro 1.7 billion, up 12.5 per cent. Y/Y, due to a rebound of client activity as restrictions eased further.

The Group stated in 2020 a net loss of Euro 2,785 million, compared with the Euro 3,373 million of net profit achieved in 2019, mainly driven by the charges related to the sale of approximately 21% of Yapi integration costs in Italy and CIB goodwill impairment, in addition to the financial-economic context deteriorated by the COVID-19 crisis. The Group delivered underlying net profit of Euro 1.3 billion for FY20, decreasing compared to the underlying net profit[5] of Euro 4.7 billion delivered for FY19.

The current environment continues to be characterised by highly uncertain elements, with the possibility that the slowdown of the economy, jointly with the termination of the safeguard measures, such as the customer loans moratorium, generates a worsening of the loan portfolio quality, followed by an increase of the non-performing loans and the necessity to increase the provisions to be charged to the income statement.

Considering the impact of the macroeconomic scenario update and further additional Loan Loss Provisions (**LLPs**) UniCredit realized an overall amount of Euro 4,996 million in FY20 (+47.7 per cent. FY/FY) of which Euro 2,220 million were specific LLPs, and Euro 2,203 million were overlays on LLP increasing the forward-looking coverage to reflect COVID-19 economic impact on the portfolio, and Euro 572 million on regulatory impacts stemming from the introduction of new models or updating of

[5] The net loss of the Group in 2020 was also impacted by the accounting of some non-recurring items, amounting to about - €4 billion net of taxes and minorities; more specifically: with negative impact, -€1,272 million (-€1,347 million gross) due to severance for the personnel in Italy, as planned by "Team 23", -€1,576 million (including transfer charges for -€3 million) for charges related to the sales of 20.95% of Yapi ve Kredi Bankasi A.Ş. and resulting unwinding of Joint Venture agreements, -€99 million for negative profits on investment stemmed out from impairment of real estate assets of the Non Core division, -€500 million (-€535 million gross) for loan loss provisions related to the effects quantification of the new European rules concerning the Definition of Default, -€878 million for devaluation of goodwill of CIB division carried out in the fourth quarter 2020 and additional -€20 million (-€18 million gross) for other write-downs; with positive impact, €296 million (€466 million gross, including -€49 million of PPA) connected with real estate disposal in Germany.
Similarly, on the 2019 net result, the following non-recurring items, amounting to a total of approximately -€1.3 billion net of taxes and minorities, had an effect: with negative impact, -€194 million (-283 million gross) for changes related to disposal of Ocean Breeze Group, €1,055 million of increased writedowns of "Non Core" non performing credit exposures resulting from the update of Group rundown strategy, -€365 million related to agreements for the conclusion of the Joint Venture with Koç Financial Services and the disposal of 9.02% of Yapi ve Kredi Bankasi A.Ş., -€319 million (-€436 million gross) integration costs for leaving incentives of workers in Germany and Austria, -€208 million (-€222 million gross) for write-downs recognised on intangible assets, -€203 million (-€204 million gross) for assets devaluation of Non Core division and a total of -€214 million for other net investment losses; with positive effect, €1,176 million (€1,178 million gross, including -€62 million of PPA) from disposal of FinecoBank S.p.A. (including the related deconsolidation for €1,287 million, valuation of the trademark and pledges provided) and €79 million (€103 million gross) for adoption of fair value model and revaluation model for the measurement of Group Real Estate portfolio respectively held for investment and used in business.

the existing ones and from the quantification of the evaluative effects correlated to the new European rules on to the classification of the default clients (new Definition of Default).

For further information in relation to the net write-downs on loans, please see the 2020 UniCredit Annual Report and Accounts – Consolidated report on Operations – Group results, page 62.

Therefore, the Cost of Risk (**CoR**) in the FY20 is 105 bps, increasing compared to the same period of the past year (71 bps).

In 3Q21, the Group realized LLPs totalled Euro 297 million (-17.6 per cent. Q/Q, -59.9 per cent. Y/Y) of which Euro 241 million[1] were overlays on loans updating the forward looking coverage to reflect COVID-19 economic impact on the portfolio, -Euro 16 million were write-backs specific LLPs and Euro 72 million on regulatory impacts stemming from the introduction of new models or updating of the existing ones.

Therefore, the cost of risk in the 3Q21 is 27 bps, decreasing compared to same period of the past year (63 bps).

In 9M21, the Group realized LLPs totalled Euro 824 million.

Therefore, the cost of risk in the 9M21 is 25 bps, decreasing compared to same period of the past year (81 bps).

For further information on the overall exposure to counterparty credit risk and the main activities undertaken by the Group to support its customers, please see Risk 1.1.3 "*Credit risk and risk of credit quality deterioration*".

The containment measures adopted to contain the spread of the COVID-19 had a severe impact on economic activity. The European Central Bank (**ECB**) stepped up interventions and, with its pandemic emergency purchase program (**PEPP** - Pandemic Emergency Purchase Programme), it was ready to act as a buyer of last resort in the government-bond market for as long as needed.

The new Strategic Plan of UniCredit was presented to the financial community on 9 December 2021 with a set of financial targets that consider the current scenario and result from the assessment performed in latest months.

Macro assumptions[2] exclude unexpected materially adverse developments such as the COVID-19 pandemic, a situation that UniCredit is monitoring closely. Macro assumptions consider the recent and still existing impacts of COVID with a gradual normalisation over the upcoming years. The scenario does not assume that the current COVID situation will develop in a particularly negative way in the upcoming years.

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

For further information on the risks associated with the Strategic Plan, see Risk 1.1.2 "*Risks connected with the Strategic Plan 2022-2024*".

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

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

In particular, besides the impact on global growth and individual countries due to COVID-19, the current macroeconomic situation is characterized by high levels of uncertainty, mainly due to: (i) Brexit related uncertainties; (ii) future developments in the European Central Bank (the **ECB**) and Federal Reserve (**FED**) monetary policies; (iii) the sustainability of the sovereign debt of certain countries and the related, repeated shocks to the financial markets; and (iv) the risk of increasing inflation.

The economic slowdown experienced in the countries where the Group operates has had (and might continue to have) a negative effect on the Group's business and on the financial costs (e.g. lower NII due to excess liquidity), as well as on the value of its assets as a consequence of the costs related to write-downs and impairment losses."

- In the subsection "*Risks related to the financial situation of the Issuer and the Group*", the Risk Factor headed "*Risks connected with the Strategic Plan 2020-2023*" on pages 26-29 of the Base Prospectus shall be deleted in its entirety and replaced as follows:

"1.1.2 <u>Risks connected with the Strategic Plan 2022-2024</u>

*On 9 December 2021, UniCredit presented to the financial community in Milan the 2022-2024 Strategic Plan called "UniCredit Unlocked" (the **Strategic Plan** or **Plan**). UniCredit Unlocked delivers strategic imperatives and financial ambitions based on six pillars. Such strategic imperatives and financial ambitions regards: (i) the growth in its regions and the development of its client franchise, changing its business model and how its people operate; (ii) the delivery of economies of scale from its footprint of banks, transforming the technology leveraging Digital & Data and embedding sustainability in all that UniCredit does; (iii) driving financial performance via three interconnecting levers largely under management control. UniCredit's ability to meet the strategic objectives and all forward-looking statements relies on a number of assumptions, expectations, projections and provisional data concerning future events and is subject to a number of uncertainties and other factors, many of which are outside the control of UniCredit. Macro assumptions[2] exclude unexpected materially adverse developments such as the COVID-19 pandemic, a situation that UniCredit is monitoring closely. Macro assumptions consider the recent and still existing impacts of COVID with a gradual normalisation over the upcoming years. The scenario does not assume that the current COVID situation will develop in a particularly negative way in the upcoming years. The six pillars are: (i) optimise, through the improvement of operational and capital efficiency; (ii) invest, with targeted growth initiatives, including ESG; (iii) grow net revenues; (iv) return; (v) strengthen thanks to revised CET1 ratio target and decrease of Gross NPE ratio; and (vi) distribute consistently with organic capital generation. For all these reasons, investors are cautioned against making their investment decisions based exclusively on the forecast data included in the strategic objectives. Any failure to implement the strategic objective or meet the strategic objectives may have a material adverse effect on UniCredit's business, financial condition or results of operations.*

The Issuer evaluates that the materiality of such risk shall be high.

On 9 December 2021, UniCredit presented to the financial community in Milan the 2022-2024 Strategic Plan called "UniCredit Unlocked" (the **Strategic Plan** or **Plan**). The Strategic Plan focuses on UniCredit's regions; financial performance is driven via three interconnecting levers: cost efficiency, optimal capital allocation and net revenue growth.

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

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

New business model allows for strong organic capital generation[6] with materially increased and growing shareholder distributions[7], consisting in cash dividends and share buybacks, while maintaining a robust CET1 ratio.

Although the Plan is based primarily through management actions, thanks to its geographical positioning, UniCredit: (i) over the three years, assumes a conservative interest rate scenario based on a broadly stable Euribor 3 month rate; (ii) the combination of its countries is expected to deliver GDP growth[8] above the eurozone average over the course of the Plan, helped by its Central and Eastern European positioning.

Macro assumptions[2] exclude unexpected materially adverse developments such as the COVID-19 pandemic, a situation that UniCredit is monitoring closely. Macro assumptions consider the recent and still existing impacts of COVID with a gradual normalisation over the upcoming years. The scenario does not assume that the current COVID situation will develop in a particularly negative way in the upcoming years.

The Plan is based on six pillars:

- Optimise: improving operational and capital efficiency, with gross cost savings, considering also Digital & Data, and a contribution to CET1 ratio from active portfolio management; expect Risk-Weighted Assets (**RWA**) to decrease over the course of the Plan as active portfolio management more than offsets impact of organic growth and expected regulatory headwinds;

- Invest: cash investments in Digital & Data, new hires in Business and Digital & Data, targeted growth initiatives including ESG; gross integration costs impact from: Team23 acceleration, technology benefit and simplification & streamlining;

- Grow: increasing net revenues in the period 2021-2024, net of all the optimisation UniCredit is undertaking, with underlying growth substantially higher;

- Return: increasing in 2024;

- Strengthen: thanks to revised CET1 ratio target, decrease in gross NPE ratio and stable net NPE ratio in 2024;

- Distribute: consistently with organic capital generation[7] from net profit and RWA evolution.

UniCredit's ability to meet the strategic objectives and all forward-looking statements relies on a number of assumptions, expectations, projections and provisional data concerning future events and is subject to a number of uncertainties and other factors, many of which are outside the control of UniCredit. There are a variety of factors that may cause actual results and performance to be materially

[6] Organic capital generation means CET1 evolution deriving from (i) stated net profit excluding DTA from tax loss carry forward contribution and (ii) RWA dynamic net of regulatory headwind.

[7] Shareholder distribution subject to supervisory & shareholder approvals and inorganic options.

[8] Average of yearly changes.

different from the explicit or implicit contents of any forward-looking statements and thus, such forward-looking statements are not a reliable indicator of future performances.

The future financial results could be influenced by the dynamics of the COVID-19, which were not foreseeable at the date of the Strategic Plan presentation, and which are still uncertain.

For all these reasons, investors are cautioned against making their investment decisions based exclusively on the forecast data included in the strategic objective. Any failure to implement the strategic objective or meet the strategic objective may have a material adverse effect on UniCredit's business, financial condition or results of operations.*"*

- In the subsection "*Risks related to the financial situation of the Issuer and the Group*", the Risk Factor headed "*Credit risk and risk of credit quality deterioration*" on pages 29-31 of the Base Prospectus shall be deleted in its entirety and replaced as follows:

"1.1.3 <u>Credit risk and risk of credit quality deterioration</u>

The activity, financial and capital strength and profitability of the UniCredit Group depend, among other things, on the creditworthiness of its customers. 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. Following the COVID-19 outbreak it cannot be excluded that, credit quality for this year could be influenced with potential impacts not yet quantifiable. From the main effects of COVID-19 observed impacting on UniCredit risk profile in 2020, it is important to notice the worsening of the cost of risk because of higher provisions on loans. The current environment continues to be characterised by highly uncertain elements, with the possibility that the slowdown of the economy, jointly with the termination of the safeguard measures, such as the customer loans moratorium, generates a worsening of the loan portfolio quality, followed by an increase of the non-performing loans and the necessity to increase the provisions to be charged in the income statement.

Considering the impact of the macroeconomic scenario update and further additional LLPs UniCredit realized an overall amount of Euro 4,996 million in FY20 (+47.7 per cent. FY/FY) of which Euro 2,220 million were specific LLPs, and Euro 2,203 million were overlays on LLP increasing the forward-looking coverage to reflect COVID-19 economic impact on the portfolio, and Euro 572 million on regulatory impacts stemming from the introduction of new models or updating of the existing ones and from the quantification of the evaluative effects correlated to the new European rules on to the classification of the default clients (new Definition of Default).

In 3Q21, the Group realized LLPs totalled Euro 297 million (-17.6 per cent. Q/Q, -59.9 per cent. Y/Y) of which Euro 241 million[1] *were overlays on loans updating the forward looking coverage to reflect COVID-19 economic impact on the portfolio, -Euro 16 million were write-backs specific LLPs and Euro 72 million on regulatory impacts stemming from the introduction of new models or updating of the existing ones.*

In 9M21, the Group realized LLPs totalled Euro 824 million.

As at 30 September 2021, Group gross NPE ratio was equal to 4.5 per cent, decreasing compared to 30 June 2021 in which the gross NPE ratio was equal to 4.7 per cent. As at 30 September 2021 Group Net NPE ratio decreasing compared to 30 June 2021 and is equal to 2.0 per cent. The NPL ratio for UniCredit, using the EBA definition, in 3Q21 remains in line with the weighted average of EBA sample banks.

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.*

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 derivative contracts; (ii) buying and selling securities 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 risk's levels pursuant to the procedures, rules and principles it has adopted.

The Issuer evaluates that the materiality of both the credit risk and the risk of credit quality deterioration shall be medium-high.

The credit risk inherent in the traditional activity of providing credit is material, regardless of the form it takes (cash loan or endorsement loan, secured or unsecured, etc.).

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

As at 30 September 2021 Group gross NPEs were down by 8.9 per cent. Y/Y and 4.0 per cent. Q/Q to Euro 20.7 billion in 3Q21 (while as at 30 June 2021 they were equal to Euro 21.5 billion) with an improved gross NPE ratio of 4.5 per cent. (-0.1 p.p. Y/Y, -0.2 p.p. Q/Q), while as at 30 June 2021 the gross NPE ratio was equal to 4.7 per cent.

As at 30 September 2021 Group Net NPEs stood at Euro 8.9 billion decreased compared to 30 June 2021 which attested at Euro 9.1 billion (Group Net NPE ratio decreased compared to 30 June 2021 and is equal to 2.0 per cent.).

As at 30 September 2021, the Group excluding Non Core gross NPEs decreased to Euro 18.0 billion (-1.5 p.p. Q/Q, +6.9 p.p. Y/Y while as at 30 June 2021 they were equal to 18.2 billion), while Group excluding Non Core Net NPEs were decreased to Euro 8.3 billion.

The NPL ratio for UniCredit, using the EBA definition, in 3Q21 remains in line with the weighted average EBA sample banks.

For more information on European legislative initiatives on Non-Performing Loans, please see section headed "*Information about the Issuer*", paragraph 1.1.4 (*The domicile and legal form of the Issuer, the legislation under which the Issuer operates, its country of incorporation, the address, telephone number of its registered office (or principal place of business if different from its registered office) and website of the Issuer*) of this Base Prospectus.

Furthermore, since 2014, the Italian market has seen an increase in the number of disposals of non-performing loans, characterised by sale prices that are lower than the relative book values, with discounts greater than those applied in other European Union countries. In this context, the UniCredit

Group has launched a structured activity to reduce the amount of non-performing loans on its books, while simultaneously seeking to maximise its profitability and strengthen its capital structure.

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

Starting from the year 2015 the overall reduction of the Group NPE amounted to about Euro 57 billion, moving from Euro 77.8 billion of 2015 to Euro 20.7 billion of 3Q21 (Euro 21.2 billion of 2020). This amount includes the loans disposed of through Project Fino in July 2017 and IFRS 5 positions if any.

According to the new Strategic Plan 2022-2024 the Group will continue to manage NPEs proactively to optimise value and capital.

Following the COVID-19 outbreak it cannot be excluded that, credit quality for this year could be influenced with potential impacts not yet quantifiable. From the main effects of COVID-19 observed impacting on UniCredit risk profile in 2020, it is important to notice the worsening of the cost of risk because of higher provisions on loans.

The current environment continues to be characterised by highly uncertain elements, with the possibility that the slowdown of the economy, jointly with the termination of the safeguard measures, such as the customer loans moratorium, generates a worsening of the loan portfolio quality, followed by an increase of the non-performing loans and the necessity to increase the provisions to be charged to the income statement.

In order to mitigate the negative consequences caused by the restrictive measures adopted to contain the COVID-19 outbreak, several countries in which the Group operates have enacted national provisions to postpone the payment of the instalments upon request of customers or automatically (the so-called "moratoria"). It should be noted that, with reference to the Italian perimeter, moratorias ex Art. 56 of Law Decree 18/2020, expiring as at 30 June 2021, eligible for the extension, amount to Euro 12 billion of which Euro 9 billion referred to UniCredit S.p.A. and Euro 3 billion referred to UniCredit Leasing S.p.A.. A part of the Corporate counterparties (ex Article 56), with "moratorium" loans expiring as at 30 June 2021, requested the extension until the end of the year (opt-in); with reference to these exposures, with the purpose of considering future deterioration risks, the positions, not yet classified, were prudentially reclassified as a "Stage 2" and the coverage was increased with a consequent negative impact on the loans loss provisions of the first half of 2021 equal to 153 million. On the other hand, the value, gross of accumulated impairment, of the moratoria expiring on 30 June 2021 for the Italian perimeter and not subject to extension (opt-in) are Euro 6,158 million.

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

Considering the impact of the macroeconomic scenario update and further additional LLPs UniCredit realized an overall amount of Euro 4,996 million in FY20 (+47.7 per cent. FY/FY) of which Euro 2,220 million were specific LLPs, and Euro 2,203 million were overlays on LLP increasing the forward-looking coverage to reflect COVID-19 economic impact on the portfolio, and Euro 572 million on regulatory impacts stemming from the introduction of new models or updating of the existing ones and from the quantification of the evaluative effects correlated to the new European rules on to the classification of the default clients (new Definition of Default). The specific cost of risk, including only the specific LLPs was 47 bps, still under control despite COVID-19.

In order to cope with the extraordinary contingency of COVID-19 and the peculiar dynamic of a deflated default risk observed in the course of 2020 as a consequence of supporting measures and a potential cliff-effect in 2021 when the measures will expire, an upward corrective factor has been applied on both the 2020 default rate and the 2021 forecast underlying the updated calibration of IFRS models for the 31 December 2020 figures and likely postponement of part of default risk in 2021.

It is worth pointing out that the measurement is affected by the already mentioned degree of uncertainty on the evolution of the pandemic, the effect of the relief measures and, ultimately, the existence and degree of economic recovery. The evolution of these factors may, indeed, require in future financial years the classification of additional credit exposures as non-performing thus determining the recognition of additional loan loss provisions related to both these exposures as well as performing exposures following the update in credit parameters. In this context it will be relevant, among other factors, the ability of the customers to service their debt once moratoria measures adopted by the Governments of the countries where the Group operates or voluntarily adopted by the Group's banks themselves, will expire.

For further information in relation to the net write-downs on loans, please see the 2020 UniCredit Annual Report and Accounts – Consolidated report on Operations – Group results, page 62.

In 3Q21, the Group realized Loan Loss Provisions totalled Euro 297 million (-17.6 per cent. Q/Q, -59.9 per cent. Y/Y) of which Euro 241 million[1] were overlays on loans updating the forward looking coverage to reflect COVID-19 economic impact on the portfolio, -Euro 16 million were write-backs specific LLPs and Euro 72 million on regulatory impacts stemming from the introduction of new models or updating of the existing ones.

The specific cost of risk, including only the specific LLPs was -1 bps, still under control despite COVID-19.

In 9M21, the Group realized LLPs totalled Euro 824 million."

- In the subsection "*Risks related to the financial situation of the Issuer and the Group*", the Risk Factor headed "*Risks associated with the Group's exposure to sovereign debt*", on pages 31-32 of the Base Prospectus, shall be deleted in its entirety and replaced as follows:

"1.1.4 <u>Risks associated with the Group's exposure to sovereign debt</u>

As at 30 September 2021, the Group's sovereign exposures in debt amounts to Euro 116,365 million (as at 31 December 2020 it amounted to Euro 110,542 million), of which over 84 per cent. concentrated in eight countries. In particular, the Group's exposure to Italian sovereign debt in debt securities amounts to Euro 43,795 million (at 31 December 2020 it amounted to Euro 42,638 million) and represents, respectively, about 38 per cent. of the Group's total sovereign exposure represented by debt securities (about 39 per cent. at 31 December 2020) and about 5 per cent. of the Group total assets (unchanged from 31 December 2020). Increased financial instability and the volatility of the market, with particular reference to the increase of credit spread, or the rating downgrade of sovereign debt, as well as the rating downgrade of Italian sovereign debt, or forecasts that such downgrades may occur, could negatively impact the financial position of UniCredit and/or the Group considering their 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, 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 September 2021 amounted to Euro 116,365 million (as at 31 December 2020 it amounted to Euro 110,542 million), of which over the 84 per cent. was concentrated in eight countries, including: Italy with Euro 43,795 million (at 31 December 2020 it amounted to Euro 42,638 million), representing about 38 per cent. of the total (about 39 per cent. at 31 December 2020) and about 5 per cent. of the Group total assets (unchanged from 31 December 2020); Spain with Euro 16,399 million; Germany with Euro 12,827 million; Japan with Euro 9,829 million; Austria with Euro 4,709 million; United States of America with Euro 4,370 million; France with Euro 3,698 million and Romania with Euro 2,549 million.

As at 30 September 2021, the remaining 16 per cent. of the total sovereign exposures in debt securities, equal to Euro 18,189 million as recorded at the book value, was divided between 37 countries, including: Bulgaria (Euro 1,892 million), Hungary (Euro 1,784 million), Croatia (Euro 1,756 million), Portugal (Euro 1,677 million), Czech Republic (Euro 1,270 million), Russia (Euro 1,235 million), Ireland (Euro 1,092 million), Serbia (Euro 985 million), Poland (Euro 911 million) and Israel (Euro 535 million). The exposures in sovereign debt securities relating to Greece are immaterial.

As at 30 September 2021, there is no evidence of default of the exposures in question.

Note that the aforementioned remainder of the sovereign exposures held as at 30 September 2021 also included debt securities relating to supranational organisations, such as the European Union, the European Financial Stability Facility and the European Stability Mechanism, worth Euro 2,966 million (as at 31 December 2020 it amounted to Euro 2,275 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, amounting to Euro 23,751 million as at 30 September 2021 (as at 31 December 2020 it amounted to Euro 26,414 million)."

- In the subsection "*Risks related to the business activities and industry of the Issuer and of the Group*", the Risk Factor headed "*Liquidity Risk*", on pages 33-35 of the Base Prospectus, shall be deleted in its entirety and replaced as follows:

"*1.2.1* *<u>Liquidity Risk</u>*

*The main indicators used by the UniCredit Group to assess its liquidity profile are (i) the Liquidity Coverage Ratio (**LCR**), which represents an indicator of short-term liquidity subject to a minimum regulatory requirement of 100 per cent. from 2018 and which was equal to 184.5 per cent. in September 2021, whereas at 31 December 2020 was equal to 171.3 per cent. (calculated as the average of the 12 latest end of month ratios), and (ii) the Net Stable Funding Ratio (**NSFR**), which represents the indicator of structural liquidity and which in September 2021 was above the internal limit set at 102.5 per cent., whereas at 31 December 2020 was above the internal limit set at 101.3 per cent. within the risk appetite framework. Liquidity risk refers to the possibility that the UniCredit Group may find itself unable to meet its current and future, anticipated and unforeseen cash payment and delivery obligations without impairing its day-to-day operations or financial position. The activity of the UniCredit Group is subject in particular to funding liquidity risk, market liquidity risk, mismatch risk and contingency risk. The most relevant risks that the Group may face are: i) an exceptionally high usage of the committed and uncommitted lines granted to corporate customers; ii) the capacity to roll over the expiring wholesale funding and the potential cash or collateral outflows the Group may suffer in case of rating downgrades of both the banks or the sovereign debt in the geographies in which it operates. In addition to this, some risks may arise from the limitations applied to the cross-border lending among banks. Due to the financial market crisis, followed also by the reduced liquidity available to operators in the sector, the ECB has implemented important interventions in monetary policy, such as the "Targeted Longer-Term Refinancing Operation" (**TLTRO**) introduced in 2014 and the TLTRO II introduced in 2016.*

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 exclude 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 and financial position of UniCredit and/or the Group.

Funding liquidity risk refers to the risk that the Issuer 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 fund 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.
In order to assess the liquidity profile of the UniCredit Group, the following principal indicators are also used:

- 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; the indicator is subject to a minimum regulatory requirement of 100 per cent.; 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 required amount of stable funding. While the LCR is already in force, the NSFR has been introduced as a requirement in the CRRII published in June 2019 and applies from June 2021.

As of September 2021, the LCR of the Group was equal to 184.5 per cent., whereas at 31 December 2020 was equal to 171.3 per cent. (calculated as the average of the 12 latest end of month ratios). As of September 2021, the NSFR was above the internal limit of 102.5 per cent., whereas at 31 December 2020 was above the internal limit set at 101.3 per cent. set in the risk appetite framework.

The Group's access to liquidity could be damaged by the inability of the Issuer 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 Issuer and/or of 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 decline of the price of the securities held and of a change in the criteria applied by the counterparties in repos operations could make it difficult to ensure that the securities can be easily liquidated under favorable economic terms.

In addition to risks closely connected to funding risk and market liquidity risk, a risk that could impact the day-to-day liquidity management is the differences in the amounts or maturities of incoming and outgoing cash flows (mismatch risk) and 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).

The slowdown in economic activity caused by lockdowns across Europe and the measures the governments have taken to face the effects of the current health and economic emergency impacted the Group operations in the different countries of its perimeter. The business continuity management plans were activated in order to ensure the regular execution of treasury activities and the proper information flows to the senior management and the supervisors. Despite the overall liquidity situation of the Group is safe and under constant control, some risks may materialize in the coming months, depending on the possibility that new lockdown measures might be taken and expected economic recovery.

An important mitigating factor to these risks are the contingency management policies in place in the Group system of rules and the measures announced by the ECB, which have granted a higher flexibility in the management of the current liquidity situation by leveraging on the available liquidity buffers.

As of 30 September 2021, the total debt of the UniCredit Group with the ECB through TLTRO III was Euro 106.8 billion, with a timetable of maturities scheduled for June 2022 and June 2023.

Please find below the details of the TLTRO III participations of the Group with ECB:

TLTRO III

Effect from	Maturity	Amounts (Euro -billion)
24 June 2020	28 June 2023	94.2
24 March 2021	29 June 2022	12.6
Total		**106.8”**

- In the subsection “*Risks related to the business activities and industry of the Issuer and of the Group*”, the Risk Factor headed “*Risk related to the property market trends*”, on pages 35-36 of the Base Prospectus, shall be deleted in its entirety and replaced as follows:

“*1.2.2 Risk related to the property market trends*

The UniCredit Group is exposed to risks relating to the property market as a result of its significant property portfolio (both in Italy and abroad), as well as due to loans granted to companies operating in the commercial real estate market, whose cash flow is generated mainly by the rental or sale of commercial properties, and loans to individuals secured by real property. A downturn in property prices, also in light of COVID-19 pandemics, could cause to the UniCredit Group to have to recognize reduction in the value of the property owned where book value is higher than market value, with possible material adverse effects on the business, operating results and financial position of UniCredit and / or the Group.

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

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

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

As at 30 June 2021 fair value of both properties held for investment and properties used in business was re-determined through external appraisals.

The update of appraisals has led to an overall positive balance sheet effect of Euro 51 million gross of tax, as detailed below:

- for real estate assets used in business, the recognition of an increase in the specific valuation reserve for an amount of Euro 32 million gross of tax effect. In addition to this increase, net gains for Euro 5 million were recognised in the income statement gross of the tax effect;

- for real estate assets held for investment, the recognition of an income statement results equal to Euro 14 million gross of the tax effect.

For further information, please see the Condensed interim consolidated financial statements of UniCredit as at 30 June 2021, Part A – Accounting policies – Section 5 – Other matters.

As at 30 September 2021, the Group deemed appropriate to evaluate if the assets values accounted for as at 30 June 2021 were confirmed analysing, also through market reports provided by external appraisers, the conditions of the real estate assets as well the evolution of the local real estate market. The outcome of analysis substantially confirmed the values of the real estate assets recognised in the balance sheet."

- In the subsection "*Risks related to the business activities and industry of the Issuer and of the Group*", the Risk Factor headed "*Operational risk*", on pages 38-40 of the Base Prospectus, shall be deleted in its entirety and replaced as follows:

"*1.2.6* *<u>Operational risk</u>*

The UniCredit Group is 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, 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 Issuer and/or the Group.

The complexity and geographical distribution of the UniCredit Group's activities requires a capacity to carry out a large number of transactions efficiently and accurately, in compliance with the various different regulations applicable.

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 framework 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.

Referring to operational risks' effects arising from the COVID-19 pandemic, analysis were carried out in order to identify risks arising from process changes adopted time by time to protect the health of employees and customers.

With reference to the operational risks identified, the effectiveness of the risk mitigation measures was then assessed also through a comparative analysis between different Group Legal Entities. In addition, specific second-level controls were activated to oversee those areas that were subject to the most significant changes. A specific monitoring of operational incidents linked, even indirectly, to the entire COVID-19 pandemic has been created in order to promptly intercept potential process criticalities or inappropriate behaviors.

Moreover, in the context of its operation, 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 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.

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

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

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

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

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

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

In addition, the investment made by the UniCredit Group of relevant 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.

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

- In the subsection "*Risks connected with the legal and regulatory framework*", the Risk Factor headed "*Basel III and Bank Capital Adequacy*", on pages 41-45 of the Base Prospectus, shall be deleted in its entirety and replaced as follows:

"1.3.1 <u>Basel III and Bank Capital Adequacy</u>

*The Issuer shall comply with the 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. In terms of banking prudential regulations, the Issuer is also subject to the Bank Recovery and Resolution Directive 2014/59/EU of 15 May 2014 (**BRRD**, implemented in Italy with the Legislative Decree 180 and 181 of 16 November 2015 and Legislative Decree 193 of 8 November 2021) on the recovery and resolution of credit institutions, as well as the relevant technical standards and guidelines from EU regulatory bodies (i.e. the European Banking Authority (**EBA**)), which, inter alia, provide for capital requirements for credit institutions, recovery and resolution mechanisms.*

Should UniCredit not be able to meet the capital requirements imposed by the applicable laws and regulations, it may be required to maintain higher levels of capital which could potentially impact its credit ratings, and funding conditions and which could limit UniCredit's growth opportunities.

Having regard to the assessments made in relation to the probability of the occurrence of such risk and the extent of any negative impact, the Issuer evaluates that the materiality of such risk shall be medium-high.

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 Regulation 2013/575/EU (the **CRR**, together with the CRD IV Directive, the **CRD IV Package**) subsequently updated in the Regulation No. 876/2019 and Directive (EU) No. 2019/878 (the **Banking Reform Package** with CRR II and CRD V). 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 own funds and eligible liabilities (the **Minimum Requirement for Own Funds and Eligible Liabilities, MREL**). The Issuer has to meet MREL requirements on a consolidated basis, as well as the standard on total loss absorbing capacity for systemically important banks (**TLAC**). The MREL and TLAC requirements involve similar risks. They constrain the structure of liabilities and require the use of subordinated debt, which have an impact on cost and potentially on the Issuer's financing capacity. The Banking Reform Package also contains the Directive (EU) 2019/879 (**BRRD II**), which amended the BRRD, introducing, inter alia, significant changes to the standards regarding the calibration of the MREL requirement for banks that are systematically relevant and redefining the scope of MREL itself in order to align the eligibility criteria with those set out in the CRR so as to converge this ratio with the TLAC.

For more information on the capital adequacy legislation applicable to the Issuer, please see Section headed "*Information about the Issuer*", paragraph 1.1.4 (*The domicile and legal form of the Issuer, the legislation under which the Issuer operates, its country of incorporation, the address, telephone number of its registered office (or principal place of business if different from its registered office) and website of the Issuer*) of this Base Prospectus.

Capital Adequacy requirements

The ECB is required under the Council Regulation (EU) No. 1024/2013 (the SSM Regulation establishing the Single Supervisory Mechanism (**SSM**)) to carry out a Supervisory Review and Evaluation Process (**SREP**) at least on an annual basis. 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.

In December 2019 UniCredit has been informed by ECB of its final decision concerning capital requirements following the results of its annual SREP. With its decision the Single Supervisor has lowered, compared to the SREP decision of the previous year, the Pillar 2 capital requirement by 25 basis points to 175 basis points, applicable from 1 January 2020. As a consequence, UniCredit was required to meet the following overall capital requirements on a consolidated basis from 1 January 2020:

- Common Equity Tier 1 ratio: 9.84%;
- Tier 1 ratio: 11.34%;
- Total Capital ratio: 13.34%[9].

[9] Assuming the CCyB equal to the 2019 year-end value. The CCyB depends on the credit exposures of UniCredit to countries where countercyclical capital ratios have been or will be set and on the respective requirements set by the relevant national authorities, and may therefore vary on a quarterly basis over the reporting period.

Furthermore, the SREP 2019 letter includes, among the qualitative measures, the same regarding the management of non-performing loans as in the previous year. Indeed, following the ECB's request to banks in countries with relatively high levels of non-performing loans, the Issuer has been requested to:

i. provide the ECB by 31 March 2020 with an update of the three-year strategic and operational plan for the management of NPEs, including clear quantitative targets aimed at reducing the high level of NPEs;

ii. provide the ECB, by 31 August 2020 and based on data as at 30 June 2020, with information on the status of implementation of the strategic and operational plan for the management of NPEs.

Subsequently, within the framework of the ECB's actions to mitigate the impact of the COVID-19 and allow banks to focus on related operations, the above deadlines were initially amended to 30 September; in July 2020 they were postponed to 31 March 2021 in order to provide banks with additional time to better estimate the impact of the COVID-19 pandemic on asset quality.

It should also be noted that the ECB indicated in its SREP 2019 letter the Group's activities in Russia and Turkey as an area of weakness, uncertainty and potential risk due to potential macroeconomic and political developments in these countries.

In addition in April 2020, following the COVID-19 emergency, the ECB has amended its SREP 2019 decision establishing that the Pillar 2 requirement (**P2R**) shall be held in the form of 56.25 per cent. of CET1 capital and 75 per cent. of Tier 1 capital, as a minimum (in the original decision the P2R was to be held entirely in the form of Common Equity Tier 1 Capital).

This implies that UniCredit and the other banks supervised by ECB are allowed to partially use Additional Tier 1 or Tier 2 instruments in order to comply with the P2R instead of Common Equity Tier 1 (**CET1**) capital. This advances a measure that was initially planned to enter into force in January 2021, following the latest revision of the Capital Requirements Directive (**CRD V**).

The early introduction of this measure brings further improvement in the UniCredit Capital adequacy, as UniCredit's Overall Capital Requirement to be held in form of CET1 Capital is lowered by maximum 77 bps, as a function of how Tier 1 and Total Capital compares with their respective requirements (i.e. being UniCredit's P2R equal to 175 bps it can be covered by maximum 77 bps by Additional Tier 1 and Tier 2 instruments of which maximum 44 bps can be covered by Tier 2 instruments).

As a consequence of all what above and of the decision adopted by the competent National Authorities concerning the Countercyclical Capital Buffers (**CCyB**), as of 31 December 2020, UniCredit had to meet the following overall capital requirements on a consolidated basis:

- Common Equity Tier 1 ratio: 9.03%;
- Tier 1 ratio: 10.85%;
- Total Capital ratio: 13.29%.

On 12 May 2020, ECB Banking Supervision announced it had adjusted its SREP approach for 2020 in light of the COVID-19 pandemic. The European Banking Authority (**EBA**) also published on 23 July Guidelines for competent authorities for the special procedure for the SREP 2020, identifying how flexibility and pragmatism could be exercised in relation to the SREP framework in the context of this pandemic. The 2020 SREP cycle focused on the ability of the supervised entities to handle the challenges of the COVID-19 crisis and its impact on their current and prospective risk profile.

The ECB in fact announced that only in exceptional cases it would have updated the banks' current requirements and that it would not issue SREP decisions for the 2020 SREP cycle. The 2019 SREP decisions therefore would not be superseded nor amended and would remain in force (as amended by the March 2020 ECB Decisions changing the P2R compositions).

An operational letter from the ECB on 24 November 2020 confirmed this approach for UniCredit and the ECB did not make a formal 2020 SREP decision. Consequently, the abovementioned requirements as of 31 December 2020 remained in force also for 2021 (except for any change in the CCyB which is updated every quarter).

After adjusting its SREP approach for 2020, the ECB Banking Supervision returned to its regular SREP methodology for 2021. Thus, for all supervised institutions the ECB is issuing a SREP decision for the SREP 2021.

As of 31 December 2020, the consolidated capital ratios (CETI Capital, Tier 1 and Total Capital Transitional ratios) were equal to, respectively, 15.96 per cent., 18.22 per cent. and 20.72 per cent. with an excess of CET1 with respect to the requirement which the Group shall comply with (so called MDA buffer) of 693 bps.

It should be noted that from 30 June 2020 the Group has adopted the so-called transitional phase-in regarding the application of the IFRS9 accounting principle, that implies a difference between the CET1 ratio Transitional (relevant for the respect of capital requirements) and the CET1 ratio Fully Loaded. As of 31 December 2020, the CET1 Fully Loaded of the Group was equal to 15.14 per cent. exceeding by 611 bps the fully loaded minimum capital requirements for CET1 ratio.

As of 31 December 2020, the fully loaded leverage ratio was 5.70 per cent., while the transitional leverage ratio stood at 6.21 per cent.

As a consequence of all what above and of the decision adopted by the competent National Authorities concerning the CCyB, as of 30 September 2021, UniCredit shall meet the following overall capital requirements on a consolidated basis:

- Common Equity Tier 1 ratio: 9.03%
- Tier 1 ratio: 10.86%
- Total Capital ratio: 13.30%

As of 30 September, 2021, the consolidated capital ratios (CETI Capital, Tier 1 and Total Capital Transitional ratios) were equal to, respectively, 16.14%, 18.23%. and 20.60% with an excess of CET1 with respect to the requirement which the Group shall comply with (so called MDA buffer) of 711 bps.

As of 30 September, 2021 the CET1 Fully Loaded, i.e. calculated without considering the benefit arising from IFRS 9 Transitional arrangements, ratio of the Group was equal to 15.50% exceeding by 647 bps the fully loaded minimum capital requirements for CET1 ratio.

As of 30 September 2021, the fully loaded leverage ratio was 5.98%, while the transitional leverage ratio stood at 6.31%.

UniCredit participated in the 2019 stress test conducted by the ECB, the "Sensitivity analysis of Liquidity Risk - Stress Test 2019" (**LiST 2019**), which was an analysis based on idiosyncratic liquidity shocks with no macro-economic scenario nor market risk shocks. The outcome has been included into the SREP 2019. The sensitivity analysis also aimed to integrate the ECB SREP analyses with respect to banks' ILAAP and to deep-dive on certain aspects of their liquidity risk management, such as the ability to mobilize collateral and impediments to collateral flows. No individual results have been published by the ECB.

It should be noted that if UniCredit participates in a new stress test, it may face a potential increase in minimum capital requirements, in the event that the Group is identified as vulnerable to the stress scenarios designed by the supervisory authorities. In this context, it should be noted that UniCredit was subject to the 2021 EU-wide stress test conducted by the EBA, in cooperation with the SSM, the ECB, and the European Systemic Risk Board (**ESRB**). The 2021 EU-wide stress test does not contain a pass/fail threshold and instead is designed to be used as an important source of information for the purposes of the SREP. The results will assist Competent Authorities in assessing UniCredit's ability to meet applicable prudential requirements under stressed scenarios. The adverse stress test scenario was set by the ECB/ESRB and covers a three-year time horizon (2021-2023). The stress test has been carried out applying a static balance sheet assumption as of December 2020 and therefore does not consider future business strategies and management actions. UniCredit's results in the adverse scenario were:

- a 2023 fully loaded CET1 ratio at 9.22% corresponding to 592bps lower than the fully loaded CET1 ratio as of December 2020;
- a 2023 transitional CET1 ratio at 9.59%, corresponding to 637bps lower than the transitional CET1 ratio as of December 2020.

During the fourth quarter of 2021, EBA performed the annual "EU-wide transparency exercise" to provide updated information as of June 2021 on banks' exposures and asset quality to financial operators; EBA published the results on 3 December 2021.

It should be noted that, on 12 March 2020, the ECB, taking into account the economic effects of COVID-19, announced certain measures aimed at ensuring that banks, under its direct supervision, can continue to provide credit support to the real economy.

Considering that the European banking sector acquired a significant amount of capital reserves (with the aim of enabling banks to face with stressful situations such as the COVID-19), the ECB allows banks to operate temporarily below the capital level defined by the Pillar 2 Guidance (**P2G**) and the Capital Conservation Buffer (**CCB**). Furthermore, the ECB expects these temporary measures to be further improved by an appropriate revision of the CCyB by the competent national authorities.

Moreover, due to the COVID-19 outbreak, with the recommendation of 27 March 2020 the ECB recommended that at least until 1 October 2020 no dividends are paid out and no irrevocable commitment to pay out dividends is undertaken by the credit institutions for the financial year 2019 and 2020 and that credit institutions refrain from share buy-backs aimed at remunerating shareholders.

Therefore, in order to be compliant with the ECB's recommendation, on 29 March 2020 the Board of Directors resolved to withdraw the proposed resolutions (i) to distribute a FY19 dividend and (ii) to authorize a share buyback and (iii) to cancel the treasury shares that may be purchased under the above-mentioned authorisation, which were to be submitted for the Shareholders' Meeting convened on 9 April 2020.

Therefore, in March 2020, the Group released the FY19 dividend deducted up to December 2019 from CET1 capital for prudential purposes, with a positive effect of 37 basis points on the CET1 capital ratio.

Since the ECB, on 28 July 2020, extended its recommendation to banks on dividend distributions and share buy-backs until 1 January 2021 and asked banks to be extremely moderate with regard to variable remuneration-UniCredit has not paid dividends nor done share buybacks in 2020. This was neutral for coupon payments on AT1 bond and cashes instruments.

On 15 December 2020, updating the communication of 28 July 2020, the ECB published the Recommendation 2020/62 "on dividend distributions during the COVID-19 pandemic and repealing Recommendation ECB/2020/35". The recommendation asks banks to "refrain from or limit dividends until September 2021"; banks are asked to limit dividends to the lower between (i) 15% of cumulated 2019-20 adjusted profits and (ii) 20 basis points of CET1 ratio. At UniCredit, the lower value is represented by the 15% (**ECB cap**) of the cumulated stated net profits for the years 2019 and 2020, adjusted, as per ECB recommendation.

In particular, in accordance with the ECB recommendation, the cumulated 2019-2020 adjusted profit at consolidated level, on which the 15 per cent. payout ratio is applied, is calculated by adjusting the profit/loss result for the following items: (i) goodwill and intangible assets impairment, (ii) impairment of deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities, (iii) reclassifications from other comprehensive income into profit and (iv) distribution related to AT1 instruments charged against equity.

The amount resulting from such calculation is equal to a total amount of Euro 447 million, whose distribution for (i) 60 per cent. has been paid via cash dividends (equal to Euro 268 million) on 21 April 2021 following the approval by the Shareholders' Meeting and (ii) 40 per cent. has been made via shares buy-back (**SBB**) (equal to Euro 179 million) authorized by the Shareholders' Meeting and the ECB. The cash component was already deducted from Own Funds in 4Q 2020, while the SBB component has been deducted from 1Q 2021, once the ECB authorization has been released.

In addition, the Annual General Meeting (**AGM**) in April 2021 has approved an extraordinary capital distribution for an amount of Euro 652 million, entirely in the form of SBB. This extraordinary capital distribution was approved by the competent authorities. This extraordinary execution is expected to commence in last quarter 2021. On this regard, it should be remembered that on 23 July 2021 the ECB has decided not to extend beyond September 2021 its recommendation to all banks to limit dividends and SBB.

UniCredit, on 9 December 2021, presenting its 2022-2024 Strategic Plan, announced the distribution of approximately Euro 3.7 billion expected in 2022 related to FY2021 results, consisting of a cash dividend of circa 30 per cent. of underlying net profit with the balance composed of SBB. The cash dividend is accrued in the calculation of CET1 capital already in 2021. Nevertheless, the SBB is subject to a supervisory approval and the related deduction from CET1 capital for prudential purposes will be done in Spring 2022, immediately following such supervisory approval."

- In the subsection "*Risks connected with the legal and regulatory framework*", the Risk Factor headed "*Risks connected with the entry into force of new accounting principles and changes to applicable accounting principles*", on pages 46-47 of the Base Prospectus, shall be deleted in its entirety and replaced as follows:

"1.3.4 <u>Risks connected with the entry into force of new accounting principles and changes to applicable accounting principles</u>

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

- Amendments to IFRS9, IAS39, IFRS7, IFRS4 and IFRS16 Interest Rate Benchmark Reform - Phase 2 (EU Regulation 2021/25); and
- Amendments to IFRS4 Insurance Contracts - deferral of IFRS9 (EU Regulation 2020/2097).

As at 30 June 2021, the document "*Amendments to IFRS3 Business Combinations; IAS16 Property, Plant and Equipment; IAS37 Provisions, Contingent Liabilities and Contingent Assets; and Annual*

Improvements 2018-2020" (EU Regulation 2021/1080) applicable to reporting starting from 1 January 2022 has been endorsed by the European Commission.

As at 30 June 2021 the IASB issued the following accounting standards whose application is subject to completion of the endorsement process by the competent bodies of the European Commission, which is still ongoing:

- IFRS17 Insurance Contracts (May 2017) including Amendments to IFRS17 (June 2020);

- Amendments to IAS1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date (January 2020 and July 2020 respectively);

- Amendments to IAS1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (February 2021);

- Amendments to IAS8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (February 2021);

- Amendments to IFRS16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021 (March 2021); and
- Amendments to IAS12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (May 2021)."

- In the subsection "*Risks relating to Subordinated Notes*", the Risk Factor headed "*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 or may be the subject to the burden sharing requirements of the EU State aid framework and the BRRD*", on pages 51-52 of the Base Prospectus, shall be deleted in its entirety and replaced as follows:

"1.3.2 <u>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 or may be the subject to the burden sharing requirements of the EU State aid framework and the BRRD</u>

Investors should be aware that, in addition to the general bail-in tool, 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 absorbed in accordance with the priority of claims under normal insolvency proceedings (Non-Viability Loss Absorption). Any shares issued to holders of Subordinated Notes upon any such conversion into equity capital instruments may also be subject to any future application of the BRRD.

Furthermore, the BRRD provides for a Member State as a last resort, after having assessed and applied the 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 (such as holders of the Subordinated Notes) contribute to the costs of restructuring.

As a result, Subordinated Notes may be subject to a partial or full write-down or conversion to Common Equity Tier 1 instruments of the Issuer or one of the UniCredit Group's entities or another institution. Accordingly, trading behaviour may also be affected by the threat that Non-Viability Loss Absorption (or the general bail-in tool) may be applied to Subordinated Notes or the burden sharing requirements of the EU state aid framework and the BRRD may be applied and, as a result, Subordinated Notes are not necessarily expected to follow the trading behaviour associated with other types of securities. Noteholders should consider the risk that they may lose all of their investment, including the principal amount plus any accrued interest if the Non-Viability Loss Absorption (or the general bail-in tool) is applied to the Subordinated Notes or the burden sharing requirements of the EU state aid framework and the BRRD are applied or that such Subordinated Notes may be converted into ordinary shares which ordinary shares may be of little value at the time of conversion.

In addition, on 30 November 2021, Legislative Decree No. 193 of 8 November 2021 (the **193 Decree**) implementing the BBRD II was published in the *Gazzetta Ufficiale* and entered into force on 1 December 2021. The 193 Decree introduces point c-*ter*) under Article 91 paragraph 1-*bis*) of the Italian Banking Act transposing Article 48(7) of the BRRD II. The amended Article 91 of the Italian Banking Act provides for the following ranking:

- subordinated instruments which do not qualify (and no part thereof is recognized) as own funds items (*elementi di fondi propri*) shall rank senior to own funds items (including any instruments only partly recognized as own funds items (*elementi di fondi propri*)) and junior to senior non-preferred instruments (*strumenti di debito chirografario di secondo livello*);
- if instruments which qualified in whole or in part as own funds items (*elementi di fondi propri*) cease, in their entirety, to be classified as such, they will rank senior to own fund items (*elementi di fondi propri*) but junior to senior non-preferred instruments.

The new provisions will also apply to instruments issued before the 193 Decree came into effect (1 December 2021).

In light of the above, if Subordinated Notes of the Issuer (which qualify or qualified at any time either in whole or in part as Own Funds items) were to be disqualified entirely as Own Funds items in the future, their ranking would improve compared to Subordinated Notes which at the relevant time qualify as Own Funds items (in whole or in part) and would rank *pari passu* with Additional Tier 1 Notes and Subordinated Notes which at the relevant time are not qualified in whole or in part as Own Funds item. In the event of a liquidation or bankruptcy of the Issuer, the Issuer would, inter alia, be required to pay subordinated creditors of the Issuer whose claims rank in priority to the Subordinated Notes, including those whose claims arise from liabilities that no longer fully or partially are recognized as an own funds instrument in full before it can make any payments on the Subordinated Notes which, at the relevant time, qualify as Own Funds items (in whole or in part). Furthermore, if Subordinated Notes are fully disqualified as Own Funds items, such Notes would not be subject to a write-down or conversion into common shares at the point of non-viability even though they would continue to be subject to bail-in, and, in the event the Issuer were to receive extraordinary financial support in accordance with the EU state aid framework and the BRRD, the burden sharing requirements of such legislation."

- In the subsection "*Risks relating to Additional Tier 1 Notes*", the Risk Factor headed "*The Additional Tier 1 Notes may be subject to write-down, cancellation or conversion upon the occurrence of the exercise by the relevant resolution authority of the general bail-in tool or capital instruments write-down and conversion powers, which powers are in addition to the terms of the Additional Tier 1 Notes which provide for Write-Down on the occurrence of a Contingency Event, or may be subject to the burden sharing requirements of the EU State aid framework and the*

BRRD", on pages 55-56 of the Base Prospectus, shall be deleted in its entirety and replaced as follows:

"1.4.2 The Additional Tier 1 Notes may be subject to write-down, cancellation or conversion upon the occurrence of the exercise by the relevant resolution authority of the general bail-in tool or capital instruments write-down and conversion powers, which powers are in addition to the terms of the Additional Tier 1 Notes which provide for Write-Down on the occurrence of a Contingency Event, or may be subject to the burden sharing requirements of the EU State aid framework and the BRRD

Noteholders should understand that the powers to convert, write-down or cancel the Additional Tier 1 Notes given to resolution authorities pursuant to the rules and regulations described below are in addition to the terms of the Additional Tier 1 Notes which provide for Write-Down upon the occurrence of a Contingency Event.

Investors should be aware that, in addition to the general bail-in tool, the BRRD provides for resolution authorities to have the further power to write-down permanently/convert into equity capital instruments such as the Additional Tier 1 Notes through the application of Non-Viability Loss Absorption. Any shares issued to holders of Additional Tier 1 Notes upon any such conversion into equity capital instruments may also be subject to any future application of the BRRD.

Furthermore, the BRRD provides for a Member State as a last resort, after having assessed and applied the 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 (such as holders of the Additional Tier 1 Notes) contribute to the costs of restructuring.

As a result, the Additional Tier 1 Notes may be subject to a partial or full write-down or conversion to common equity Tier 1 instruments of the Issuer or one of the UniCredit Group's entities or another institution. Accordingly, trading behaviour may also be affected by the threat that Non-Viability Loss Absorption (or the general bail-in tool) may be applied to the Additional Tier 1 Notes or the burden sharing requirements of the EU state aid framework and the BRRD may be applied and, as a result, the Additional Tier 1 Notes are not necessarily expected to follow the trading behaviour associated with other types of securities. Noteholders should consider the risk that they may lose all of their investment, including the principal amount plus any accrued interest if the Non-Viability Loss Absorption (or the general bail-in tool) is applied to the Additional Tier 1 Notes or the burden sharing requirements of the EU state aid framework and the BRRD are applied or that such Additional Tier 1 Notes may be converted into ordinary shares which ordinary shares may be of little value at the time of conversion.

For as long as the Additional Tier 1 Notes are in global form and in the event that any Write-Down or Write-Up is required pursuant to the Conditions, the records of Euroclear and Clearstream, Luxembourg or any other clearing system of their respective participants' position held in the Additional Tier 1 Notes may not be immediately updated to reflect the amount of Write-Down or Write-Up and may continue to reflect the Prevailing Principal Amount of the Additional Tier 1 Notes prior to such Write-Down or Write-Up, for a period of time. The update process of the relevant clearing system may only be completed after the date on which the Write-Down or Write-Up will occur. No assurance can be given as to the period of time required by the relevant clearing system to complete the update of their records. Further, the conveyance of notices and other communications by the relevant clearing system to their respective participants, by those participants to their respective indirect participants, and by the participants and indirect participants to beneficial owners of interests in the Additional Tier 1 Notes in global form will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

In addition, on 30 November 2021, the 193 Decree implementing the BBRD II was published in the *Gazzetta Ufficiale* and entered into force on 1 December 2021. The 193 Decree introduces point c-*ter*) under Article 91 paragraph 1-*bis*) of the Italian Banking Act transposing Article 48(7) of the BRRD II. The amended Article 91 of the Italian Banking Act provides for the following ranking:

- subordinated instruments which do not qualify (and no part thereof is recognized) as own funds items (*elementi di fondi propri*) shall rank senior to own funds items (including any instruments only partly recognized as own funds items (*elementi di fondi propri*)) and junior to senior non-preferred instruments (*strumenti di debito chirografario di secondo livello*);

- if instruments which qualified in whole or in part as own funds items (*elementi di fondi propri*) cease, in their entirety, to be classified as such, they will rank senior to own fund items (*elementi di fondi propri*) but junior to senior non-preferred instruments.

The new provisions will also apply to instruments issued before the 193 Decree came into effect (1 December 2021)

In light of the above, if Additional Tier 1 Notes of the Issuer (which qualify or qualified at any time either in whole or in part as Own Funds items) were to be disqualified entirely as Own Funds items in the future, their ranking would improve compared to Additional Tier 1 Notes and Subordinated Notes which at the relevant time qualify as Own Funds items (in whole or in part) and would rank *pari passu* with Additional Tier 1 Notes and Subordinated Notes which at the relevant time are not qualified in whole or in part as Own Funds item. In the event of a liquidation or bankruptcy of the Issuer, the Issuer would, inter alia, be required to pay subordinated creditors of the Issuer whose claims rank in priority to the Additional Tier 1 Notes, including those whose claims arise from liabilities that no longer fully or partially are recognized as an own funds instrument in full before it can make any payments on the Additional Tier 1 Notes which, at the relevant time qualify as Own Funds items (in whole or in part). Furthermore, if Additional Tier 1 Notes are fully disqualified as Own Funds items, such Notes would not be subject to a write-down or conversion into common shares at the point of non-viability even though they would continue to be subject to bail-in, and, in the event the Issuer were to receive extraordinary financial support in accordance with the EU state aid framework and the BRRD, the burden sharing requirements of such legislation."

Documents Incorporated by Reference

Unaudited consolidated interim financial results of the UniCredit Group in respect of the nine months ended 30 September 2021

On 27 October 2021, the UniCredit Board of Directors approved the unaudited consolidated interim financial results of the UniCredit Group in respect of the nine months ended 30 September 2021 (the **Unaudited Consolidated Interim Report as at 30 September 2021 – Press Release**) which have been published on 28 October 2021 and are available at https://www.unicreditgroup.eu/content/dam/unicreditgroup-eu/documents/en/press-and-media/price-sensitive/2021/UniCredit_PR_3Q21_ENG.pdf.

For comparative purposes, the Issuer wishes also to incorporate by reference the unaudited consolidated financial results of the UniCredit Group in respect of the nine months ended 30 September 2020 (the **Unadited Consolidated Interim Report as at 30 September 2020 – Press Release**) which have been published on 5 November 2020 and are available at https://www.unicreditgroup.eu/content/dam/unicreditgroup-eu/documents/en/press-and-media/price-sensitive/2020/UniCredit_PR_3Q20_ENG.pdf

A copy of the Unaudited Consolidated Interim Report as at 30 September 2021 – Press Release and a copy of the Unaudited Consolidated Interim Report as at 30 September 2020 – Press Release have been filed with the *Commission de Surveillance du Secteur Financier* (**CSSF**). Copies of this Supplement and all the sections identified in the table below incorporated by reference in the Base Prospectus will also be published on the website of UniCredit *www.unicreditgroup.eu*, as well as on the website of the Luxembourg Stock Exchange (*www.bourse.lu*).

By virtue of this Supplement, the sections of the Unaudited Consolidated Interim Report as at 30 September 2021 – Press Release and the sections of the Unaudited Consolidated Interim Report as at 30 September 2020 identified in the table below are incorporated by reference in, and form part of, Section "*Documents incorporated by reference*" on page 94 of the Base Prospectus. Any non-incorporated parts of a document referred to in this Supplement are either deemed not relevant for an investor or are otherwise covered elsewhere in this Supplement.

Documents	**Information Incorporated**	**Page Reference**
Unaudited Consolidated Interim Report as at 30 September 2021 – Press Release	Significant events during and after 3Q21	13
	UniCredit Group: Reclassified Income Statement	14
	UniCredit Group: Reclassified Balance Sheet	15
	Other UniCredit Tables (Sovereign Debt Securities – Breakdown by Country/Portfolio, Weighted Duration, Ratings)	16-18
	Basis of Preparation	19-22
	Declaration by the manager charged with preparing the financial reports	22
Unaudited Consolidated Interim Report as at 30 September 2020 – Press Release	Significant events during and after 3Q20	19
	UniCredit Group: Reclassified Income Statement	20

Documents	Information Incorporated	Page Reference
	UniCredit Group: Reclassified Balance Sheet	21
	Other UniCredit Group Tables (Ratings, Sovereign Debt Securities – Breakdown by Country/Portfolio, Weighted Duration)	22-25
	Basis of Preparation	26-29
	Declaration by the manager charged with preparing the financial reports	29

Applicable Final Terms

The item titled "*5. Specified Denominations*" of Part A in section "*Applicable Final Terms for Notes with a Denomination of at least €100,000*" at page 129 of the Base Prospectus is deleted in its entirety and replaced by the following item:

"5. Specified Denominations[10]:	[ ] *(In the case of Registered Notes, this means the minimum integral amount in which transfers can be made. Note that only English Law Notes can be issued in registered form)* *(Notes must have a minimum denomination of €100,000 (or equivalent) unless they are to be admitted to trading only on a regulated market, or a specific segment of a regulated market, to which only qualified investors have access. In the case of Non-Preferred Senior Notes, Notes must have a minimum denomination of €150,000 (or equivalent. In the case of Subordinated Notes or Additional Tier 1 Notes, Notes must have a minimum denomination of €200,000 or equivalent.))*

[10] The minimum denomination of the Non-Preferred Senior Notes will be Euro 150,000 and the minimum denomination of each Subordinated Note or Additional Tier 1 Note will be Euro 200,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency) or such other higher amount as may be allowed or required from time to time by the relevant central bank (or equivalent body).

(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]."))

(a)	Calculation Amount:	[ ]

(If only one Specified Denomination, insert the Specified Denomination

If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations)"

Applicable Pricing Supplement

The item titled "*6. Specified Denominations*" of Part A in section "*Applicable Pricing Supplement*" at page 151 of the Base Prospectus is deleted in its entirety and replaced by the following item:

"6. Specified Denominations[11]: [ ]

(a)	Calculation Amount:	[ ]

(If only one Specified Denomination, insert the Specified Denomination

If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations)"

Terms and Conditions for the Italian Law Notes

Condition 4 (*Status of the Subordinated Notes*) and Condition 5 (*Status of Additional Tier 1 Notes*) in section "*Terms and Conditions for the Italian Law Notes*" at pages 233-234 of the Base Prospectus are deleted in their entirety and replaced, respectively, with the following Condition 4 (*Status of the Subordinated Notes*) and Condition 5 (*Status of Additional Tier 1 Notes*):

"**4. STATUS OF THE SUBORDINATED NOTES**

This Condition 4 applies only to Notes specified in the applicable Final Terms as Subordinated and intended to qualify as Tier 2 Capital.

[11] The minimum denomination of the Non-Preferred Senior Notes will be Euro 150,000 and the minimum denomination of each Subordinated Note or Additional Tier 1 Note will be Euro 200,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency) or such other higher amount as may be allowed or required from time to time by the relevant central bank (or equivalent body).

Subject as set out below, 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, as amended from time to time) 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.

In the event the Subordinated Notes of any Series do not qualify or cease to qualify, in their entirety, as own funds in the form of Tier 2 Capital, such Subordinated Notes shall rank subordinated and junior to unsubordinated unsecured creditors (including depositors and holders of Senior Notes and Non-Preferred Senior Notes) of UniCredit, *pari passu* among themselves and with the Issuer's obligations in respect of any other subordinated instruments which have ceased to qualify, in their entirety, as own funds items (*elementi di fondi propri*) and with all other present and future subordinated obligations of UniCredit which do not rank or are not expressed by their terms and/or by mandatory and/or overriding provisions of law to rank junior or senior to the relevant Subordinated Notes (which have so ceased to qualify, in their entirety, as own funds in the form of Tier 2 Capital) and senior to own fund items (*elementi di fondi propri*).

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.

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 or otherwise, in respect of such Subordinated Note.

In these Conditions:

Competent Authority means 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 or the Group and/or, as the context may require, the "resolution authority" or the "competent authority" as defined under BRRD and/or SRM Regulation.

Relevant Regulations has the meaning attributed to that term in Condition 10.6.

Tier 2 Capital has the meaning given to such term (or any other equivalent or successor term) in the Relevant Regulations.

For the avoidance of doubt, there is no negative pledge provision in these Conditions.

5. STATUS OF ADDITIONAL TIER 1 NOTES

This Condition 5 applies only to Additional Tier 1 Notes specified in the applicable Final Terms as Additional Tier 1 and intended to qualify as Additional Tier 1 Capital.

Subject as set out below, the Additional Tier 1 Notes will constitute direct, unsecured and subordinated obligations of the Issuer ranking:

(i) subordinated and junior to all indebtedness of the Issuer, including unsubordinated indebtedness of the Issuer, the Issuer's obligations in respect of any dated subordinated instruments and any instruments issued as Tier 2 Capital of the Issuer or guarantee in respect of any such instruments (other than any instrument or contractual right ranking, or expressed to rank, *pari passu* with the Additional Tier 1 Notes);

(ii) *pari passu* among themselves and with the Issuer's obligations in respect of any Additional Tier 1 Capital instruments or any other instruments or obligations which rank or are expressed to rank *pari passu* with the Additional Tier 1 Notes or, in each case, any guarantee in respect of such instruments; and

(iii) senior to:

(A) the share capital of the Issuer, including, if any, its *azioni privilegiate*, ordinary shares and *azioni di risparmio*;

(B) (i) any securities of the Issuer (including *strumenti finanziari* issued under Article 2346 of the Italian Civil Code); and (ii) any securities issued by a subsidiary which have the benefit of a guarantee or similar instrument from the Issuer,

which securities (in the case of (B)(i) above) or guarantee or similar instrument (in the case of (B)(ii) above) rank or are expressed to rank *pari passu* with the claims described under paragraphs (A) and (B) above and/or otherwise junior to the Additional Tier 1 Notes.

In the event the Additional Tier 1 Notes of any Series do not qualify or cease to qualify, in their entirety, as own funds in the form of Additional Tier 1 Capital, such Additional Tier 1 Notes shall rank subordinated and junior to unsubordinated unsecured creditors (including depositors and holders of Senior Notes and Non-Preferred Senior Notes) of UniCredit, *pari passu* among themselves and with the Issuer's obligations in respect of any other subordinated instruments which have ceased to qualify, in their entirety, as own funds items (*elementi di fondi propri*) and with all other present and future subordinated obligations of UniCredit which do not rank or are not expressed by their terms and/or by mandatory and/or overriding provisions of law to rank junior or senior to the relevant Additional Tier 1 Notes (which have so ceased to qualify, in their entirety, as own funds in the form of Additional Tier 1 Capital) and senior to own fund items (*elementi di fondi propri*).

Each holder of an Additional Tier 1 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 or otherwise in respect of such Additional Tier 1 Note.

In these Conditions:

Additional Tier 1 Capital has the meaning given to such term (or any other equivalent or successor term) in the Relevant Regulations.

Tier 1 Capital has the meaning given to such term (or any other equivalent or successor term) in the Relevant Regulations.

For the avoidance of doubt, there is no negative pledge provision in these Conditions."

Description of UniCredit and the UniCredit Group

The "*Description of UniCredit and the UniCredit Group*" section of the Base Prospectus is amended as follows:

- The sub-paragraph "*History and development of the Issuer*" of the paragraph titled "*Information about the Issuer*" in the "*Description of UniCredit and the UniCredit Group"* section on pages 299 - 301 of the Base Prospectus is deleted in its entirety and replaced as follows:

"**1.1 History and development of the Issuer**

UniCredit (formerly UniCredito Italiano S.p.A.) and the UniCredit Group of which UniCredit is the parent company are the result of the October 1998 business combination between the Credito Italiano national commercial banking group (established in 1870 with the name *Banca di Genova)* and UniCredito S.p.A. (at the time the holding company owning a controlling interest in Banca CRT *(Banca Cassa di Risparmio di Torino S.p.A.),* CRV *(Cassa di Risparmio di Verona Vicenza Belluno e Ancona Banca S.p.A.)* and Cassamarca *(Cassa di Risparmio della Marca Trivigiana S.p.A.).*

Since its formation, the Group has grown in Italy and Eastern Europe through both organic growth and acquisitions, consolidating its role in relevant sectors outside Europe and strengthening its international network.

Such expansion has been characterised, in particular:

- by the business combination with HypoVereinsbank, realised through a public tender offer launched in summer 2005 by UniCredit to acquire the control over Bayerische Hypo- and Vereinsbank AG (**HVB**) - subsequently renamed UniCredit Bank AG - and its subsidiaries, such as Bank Austria Creditanstalt AG, subsequently renamed "UniCredit Bank Austria AG" (**BA** or **Bank Austria**). At the conclusion of the offer perfected during 2005, UniCredit acquired a shareholding for an amount equal to 93.93 per cent. of the registered share capital and voting rights of HVB. On 15 September 2008, the squeeze-out of HVB's minority shareholders, resolved upon by the bank's shareholders' meeting in June 2007, was registered with the Commercial Register of Munich. Therefore, the HVB shares held by the minority shareholders - equal to 4.55 per cent. of the share capital of the company - were transferred to UniCredit by operation of law and HVB became a UniCredit wholly-owned subsidiary. In summer 2005 UniCredit also conducted an exchange offer for the acquisition of all shares of BA not held by HVB at the time. At the conclusion of the offer, the Group held 94.98 per cent. of the aggregate share capital of BA. In January 2007, UniCredit, which at the time held 96.35 per cent. of the aggregate share capital of BA, including a stake equal to 77.53 per cent. transferred to UniCredit by HVB, resolved to commence the procedures to effect the squeeze-out of the minority shareholders of BA. As at the date of this Prospectus, UniCredit's interest in BA is equal to 99.996 per cent.; and

- by the business combination with Capitalia S.p.A. (**Capitalia**), the holding company of the Capitalia banking group (the **Capitalia Group**), realised through a merger by way of incorporation of Capitalia into UniCredit effective as of 1 October 2007.

In 2008 the squeeze outs[12] of the ordinary BA and HVB shares held by minority shareholders were completed.

[12] The squeeze out is the process whereby a pool of shareholders owning at a certain amount of a listed company's shares (in Germany 95 per cent., and in Austria 90 per cent.) exercises its right to "squeeze out" the remaining minority of shareholders from the company paying them an adequate compensation.

Proceedings as to the adequacy of the squeeze-out price and in relation to the challenge to the relevant shareholders' resolutions promoted by certain BA and HVB shareholders are still pending. For more details please see section "*Legal and arbitration proceedings*" of this Base Prospectus.

UniCredit S.p.A. ordinary shares are listed on the Milan Stock Exchange, Frankfurt and Warsaw markets, respectively on the Borsa Italiana S.p.A. (Euronext Milan), on the Frankfurt Stock Exchange, segment General Standard, and on the Warsaw Stock Exchange. In this regard, it should be noted that, further to the disposal of the controlling equity interest in Bank Pekao in 2017, UniCredit has initiated the procedure aimed at obtaining the delisting of the UniCredit shares from the trading on the Warsaw Stock Exchange (so called "delisting"). According to the local Law and after discussions with the relevant Authorities, the UniCredit Shareholders' Meeting held on 11 April 2019 authorized the Board of Directors to purchase and dispose of a maximum number of UniCredit ordinary shares to be carried out within 18 months from the date of the Shareholders' resolution. On 11 October 2020 such authorisation lapsed. UniCredit confirmed its intention to delist from Warsaw Stock Exchange; timing of the procedure will be defined also based on macro-economic and market conditions and a new authorisation to the Board of Directors to purchase and dispose of a maximum number of UniCredit ordinary shares to be carried out within 18 months from the date of the Shareholders' resolution, has been resolved by the 15 April 2021 Shareholders'Meeting.

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Recent Developments

- On 24 October 2021, UniCredit and the Ministry of Economy and Finance (**MEF**) announced that the negotiations pertaining to the potential acquisition of a defined perimeter of Banca Monte dei Paschi di Siena will no longer continue.

- On 8 November 2021, following the approval by the UniCredit Board of Directors to dispose of up to its entire stake held in Yapı ve Kredi Bankası A.Ş. (**YKB**) and the delivery by UniCredit of a right of first offer notice to Koç Holding A.Ş. (**Koç**), pursuant to the share purchase agreement signed in 2019 between UniCredit and Koç, the latter has confirmed to UniCredit the irrevocable decision to exercise the right of first offer.

  As a result, Koç will buy shares in YKB corresponding to 18% of the issued share capital of YKB for a total consideration of Euro 0.3 billion at the current exchange rate, while the remaining 2 per cent. is expected to be sold on the market.

  The completion of the sale to Koç is subject to any applicable regulatory approvals in the relevant jurisdictions and is expected to occur in the first quarter of 2022.

  Based on the 3Q21 capital position, the transaction will have an overall low-mid single digit positive impact on the consolidated CET1 ratio of UniCredit.

  For the financial year 2021, also considering other conditions, there will be a resulting negative consolidated P&L impact, mostly deriving from the FX revaluation reserve related to the YKB stake, which will have no impact on the CET 1 capital, being currently already recognised.

- On 3 December 2021, UniCredit has noted the announcements made by the EBA and the ECB regarding the information of the 2021 EU-wide Transparency Exercise and fulfilment of the EBA Board of Supervisors' decision.

  The EBA Board of Supervisors approved the package for the EU-wide Transparency Exercise, which since 2016 is performed on an annual basis and published along with the Risk Assessment Report (**RAR**). The annual transparency exercise will be based solely on COREP/FINREP data on the form and scope to assure a sufficient and appropriate level of information to market participants.

The templates were centrally filled in by the EBA and sent afterwards for verification by banks and supervisors. Banks had the chance to correct any errors detected and to resubmit correct data through the regular supervisory reporting channels, and to add specific information as required for further clarify data.

The 2021 Transparency exercise covers four reference dates: 30 September 2020, 31 December 2020, 31 March 2021 and 30 June 2021.

- On 9 December 2021, UniCredit presented to the financial community in Milan the 2022-2024 Strategic Plan called "UniCredit Unlocked" (the **Strategic Plan** or **Plan**). UniCredit Unlocked delivers strategic imperatives and financial ambitions based on six pillars. Such strategic imperatives and financial ambitions regards: (i) the growth in its regions and the development of its client franchise, changing its business model and how its people operate; (ii) the delivery of economies of scale from its footprint of banks, transforming the technology leveraging Digital & Data and embedding sustainability in all that UniCredit does; (iii) driving financial performance via three interconnecting levers mentioned above. UniCredit's ability to meet the strategic objectives and all forward-looking statements relies on a number of assumptions, expectations, projections and provisional data concerning future events and is subject to a number of uncertainties and other factors, many of which are outside the control of UniCredit. Macro assumptions[2] exclude unexpected materially adverse developments such as the COVID-19 pandemic, a situation that UniCredit is monitoring closely. The six pillars are: (i) optimise, through the improvement of operational and capital efficiency; (ii) invest, with targeted growth initiatives, including ESG; (iii) grow net revenues; (iv) return; (v) strengthen CET1 ratio target thanks to its review and NPE ratio and total NPE; and (vi) distribute consistent with organic capital generation.

- On 9 December 2021, UniCredit announced, as per the authorisation granted by the Shareholders' Meeting of UniCredit held on 15 April 2021, and consistently with the indications provided in the press release dated 17 November 2021, that it has defined and approved the measures for the execution of the share buy-back programme for a maximum amount of Euro 651,573,111.00 and for a number of UniCredit ordinary shares not exceeding 110,000,000 (the **Second Buy-Back Programme 2021**).

  As disclosed on 24 June 2021, a first share buy-back programme (the **First Buy-Back Programme 2021**) was completed on 23 June 2021 with the purchase by UniCredit of no. 17,416,128 shares for a total consideration of Euro 178,688,527. The shares purchased by UniCredit under the First Buy-Back Programme 2021 were cancelled, jointly with the treasury shares held by UniCredit at that time, on 4 October 2021. For the purpose of executing the Second Buy-Back Programme 2021, on 9 December 2021 UniCredit engaged J.P. Morgan AG as qualified third-party broker which will decide on the stock purchases in full independence, also in relation to the timing of the transactions and in compliance with the daily price and volume limits and the terms of the programme (so-called "*riskless principal*" or "*matched principal*").

  The transactions completed will be disclosed to the market in accordance with the terms and conditions set out in the laws and regulations in force. Any subsequent changes to the Second Buy-Back Programme 2021 will be promptly disclosed to the public in the manners and terms provided for by the laws and regulations in force.

  In any case, it should be noted that, in the context of this programme, the Issuer will periodically disclose to the public the repurchase activities by means of specific press releases available on its website.

- On 14 December 2021, with reference to the notes "*Issue of €750,000,000 Fixed Rate Tier II Subordinated Callable Notes due 3 January 2027* (the **Notes**), ISIN XS1426039696, issued on

3 June 2016, in accordance with the Final Terms dated 31 May 2016 and with the Terms and Conditions of the Notes, obtained the prior approval by the competent authority, UniCredit S.p.A. announced that it will exercise its option to early redeem in whole the Notes on 3 January 2022.

The early redemption of the Notes will be at par, together with accrued and unpaid interests. The interests shall cease to accrue on the optional redemption date.

- On 17 December 2021, the rating agency Fitch Ratings upgraded UniCredit's Long-Term Issuer Default Rating (**IDR**) to 'BBB' from 'BBB-'. The outlook was affirmed at stable. The Short-Term Rating and the Viability Rating (i.e., standalone rating), have been upgraded to 'F2' from 'F3' and to 'bbb' from 'bbb-', respectively. Instruments ratings have been updated in line with the rating action, with the Senior Non Preferred rating now at 'BBB-'."

- The sub-paragraph "*The domicile and legal form of the Issuer, the legislation under which the Issuer operates, its country of incorporation, the address, telephone number of its registered office (or principal place of business if different from its registered office) and website of the Issuer*" in the "*Description of UniCredit and the UniCredit Group"* section on page 302-313 of the Base Prospectus is amended as follows, so that the following paragraphs set out below shall replace the corresponding paragraphs currently included in the Base Prospectus and the paragraphs not set out below shall remain unchanged:

"1.1.4 <u>The domicile and legal form of the Issuer, the legislation under which the Issuer operates, its country of incorporation, the address, telephone number of its registered office (or principal place of business if different from its registered office) and website of the Issuer</u>

UniCredit S.p.A. is a joint stock company established in Italy and operating under Italian law. The Registered and Head Offices of the Issuer are located in Milan, Piazza Gae Aulenti, 3 — Tower A. UniCredit's telephone number is +39 02 88 621, and UniCredit's website is <u>www.unicreditgroup.eu</u>. The information on the website of the Issuer does not form part of this Base Prospectus unless that information is incorporated by reference into this Base Prospectus.

UniCredit, in carrying out its activities, is subject to both the Italian provisions (e.g. to the provisions on anti-money laundering, transparency and fairness in customer relations, usury, consumer protection, labour law, safety at the workplace and privacy laws) and European provisions as well as to the supervision of various Authorities, each for their respective areas of competence. In particular, UniCredit is subject to the provisions contained in the Supervisory Regulations issued by the Bank of Italy and, as a significant bank, to the direct prudential supervision of the European Central Bank.

<u>**BRRD and SRMR**</u>

With regard to the regulatory framework applicable to the Issuer, it is noted the Bank Recovery and Resolution Directive 2014/59/EU of 15 May 2014, implemented in Italy with the Legislative Decree 180 and 181 of 16 November 2015 (**BRRD**).

The Issuer is also subject to the Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 (**Single Resolution Mechanism Regulation** or **SRM Regulation**) which sets out uniform rules and procedures for the resolution of credit institutions and certain investment firms under the Single Resolution Mechanism (**SRM**) and the Single Resolution Fund. The SRM and BRRD enable a range of resolution tools and powers to be used in relation to credit institutions and investment firms considered to be at risk of failing.

Such instruments and powers include the possibility of applying the "bail-in", *i.e.* the power to reduce, with the possibility of cancellation, the nominal value of shares and the write-down of receivables due from the bank with their conversion into shares. The aim of the bail-in is to absorb losses and recapitalize the failing bank in order to ensure the continuity of its critical economic functions, protecting financial stability and minimizing losses to the taxpayer, while still ensuring that no creditor suffers greater losses than if the bank had been liquidated under normal insolvency proceedings.

In the context of the bail-in, losses may be transferred, following a priority order and net of the exclusions provided for by the regulations, to shareholders, holders of subordinated debt securities, holders of senior non preferred securities, holders of not subordinated and unsecured debt securities, other unsecured creditors and, finally, depositors for the portion exceeding the guaranteed portion, *i.e.* for the portion exceeding Euro 100,000.00 per depositor.

Furthermore, if the conditions are met, the Authorities may request the use of the Single Resolution Fund referred to in the SRMR, financed by contributions paid by banks.

In the framework of the SRMR and BRRD, as of January 2016, the centralized decision-making power for resolution is entrusted to the Single Resolution Board (**SRB**), whose powers are attributed to the latter. In addition, the SRB cooperates closely with the national resolution authorities of Member States that are parties to the Banking Union. The national resolution authorities of Member States are empowered to implement the resolution programmes adopted by the SRB. In such a context, it is worth to mention the process to review - just started by the European Commission – the Crisis Management and Deposit Insurance (**CMDI**) framework. Following this revision, new and different legal and regulatory requirements may apply to the Group, in particular the activity of the European legislator is aimed at amending the BRRD, the SRMR and the Deposit Guarantee Schemes Directive (**DGSD**).

The BRRD introduces requirements for banks to maintain at all times a sufficient aggregate amount of own funds and eligible liabilities (the Minimum Requirement for Own Funds and Eligible Liabilities, **MREL**). The Issuer has to meet MREL requirements currently received by the Single Resolution Committee and the Bank of Italy on a consolidated basis, which must be achieved by 1 January 2022 (as transitional requirement) and complied with at all times from that date, as well as the standard on total loss absorbing capacity (**TLAC**). Directive (EU) 2019/879 (**BRRD II**), amending the BRRD, introduces significant changes to the standards regarding the calibration of the MREL requirement for banks that are systematically relevant and redefines the scope of MREL itself in order to align the eligibility criteria with those set out in the CRR so as to converge this ratio with the TLAC.

CRR and CRD

The Issuer shall comply with the revised global regulatory standards (Basel III) on bank capital adequacy and liquidity. 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 Regulation 2013/575/EU (the CRR, together with the CRD IV Directive, the CRD IV Package) subsequently updated in the Regulation No. 876/2019 and Directive (EU) No. 2019/878 (the Banking Reform Package with CRR II and CRD V). According to Article 92 of the CRR, 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. According to Articles from 129 to 134 of the CRD, these minimum ratios are complemented by the following capital buffers to be met with CET1 Capital: *Capital conservation buffer, institution-specific countercyclical capital buffer, capital buffers for globally systemically important institutions (**G-SIIs**) and capital buffers for other systemically important institutions (**O-SIIs**), Systemic risk buffer.*

In October 2013, the Council of the European Union adopted regulations establishing the SMM 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 "significant banks" in the Banking Union as well as their subsidiaries in a participating non-euro area Member State. The ECB has fully assumed its new supervisory responsibilities of UniCredit and the UniCredit Group.

On 7 June 2019, the legal acts "Risk Reduction Measures Package" regarding the banking sector have been published on the EU Official Journal. Such measures include, together with the amendments to the BRRD and to SRMR, (i) the Regulation (EU) 2019/876 of the European Parliament and of the Council (**CRR II**) amending the CRR as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and (ii) the Directive (EU) 2019/878 of the European Parliament and of the Council (**CRD V**) amending the CRD IV as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures. The revisions better align the current regulatory framework to international developments in order to promote consistency and comparability among jurisdictions.

Such measures entered into force on 27 June 2019, while a) the CRR II is applicable from 28 June 2021, excluding some provisions with a different date of application (early or subsequent), b) the CRD V was to be implemented into national law by 28 December 2020 excluding some provisions which will be applicable subsequently. Directive (EU) 2019/878 (**CRD V Directive**) has been implemented in Italy by the Legislative Decree No. 182/2021. Directive 2019/879 (**BRRD II**) has been implemented in Italy by the Legislative Decree No. 193/2021, which provides for, among other measures:

- the determination of a minimum unit value for bonds and debt securities (Article 12-*ter* of the Italian Banking Act) issued by credit institutions and investment firms:

  1. Euro 200,000 for subordinated bonds and other subordinated securities;
  2. Euro 150,000 for Senior Non Preferred debt instruments ("*strumenti di debito chirografario di secondo livello*")

- the nullity of contracts entered into with non professional investors (relating to investment services having as their object the instruments referred to in Article 12-*ter* of the Italian Banking Act issued after 1 December 2021 (or equivalent instruments when issued by subjects having their registered office in a third country, under certain conditions)) that do not respect the minimum unit value (Article 25-*quater* of the Financial Services Act) ;

- the elimination of the ban on the placement of Senior Non Preferred debt instruments with non qualified investors (Article 5 of Legislative Decree No. 193/2021), subject to the abovementioned provisions.

Moreover, it is worth mentioning that the Basel Committee on Banking Supervision (**BCBS**) concluded the review process of the models (for credit risk, counterparty risk, operational risk and market risk) for the calculation of minimum capital requirements, including constraints on the use of internal models and introducing the so-called "output floor" (setting a minimum level of capital requirements calculated on the basis of internal models equal, when fully implemented, to 72.5 per cent. of those calculated on the basis of the standardised methods). The main purpose is to enhance consistency and comparability among banks. The new framework was finalised for market risk in 2016 and finally revised in January 2019. The new framework for credit risk and operational risk was completed in December 2017. Prior to becoming binding on the European banking system, the European Commission, which conducted a public consultation (closed on 5 January 2020), has assessed the potential impacts on the European economy. In August 2020 the Commission required the EBA to update its assessment in the light of COVID-19, which was published in December 2020. The legislative proposal (CRR III/CRD6), which incorporates these new standards into EU legislation as well as foresees some new provisions in relations to Environmental, Social and Governance (**ESG**) Risks has been published by the European Commission on 27 October 2020. Once agreed on the final text between the various stakeholders involved in the legislative process (European Commission, European Parliament and Council of the EU) and once implemented in the Union, these regulatory changes will impact the entire banking system and consequently could determine changes in the capital calculation and increase capital requirements. The analysis carried out by the EBA, published in December 2019 upon request of the European Commission, shows that the adoption of the new Basel III criteria would require banks to increase minimum capital requirements (**MCR**) by 23.6 per cent., resulting in a capital deficit of Euro 124 billion. The above-mentioned updated analysis by EBA published in December 2020, show an increase of MCR of 18.5% and a capital deficit of over Euro 52 billion (the December 2019 outcome for a comparable sample would have been respectively 24.1 per cent. and Euro 109.5 billion). The impact assessment that accompanied instead the EU Commission's proposal published at the end of October, states the expectation of a weighted average increase in institutions' minimum capital requirements of 6.4 per cent. to 8.4 per cent. in the long term (by 2030), after the envisaged transitional period. The Commission's proposal foresees that most of the provisions in the Regulation (**CRR3**) shall apply from 1 January 2025. The Member States shall adopt and publish the CRD6 by 18 months from the date of entry into force (**TBC**) of the amending Directive and they shall apply those provisions from one day after its transposition date.

Regulatory and supervisory framework on non-performing exposures

Among the measures adopted at European level in order to reduce non-performing exposures within adequate levels, worth mentioning are the followings:

Guidance to banks on non-performing loans published by ECB on 20 March 2017 and Addendum to the Guidance to banks on non-performing loans published by ECB on 15 March 2018: the NPL guidance contains recommendations and lays out the bank's approach, processes and objectives regarding the effective management of the exposures. The guidance addresses all NPEs, as well as foreclosed assets, and also touches on performing exposures with an elevated risk of turning non-performing, such as "watch-list" exposures and performing forborne exposures. According to the guidance, the banks need to establish a strategy to optimize their management of NPLs based on a self-assessment of the internal capabilities to effectively manage NPLs; the external conditions and operating environment; and the impaired portfolios specifications.

On 15 March 2018, the ECB published the Addendum to the Guidance on NPL which sets out supervisory expectations for the provisioning of exposures reclassified from performing to NPEs after 1 April 2018 (the **ECB Addendum**). In addition, the ECB's supervisory expectations for individual banks for the provisioning of the stock of NPLs (before 31 March 2018), was set out in its 2018 supervisory review and evaluation process (**SREP**) letters and the ECB will discuss any divergences from these prudential provisioning expectations with institutions as part of future SREP exercises.

On 22 August 2019, the ECB has decided to revise its supervisory expectations for prudential provisioning of new non-performing exposures. The decision was made after taking into account the adoption of the new EU regulation of that Banking Reform Package which makes further changes to the Pillar I treatment for NPEs (in revisions to the Capital Requirements Regulation known as **CRR II**).

The initiatives that originate from the ECB are strictly supervisory (**Pillar II**) in nature. In contrast, the European Commission's requirement is legally binding (**Pillar I**). The above mentioned guidelines result in three "buckets" of NPEs based on the date of the exposure's origination and the date of NPE's classification:

- NPEs classified before 1 April 2018 (Pillar II - Stock): 2/7 years vintage buckets for unsecured/secured NPEs, subject to supervisory coverage recommendations and phase-in paths as communicated in SREP letters;

- NPEs originated before 26 April 2019 (Pillar II – ECB Flows): 3/7/9 years vintage buckets for unsecured/secured other than by immovable property/secured by immovable property, progressive path to 100%; and

- NPEs originated on or after 26 April 2019 (Pillar I – CRR Flows): 3/7/9 years vintage buckets for unsecured/secured other than by immovable property/secured by immovable property, progressive path to 100%.

Action plan to address the problem of non-performing loans in the European banking sector published by the European Council on 11 July 2017: the action plan outlines an approach based on a mix of four policy actions: the bank supervision; the reform of insolvency and debt recovery frameworks; the development of secondary markets for NPLs; promotion of the banking industry restructuring.

Guidelines on management of non-performing and forborne exposures published by EBA on 31 October 2018: the Guidelines aim to ensure that credit institutions have adequate tools and frameworks in place to manage effectively their NPEs and to substantially reduce the presence of NPEs on the balance sheet. Only for credit institutions with a gross NPL ratio above 5%, EBA asked to introduce strategies, in order to achieve a reduction of NPEs, and governance and operational requirements to support them.

Guidelines on disclosure of non-performing and forborne exposures published by EBA on 17 December 2018: in force since 31 December 2019, the Guidelines set enhanced disclosure requirements and uniform disclosure formats applicable to credit institutions' public disclosure of information regarding non-performing exposures, forborne exposures and foreclosed assets.

Regulation (EU) 2019/630 amending CRR as regards minimum loss coverage for non-performing exposures: the Regulation establishes, in the context of Pillar I, the prudential treatment of the non-performing exposures where the exposure was originated prior to 26 April 2019, requiring a deduction from own funds where NPEs are not sufficiently covered by provisions or other adjustments. The Regulation purpose is to encourage a timely and proactive management of the NPEs. The prudential treatment is applicable to: (i) unsecured exposures from the third year after the classification as NPE, (ii) exposures secured by immovable collateral and residential loans guaranteed by an eligible protection provider as defined in CRR, from the ninth year after the classification as NPE; and (iii) secured exposures, from the seventh year after the classification as NPE. The Regulation outlines the convergence process to its full application to secured and unsecured exposures classified as NPEs for less than 3/7/9 years.

Directive on credit servicers, credit purchasers and the recovery of collateral (COM/2018/0135): On 20 October, the European Parliament's plenary approved the final text of the Directive aimed at achieving the development of secondary markets for NPLs in the EU's markets standardizing the regulatory regime for credit servicers and credit purchasers. The second part of the Directive aimed at a better management of NPLs by increasing the efficiency of debt recovery procedures through the availability of a distinct common accelerated extrajudicial collateral enforcement procedure (AECE) is still put on hold.

Opinion on the regulatory treatment of non-performing exposure securitisations published by EBA on 23 October 2019: the Opinion recommends to adapt the CRR and the Regulation (EU) 2017/2401 (**Securitisation Regulation**) to the particular characteristics of NPEs by removing certain constraints imposed by the regulatory framework on credit institutions using securitisation technology to dispose of NPE holdings. In preparing its proposal to the Commission, EBA outlines the fact that the securitisations can be used to enhance the overall market capacity to absorb NPEs at a faster pace and larger rate than otherwise possible through bilateral sales only, as a consequence of securitisations' structure in tranches of notes with various risk profiles and returns, which may attract a more diverse investor pool with a different risk appetite.

On July 24, 2020, as part of the Capital Markets Recovery Package, the European Commission presented amendments to review, *inter alia,* some regulatory constraints in order to facilitate the securitisation of non-performing loans (*i.e.* increasing the risk sensitivity for NPE securitisations by assigning different risk weights to senior tranche) in order to promote the economic recovery after the COVID-19 crisis. The new measures - through the Regulation (EU) 2021/557 amending the Securitisation Regulation and the Regulation (EU) 2021/558 amending the Regulation (EU) 2013/575 (**CRR**) - entered into force on 9 April 2021.

In addition, the European Commission published in December 2020 a new Action plan on tackling NPLs. More in detail, in order to prevent a renewed build-up of NPLs on banks' balance sheets, the Commission proposed a series of actions with four main goals: (i) further develop secondary markets for distressed assets (in particular call for finalization of the Directive on credit servicers, credit purchasers and the recovery of collateral; establishing a data hub at European level; reviewing EBA templates to be used during the disposal of NPLs); (ii) Reform the EU's corporate insolvency and debt recovery legislation; (iii) Support the establishment and cooperation of national asset management companies at EU level; (iv) Introduce precautionary public support measures, where needed, to ensure the continued funding of the real economy under the EU's Bank Recovery and Resolution Directive and State aid frameworks.

Measures to counter the impact of COVID-19

European and national authorities have undertaken several measures to support the banking and financial market to counter the economic effects of COVID-19.

On 10 March 2020, through an addendum to the 2019 credit agreement between ABI and the Business Associations, the possibility of requesting suspension or extension was extended to loans granted until 31 January 2020. The moratorium refers to loans to micro, small and medium-sized companies affected by the COVID-19 outbreak. The capital portion of loan repayment instalments may be requested to be suspended for up to one year, later extended until 30 June 2021. The suspension is applicable to medium/long-term loans (mortgages), including those concluded through the issue of agricultural loans, and to property or business assets leasing transactions. In the latter case, the suspension concerns the implicit capital instalments of the leasing. On 21 April 2020, through an agreement entered into with the consumer associations, the moratorium was extended to credit to households, including the suspension of the principal portion of mortgage-backed loans and unsecured loans repayable in instalments.

On 11 March 2020, ESMA, considering the spread of COVID-19 and its impact on the EU economy, issued four recommendations in the following areas: (1) business continuity planning, (2) market disclosure, (3) financial reporting and (4) fund management.

1. Business Continuity Planning: ESMA has recommended all financial market participants to be ready to apply their contingency plans to ensure operational continuity in line with regulatory obligations.

2. Market disclosure: issuers should disclose as soon as possible any relevant significant information concerning the impacts of COVID-19 on their fundamentals, prospects or financial situation in accordance with their transparency obligations under the Regulation (EU) No. 596/2014 (**MAR**), as a disclosure obligation contained in Article 17, paragraph 1 of the MAR, pursuant to which issuers are required to disclose to the public without delay any inside information directly concerning them.

3. Financial reporting: ESMA has recommended issuers to provide transparency on the actual and potential impacts of COVID-19, to the extent possible based on both a qualitative and quantitative assessment on their business activities, financial situation and economic performance in their 2019 year-end financial report if these have not yet been finalised or otherwise in their interim financial reporting disclosures.

4. Fund Management: ESMA has encouraged fund managers to continue to apply the requirements on risk management and to react accordingly.

The ECB, at its monetary policy meeting held on 12 March 2020, decided to adopt a comprehensive set of monetary policy measures, consisting of three key elements: first, safeguarding liquidity conditions in the banking system through a series of favourably-priced longer-term refinancing operations (**LTROs**); second, protecting the continued flow of credit to the real economy through a fundamental recalibration of targeted longer-term refinancing operations (**TLTROs**); and, third, preventing tightening of financing conditions for the economy in a pro-cyclical way via an increase in the asset purchase programme (**APP**).

As regards TLTRO, the Governing Council decided to apply considerably more favourable terms during the period from June 2020 to June 2021 to all TLTRO III operations outstanding during that time. Throughout this period, the interest rate on these TLTRO III operations will be 25 basis points below the average rate applied in the Eurosystem's main refinancing operations.

The Governing Council also decided to add a temporary envelope of additional net asset purchases of Euro 120 billion until the end of the year, ensuring a strong contribution from the private sector purchase programmes. On 18 March 2020 this was followed by the announcement of the Euro 750 billion Pandemic Emergency Purchase Program (**PEPP**), increased with a further Euro 600 billion on 4 June 2020.

Among the various measures adopted by the Italian government to address the epidemiological emergency due to the COVID-19 outbreak, on 17 March 2020 Law Decree No. 18 (**Cura Italia Decree**) has been adopted. The Cura Italia Decree has introduced special measures derogating from the ordinary proceeding of the Guarantee Fund for SMEs in order to simplify the requirements for access to the guarantee and strengthen the intervention of the Guarantee Fund for SMEs itself, as well as the possibility of transforming the DTA relating to losses that can be carried forward but not yet deducted and to the amount of the ACE notional return exceeding the total net income, to the extent of 20 per cent. of the impaired loans sold by 31 December 2020.

On 20 March 2020, the ECB announced additional measures (in addition to those already undertaken on 12 March 2020 on temporary capital and operational relief for banks) to ensure that its directly supervised banks can continue to fulfil their role to fund households and corporations amid the coronavirus-related economic shock to the global economy. In particular, the ECB recommends to:

- give banks further flexibility in prudential treatment of loans backed by public support measures;
- encourage banks to avoid excessive procyclical effects when applying the IFRS 9 international accounting standard; and
- activate capital and operational relief measures announced on 12 March 2020.

On 25 March 2020, EBA published a statement to explain the functioning of the prudential framework in relation to the exposures in default, the identification of forborne exposures and impaired exposures in accordance with IFRS 9. In particular, EBA has clarified some additional aspects of the operation of the prudential framework concerning:

i. the classification of exposures in default;
ii. the identification of forborne exposures; and
iii. the accounting treatment of the aforesaid exposures.

Specifically, the Authority repeats the concept of flexibility in the application of the prudential framework, clarifying that an exposure should not be automatically reclassified as (i) exposure in default, (ii) forborne exposure, or (iii) impaired exposure under International Financial Reporting Standard - IFRS9, in case of adoption of credit tolerance measures (such as debt moratorium) by national governments.

On 25 March 2020, ESMA provided clarifications on the accounting implications of the economic support and relief measures adopted by EU Member States in response to COVID-19. In particular, the statement provides guidance to issuers and auditors on the application of IFRS 9 (Financial Instruments) with regard to the calculation of expected losses and related disclosure requirements. This concerns, in particular, the suspension (or deferral) of payments established for credit agreements (e.g. moratorium on debt) that impact the calculation of Expected Credit Loss (**ECL**) under the principles set forth in IFRS 9.

On 27 March 2020, the Basel Committee's oversight body, the Group of Central Bank Governors and Heads of Supervision (**GHOS**), has deferred Basel III implementation to increase operational capacity of banks and supervisors to respond to the immediate financial stability priorities resulting from the impact of the COVID-19 on the global banking system.

The measures endorsed by the GHOS comprise the following changes to the implementation timeline of the outstanding Basel III standards:

- the implementation date of the Basel III standards finalised in December 2017 has been deferred by one year to 1 January 2023. The accompanying transitional arrangements for the output floor has also been extended by one year to 1 January 2028;

- the implementation date of the revised market risk framework finalised in January 2019 has been deferred by one year to 1 January 2023; and

- the implementation date of the revised Pillar 3 disclosure requirements finalised in December 2018 has been deferred by one year to 1 January 2023.

On 27 March 2020, the ECB published a recommendation addressed to significant banks to refrain from paying dividends and from share buy-backs aimed at remunerating shareholders for the duration of the economic shock related to COVID-19; this recommendation was extended to January 2021 on 27 July 2020.

On 15 December 2020 the ECB recommended that banks exercise extreme prudence on dividends and SBB. To this end, the ECB asked all banks to consider not distributing any cash dividends or conducting share buy-backs, or to limit such distributions, until 30 September 2021. Given the persisting uncertainty over the economic impact of COVID-19 pandemic, the ECB expects dividends and SBB to remain below 15 per cent. of the cumulated profit for 2019-2020 and not higher than 20 basis points of the CET1 ratio. Banks that intend to pay dividends or buy back shares need to be profitable and have robust capital trajectories. They are expected to contact their Joint Supervisory Team to discuss whether the level of intended distribution is prudent. The recommendation is related to the current exceptional circumstances and will remain valid until the end of September 2021; at that time, in the absence of materially adverse developments, the ECB intends to repeal the recommendation and return to assessing banks' capital and distribution plans based on the outcome of the normal supervisory cycle. On 23 July 2021 the ECB has published a statement with its decision to not extend beyond September 2021 its recommendation that all banks limit dividends. Instead, the capital and distribution plans of each bank will be assessed by supervisors as part of the regular supervisory process. At the same time the ECB has emphasized that banks should remain prudent and not underestimate risks when deciding on dividends and share buy-backs while carefully considering the sustainability of their business model.

On 2 April 2020, the EBA issued Guidelines on the treatment of legislative and non-legislative moratoria applied before 30 June 2020: clarified which legislative and non-legislative payment moratoria could trigger forbearance classification; in particular, the guidelines supplemented the EBA

Guidelines on the application of the definition of default as regards the treatment of distressed restructuring (they clarified that the payment moratoria, if based on the application of national laws, or on initiatives agreed at industry / private sector level, where widely applied by the relevant credit institutions, do not trigger forbearance classification and it is not necessary to verify the existence of the requirements for tracing between the distressed restructuring). On 18 June 2020, EBA has extended the deadline for the application of its Guidelines on payment moratoria to 30 September 2020, after which they expired. Adjusted Guidelines have been reactivated in December 2020, though restricting the scope of application to a maximum of 9 months from the granting of the moratoriums, a limit which however does not apply to those agreed before of 31 September 2020 which continue to benefit from the flexibility granted by the guidelines until their expiry, even if it exceeds 9 months.

On 29 January 2021, the EBA published the "Report on the implementation of selected COVID-19 policies", which contains a series of clarifications in the form of questions and answers (Q&A) on the interpretation of the EBA Guidelines, in particular with regard to the overall duration of the deferred payment to fall within the scope of the EBA Guidelines on moratoriums. However, the clarifications did not concern the hypothesis in which the moratorium pursuant to law, even if granted before 31 September, was extended for more than 9 months due to a subsequent law.

In continuity with the Cura Italia Decree, Law Decree No. 23 of 8 April 2020 (**Liquidity Decree**) was issued, a further measure deemed necessary to support Italian entrepreneurship. The Liquidity Decree, in addition to providing an additional guarantee managed by SACE Simest (**SACE**), a company of the Cassa Depositi e Prestiti group, aims to further strengthen the Guarantee Fund for SMEs by redrawing its rules for accessing, by including also companies with no more than 499 employees and professionals, as well as increasing the guarantee coverage percentages already provided by Article 49 of the Cura Italia Decree (provision that is repealed). In the wake of the latter provision, the Liquidity Decree makes further exceptions to the ordinary rules of the Guarantee Fund for SMEs, which have been applicable until 31 December 2020 and extended until 31 December 2021 by Sostegni bis Decree (see below).

On 28 April 2020, the EU Commission published a proposal to amend the CRR Regulation ("quick fix") in order to reduce certain regulatory requirements and facilitate the provision of bank credit to households and enterprises across the EU with the aim of ensuring that banks can continue to lend money to support the economy and help mitigate the significant economic impact of the COVID-19.

The measures, both temporary and exceptional, have been promoted to mitigate the immediate impact of coronavirus-related developments and they imply:

- the reintroduction of prudential filters to manage the current situations of strong turbulence in the markets and to neutralize the effects of losses and gains on the value of debt securities held in the portfolio available for sale as if the securities were valued at cost instead of at fair value;

- a temporary approach to market risk in order to allow supervisors to implement appropriate measures to avoid automatic increases in the quantitative addendum (in particular over the period January 2020 and December 2021);

- more favourable treatment of government guarantees granted during the crisis, aligning the calendar provisioning applied to positions with government guarantees with the calendar provisioning applied to credits guaranteed by Export Credit Agencies;

- early application of certain measures provided for in CRR2: i) extension of the SME Supporting Factor; ii) introduction of the Infrastructure Supporting Factor; iii) improved weighting calibration for loans guaranteed by salary/pension share disposals; iv) improved prudential treatment of software;

- an adaptation of the timeline of the application of international accounting standards to banks' capital (IFRS9 phase-in arrangements);

- the postponement of the date of application of the additional reserve requirement for the leverage ratio of systemic banks (**G-SIB buffer**);
- a change in the way of excluding certain exposures from the calculation of the leverage ratio; and
- the introduction of a transitional regime for EU Sovereign exposures in the currency of another EU Member State.

Following the positive vote of the plenary session of the European Parliament (19 June 2020), the "CRR Quick Fix" has been published in the European Official Journal on 26 June 2020 and has entered into force the following day (27 June 2020).

On 19 May 2020, the Law Decree No. 34 of 19 May 2020 (the **Decreto Rilancio**) was published in the Official Journal, introducing urgent measures in the areas of healthcare, work and economic support, as well as social policies, related to the epidemiological emergency caused by COVID-19.

Such decree has been signed in the Law No. 77/2020. It introduced some provisions (valid until 31 December 2020) which are aimed at strengthening SME's capital, thus preventing their insolvency risk. Particular reference is made to two public tools: "Patrimonio PMI" fund, which is aimed at subscribing new bonds issued by SME corporates with Euro 10 million turnover, which have been impacted by COVID-19 a turnover reduction of 33% in April and May 2020 (two tax credits are granted to other investors <20% of the investment> in such corporates, and to the corporates above indicated which have suffered losses <50% of the losses which exceed the 10% of the Net worth, but in the limit of the 30% of the capital increase>); and the so called "Patrimonio rilancio" (Dedicated assets within CDP) which is aimed at subscribing new bonds (mainly convertible bonds) and shares in order to support real economy.

In August 2020 the Government approved the Law Decree "August" (Law Decree 14 August 2020, No. 104, converted into Law 13 October 2020, No. 126) containing several urgent measures in support of health, work and economy, linked to the COVID-19 emergency. The measures introduced by the Law regard the extension of the moratorium for SME until 31 January 2021 (formerly 30 September 2020) and, for tourist sector, until 31 March 2021. Such prorogation operate automatically, unless expressly waived by the beneficiary company. They also provide technical changes to the possibility (Article 55, Law Decree Cura Italia No. 18/2020) to convert the DTAs into tax credits (application to special regimes, such as consolidated and transparency). The decree above mentioned also widens the scope of the public guarantee, too, extending the FCG guarantee scope to companies which already got a prorogation of the guarantee due to temporary difficulties of the beneficiary and including financial intermediation and holding financial assets activities in the 30k guaranteed loans. It also extends SACE guarantee scope also to companies admitted to the arrangement procedure with business continuity (or certified plans and restructuring agreements) if their exposures are not classifiable as non performing exposures (at the date of submission of the application), they don't present amounts in arrears and the lender can reasonably assume the full repayment of the exposure at maturity.

In October and November 2020, the Council of Ministers approved the "Relieves" Law Decree (Law Decree 28 October 2020, No. 137) and the "Relieves 2" Law Decree (Law Decree 9 November 2020, No. 149) which provides further urgent measure regarding health protection, support to workers and production sectors, justice and safety linked to COVID-19 epidemic. Main measures introduced by the Law are a non refundable aid for enterprises whose sectors have been restricted and the prorogation of "rental" Tax credit to October-December period and extension to enterprises with turnover exceeding Euro 5 million and which have had a 50% reduction of turnover.

The Law 30 December 2020, No. 178 (the **2021 Budget Law**) extended the "SACE Guarantee" until 30 June 2021 and provided for Mid Cap (companies with a number of employees not exceeding 499) to access the SACE Guarantee from 1 March 2021 to 30 June 2021 at the same favorable conditions offered to these companies by the Guarantee Fund for SMEs. The extraordinary measures relating to the Guarantee Fund for SMEs and the extraordinary moratorium for micro-enterprises and SMEs (Art. 56 Cura Italia Decree) have also been extended until 30 June 2021. Finally, the operation of the "Patrimonio PMI" fund was extended until 30 June 30 2021 (Art. 26 Decreto Rilancio).

In March 2021 the Council of Ministers approved the Law Decree 22 March 2021, No. 41 (the **Support Law Decree**) which provides further urgent measure regarding health protection, support to workers and production sectors linked to COVID-19 pandemic. Such decree introduces a new non refundable aid for enterprises and professionals which have had a 30 per cent. reduction of turnover.

The Law Decree 25 May 2021, No. 73 (the **Sostegni-bis Law Decree**, converted into law by Law 23 July 2021 No. 106) further extended the extraordinary public guarantees issued by SACE and the Guarantee Fund for SMEs until 31 December 2021 (including the possibility for Mid Cap to access the SACE Guarantee under the same conditions offered by the Guarantee Fund for SMEs). The possibility of extending the duration of the loan against the payment of a commission has also been provided for operations with SACE guarantee, while for operations with guarantee issued by the Guarantee Fund for SMEs, the extension is possible against a reduction of the guarantee percentages.

The extraordinary moratorium for micro-enterprises and SMEs was also extended until 31 December 2021, limited to the principal amount. The additional measures contained in the decree: the strengthening of the ACE for 2021 by applying the percentage rate of 15 per cent. and the extension of the temporal effectiveness of the measures on the transformation of DTAs into tax credits in the event of business combinations.

Finally, among the measures adopted in response to the COVID-19 emergency, the Capital Markets Recovery Package proposal (so-called "Quick Fix") is to be recalled; published by the European Commission in July, it proposes targeted amendments to the MiFID, the Prospectus Regulation as well as the Securitisation Regulation. The package aimed to provide European economies with some relief to face the crisis emerging from the COVID-19 pandemic.

As to MiFID2, the proposal includes targeted amendments on: i) investor protection, ii) commodity derivatives and iii) research regime for SMEs.

As to Prospectus Regulation, the amendments introduced in particular a new type of short-form prospectus to facilitate the raising of capital in public markets.

As to Securitisation Regulation, in addition to a review of the regulatory constraints to the securitisation of NPEs the amendments in particular also extends the preferential treatment to all synthetic on-balance sheet securitisation that fulfil the simple, standardised and transparent (**STS**) criteria.

Amendments to Prospectus Regulations entered into force on 18 March 2021, the MiFID amendments, approved by the European Parliament last February, as being part of a Directive, are to be transposed into national laws by 28 November 2021. Amendments to the securitisation Regime - through the Regulation (EU) 2021/557 amending the Securitisation Regulation and the Regulation (EU) 2021/558 amending the Regulation (EU) 2013/575 (**CRR**) - entered into force on 9 April 2021.

[…]

DIGITAL FINANCE

On 24 September 2020, the European Commission published a Digital Finance Package with the main aim to support the EU digital transformation of finance in the coming years while regulating its risks. Four broad priorities will guide the EU's initiatives to promote digital transformation until 2024 with associated actions (legislative and non-legislative) that the Commission would like to put forward in the next four years.

Removing fragmentation in the Digital Single Market: In 2021, the Commission will propose to harmonise rules on customer onboarding and will build on the review of the e-IDAS (electronic IDentification Authentication and Signature) Regulation, launched in June 2021, to implement an interoperable cross-border framework for digital identities.

Adapting the EU regulatory framework to facilitate digital innovation: the Commission proposed in September 2020 for the first time new legislation on crypto-assets, the so called "Markets in Crypto Assets" (**MiCA**) regulation to ensure clarity and legal certainty for issuers and providers of crypto assets that are not currently covered by current EU legislation. Safeguards include capital requirements. Issuers of significant crypto-assets (the so-called global "stablecoins") will be subject to stricter requirements (e.g. in terms of capital, investor rights and supervision). The Commission also proposed a pilot regime, which allows temporary derogations from existing rules, for market infrastructures interested in trade and settle transactions in financial instruments in crypto-asset form. To facilitate digital innovation, the Commission also presented in April 2021 a proposal for a regulatory framework on Artificial Intelligence (**AI**) aimed both at promoting its development but also at managing its potential risks.

Promoting data-driven innovation in finance: In coordination with the PSD2's review and building on initiatives in the data strategy (Data Governance, Data Act and the Digital Markets Act as well the Digital Services Act), the EC will likely present a legislative proposal for a broader open finance framework by mid-2022 (date to be confirmed).

Addressing the challenges and risks associated with digital transformation; the Commission proposed a Digital Operational Resilience Act (**DORA**) to prevent and mitigate cyber threats and enhance oversight of outsourced services. The proposed legislation will require all interested firms to ensure that they can withstand all types of ICT related disruptions and threats and also introduces an oversight framework for ICT providers, such as cloud computing service providers."

- The sub-paragraph "*Credit ratings*", in the "*Description of UniCredit and the UniCredit Group*" section on pages 313-314 of the Base Prospectus, is deleted in its entirety and replaced as follows:

"*1.1.6* *Credit ratings*

As at the date of this Base Prospectus, UniCredit has been rated as follows:

Rating Agencies	**Short Term Counterparty Credit Rating**	**Long Term Counterparty Credit Rating**	**Outlook**	**Last update**
Fitch	F2(1)	BBB(2)	stable(3)	17 December 2021
S&P	A-2(4)	BBB(5)	positive(6)	23 November 2021
Moody's	P-2(7)	Baa1(8)	stable(9)	12 May 2021

Fitch Ratings

(1) F2: indicates a good capacity for timely payment of financial commitments relative to other issuers or obligations in the same country or monetary union. However, the margin of safety is not as great as in the case of the higher ratings. (**Source: Fitch**).

(2) BBB: indicate that expectations of default risk are currently low. The capacity for payment of financial commitments is considered adequate, but adverse business or economic conditions are more likely to impair this capacity (**Source: Fitch**).
Note: A "+" or "–" may be appended to a rating to denote relative status within a major rating category. Such suffixes are not added to the AAA rating category, to categories below CCC, or to Short-Term Credit Ratings other than F1 (**Source: Fitch**).

(3) Outlooks indicate the direction a rating is likely to move over a one- to two-year period. They reflect financial or other trends that have not yet reached or been sustained the level that would cause a rating action, but which may do so if such trends continue. A Positive Rating Outlook indicates an upward trend on the rating scale. Conversely, a Negative Rating Outlook signals a negative trend on the rating scale. Positive or Negative Rating Outlooks do not imply that a rating change is inevitable, and similarly, ratings with Stable Outlooks can be raised or lowered without a prior revision to the Outlook. Occasionally, where the fundamental trend has strong, conflicting elements of both positive and negative, the Rating Outlook may be described as "Evolving" (**Source: Fitch**).

S&P

(4) A-2: an obligor has satisfactory capacity to meet its financial commitments. However, it is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in the highest rating category (**Source: S&P**).

(5) BBB: an obligor has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to weaken the obligor's capacity to meet its financial commitments (**Source: S&P**).
Note: ratings from 'AA' to 'CCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating categories (**Source: S&P**).

(6) Outlook assesses the potential direction of a long-term credit rating over the intermediate term (typically six months to two years). In determining a rating outlook, consideration is given to any changes in economic and/or fundamental business conditions. An outlook is not necessarily a precursor of a rating change or future CreditWatch action. A positive outlook is assigned when S&P believes that ratings may be raised (**Source: S&P**).

Moody's

(6) P-2: issuers (or supporting institution) rated Prime-2 have a strong ability to repay short-term debt obligations (**Source: Moody's**).

(7) Baa: obligations rated Baa are subject to moderate credit risk. They are considered medium-grade and as such may possess speculative characteristics (**Source: Moody's**).
Note: Moody's appends numerical modifiers 1, 2 and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category (**Source: Moody's**).

(8) Outlook is an opinion regarding the likely rating direction over the medium term. A stable outlook indicates a low likelihood of a rating change over the medium term (**Source: Moody's**).

During the validity of this Base Prospectus, the updated Issuer's ratings information which could occur, will be available from time to time on the Issuer's website, without prejudice to the obligations arising from Article 23 of the Prospectus Regulation in relation to the drafting of a supplement.

The rating agencies Fitch, S&P and Moody' are established in the European Economic Area, are registered in accordance with Regulation (EC) No. 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, as amended, and are included in the list of registered credit rating agencies published on the website of the European Securities and Markets Authority at https://www.esma.europa.eu/supervision/credit-rating-agencies/risk."

- The sub-paragraph "*Description of the expected financing of the Issuer's activities*" in the "*Description of UniCredit and the UniCredit Group*" section on page 315 of the Base Prospectus shall be deleted in its entirety and replaced as follows:

"*1.1.8 Description of the expected financing of the Issuer's activities*

As at 30 September 2021, the loans to deposits ratio (**LDR**), a ratio between the customer loans and deposits, including the repo activity, is equal to 86.3 per cent.. Such ratio improves compared to 31 December 2020, equal to 90.4 per cent., due to reduction of loans (mainly driven by the reverse repo) combined with the increase of deposits.

However the Group's liquidity is always well above the minimum regulatory requirements – liquidity coverage ratio (**LCR**) and Net Stable Funding Ratio (**NSFR**) – as provided by EU 2013/575 Regulation and EU/36/2013 Directive.

As at 30 September 2021, the liquidity buffer is equal to Euro 200.5 billion (Euro 167.4 billion at 31 December 2020).

As at 30 September 2021, the TLTRO participations of the Group is equal to Euro 106.8 billion (compared to Euro 94.3 billion at the end of 2020)."

- The sub-paragraph "*A description of the Issuer's principal activities, including the main categories of products sold and/or services performed, an indication of any significant new products or activities, and the principal markets in which the Issuer competes*" of the paragraph titled "*Principal activities*" in the "*Description of UniCredit and the UniCredit Group"* section on page 315 of the Base Prospectus is deleted in its entirety and replaced as follows:

"2.1.1 A description of the Issuer's principal activities, including the main categories of products sold and/or services performed, an indication of any significant new products or activities, and the principal markets in which the Issuer competes

UniCredit is a simple pan-European commercial bank with a fully plugged in Corporate & Investment Bank, delivering a unique Western, Central and Eastern European network to its extensive client franchise.

UniCredit offers local and international expertise providing unparalleled access to market leading products and services in its core markets.

As at the date of this Base Prospectus, no significant new product or activity has been introduced.

The structure by geographic area of UniCredit is the following:

- Italy,
- Germany,
- Central Europe (including Austria, Czech Republic and Slovakia, Hungary, Slovenia), and
- Eastern Europe (including Bosnia and Herzegovina, Bulgaria, Croatia, Romania, Serbia, Russia).

This organization ensures country and local banks autonomy on specific activities granting proximity to the customers and efficient decisional processes; the Corporate Investment Banking across all geographies offers to the Group's clients a seamless suite of products and services that serve different local demands.

All standalone geographies of the Group have dedicated support functions such as: People and Culture, Finance, Digital & Information Office and Operations. In addition, Compliance, Legal and Risk have established specific regional departments."

- The sub-paragraph "*Names, business addresses and functions of the members of the Board of Directors and Board of Statutory Auditors and an indication of the principal activities performed by them outside of the Issuer where these are significant with respect to the Issuer*" of the paragraph titled "*Administrative, management and supervisory bodies*" in the "*Description of UniCredit and* *the UniCredit Group*" section on pages 321-326 of the Base Prospectus is deleted in its entirety and replaced as follows:

"4.1 Names, business addresses and functions of the members of the Board of Directors and Board of Statutory Auditors and an indication of the principal activities performed by them outside of the Issuer where these are significant with respect to the Issuer

The board of directors (the **Board** or the **Board of Directors**) 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 15 April 2021 for a term of three financial years and is composed of 13 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 2023. The members of the Board of Directors have been appointed on the basis of a proportional representation mechanism ("*voto di lista*") and in compliance with the provisions on gender balance.

The following table sets forth the current members of UniCredit's Board of Directors as at the date of this Base Prospectus.

Name	**Position**
Pietro Carlo Padoan[1-3]	Chairman
Lamberto Andreotti[1-2-3]	Deputy Vice Chairman
Andrea Orcel	Chief Executive Officer*
Vincenzo Cariello[1-2-3]	Director
Elena Carletti[1-2-3]	Director
Jayne-Anne Gadhia[1-2-3]	Director
Jeffrey Alan Hedberg[1-2-3]	Director
Beatriz Lara Bartolomé[1-2-3]	Director
Luca Molinari[1-2-3]	Director
Maria Pierdicchi[1-2-3]	Director
Francesca Tondi[1-2-3]	Director
Renate Wagner[1-2]	Director
Alexander Wolfgring[1-2-3]	Director

Notes:

(1) Director that meets the independence requirements pursuant to Section 148 of the Financial Services Act.

(2) Director that meets the independence requirements pursuant to section 13 of the Treasury Decree no. 169 dated November 23, 2020.

(3) Director that meets the independence requirements pursuant to Section 2, recommendation 7, of the Italian Corporate Governance Code.

* Also elected as General Manager by the Board of Directors on 15 April 2021.

The information on the Board of Directors and its updates are available on the UniCredit website without prejudice to the obligations arising from Article 23 of the Prospectus Regulation in relation to the drafting of a supplement.

The business address for each of the foregoing Directors is in Milan, 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:

Pietro Carlo Padoan

- Member of the Board of Directors and the Executive Committee of ABI – Italian Banking Association
- Chairman of the Capital Markets Union technical Committee of ABI - Italian Banking Association
- Member of the European Financial Roundtable (EFR)
- Member of the European Banking Group (EBG)
- Member of the Executive Committee of FeBAF (Italian Banking, Insurance and Finance Federation)
- Member of the Executive Committee of Assonime
- Member of Committee of Market Operators and Investors (COMI)
- Member of "Comitato Scientifico Osservatorio Banca Impresa 2030"
- Member of the Board of Directors International Monetary Conference
- Member of the Board of "Istituto Luigi Einaudi per gli Studi bancari, finanziari e assicurativi"
- Member of Corporate Governance Committee of Borsa Italiana
- Member of the Board of the Institute of International Finance (IIF)
- Vice Chairman of IAI – Istituto Affari Internazionali
- Senior Fellow and member of the Scientific Council of SEP – School of European Political Economy, LUISS University
- Honorary Board Member of Scope Foundation

Lamberto Andreotti

- Member of the Board of Directors of Corteva Agriscience
- Senior Advisor of EW Healthcare
- Member of the Board of Directors of American Italian Cancer Foundation
- Member of the Board of Directors of Salzburg Festival Society

Andrea Orcel

- Non-executive Director of EIS

Vincenzo Cariello

- Founding and Name Partner Studio Legale Professor Cariello
- Member of the Board of Directors of A2A S.p.A.

Elena Carletti

- Full Professor of Finance, Bocconi University, Department of Finance
- Vice Chairperson of the European Finance Association (EFA)
- Research Professor, Bundesbank
- Scientific Director, European University Institute, Florence School of Banking and Finance (FBF)
- Member of the Advisory Scientific Committee, European Systemic Risk Board (ESRB) - European System of Financial Supervision
- Member of Expert Panel on banking supervision, European Parliament
- Member of the Scientific Committee "Paolo Baffi Lecture", Bank of Italy
- Member of the Scientific Committee, Bruegel

Jayne-Anne Gadhia

- Founder and Executive Chair of Snoop
- Chair of HMRC (Non-Commercial role)
- Non-Executive Chair (Advisory) of Goldacre
- Senior Independent Director/Chair of Audit Committee and Finance and Operations Committee (Non-Commercial role) of Tate Board of Trustees
- Member of Lloyds Culture Advisory Group
- Mayor of London - Member of Business Advisory Board
- Member of Financial Inclusion Policy Forum

Jeffrey Alan Hedberg

- CEO of Wind Tre S.p.A.
- Vice Chairman of ASSTEL
- Advisory Board Member - SDA Bocconi

Beatriz Lara Bartolomé

- Sole Administrator of AHAOW
- Innovation & Digital Transformation Board at PROSEGUR
- Seed Investor & Strategic Advisor at ZELEROS Hyperloop
- Financial Investor & Senior Advisor at OPINNO
- Mentor at Startup Lab, International MBA, IE Business School

Luca Molinari

- Head of Financial Services at Mubadala Investment Company
- Non-Executive Director at Sanad Group

Maria Pierdicchi

- Non-Executive Board Member and Chair of Human Resources Committee of Autogrill S.p.A.
- Chairwoman and Board Member of NED COMMUNITY
- Board Member of PBI S.p.A.

Francesca Tondi

- Member of the Advisory Board of Angel Academe
- Member of the Board of Directors of Angel Academe Nominee
- Member of the Selection Committee, Mentor of Fintech Circle
- Member of "Women supporting Women" of "Princess Trust" Foundation

Renate Wagner

- Member of the Board of Management Allianz SE
- Member of the Board of Management Allianz Deutschland AG

Alexander Wolfgring

- Member of the Board of Directors (Executive Director) of Privatstiftung zur Verwaltung von Anteilsrechten

- Member of the Board of Directors of AVZ GmbH
- Chairman of the Supervisory Board, Österreichisches Verkehrsbüro AG
- Chairman of the Supervisory Board, Verkehrsbüro Touristik GmbH
- Member of the Board of Directors of AVB Holding GmbH
- Member of the Board of Directors of API Besitz, GmbH
- Member of the Board of Directors of Mischek Privatstiftung

Board of Statutory Auditors

Pursuant to the provisions of the UniCredit Articles of Association, the board of statutory auditors (the **Board of Statutory Auditors**) consists of five permanent statutory auditors, including a Chairman, and four stand-in statutory auditors.

The Board of Statutory Auditors currently in office was appointed by the UniCredit Ordinary Shareholders' Meeting on 11 April 2019 for a term of three financial years and its members may be re-elected.

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 2021. The members of the Board of Statutory Auditors have been appointed on the basis of a proportional representation mechanism ("*voto di lista*") and in compliance with the provisions on gender balance.

The following table sets out the current members of UniCredit Board of Statutory Auditors as at the date of this Base Prospectus:

Name	**Position**
Marco Rigotti	Chairman
Angelo Rocco Bonissoni	Statutory Auditor
Benedetta Navarra	Statutory Auditor
Guido Paolucci	Statutory Auditor
Antonella Bientinesi	Statutory Auditor

The information on the Board of Statutory Auditors and its updates are available on the UniCredit website, without prejudice to the obligations arising from Article 23 of the Prospectus Regulation in relation to the drafting of a supplement.

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, 20154, Piazza Gae Aulenti 3, Tower A.

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

Marco Rigotti

- Chairman of the Board of Directors of Alisarda S.p.A

Angelo Rocco Bonissoni

- Attorney of Nuova CPS Servizi S.r.l.
- Statutory Auditor of Telecom Italia S.p.A.
- Statutory Auditor of Atlantia S.p.A.

Benedetta Navarra

- Member of the Supervisory Board and of the Audit Committee of UniCredit Bank Czech Republic and Slovakia, a.s.
- Member of Audit Committee of UniCredit Bulbank A.D.
- Member of the Board of Directors of A.S. Roma S.p.A.
- Chairman of the Supervisory Body pursuant to Legislative Decree 231/2001 of Equitalia Giustizia S.p.A.
- Statutory Auditor of Italo S.p.A.
- Chairman of the Board of Statutory Auditors of Guala Closures S.p.A.
- Chairman of the Board of Statutory Auditors of D.M.O. Pet Care S.r.l.
- Chairman of the Board of Statutory Auditors of Alta Fedeltà S.p.A.
- Member of the Supervisory Body pursuant to Legislative Decree 231/2001 of Confcommercio imprese per I'Italia Provincia di Roma Capitale
- Member of the Supervisory Body pursuant to Legislative Decree 231/2001 of Promo.Ter Roma

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 Telecom Italia San Marino S.p.A.
- Chairman of the Board of Statutory Auditors of Telefonia Mobile Sammarinese S.p.A.
- Statutory Auditor of Nuova Compagnia di Partecipazioni S.p.A.
- Statutory Auditor of Consorzio CONOU
- Statutory Auditor of Società Gemelli Molise S.p.A.
- Statutory Auditor of Società HYLE Capital Partners SGR S.p.A.

- Chairman of the Board of Statutory Auditors of Fondazione "Casa Sollievo della Sofferenza"

Antonella Bientinesi

- Chair of the Board of Statutory Auditors of Cerved Group S.p.A.
- Chair of the Board of Statutory Auditors of Anas S.p.A.
- Statutory Auditor of ACER Sede S.p.A.
- Statutory Auditor of Enel Energia S.p.A.
- Statutory Auditor of Enel Green Power Solar Metehara S.p.A.
- Statutory Auditor of Enel Green Power Solar Ngonye S.p.A.
- Statutory Auditor of CESI S.p.A
- Sole Auditor of EGP Matimba Newco 1 S.r.l.
- Statutory Auditor of Fondo Ambiente Italiano – FAI."

- The sub-paragraph "*Information related to the shareholder structure of the Issuer*" of the paragraph titled "*Major Shareholders*" in the "*Description of UniCredit and the UniCredit Group*" section on pages 327 - 328 of the Base Prospectus is deleted in its entirety and replaced as follows:

"**5.1 Information related to the shareholder structure of the Issuer**

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

As at 7 December 2021, the main shareholders holding, directly or indirectly, a relevant participation in UniCredit, pursuant to Article 120 of the Financial Services Act, were:

Major Shareholders	**Ordinary Shares**	**% owned**(1)
Capital Research and Management Company	139,949,297	6.287(2)
- *of which on behalf of EuroPacific Growth Fund*	114,212,817	*5.130*
BlackRock Group	114,907,383	5.162(3)
Allianz SE Group	69,622,203	3.128

(1) figures updated based on the last communications received according to current legislation published on Consob website on 7 December 2021 and in relation to the new number of shares constituting the share capital following the cancellation of treasury shares carried out on 4 October 2021
(2) discretional asset management
(3) non-discretional asset management

The updated information concerning the major shareholders will be available from time to time on the Issuer's website without prejudice to the obligations arising from Article 23 of the Prospectus Regulation in relation to the drafting of a supplement."

- The sub-paragraph "*Legal and arbitration proceedings*" in the paragraph "*Legal and arbitration proceedings*" in the "*Description of UniCredit and the UniCredit Group*" section on pages 328-337 is amended as follows, so that the following paragraphs set out below shall replace the corresponding paragraphs currently included in the Base Prospectus and the paragraphs not set out below shall remain unchanged:

"**6.1 Legal and arbitration proceedings**

[…]

Euro-denominated bonds issued by EU countries

On 31 January 2019, the parent company UniCredit S.p.A. and UCB AG received a statement of objections from the European Commission referring to the investigation by the European Commission of a suspected violation of antitrust rules in relation to European government bonds. The subject matter of the investigation extended to certain periods from 2007 to 2011 and included activities by UCB AG between September and November 2011. The European Commission concluded its investigation by issuance of its decision on 20 May 2021. The decision provides for the imposition of a fine of Euro 69.4 million on the parent company UniCredit S.p.A and UCB AG; the amount of the fine is broadly in line with the provision previously recognised, thus accordingly it has not caused any material impact on the second quarter 2021 Group's accounts.

The parent company UniCredit S.p.A. and UCB AG maintain that the findings do not demonstrate any wrongdoing on the part of the group. They strongly object to the allegations made in the decision and to the imposition of the fine and challenged the decision by filing an appeal in front of the General Court of the European Union.

On 11 June 2019, UCB AG and UniCredit Capital Markets LLC were named, among other financial institutions, as defendants in a putative class action already pending in the United States District Court for the Southern District of New York. The third amended class action complaint, filed on 3 December 2019, alleges a conspiracy among dealers of Euro-denominated bonds issued by European central banks to fix and manipulate the prices of those bonds, among other things by widening the bid-ask spreads they quoted to customers. The putative class consists of those who purchased or sold Euro-denominated bonds issued by European central banks in the US between 2007 and 2012. On 23 July 2020, the court granted motions to dismiss the third amended complaint by certain defendants, including UCB AG and UniCredit Capital Markets LLC, without prejudice. Plaintiffs filed their fourth amended class action complaint on 9 February 2021, repleading their claim against UCB AG and UniCredit Capital Markets LLC and other financial institutions. Like earlier pleadings, the fourth amended class action complaint does not include a quantification of damages claimed. Exchange of correspondence concerning motions to dismiss the fourth amended complaint has been completed, and in June 2021 defendants have requested a pre-motion conference with the court.

[…]

Divania S.r.l.

In 2007, Divania S.r.l. (now in bankruptcy) (**Divania**) filed a lawsuit in the Court of Bari against UniCredit Banca d'Impresa S.p.A. (then UniCredit Corporate Banking S.p.A. and now UniCredit S.p.A.) alleging violations of law relating, inter alia, to financial products in relation to certain rate and currency derivative transactions entered into between January 2000 and May 2005 first by Credito Italiano S.p.A. and subsequently by UniCredit Banca d'Impresa S.p.A. (now UniCredit S.p.A.), demanding damages in the amount of Euro 276.6 million, legal fees and interest. Divania also seeks the nullification of a 2005 settlement reached by the parties in which Divania had agreed to waive any claims in respect of the transactions. In 2017, the Court of Bari ordered the parent company UniCredit S.p.A. to pay approximately Euro 7.6 million plus interests and part of the expenses in favour of Divania's bankruptcy trustee and found that it did not have jurisdiction to rule on certain of Divania's claims. The parent company UniCredit S.p.A. appealed. In October 2021, the Court of Appeal of Bari reversed the first-instance judgment and ordered the restitution of approximately Euro 9 million in favour of the parent company UniCredit S.p.A.

Divania filed two additional lawsuits before the Court of Bari: (i) one for Euro 68.9 million in 2009 (subsequently increased to Euro 80.5 million), essentially mirroring the claims brought in its lawsuit filed in 2007; and (ii) a second one for Euro 1.6 million in 2006. With respect to the first lawsuit, in May 2016, the Court of Bari ordered the parent company UniCredit S.p.A. to pay approximately Euro 12.6 million plus costs. The parent company UniCredit S.p.A. appealed. In October 2021, the Court of Appeal of Bari confirmed the first-instance judgment. With respect to the second lawsuit, in 2015, the Court of Bari rejected Divania's original claim and the judgment has res judicata effect.

[…]"

- The sub-paragraphs "*Share Capital*" and "*Memorandum and Articles of Association*" in the paragraph "*Additional Information*" in the "*Description of UniCredit and the UniCredit Group*" section on page 338 of the Base Prospectus are deleted in their entirety and replaced as follows:

"**7.1 Share capital**

As at the date of this Base Prospectus, UniCredit's share capital, fully subscribed and paid-up, amounted to €21,133,469,082.48, comprising 2,226,129,520 ordinary shares without nominal value.

7.2 Memorandum and articles of association

The Issuer was established in Genoa, Italy by way of a private deed dated 28 April 1870.

The Issuer is registered with the Company Register of Milano-Monza-Brianza-Lodi under registration number, fiscal code and VAT number no. 00348170101.

The current Articles of Association was registered with the Company Register of Milano-Monza-Brianza-Lodi on 6 October 2021.

Pursuant to Clause 4 of the Articles of Association, the purpose of the Issuer is to engage in deposit-taking and lending in its various forms, in Italy and abroad, operating wherever in accordance with prevailing norms and practice. It may execute, while complying with prevailing legal requirements, all permitted transactions and services of a banking and financial nature. In order to achieve its corporate purpose as efficiently as possible, the Issuer may engage in any activity that is instrumental or in any case related to the above. The Issuer, in compliance with current legal provisions, may issue bonds and acquire shareholdings in Italy and abroad."

General Information

The "*General Information*" section of the Base Prospectus is amended as follows:

- The paragraph "*Significant or material adverse change*" in the "*General Information*" section on pages 372 – 373 of the Base Prospectus is deleted in its entirety and replaced as follows:

"*Material adverse change in the prospects of the Issuer and significant change in the financial performance of the Group*

The current market environment is still characterized by uncertainties due to the COVID-19 crisis, with potential effects also on the financial markets, the unexpected materially adverse impact of which on the profitability of the Issuer, in particular in terms of operating income and cost of risk, cannot be finally assessed as at the date of this Base Prospectus. Except for the possible impact of the COVID-19 crisis indicated above, there has been no material adverse change in the prospects of the Issuer since the date of its last published audited financial statements as at 31 December 2020.

There has been no significant change in the financial performance of the Group since 30 September 2021 to the date of this Base Prospectus.

Significant change in the Issuer's financial position

The current market environment is still characterized by uncertainties due to the COVID-19 crisis, with potential effects also on the financial markets, the unexpected materially adverse impact of which on the profitability of the Group, in particular in terms of operating income and cost of risk, cannot be finally assessed as at the date of this Base Prospectus. Except for the possible impact of the COVID-19 crisis indicated above, there has been no significant change in the financial position of the Group which has occurred since 30 September 2021."

- The paragraph "*Trend information*" in the "*General Information*" section on page 373 of the Base Prospectus is deleted in its entirety and replaced as follows:

"*Information on any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Issuer's prospects for at least the current financial year*

The current market environment is still characterized by uncertainties due to the COVID-19 crisis, with potential effects also on the financial markets, whose unexpected materially adverse impact on Group's profitability, in particular in terms of operating income and cost of risk, and on the macro scenario and the sector underlying the Strategic Plan 2022-2024, cannot yet be finally assessed as at the date of this Base Prospectus. Except what aforementioned, the Issuer is not aware about any other known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Issuer's prospects for at least the current financial year."

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 will also be published on the website of UniCredit *www.unicreditgroup.eu*, as well as on the website of the Luxembourg Stock Exchange (*www.bourse.lu*).

In accordance with Article 23(2a) of the Prospectus Regulation, 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 three 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 23 December 2021. Investors can exercise their right to withdraw their acceptances by contacting the person from whom any such investor has agreed to purchase or subscribe for such notes before the above deadline.