UniCredit Leasing Corporation IFN S.A.

(incorporated as a joint stock company in Romania)

EUR 300,000,000 0.502 per cent. Guaranteed Notes due 2022

guaranteed by

UniCredit S.p.A.

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

The issue price of the EUR 300,000,000 0.502 per cent. Guaranteed Notes due 2022 (the "**Notes**") of UniCredit Leasing Corporation IFN S.A. (the "**Issuer**" or "**UCLC**") is 100 per cent. of their principal amount.

Unless previously redeemed or cancelled as provided in the "*Terms and Conditions of the Notes*", the Notes will be redeemed at their principal amount on 18 October 2022. The Notes are subject to redemption in whole at their principal amount at the option of the Issuer at any time in the event of certain changes affecting taxation in Romania or the Republic of Italy. The Notes may also be redeemed at the option of the Issuer at any time, in whole but not in part, at the Optional Redemption Price (as defined in "*Terms and Conditions of the Notes—Redemption and Purchase*") and from 18 September 2022 to 17 October 2022 at their principal amount together with any accrued and unpaid interest to (but excluding) the date of redemption. In addition, if a Change of Control (as defined in "*Terms and Conditions of the Notes—Redemption and Purchase*") has occurred, the holder of a Note may, by the exercise of the relevant option, require the Issuer to redeem such Note at its principal amount together with any accrued and unpaid interest to (but excluding) the date of redemption. See "*Terms and Conditions of the Notes—Redemption and Purchase*".

The Notes will bear interest from 18 October 2019 at the rate of 0.502 per cent. per annum payable annually in arrear on 18 October each year commencing on 18 October 2020.

Payments on the Notes will be made without deduction for or on account of taxes imposed or levied by Romania or the Republic of Italy to the extent described under "*Terms and Conditions of the Notes—Taxation*". UniCredit S.p.A. (the "**Guarantor**") will unconditionally and irrevocably guarantee the due and punctual payment of all amounts at any time becoming due and payable in respect of the Notes.

The Notes have not been, and will not be, registered under the United States Securities Act of 1933 (as amended, the "**Securities Act**") and are subject to United States tax law requirements. The Notes are being offered outside the United States by the Joint Bookrunners (as defined in "*Subscription and Sale*") in accordance with Regulation S under the Securities Act ("**Regulation S**"), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Notes will be in bearer form and in the denomination of EUR 100,000 each. The Notes will initially be in the form of a temporary global note (the "**Temporary Global Note**"), without interest coupons, which will be deposited on or around 18 October 2019 (the "**Closing Date**") with a common safekeeper for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"). The Temporary Global Note will be exchangeable, in whole or in part, for interests in a permanent global note (the "**Permanent Global Note**"), without interest coupons, not earlier than 40 days after the Closing Date upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership. The Permanent Global Note will be exchangeable in certain limited circumstances in whole, but not in part, for Notes in definitive form in the denomination of EUR 100,000 each. See "*Summary of Provisions Relating to the Notes in Global Form*".

Application has been made for the Notes to be admitted to listing on the official list of the Luxembourg Stock Exchange and to trading on the Euro MTF. The Euro MTF is not a regulated market within the meaning of Directive 2014/65/EU (as amended, "**MiFID II**"). This Offering Circular constitutes a prospectus for the purpose of the Luxembourg law on prospectuses for securities dated 16 July 2019, and may only be used for the purpose for which it is published. This Offering Circular is not a prospectus for the purposes of Regulation (EU) 2017/1129.

The Notes are expected to be rated "BBB" by S&P Global Ratings Europe Limited ("**S&P**"). The Guarantor has been assigned a long term rating of "BBB" by S&P, "BBB" by Fitch Italia S.p.A. ("**Fitch**") and "Baa1" by Moody's Investors Service España, S.A. ("**Moody's**"). Each of S&P, Fitch and Moody's (each a "**Rating Agency**") is established in the European Union and is registered under Regulation (EU) No 1060/2009 (as amended, the "**CRA Regulation**"). As such, each of S&P, Fitch and Moody's appears on the latest update of the list of registered credit rating agencies on the ESMA website at https://www.esma.europa.eu/supervision/credit-rating-agencies/risk.

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

An investment in the Notes involves certain risks. Prospective purchasers of the Notes should ensure that they understand the nature of the Notes and the extent of their exposure to risks and that they consider the suitability of the Notes as an investment in light of their own circumstances and financial condition. For a discussion of these risks see "*Risk Factors*" below. The Notes are not intended to be sold and should not be sold to "retail clients" (as defined in MiFID II) in the European Economic Area ("EEA"). Potential investors should read the whole of this document, in particular the "*Risk Factors*" set out on pages 7 to 90.

Joint Bookrunners

Morgan Stanley **UniCredit Bank**

The date of this Offering Circular is 16 October 2019

IMPORTANT NOTICES

Each of the Issuer and the Guarantor accepts responsibility for the information contained in this Offering Circular. To the best of their knowledge (having taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

Each of the Issuer and the Guarantor has confirmed to the Joint Bookrunners (as defined below) that this Offering Circular contains all material information in the context of the issue, offering and sale of the Notes with respect to the Issuer, the Guarantor and their respective subsidiaries and the Notes (including all information which, according to the particular nature of the Issuer, the Guarantor and their respective subsidiaries and of the Notes, is necessary to enable investors to make an informed assessment of the financial position and prospects of the Issuer, the Guarantor and their respective subsidiaries and of the rights attaching to the Notes); (ii) this Offering Circular does not contain an untrue statement of material fact or omit to state a material fact that is necessary in order to make the statements made in this Offering Circular, in the light of the circumstances under which they were made, complete, true, accurate and not misleading and there is no other fact or matter omitted from this Offering Circular which is necessary to enable investors and their professional advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, the Guarantor or their respective subsidiaries and of the rights attaching to the Notes; and (iii) all reasonable enquiries have been made to ascertain such facts and to verify the accuracy of all such statements.

This Offering Circular is to be read in conjunction with all the documents which are incorporated herein by reference, see "*Information Incorporated by Reference*". This Offering Circular shall be read and construed on the basis that such documents are incorporated and form part of this Offering Circular.

This Offering Circular contains industry and customer-related data as well as calculations taken from industry reports, market research reports, publicly available information and commercial publications. It is hereby confirmed that (a) to the extent that information reproduced herein derives from a third party, such information has been accurately reproduced and (b) insofar as the Issuer and the Guarantor are aware and are able to ascertain from information derived from a third party, no facts have been omitted which would render the information reproduced inaccurate or misleading.

Commercial publications generally state that the information they contain originates from sources assumed to be reliable, but that the accuracy and completeness of such information is not guaranteed, and that the calculations contained therein are based on a series of assumptions. External data have not been independently verified by the Issuer or the Guarantor.

No person is or has been authorised to give any information or to make any representations other than those contained in or consistent with this Offering Circular in connection with the issue or sale of the Notes and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Issuer, the Guarantor, the Joint Bookrunners (as defined in "*Subscription and Sale*" below) or the Trustee. Neither the delivery of this Offering Circular nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Guarantor since the date hereof or that there has been no adverse change, or any event reasonably like to result in such change, in the prospects, financial or trading position of the Issuer since the date hereof or that any other information supplied in connection with the Notes is correct as of any time after the date on which it is supplied or, if different, the date indicated in the document containing the same.

Neither the Joint Bookrunners nor the Trustee has separately verified the information contained in this Offering Circular. Neither the Joint Bookrunners nor the Trustee make any representation, express or implied, or accept any responsibility, with respect to the accuracy or completeness of any of the information contained in this Offering Circular or any other information provided by the Issuer or the Guarantor in connection with the distribution of the Notes or accepts any responsibility for any actions or omissions of the Issuer, the Guarantor or any other person in connection with the issue and offering of the Notes. Neither the Joint Bookrunners nor the Trustee accept any liability in relation to the information contained in this Offering Circular or any other information provided by the Issuer or the Guarantor in connection with the distribution of the Notes. Neither this Offering Circular nor any other information supplied in connection with the distribution of the Notes is intended to constitute, and should not be considered as, a recommendation by any of the Issuer, the Guarantor, the Joint Bookrunners or the Trustee that any recipient of this Offering Circular or any other information supplied in connection with the distribution of the Notes should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Offering Circular and its purchase of Notes should be based upon such investigation as it deems necessary. Neither the Joint Bookrunners nor the Trustee undertakes to review the financial condition or affairs of the Issuer or the Guarantor during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Notes of any information coming to their attention. Investors should review, *inter alia*, the documents incorporated by reference in this Offering Circular when deciding whether or not to purchase the Notes.

Neither this Offering Circular nor any other information provided by the Issuer or the Guarantor in connection with the offering of the Notes constitutes an offer of, or an invitation by or on behalf of, the Issuer, the Guarantor, the Joint Bookrunners or the Trustee or any of them to subscribe for, or purchase, any of the Notes (see "*Subscription and Sale*" below). This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy the Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction.

The distribution of this Offering Circular and the offering, sale and delivery of Notes in certain jurisdictions may be restricted by law. None of the Issuer, the Guarantor, the Trustee or the Joint Bookrunners represent that this Offering Circular may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Guarantor, the Trustee or the Joint Bookrunners or any of them which is intended to permit a public offering of the Notes or the distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States and the EEA (including the Republic of Italy, Romania and the United Kingdom). For a description of certain restrictions on offers, sales and deliveries of Notes and on distribution of this Offering Circular and other offering material relating to the Notes, see "*Subscription and Sale*" below.

In particular, the Notes have not been and will not be registered under the Securities Act and are subject to United States tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons (as defined in the U.S. Internal Revenue Code of 1986, as amended, and regulations promulgated thereunder). The Notes may be offered and sold outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

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

In this Offering Circular, unless otherwise specified, references to a "**Member State**" are references to a Member State of the European Union, references to "**€**" "**EUR**" or "**euro**" are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended and references to "**RON**" are to the lawful currency of Romania. References in this Offering Circular to the "**Group**" or the "**UniCredit Group**" are references to the UniCredit Banking Group, registered with the Register of Banking Groups held by the Bank of Italy pursuant to Article 64 of the Legislative Decree No. 385 of 1 September 1993 as amended under number 02008.1.

Certain figures included in this Offering Circular have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Each prospective investor in the Notes must determine, based on its own independent review and such professional advice as it deems appropriate under the circumstances, that its acquisition of the Notes is fully consistent with its financial needs, objectives and condition, complies and is fully consistent with all investment policies, guidelines and restrictions applicable to it and is a fit, proper and suitable investment for it, notwithstanding the clear and substantial risks inherent in investing in or holding the Notes.

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(a) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;

(b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

(c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;

(d) understand thoroughly the terms of the Notes and be familiar with the behaviour of the relevant financial markets and of any financial variable which might have an impact on the return on the Notes; and

(e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Each prospective investor should consult its own advisers as to legal, tax and related aspects in connection with any investment in the Notes. An investor's effective yield on the Notes may be diminished by certain charges such as taxes, duties, custodian fees on that investor on its investment in the Notes or the way in which such investment is held.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to investment laws and regulations, or to review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (a) Notes are legal investments for it, (b) Notes can be used as collateral for various types of borrowing and (c) other restrictions apply to its purchase or pledge of any Notes.

A prospective investor may not rely on the Issuer, the Guarantor, the Joint Bookrunners, the Trustee or any of their respective affiliates in connection with its determination as to the legality of its acquisition of the Notes or as to the other matters referred to above.

This Offering Circular, including the documents incorporated by reference herein, contain forward-looking statements. Such items in this Offering Circular include, but are not limited to, statements made under “Risk Factors”. Such statements can be generally identified by the use of terms such as “anticipates”, “estimates”, “believes”, “intends”, “aims”, “seeks”, “could”, “expects”, “may”, “plans”, “should”, “will” and “would”, or by comparable terms and the negatives of such terms. By their nature, forward-looking statements and projections involve risk and uncertainty, and the factors described in the context of such forward-looking statements and targets in this Offering Circular could cause actual results and developments to differ materially from those expressed in or implied by such forward-looking statements. The Issuer and the Guarantor have based forward-looking statements on their expectations and projections about future events as of the date such statements were made. These forward-looking statements are subject to risks, uncertainties and assumptions about the Issuer and the UniCredit Group, including, among other things, the risks set out under “Risk Factors”.

STABILISATION

In connection with the issue of the Notes, Morgan Stanley & Co. International plc (the "**Stabilisation Manager**") (or persons acting on behalf of any Stabilisation Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager (or person(s) acting on behalf of any Stabilisation Manager) in accordance with all applicable laws and rules.

CONTENTS

Page

OVERVIEW ... 2

RISK FACTORS ... 7

INFORMATION INCORPORATED BY REFERENCE ... 91

TERMS AND CONDITIONS OF THE NOTES ... 96

SUMMARY OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM ... 115

USE OF PROCEEDS ... 118

DESCRIPTION OF THE ISSUER ... 119

DESCRIPTION OF THE GUARANTOR ... 134

TAXATION ... 135

SUBSCRIPTION AND SALE ... 151

GENERAL INFORMATION ... 154

OVERVIEW

This overview must be read as an introduction to this Offering Circular and any decision to invest in the Notes should be based on a consideration of this Offering Circular as a whole, including the documents incorporated by reference.

Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Offering Circular have the same meanings in this overview.

Notes:	EUR 300,000,000 0.502 per cent. Guaranteed Notes due 2022
Issuer:	UniCredit Leasing Corporation IFN S.A.
Guarantor:	UniCredit S.p.A.
Joint Bookrunners:	Morgan Stanley & Co. International plc and UniCredit Bank AG
Trustee:	Citicorp Trustee Company Limited
Principal Paying Agent:	Citibank, N.A., London Branch
Issue Price:	100 per cent. of the principal amount of the Notes.
Issue Date:	18 October 2019.
Maturity Date:	18 October 2022.
Status and Guarantee of the Notes:	The Notes are direct, unconditional, unsubordinated and unsecured obligations of the Issuer. The Guarantee is a direct, unconditional, unsubordinated and unsecured obligation of the Guarantor.
Interest:	The Notes will bear interest from the Issue Date at a rate of 0.502 per cent. per annum payable annually in arrear on 18 October in each year commencing 18 October 2020.
Form and Denomination:	The Notes will be issued in bearer form in the denomination of EUR 100,000 each. The Temporary Global Note and the Permanent Global Note are to be issued in new global note form.
Optional Redemption:	At any time, the Issuer may, upon not less than 30 nor more than 60 days' notice, redeem the Notes, in whole, but not in part, at the Optional Redemption Price. See Condition 4(c) (*Redemption and Purchase – Redemption at the option of the Issuer*).

Par Call Redemption:	From 18 September 2022 to (but excluding) the Maturity Date, the Issuer may, upon not less than 30 nor more than 60 days' notice, redeem the Notes at their principal amount together with any accrued and unpaid interest to (but excluding) the date of redemption. See Condition 4(c) (*Redemption and Purchase – Redemption at the option of the Issuer*).
Tax Redemption:	If certain changes affecting taxation in Romania or the Republic of Italy occur and the Issuer or the Guarantor, respectively, cannot avoid the same by taking measures reasonably available to it, the Issuer may, upon not less than 30 nor more than 60 days' notice, redeem the Notes at their principal amount together with any accrued and unpaid interest to (but excluding) the date of redemption. See Condition 4(b) (*Redemption and Purchase – Redemption for tax reasons*).
Change of Control Put:	If a Change of Control has occurred, each Noteholder may require the Issuer to redeem or, at the Issuer's option, procure the purchase of, all or part of its Notes at their principal amount together with any accrued and unpaid interest to (but excluding) the date of redemption. See Condition 4(d) (*Redemption and Purchase – Change of Control Put Option*).
Use of Proceeds:	General corporate purposes and refinancing existing indebtedness.
Rating:	The Notes are expected to be rated BBB by S&P. A rating is not a recommendation to buy, sell or hold Notes and may be subject to revision, suspension, reduction or withdrawal at any time by the assigning rating agency. As of the date of this Offering Circular, each Rating Agency is a credit rating agency established in the European Union and is registered under CRA Regulation. As such each Rating Agency is included in the list of credit rating agencies published by ESMA on its website in accordance with such Regulation.
Taxation:	All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer shall be made without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Romania or any

political subdivision thereof or any authority therein or thereof having power to tax. In the event that a withholding or deduction of such taxes, duties, assessments or governmental charges is required by law, the Issuer shall (subject to certain exceptions – see Condition 6 (*Taxation*)) pay such taxes, duties, assessments or governmental charges so imposed or levied (in addition to paying to the Noteholders and the Couponholders the full amount of the relevant payment of principal and/or interest (as the case may be) as if no withholding or deduction was applicable in accordance with the Conditions).

All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Guarantor shall be made without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Republic of Italy or any political subdivision or any authority thereof or therein having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In such event, the Guarantor shall (subject to certain exceptions – see Condition 6 (*Taxation*)) pay such additional amounts as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required.

Under Romanian law as at the date of this Offering Circular, payments of interest under the Notes are generally subject to Romanian income withholding tax if the Noteholders are non-residents of Romania (Non-Romanian Tax Residents) or Romanian tax resident individuals (each as described in the "*Taxation*" section) and, under the Terms and Conditions of the Notes, the Issuer is required to pay such tax to the Romanian authorities, bearing it at its own cost, in order that Noteholders receive such amounts as would have been received by them if no such withholding had been required (see Condition 6 (*Taxation*)). In this case, (i) depending on applicable income tax rules in the tax jurisdiction(s) to which they are subject, the income received by a Noteholder for tax purposes may be the gross amount paid by the

Issuer, rather than the net amount received by the Noteholder and (ii) pursuant to the Norms for the application of the Romanian Tax Code (point 18, paragraph (5) of the Norms to Title VI), the provisions of the Romanian tax legislation would apply instead of those of a treaty for the avoidance of double taxation, meaning a Noteholder would not be able to invoke the benefits of any treaties for the avoidance of double taxation that may be in force between Romania and the state of tax residency of such Noteholder.

The attention of Noteholders is also drawn to the fact that, if Romanian law on income tax withholding changes in the future and payments of interest under the Notes to Non-Romanian Tax Residents (as described in the "*Taxation*")) cease to be subject to Romanian income withholding tax, no obligation of the Issuer to make payment of any taxes, duties, assessments or governmental charges (as described in Condition 6 (*Taxation*)) or gross up interest payments will arise. Please see Condition 6 (*Taxation*). In such circumstances, Noteholders who are Romanian tax residents may remain subject to income tax withholding, if applicable, and (if so) may cease to benefit from any grossing-up of interest payments by the Issuer.

Prospective purchasers of the Notes are advised to consult their own tax advisors as to the tax consequences of the purchase, ownership and disposal of the Notes.

Governing Law:	The Notes and the Trust Deed will be governed by English law, except for Condition 16 (*Contractual Recognition of Statutory Bail-in Powers*) which shall be governed by Italian law.
Listing and Trading:	Application has been made for the Notes to be admitted to listing on the official list of the Luxembourg Stock Exchange and to trading on the Euro MTF.
Clearing Systems:	Euroclear and Clearstream, Luxembourg.
ISIN:	XS2066749461.
Common Code:	206674946.
Selling Restrictions:	United States (Regulation S (Category 2); TEFRA D) and the EEA (including the Republic of Italy and the United Kingdom). See

"*Subscription and Sale*".

Risk Factors:	Investing in the Notes involves risks. See "*Risk Factors*".

RISK FACTORS

Any investment in the Notes is subject to a number of risks. Prior to investing in the Notes, prospective investors should carefully consider risk factors associated with any investment in the Notes, the business of the Issuer and the Guarantor and the industries in which each of them operates together with all other information contained in this Offering Circular, including, in particular the risk factors described below. Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Offering Circular have the same meanings in this section.

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes issued pursuant to this Offering Circular. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

In addition, factors which are material for the purpose of assessing the market risks associated with the Notes issued pursuant to this Offering Circular are also described below.

The following is not an exhaustive list or explanation of all risks which investors may face when making an investment in the Notes and should be used as guidance only. Additional risks and uncertainties relating to the Issuer and the Guarantor that are not currently known to the Issuer and the Guarantor, or that either currently deems immaterial, may individually or cumulatively also have a material adverse effect on the business, prospects, results of operations and/or financial position of the Issuer and the Guarantor and, if any such risk should occur, the price of the Notes may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Notes is suitable for them in light of the information in this Offering Circular and their personal circumstances.

Risks Relating to the Issuer

Risks relating to the macroeconomic environment in which the Issuer operates

<u>*Demand for UCLC's products and services is dependent on the condition of the wider European and Romanian economies*</u>

UCLC is a non-bank financial institution whose primary business is financial leasing but it also offers financing in the form of loans for specific sectors (automotive and agricultural equipment). UCLC's business activities are currently centred in Romania. The leasing/loan industry in relation to both vehicles and equipment is generally susceptible to changes in the overall economy. UCLC therefore is, to a large extent, dependent on the condition of the general economic environment in Europe and – because of the geographical focus of its activities – Romania, where all of the operations of UCLC are located, as the economic environment has a major effect on the investment inclination and spending propensity of customers and, in turn, on the demand for vehicle and equipment financial products.

During phases of economic weakness, demand for vehicle and equipment leasing/loan products may fall because of cost-saving measures by companies and private households. Additionally, a downturn in the wider

European economy could negatively impact the Romanian economy which in turn could result in high default rates of UCLC's business and private customers and could adversely affect demand for vehicle and equipment leasing/loan products offered by UCLC, which in turn could have a material adverse effect on its business, financial condition, cash flows or operating results.

The legal and regulatory framework in Romania within which UCLC operates is relatively undeveloped and still evolving

UCLC is domiciled in Romania, which joined the European Union in 2007 but has a market which is still in development. Investment in UCLC involves higher risks than an investment in a company domiciled in a country with a more developed economy, legal and political systems. The development of Romania's legal infrastructure and regulatory framework is still in progress and legislation changes often (particularly in relation to taxation matters). For example, financial leasing is currently treated as the rendering of services under the Romanian Fiscal Code for VAT purposes, meaning that VAT is not financed (as is the case in loan schemes) but only paid in instalments by the lessee. However if Romanian law were to change such that financial leasing is treated as the delivery of goods then the lessee VAT benefit in financial leasing will be lost, with a potential adverse impact on UCLC's leasing business. Such changes are difficult for UCLC to predict and integrate into a business plan. As a result, an investment in UCLC involves risks that are not normally associated with investments in companies domiciled in more mature markets.

Consequently, investors should specifically consider the risks involved and decide if they consider that, taking into account of the existence of those risks, an investment in a Romanian domiciled company such as UCLC is appropriate. Investors should pay particular attention to assessing the risks involved and decide for themselves the relevance of those risks to UCLC and any investment in the Notes. Investments in companies such as UCLC which are domiciled in emerging markets, such as Romania, are only suitable for investors who can appreciate the significance and consequences of the risks involved in such investment. UCLC could be particularly adversely affected by negative events from the neighbouring countries of Romania (in particular due to its proximity to Russia and Ukraine and geopolitical interests and developments in the Black Sea region) or the European Union.

Risks relating to the nature of the Issuer's business

Credit risk and Customer default risk

As a non-bank financial institution, UCLC is subject to customer credit risk. A deterioration in the liquidity or general creditworthiness of UCLC's customers may increase default rates in UCLC's business. Causes of customer default may vary depending on local and global economic developments, lack of liquidity, insolvency, political instability and changes in legislation. Although exposures are monitored periodically by UCLC, client defaults may occur unexpectedly due to unforeseen or unpreventable circumstances and an increase in the default rate beyond the level of UCLC's provisions might have a material adverse effect on UCLC's activities, financial standing and operating results.

Concentration of credit risk related to customers

Although UCLC defines annual steering goals for different industries and monitors the quarterly structure of its portfolio exposure to each industry as part of its overall credit risk strategy, UCLC still bears the risks of potential losses from a non-homogenous distribution of its portfolio exposures, sectorial concentrations or exposures (on various industries or geographic areas) or due to a default contagion effect among its customers which are economically linked.

A concentration of credit risk within UCLC's portfolio may expose it to significant potential losses in the event of customer defaults within the industries or geographies in which UCLC's business may be concentrated from time to time, which could have a material adverse effect on the business, financial condition, cash flows or operating results of UCLC.

UCLC's performance is dependent upon the investment behaviour of corporate and small and medium enterprise customers and the conditions within the vehicle leasing market and used car markets more generally

A key focus of UCLC's business is on corporate and small and medium-sized enterprises (up to €3 million annual turnover) ("**SME**") customers. UCLC's performance is therefore highly dependent, among other things, on the investment behaviour of the respective companies and SMEs. This investment behaviour can be influenced – apart from general cyclical factors – by the underlying economic, legal, accounting and tax conditions for commercial vehicle leasing, which, if changed to the detriment of the customers, could adversely affect the attractiveness of leasing solutions for lessees.

In addition, as UCLC's customers are predominantly SME customers, UCLC's performance is highly dependent, among other things, on customer demand and customer spending which may be influenced by the development of the overall economy, long term domestic growth prospects, employment rates, access to credit, financial resources and the overall investment climate.

There has been intense competition in the vehicle and equipment leasing/loan market in Romania on price and other conditions that can have a negative effect on the margins that can be achieved and, consequently, on UCLC's results of operations. See also "*Risks relating to the nature of the Issuer's business - Competition*" below.

The counterparty default risk in the customer business generally increases with a worsening economic climate, as it can trigger more payment defaults of leasing/loan customers.

For leasing agreements terminated due to customer default, repossessed leasing vehicles/equipment are sold on the open market and UCLC is therefore equally dependent on the developments in the used car/equipment market, particularly in Romania where for example the used vehicle market has in the last few years recorded rises in volumes and may currently be on the "high" level of the cycle. In this context, UCLC could face lower than expected proceeds from the sale of such repossessed vehicles/equipment owing to a decline of used car/equipment prices.

The materialisation of any of these risks described above could have material adverse effects on the business, financial condition, cash flows or operating results of UCLC.

Adverse developments in the vehicle and equipment financing market and other related markets

UCLC is dependent on developments in personal transport, which are dependent on a variety of factors that UCLC cannot influence. These include, for example, new taxes in major cities such as Bucharest that aim to reduce the traffic congestion and use of personal cars, the expansion of the public transport infrastructure, improvements in traffic flow and the increasing availability of car-sharing and other mobility services. Legal requirements relating to environmental protection, which are growing in importance in the European Union and also in other regions of the world, can, when combined with widespread public debate – bring about changes in mobility and equipment investment patterns. Additionally, prices for petroleum-based products have experienced major volatility in the past. If oil prices were to return to higher levels, automotive travel patterns might be affected. Significant increases in fuel prices could discourage customers from using leased vehicles. This could in turn, have negative effects on demand for the vehicle leasing products offered by UCLC. Changes in equipment investment patterns can be influenced by environmental and safety regulations and market requirements that might affect the market absorption rate of such investments and have negative effects on demand for equipment leasing products offered by UCLC.

Each of these developments may have material adverse effects on the business, financial condition, cash flows or operating results of UCLC.

Competition

The vehicle and equipment leasing/loan market is generally a sector of intense competition, both in Romania and internationally.

According to public media[1] UCLC is currently the leader of the financial leasing market in Romania by market share, having approximately 20 per cent. market share, which makes it a valuable target for market share acquisition from its competition.

Some of the current and potential future competitors of UCLC may have longer international operating histories, more niche experience, higher brand recognition in certain parts of the market and greater financial, technical or marketing resources than UCLC. This is particularly true for some current competitors such as financiers affiliated to vehicle manufacturers, but may also be true for other current or future participants in the vehicle or equipment leasing/loan markets as well. UCLC's current competitors may be acquired by, merge with, receive investments from or enter into strategic relationships with well-established and well-financed companies or investors who would enhance their competitive positions. A contraction of the overall market may result in reduced revenues, lower profit margins and price reductions as well as in a potential

[1]Based on public data

loss of market share, each of which could have a material adverse effect on UCLC. On the other hand, new entrants into the industry could result in increased competition in the market for services similar to those provided by UCLC.

In addition, UniCredit Group affiliates could decide to engage in business activities in Romania similar to UCLC's pursuant to the UniCredit Group's wider business development plans, using either similar or identical brands. Depending on the success of such endeavours by any UniCredit Group affiliates, this could result in UCLC losing sales in the relevant leasing/loan markets in which it currently operates, which in turn could have a material adverse effect on the business, financial condition, cash flows or operating results of UCLC.

No assurance can be given that UCLC will be able to successfully market its existing product range and compete successfully in the future. There is also no assurance that UCLC will have the resources required to successfully meet the challenges of changes in market conditions or market prices, the concentration process or the potential entry of new competitors in the markets of UCLC.

The inability of UCLC to meet such challenges in the future could have a material adverse effect on its business, financial condition, cash flows or operating results.

UCLC may not be successful in anticipating technological changes in the markets within which it operates which could result in a loss of market share and/or demand for its products

UCLC needs to anticipate and react to technological changes, improve its existing product range and develop new products, systems and software in order to meet the evolving needs of its customers. Relevant market analysis cannot guarantee that the products as offered meet the requirements of UCLC's customers. As a result, UCLC may not be able to attract or retain customers. In addition, the development of new products and tools through introduction and penetration in the primary Romanian market and response to technological changes can result in substantial upfront costs.

In the automotive sector, the trend towards self-driving vehicles (autonomous driving) and car sharing may result in car manufacturers or other companies offering mobility solutions on the basis of self-driving vehicles or car sharing directly to customers thereby circumventing leasing/financing providers such as UCLC. Such disintermediation would result in car manufacturers competing directly with vehicle leasing/financing providers for customers. This may significantly increase the already intense competition in the leasing/loan industry and could result in loss of customers of UCLC and a decrease in revenues.

Each of these developments may have a material adverse effect on the business, financial condition, cash flows or operating results of UCLC.

Risks in connection with innovation and development of new products and markets

To meet its claim of innovative leadership in an environment of swiftly changing market conditions and customer requirements and to further increase its market share, UCLC develops new product and tools (such as those related to the digitalisation of the customer contracting process via the use of electronic signatures), whose introduction and penetration in the domestic markets can result in substantial up-front costs (such as the implementation of IT platforms to allow on-the-spot issuance of qualified electronic signatures to end customers). However relevant market analyses and plans cannot guarantee that the products as offered will meet the expected acceptance and demand and that the substantial up-front costs for the development of such new products are off-set. Under certain circumstances, therefore, the development of new products and tools may be unsuccessful resulting in a potential loss of market share and a negative impact on UCLC's business, financial condition, cash flows or operating results.

Risks in connection with the use of digital services as a sales and communications channel

UCLC intends to make further investments in digital services as a sales and communications channel for its vehicle leasing/loan products and as a basis for further business models. However a number of risks associated with the internet and e-commerce, such as uncertainties in respect of the protection of intellectual property or registered domains, violation of data protection regulations (such as the General Data Protection Regulation (EU) 2016/679), the dependence on technological conditions, system failures, fraud, cyber-attacks, viruses and spyware, could affect UCLC's intended use of the internet and e-commerce as an independent and cost-efficient sales and communications channel. As UCLC's competitors are gradually commencing use of this sales and communications channel, the inability of UCLC to follow this trend would result in a competitive disadvantage, which could have a material adverse effect on the business, financial condition, cash flows or operating results of UCLC.

Reliance on agreements with dealers and manufacturers

UCLC's retail business relies on relationships with dealers that are willing to promote UCLC's financial services to end customers. The termination of such relationships could result in a deterioration of UCLC's distribution channels. In addition, the products of such dealers might become less attractive in the future or even become unavailable.

Co-operation with various manufacturers of cars/equipment ensures a smoother and faster financing process based on a more effective operational flow thus generating a better experience for the end customers of UCLC. Termination of such co-operation might result in UCLC becoming unable to offer such benefits to its customers.

Certain promotional campaigns are backed by agreements with dealers or manufacturers. There is no assurance that UCLC will be able to rely continuously on such agreements and to continue launching various campaigns providing for advantageous customer financing terms.

If any of these risks were to materialise, this could have a material adverse effect on the business, financial condition, cash flows or operating results of UCLC.

Remarketing risks related to repossessed assets

UCLC generally sells the assets that are repossessed from customers on the default of their lease agreement on the used unit markets, unless the vehicle in question is sold under a buy-back agreement. The price at which UCLC is able to sell an asset, and so the revenue UCLC is able to generate from that sale, is primarily determined by prevailing market prices for the particular make, model, and general condition of the asset at the time of the sale.

Any change in prevailing market prices can therefore have an adverse effect on the prices UCLC is able to generate from its asset sales and the profitability of those sales, with UCLC therefore being exposed to market price risk which could have material adverse effects on its business, financial condition or operating results.

Liquidity and financing risks to the Issuer

UCLC's ordinary business activities are exposed to various financing risks. These include interest rate risks and foreign currency exchange rate risks

The operating results of UCLC could be adversely affected by an inconsistency between remaining terms and interest rates of assets of UCLC on the one hand and the maturities as well as interest rates of the liabilities of UCLC on the other hand. UCLC continuously monitors its foreign exchange position, aiming to maintain a matching principle between foreign currency assets and liabilities in each currency in order to minimise currency risk. Leases/loans concluded by UCLC are refinanced from credit lines contracted in the same currency. Where UCLC does seek to refinance with, as far as possible, matching maturities, currency and type of interest there is no assurance that such refinancing options will be available at convenient prices, so exchange rate risk and interest rate risk could materialise.

The materialisation of any of these risks described above could have material adverse effects on the business, financial condition, cash flows or operating results of UCLC.

Liquidity and funding risks

UCLC's funding strategy is to have a mixed funding structure based on financing from the UniCredit Group, supranational funds (such as Interntional Finance Corporation, the European Investment Bank and the Council of Europe Development Bank) and local banks and, following the issuance of the Notes, the financial markets.

In view of the still on-going changes in the banking sector as an industry, due to a variety of factors, including higher regulatory capital requirements for credit operations and changed risk weightings, financial institutions may change their financing policies. As a result, UCLC may fail to obtain external financing on commercially reasonable terms or at all.

Furthermore, since financiers, depending on the market situation and their own creditworthiness, may have to accept increased risk premiums in their own refinancing, these premiums are expected to be passed on to customers taking out loans/leasing from such financiers. This may further increase financing costs for UCLC and it may not be able to pass on such increased financing costs to its customers.

The materialisation of any of these risks described above could have material adverse effects on the business, financial condition, cash flows or operating results of UCLC.

Operational Risks to the Issuer

Risks of failures or other malfunctions of computer systems

A complex and high-performance IT system is essential for processing leasing operations. This applies to all business units of UCLC. UCLC predominantly uses its own software solutions for the execution of major tasks in business management, among others for the purposes of cost management and the analysis of demand assessment and the administration of lease agreements. Such solutions include, in particular, the Euroleasing platform based on the "FORWARD (LISCOR/LUTECH)" software. The failure-free operation and further development of these software systems are essential for the efficient conduct of the operations of UCLC. System malfunctions and faults in the computer systems, hardware and software, including server failures or possible attacks from the outside, for instance, attacks originating from criminal hackers or computer viruses, can cause considerable problems in operating processes and, in serious cases, even bring them to a standstill. In addition, when implementing new, replacement or supplementary software the high complexity of the IT system places high demands on compatibility on existing systems so as to guarantee smooth continuation of the operative business. Any IT system failures and/or the costs of fixing such failures could have an adverse effect on the business, financial condition, cash flows or operating results of UCLC.

Risks relating to personnel

The success of UCLC is dependent on its personnel in key positions, such as the members of the Supervisory Board of UCLC, UCLC's executive officers, the managers of UCLC's divisions, departments and branches or other key executive staff. The inability of UCLC to retain key personnel or to recruit appropriate successors could have a material adverse effect on the business, financial condition, cash flows or operating results of UCLC especially in condition of a very volatile and competitive HR market in Romania that generally reports a large number of high level competence open positions.

Further, the personal skills and know-how of UCLC's employees constitute an important success factor. The future success of UCLC depends on the ability of UCLC to recruit and retain highly qualified and motivated staff. Particularly when the operating business expands and new staff are recruited, UCLC is dependent on having a sufficient number of suitable staff who are able to perform the required work to the required standard. If, for instance, there is a higher turnover and therefore a loss of know-how, this could affect the quality of service in the leasing business.

Other risks related to human resources include:

1. if UCLC decides that according to its strategy the hiring of new employees should be frozen or the actual number of full time employees must decrease there might be a potential risk which may materialise in the inability of UCLC to meet its business objectives;

2. the possibility that HR service providers do not respect contractual terms – this might materialise in a delay in filling open positions;

3. HR service providers deciding to renegotiate with the intention of increasing the invoice value according to the contractual terms. In such cases, UCLC's budget then needs to be reviewed, discussed and approved which may significantly impact the on-going agreement and business;

4. the unstructured introduction of new hires to UCLC's business resulting in a loss of know-how or insufficient time to adequately pass know-how from outgoing employees to incoming new hires; and

5. a possible increase of employee payroll taxes which might affect the overall employee costs budget and implicitly all other related areas.

If any of these risks were to materialise, this could have a material adverse effect on the business, financial condition, cash flows or operating results of UCLC.

Risks relating to shared services

UCLC has historically benefitted from access to certain administrative, financial, IT, logistics and other services provided by the Guarantor through UniCredit Bank S.A.

In order to leverage on the expertise and cost savings of certain resources accessed by the wider UniCredit Group network which are relevant for its operational business , UCLC has contracts with specialised partners in these fields (for example call centres and collection services).

Such agreements usually have an indefinite term and generally grant either party the right to terminate after an agreed notice period or have a defined term. If such agreements expire, UCLC may not be able to replace these services at all or obtain these services at prices and on terms as favourable as it currently receives.

The materialisation of any of the risks described above could have a material adverse effect on the business, financial condition, cash flows or operating results of UCLC.

Financial losses caused by UCLC's inability to claim under its insurance policies

UCLC's business involves the risk of not being able to capitalise on relevant insurance policies in the case of asset theft or damage, due to the application of exclusion clauses in the insurance terms or the insolvency of the insurers.

Such risk might materialise in payment default as in such cases the whole exposure would become payable at once by the customer without the benefit of insurance compensation. The materialisation of this risk could, depending on the number and value of insured assets affected, have a material adverse effect on the business, financial condition, cash flows or operating results of UCLC.

Operational Risk

Inadequate or failed internal processes might result in errors (such as delays in contracting insurance for financed assets, making payments/disbursements without an underlying executed contractual documentation, erroneous data input by employees, failure to observe deadlines for certain legal proceedings and failure to acknowledge certain personal data processes), financial losses, reputational damage, fines by authorities and/or breaches of applicable laws by UCLC. These events may give rise to litigation with clients or partners and/or financial penalties, which may have a significant adverse effect on UCLC's reputation and could affect its activity, operational results or financial situation.

Business Continuity Risks

The ability to service customers without interruption is essential to UCLC's operations. Various circumstances might result in interruption of UCLC's business processes, including hurricanes, snowstorms, frost, earthquakes, floods, landslides, fire, kidnapping, robberies, war, riots, terrorism acts, sabotage acts, data loss / corruption, applications breakdown, electricity supply interruption, cash transport interruption, financial markets failure, fraud, corporate document theft and employment issues.

Such disruptive events could, in UCLC's case result in the unavailability of buildings, facilities, personnel and IT systems which, depending upon the magnitude of the disruptive event and the time between the disruptive event and the restoration of normal business activity, could result in significant losses generated by, for example, the re-issuing of lost ownership titles and uncovered lost guarantees.

While UCLC has contingency plans in place to prevent or mitigate such risks there is no guarantee that such risk will not materialise resulting in disruptions to UCLC's operations, which in turn could affect UCLC's business, financial condition and operating results.

Strategic and activity risk

UCLC bears the risk of implementing business strategies that prove to be ineffective. There is also a risk that certain business strategies of UCLC are not actually implemented due to various factors (which include but are not limited to economic, legal, tax, operational factors).

A failure by UCLC to successfully implement its business strategies may have a material adverse effects on its business, financial condition, cash flows or operating results.

Change of ownership risks

UCLC benefits from providing its products and services under the recognisable "UniCredit" brand. In the event that UCLC ceases to be controlled and owned by the Guarantor for whatever reason, this might have a negative impact on the business, financial condition, cash flows or operating results of UCLC, including:

- its ability to provide financial services under the "UniCredit" brand;
- its ability to maintain certain financings contracted from its lenders;
- its ability to maintain co-operation with its current business partners, which in some cases are negotiated at the UniCredit Group level.

The Guarantor can exert considerable control over UCLC

UCLC is a subsidiary with 99.955 per cent. of its shares being held direcly by UniCredit Bank S.A., 98.63 per cent. of whose shares are held directly by the Guarantor. As a result of this ownership structure, the Guarantor is able to indirectly control or influence matters requiring shareholder's approval or strategic business decisions. The Guarantor may also engage in activities that may conflict with UCLC's interests or the interests of the Noteholders and, in such cirumstances, Noteholders could be disadvantaged by these actions.

Contractual terms

The financial products of UCLC are offered to a large pool of business and private customers. The efficient management of such a large number of contracts is only possible on the basis of standardised agreements, which are used as a base for negotiation with clients. Even minor inaccuracies, discrepancies or errors in the wording or use of any such terms (whether negotiated or not) or changes to the legal framework can involve significant risks.

In addition, agreements with customers might contain clauses which are subject to interpretation (as to their meaning or lawfulness) which might lead to unpredictable court decisions in case of litigation.

Should such risks materialise, it could have a material adverse effect on the business, financial condition, cash flows or operating results of UCLC.

Risks relating to the legal and regulatory environment in which the Issuer operates

Risks relating to changes in the general regulatory environment and failure to comply with laws and regulations

UCLC's business is subject to a variety of laws and regulations. As a non-bank financial institution, UCLC is subject to supervision by the National Bank of Romania and has to comply with a complex regulatory framework.

A particular challenge currently is related to the recent Romanian law transposing Directive (EU) 2015/849 (the European Union Fourth Anti-Money Laundering Directive), which was not, until recently, accompanied by secondary implementation norms and whose full impact is therefore still being assessed. Similar uncertainties have arisen in relation to the contemplated transposition into Romanian law of the Fifth and Sixth Anti-Money Laundering Directives.

Other high-risk regulations for UCLC include (without limitation) competition laws, consumer protection laws, privacy and data protection laws and regulations governing e-commerce.

UCLC is also involved in insurance distribution, which is an activity monitored by the Romanian Financial Supervision Authority and currently subject to a new complex and challenging national regulatory framework.

All of these laws and regulations are evolving and changing at a rapid pace and can differ, or be subject to differing interpretation. Changes in the regulatory environment have the potential to materially alter the existing business practices, financial condition and results of operations of UCLC.

Furthermore, any failure, or perceived failure, to comply with any of these laws or regulations could result in fines, loss of revenue and/or damage to the reputation of UCLC and have a material adverse effect on the business, financial condition, cash flows or operating results of UCLC.

Risks associated with compliance breaches, legal proceedings and out of court proceedings involving UCLC

In the ordinary course of business, UCLC is (and its subsidiaries may be) involved in administrative proceedings and litigation and is therefore exposed to numerous related risks.

Litigation and regulatory proceedings are inherently unpredictable, can be costly and can therefore have a material adverse effect on UCLC's business, financial condition, results of operations and cash flows. Provisions are not always made or may not cover the entire loss, in particular, if UCLC misjudges the final outcome of lawsuits or administrative proceedings against UCLC or its subsidiaries.

The control and prevention mechanisms of UCLC's compliance and internal control structure may prove insufficient to manage the risks to which UCLC is exposed.

For example UCLC, together with several other Romanian leasing companies (members of the ALB – the Romanian Association of Leasing and Non-Banking Financial Services), is currently subject to an investigation by the Romanian Competition Council concerning the exchange of information among competitors. The investigation commenced in 2017 and might result in significant fines being imposed on UCLC. See also "*Description of the Issuer – Legal and Arbitration Proceedings*".

In addition, during 2018 UCLC was subject to a National Bank of Romania routine inspection focused on anti-money laundering compliance. The related report has not been released yet by the National Bank of Romania to UCLC and therefore it is not possible for UCLC to assess the impact of any findings.

As UCLC is also part of the UniCredit Group, its reputation can be negatively affected by any breaches of the legal and regulatory framework by the UniCredit Group. For example, the Guarantor and the wider UniCredit Group were recently under investigation in the United States, and as a result certain entities within the UniCredit Group were subject to significant civil sanctions. An adverse outcome for one or more of the entities in the UniCredit Group that are subject to investigations has a significant adverse effect on UCLC's reputation and could affect its activity, operational results or financial situation.

Risks Relating to the Guarantor

Risks connected with the Strategic Plan

On 12 December 2016, the Guarantor's Board of Directors approved the 2016-2019 business plan (the "**Strategic Plan**" or "**Plan**" or "**Transform 2019**") which contains a number of strategic, capital and financial objectives (collectively, the "**Strategic Objectives**" or "**Provisional Data**") and includes, *inter alia*, a revision of the business model. Certain objectives have already been achieved, such as the completion of the capital increase and certain M&A transactions. Other objectives have yet to be completed.

The risks associated with the Strategic Plan consist in the potential failure by the Guarantor and/or any Group companies to implement the actions envisaged by the Strategic Plan (including actions in continuity with the previous business plan announced in November 2015). Failure to carry out, or the partial realisation of, one or more of the actions envisaged by the Strategic Plan could lead to deviations, even significant ones, compared to the provisions formulated in the Provisional Data, with consequent negative effects on the assets and on the economic, equity and financial position of the Guarantor and/or the Group.

The Strategic Objectives are based on both general and discretionary assumptions related to the effects of specific management and organizational actions that the Guarantor intends to undertake in the timeframe covered by the 2016-2019 Strategic Plan.

The ability of the Guarantor to carry out the actions and to comply with the Strategic Objectives depends on numerous assumptions and circumstances, some of which are outside the control of the Guarantor, such as assumptions regarding the macroeconomic scenario and the evolution of the regulatory context, as well as hypothetical assumptions relating to the effects of specific actions or concerning future events which the Guarantor can only partially influence.

At the date of the Offering Circular, the Strategic Objectives were confirmed and based on certain assumptions that contemplate actions that management has already started and will continue in order to achieve the Strategic Objectives, such as, *inter alia*, prodromal activities to the improvement of asset quality (relating, in particular, to the reduction of the portfolio of "*non-core*" loans and the increase in the coverage ratio on non-performing loans and unlikely-to-pay loans in the Italian loan portfolio), the proactive reduction of the risk of assets and the improvement of the quality of new credits, the transformation of the operating model, the maximization of the value of the commercial bank and the adoption of a lean government model, strongly oriented to the coordination of activities.

In addition to the above, some of the actions undertaken to achieve certain objectives are ahead of the deadlines defined in the Strategic Plan, including the transformation of the operating model, in particular the reduction in the number of employees (a Strategic Objective that has already been achieved) and the closure of branches in Western Europe.

For the remaining objectives envisaged by the Strategic Plan, there is still no certainty of their complete realisation, in particular with regards to strengthening and optimising capital, improving asset quality (in particular, the further decline in Group Non-Performing Exposures ("**IMF**"), the further reduction of the Group Gross NPE ratio and the further reduction of the non-core loan portfolio), the maximisation of the commercial bank value and the adoption of a lean government model but strongly oriented to the coordination of activities (in particular with respect to the ratio between the costs of the Group Corporate Center compared to the total costs).

In the absence of the benefits expected from the envisaged actions and if the various hypothetical assumptions turned out to be inaccurate due to the risks and uncertainties that characterize the current macroeconomic scenario and the regulatory context, the Strategic Objectives may not be achieved and this could negatively impact, even significantly, the economic, equity and/or financial situation of the Guarantor and/or the Group.

It should also be noted that the Strategic Plan was prepared on the basis of a perimeter of the UniCredit Group different from that existing at the date of presentation of the Strategic Plan, anticipating the effects of some extraordinary transactions which were already completed at the date of the Offering Circular.

On 6 February 2019, the UniCredit Group announced a reorganization project in relation to its management team and the start in the preparation of the Group's 2020-2023 strategic plan, which will be presented to the markets on 3 December 2019 in London.

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

Risks associated with the impact of current macroeconomic uncertainties

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.

This uncertainty which has characterized the global economy since the 2008 crisis has caused significant problems for commercial banks, investment banks and insurance companies, with a number of them having become insolvent or being obligated to merge with other financial institutions or request assistance from governmental authorities, central banks or the International Monetary Fund (the "**IMF**"), which have intervened by injecting liquidity and capital into the system and by participating in the recapitalization of certain financial institutions. Added to this are other negative factors, such as increased unemployment levels and a general decline in demand for financial services.

The current macroeconomic situation is characterized by high levels of uncertainty, due in part to: (a) the adoption of protectionist measures in international trade; (b) the impact of sanctions on Russia; (c) Brexit related uncertainties; (d) the Eurozone's economic slowdown and the Italian political situation; and (e) trends in the real economy and, in particular, the recovery prospects and consolidation of national economic growth dynamics and maintenance of the economies in countries like the U.S. and China.

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 the cost of borrowing, as well as on the value of its assets, and could result in further costs related to write-downs and impairment losses.

According to the Guarantor's estimates, economic growth will be contained (vs. 2018) in countries in Central Eastern Europe, also impacted by weak global trade, lower growth in the Eurozone, cyclical slowdown in domestic demand and limited monetary and fiscal stimulus. The UniCredit Group's performance is affected by factors such as investor confidence, financial market liquidity, the availability and cost of borrowing on the capital markets, all of which are by their very nature, connected to the general macroeconomic situation. Adverse changes in these factors, particularly at times of economic-financial crisis, could increase the UniCredit Group's cost of funding, as well as prevent the Group from realizing its funding plan, in whole or in part, with a material adverse impact on the business, financial condition and results of operations of the Guarantor and/or the Group.

This situation could be further affected by provisions regarding the currencies adopted in the countries in which the Group operates as well as by political instability and difficulties for governments to implement suitable measures to deal with the crisis, as well as acts of terrorism and/or, in general, political instability at a global level or in the countries in which the Group operates. All this could, in turn, result in decreased profitability, with material adverse effects on the business, results of operations and financial condition of the Guarantor and/or the Group.

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

Risks connected with the volatility of markets

The economic and political uncertainty of recent years has introduced considerable volatility and uncertainty in the financial markets. This, in turn, has made access to these markets increasingly complex, with a consequent rise in credit spreads and the cost of funding, as well as causing a decline in the values the Group can realize from sales of financial assets.

The volatility and uncertainty of the financial markets have had, and could continue to have, a negative effect on the Group's assets and, specifically, on the Guarantor's share price and the cost of borrowing on capital markets, which has been preventing the Group from realizing its funding plan in its entirety, which may have a negative impact on the financial condition and short- and long-term liquidity of the Guarantor and/or the Group.

The volatility of the financial markets has also created and continues to pose a risk to the Group's asset management, asset gathering and brokerage businesses and other activities it conducts for which the Group receives fees, with possible negative consequences on the operating results, capital and financial condition of the Guarantor and/or the Group.

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

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

Italy accounted for 47 per cent. of the UniCredit Group's total revenue in the 1H2019 and is the Group's primary market. As a result, the Group's business is closely connected to the Italian economy and could, therefore, be negatively impacted by any changes in its macroeconomic environment. Economic forecasts and the current political situation generate considerable uncertainty surrounding the future growth of the Italian economy.

In addition to other factors that may arise in the future, declining or stagnating Italian Gross Domestic Product ("**GDP**"), rising unemployment and unfavourable conditions in the financial and capital markets in Italy could result in declining consumer confidence and investment in the Italian financial system and increases in the number of impaired loans and/or loan defaults, lending to an overall reduction in demand for products and services the Group offers. Thus, a persistence of adverse economic conditions, political and economic uncertainty and/or a slower economic recovery in Italy compared with other countries of the Organization for Economic Co-operation and Development (OECD) could have a material adverse effect on the Group's results of operations, business and financial condition.

The UniCredit Group also operates and has a significant presence in Austria and Germany (which accounted for 10 per cent. and 21 per cent., respectively, of the UniCredit Group's total revenue for 1H2019), as well as in Central and Eastern European countries ("**CEE countries**") including, among others, Turkey, Russia, Croatia, the Czech Republic, Bulgaria and Hungary, which accounted for 22 per cent. of the Group's total revenue for 1H2019. The risks and uncertainties to which the UniCredit Group is exposed are of a different nature and magnitude depending on the country and whether or not the country belongs to the European Union, which is one of the main factors taken into consideration when evaluating these risks and uncertainties.

A deterioration in the macroeconomic conditions in either Austria or Germany, an increase in the volatility of their capital markets, the persistent negative interest rates environment or an increase in political instability could create a difficult operating environment and have a negative impact on the UniCredit Group's profitability, as well as its assets and operations, balance sheet and/or income statement. The Austrian and German macroeconomic conditions, as well as the Italian macroeconomic conditions, are particularly affected by the uncertainty relating to the European Union and the Eurozone. In particular, the German economy, which is the Group's second-largest market, significantly depends on the economies of certain countries such as the United

States, France, Italy and other countries of the European Union. Therefore, a worsening in the economic situation of these countries may have a significant adverse impact on the strongly export-oriented German economy, with a potential negative consequence on the subsidiaries of the UniCredit Group operating in Germany, in particular, on UniCredit Bank AG (referred to in the "*Risk Factors*" as "**UCB AG**").

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

Intensification of sanctions remains the main risk going forward for the developments in Russia. In Turkey the adjustment of the economy, following the sharp devaluation of the Turkish Lira during the summer 2018, is ongoing with GDP slowing and the current account deficit moving to surplus. The volatility of the currency remains one of the main risk factors. The other CEE countries are mainly affected by external developments (given their high level of integration with European manufacturing chains), namely the economic slowdown in Germany and more in general in Europe, and potential negative spill-overs from trade.

As part of the 2018 SREP, the ECB flagged, as an area of weakness, uncertainty and potential risk of deterioration of asset quality, the Group's operations in Russia and Turkey because of possible macroeconomic and political developments in these countries.

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

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

Credit risk and risk of credit quality deterioration

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

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

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

The main causes of non-fulfilment relate to the borrower's loss of its autonomous capacity to service and repay the debt (due to a lack of liquidity, insolvency, etc.), the emergence of circumstances not related to the economic/financial conditions of the debtor, such as country risk, and the effect of operational risks.

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

There is the risk that the Group's credit exposure may exceed predetermined levels pursuant to the procedures, rules and principles it has adopted. Therefore, the deterioration of certain particularly important customers' creditworthiness and, more generally, any defaults or repayment irregularities, the launch of bankruptcy proceedings by counterparties, the reduction of the economic value of guarantees received and/or the inability to execute said guarantees successfully and/or in a timely manner, as well as any errors in assessing customers' creditworthiness, could have major negative effects on the activity, operating results and capital and financial position of the Guarantor and/or the Group.

Credit quality is measured by indicators, including the ratio between the bad loans and the uses of the Guarantor at a given historical moment.

It should be noted that as of 31 December 2018, the UniCredit Group reduced the credit risk indicator relative to the coverage ratio of past due or overdrawn loans, down from 39.9 per cent. at 31 December 31 2017 to 31.3 per cent. at 31 December 2018 (compared to a slight increase of 20 basis points in the average system figure recorded by the Bank of Italy).

Gross non-performing exposures as of 30 June 2019 fell by €3.8 billion compared to 31 December 2018, owing to the continuous actions implemented aimed at proactively reducing the risk. The incidence of gross impaired loans on total loans improved, going from 7.7 per cent. at 31 December 2018 to 7.0 per cent. as of 30 June 2019. Gross non-performing exposures as of 30 June 2019 amounted to €34.4 billion, down €3.8 billion compared to 31 December 2018 (€38.2 billion). The coverage ratio of gross non-performing exposures of the Group at 30 June 2019 remained stable at 61.0 per cent., compared to 31 December 2018. As regards the European context however, the average data for the continent's banks shows a percentage of non-performing loans ("**non-performing loans**" or "**NPLs**") that is considerably lower than the average for Italian banks and banking groups.

After the six months ended 30 June 2019, the Plan's objective relating to the incidence of gross impaired loans to 2019 is higher than the average figure of the percentage of gross impaired loans of the main European competitors of the Guarantor at 31 December 2018. Therefore, there is a risk that the Guarantor may present a level of impaired loans in 2019 that is not in line with those recorded by its main European competitors in the same period.

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

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

These guidelines address the main aspects of the management of non-performing loans, spanning from the definition of the NPL strategy and of the operational plan to the NPL governance and operations, meanwhile providing several recommendations and *best practices* which will drive in the future, the ECB's expectations.

The above-mentioned guidelines are among the factors that have determined the execution of the "Porto Project" through the increasing of the coverage ratio on impaired loans and on unlikely-to-pay loans in the

Italian loans portfolio, following the changes in estimates, in turn resulting from the changed management approach to non-performing loans approved by the Guarantor's Board of Directors and aimed at accelerating the reduction, adopted by the Guarantor and other Italian Group companies in December 2016.

As further integration of the abovementioned Guidance, on 15 March 2018, the ECB published the "*Addendum to the Guidance on Non Performing Loans*" (the "**ECB Addendum**"), introducing "*Prudential provisioning backstop for non performing exposure*". Specifically, the new rules aim to define quantitative guidelines functional to more timely hedging practices on impaired exposures, requiring banks to fully cover a deteriorated exposure starting from the second year up to the seventh year from credit classification as impaired depending on whether it is secured or unsecured. Any difference between the coverage required by the new rules and the accounting provisions in place at a certain date must be filled through an additional deduction from class 1 primary capital (CET 1). The legislative proposal applies to all new non-performing exposure flows starting from 1 April 2018 and is a Second Pillar measure.

Similar rules are included in the Regulation amending the CRR (as defined below), published by the European Commission on 14 March 2018 to be applied to new disbursements starting from the entry into force of the regulation if they are classified as impaired positions. The new text of the CRR integrates the current perimeter of impaired exposures with loans that present a delayed payment of less than 90 days in line with Regulation (EU) no. 680/2014 which establishes implementing technical standards with regard to reporting by institutions for supervisory purposes in accordance with the CRR. The new Regulation, which came into force the day after its publication in the Official Journal of 25 April 2019, provides that the banks maintain an adequate provision value, according to a pre-established and differentiated calendar based on the type of guarantees, deducting from their CET 1 any positive difference between prudential provisions and adjustment provisions and other balance sheet items (budget allocations, prudent valuations, other CET1 deductions, as well as any shortfall related to NPEs).

The Regulation amending the CRR also introduced a minimum Pillar 1 regulatory backstop for the provisioning of all newly originated loans since the entry into force of the amended regulation that would successively become NPLs. The Parliament Plenary approved and the General Affairs Council endorsed the final text of the NPL Regulation in April 2019. The Regulation has been published in the Official Journal on 25 April 2019.

The estimates made in relation to both the aforementioned regulations provide for an overall negative impact to 2027 on the CET1 of around 40 basis points ("**bps**"), with a gradual and incremental effect starting from 2021. Based on the SREP 2018, the ECB informed the Guarantor in February 2019 of its supervisory recommendations in respect of NPE coverage. The Guarantor estimates that the regulatory dialogue with the ECB could lead to a low annual single digit basis point impact on its CET1 ratio for any additional coverage of its NPE stock, for each year up to 2024, the date mentioned by the ECB in its communication.

Risks associated with disposal of non-performing loans

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

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

In this context, the UniCredit Group, starting from 2014, launched a structured activity for selling non-performing loans on the market, in order to reduce the amount of problematic loans on its books, while simultaneously seeking to maximise its profitability and strengthen its capital structure. Since 2014, UniCredit Group has disposed of loans with a gross book value of approximately €31 billion. This amount includes the loans disposed of through Project Fino in July 2017.

The Guarantor intends to continue pursuing its strategy of disposing of non-performing loans. Specifically, the Guarantor has identified and is pursuing the capital risk reduction and the improvement of the quality of new loans as a strategic action under the scope of the 2016-2019 Strategic Plan to be achieved through increasing the coverage ratio of non-performing loans and selling impaired loans; the entire Non Core rundown target within 2021 is a key component of this strategic approach. The completion of the sales could impact the income statement with additional write-downs of loans for an amount which may be significant as a result of the possible differential between the value at which non-performing loans (and in particular impaired loans) are recorded in the financial statements of the Group and the considerations that investors are prepared to offer for their purchase. In this regard, note that the potential impacts of these transactions depend on various factors, including the different return expected by investors compared with that of the Guarantor and the recovery costs that are immediately discounted in the purchase prices. In this context, insofar as new operations were completed (particularly if concerning loans of lower quality, in terms of coverage level and/or asset class, than the operations already carried out) or in any case where the conditions existed to modify the forecasts concerning the recovery of the non-performing loans identified as subject to probable future disposal, it could be necessary to record in the financial statements additional value adjustments to the abovementioned loans, with consequent (possibly significant) negative effects on the operating results and capital and financial position of the Guarantor and/or of the Group.

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

Risks connected to Bank Capital Adequacy

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

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

The Basel III framework has been implemented in the EU through new banking requirements: Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (the "**CRD IV Directive**") and Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012 (as amended or replaced from time to time, including by Regulation (EU) 2019/876) (the "**CRR**") (together with the CRD IV Directive, the "**CRD IV Package**"). Full implementation began on 1 January 2014, with particular elements being phased in over a period of time (the requirements are now largely fully effective as of 1 January 2019 and some minor transitional provisions provide for phase-in until 2024) but it is possible that in practice implementation under national laws could be delayed. National options and discretions that were so far exercised by national competent authorities will be exercised by the SSM (as defined below) in a largely harmonised manner throughout the Banking Union. In this respect, on 14 March 2016, the ECB adopted Regulation (EU) No. 2016/445 on the exercise of options and discretions. Depending on the manner in which these options/discretions were so far exercised by the national competent authorities and on the manner in which the SSM will exercise them in the future, additional or lower capital requirements may result.

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

- proposed acquirers of holdings in credit institutions, requirements for shareholders and members of the management body (Articles 23 and 91 of the CRD IV Directive);

- competent authorities' powers to intervene in cases of crisis management (Articles 64, 65, 102 and 104 of the CRD IV Directive);

- reporting of potential or actual breaches of national provisions (so called whistleblowing, Article 71 of the CRD IV Directive); and

- administrative penalties and measures (Article 65 of the CRD IV Directive).

The Bank of Italy published new supervisory regulations on banks in December 2013 (Circular of the Bank of Italy No. 285 of 17 December 2013 as subsequently amended from time to time by the Bank of Italy ("**Circular No. 285**")) which came into force on 1 January 2014, implementing the CRD IV Package, and setting out additional local prudential rules. According to Article 92 of the 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. These minimum ratios are complemented by the following capital buffers to be met with CET1 Capital:

- *Capital conservation buffer*: The capital conservation buffer has applied to the Guarantor since 1 January 2014 pursuant to Article 129 of the CRD IV Directive and Part I, Title II, Chapter I, Section II of Circular No. 285. According to. the 18th update[2] to Circular No. 285 published on 4 October 2016; being the transitional rules ended in 2018, from January 2019 the capital conservation buffer is at 2.50 per cent.;

- *Counter-cyclical capital buffer*: The countercyclical capital buffer applied starting from 1 January 2016. The Bank of Italy decided on 22 March 2019 to maintain the counter-cyclical capital buffer applicable to credit exposures in Italy at 0 per cent. for the second quarter of 2019 (percentages are revised each quarter). As of 30 June 2019:

  - the specific countercyclical capital rate of UniCredit Group amounted to 0.07 per cent.;

  - countercyclical capital rates have generally been set at 0 per cent., except for the following countries: United Kingdom (1.00 per cent.); Czech Republic (1.25 per cent.); Hong Kong (2.50 per cent.); Iceland (1.75 per cent.); Norway (2.00 per cent.); Sweden (2.00 per cent.); Slovakia (1.25 per cent.); Lithuania (1.0 per cent.); Denmark (0.50 per cent.);

---

[2] On 6 October 2016, the Bank of Italy published the 18th update of Circular No. 285 which provided for a different application on the transitional rules relating to the capital conservation buffer: such transitional rules ended in 2018 and from 1 January 2019 the capital conservation buffer is at 2.50 per cent.

- with reference to the exposures towards Italian counterparties, the Bank of Italy has set the rate equal to 0 per cent.;

- *Capital buffers for globally systemically important institutions* ("***G-SIIs***"): The G-SII buffer represents an additional loss absorbency buffer (ranging from 1.0 per cent. to 3.5 per cent. in terms of required level of additional common equity loss absorbency as a percentage of risk-weighted assets), determined according to specific indicators (e.g. size, interconnectedness, complexity). It was subject to phase-in starting from 1 January 2016 (Article 131 of the CRD IV Directive and Part I, Title II, Chapter I, Section IV of Circular No. 285) and became fully effective from 1 January 2019. Based on the most recent list of G-SIIs published by the Financial Stability Board ("**FSB**") in November 2018 (the list is updated annually), the UniCredit Group is confirmed as a global systemically important bank ("**G-SIB**") included in "Bucket 1" (in a ranking from 1 to 5, where 5 is the highest); starting from 1 January 2019, ended the transitional rules, such requirement is equal to 1.00 per cent.; and

- *Capital buffers for other systemically important institutions ("**O-SIIs**")*: identified by the Bank of Italy as an O-SII authorised to operate in Italy, the Guarantor has to maintain a capital buffer of 1 per cent. of its total risk exposure, such level is equal to 0.50 per cent. for 2019, and then increased by 0.25 per cent. for 2020 reaching the target of 1 per cent. from 1 January 2021. According to Article 131.14 of the CRD IV Directive however, the higher of the G-SII and the O-SII buffer will apply: hence, the UniCredit Group is subject to the application of the G-SII buffer (1 per cent. for 2019).

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

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

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

On 11 February 2019, the Guarantor was informed by the ECB about its final decision concerning the capital requirements following the results of its annual 2018 SREP which apply, on a consolidated basis, from 1 March

2019. A table setting out the UniCredit Group's fully-loaded capital requirements and buffers – which also indicates TSCR (Total SREP Capital Requirement) and OCR (Overall Capital Requirement) – is reported below (rounded to two decimal numbers):

Requirements as at 30 June 2019		CET1	T1	Total Capital
A)	**Pillar 1 Requirements**	**4.50%**	**6.00%**	**8.00%**
B)	**Pillar 2 Requirements**	**2.00%**	**2.00%**	**2.00%**
C)	**TSCR** ***(A+B)***	**6.50%**	**8.00%**	**10.00%**
D)	**Combined capital buffer requirement, of which:**	**3.57%**	**3.57%**	**3.57%**
	1. Capital Conservation buffer	*2.50%*	*2.50%*	*2.50%*
	2 Global Systemically Important Institution buffer	*1.00%*	*1.00%*	*1.00%*
	3. Institution-specific Countercyclical Capital buffer (as of June 2019)	*0.07%*	*0.07%*	*0.07%*
E)	**OCR** ***(C+D)***	**10.07%**	**11.57%**	**13.57%**

As at 30 June 2019, the consolidated capital ratios (CET1 Capital, Tier 1 and Total Capital ratios) were, respectively, 12.08 per cent., 13.63 per cent. and 16.21 per cent.

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

The CRD IV Package introduces a new leverage ratio with the aim of restricting the level of leverage that an institution can take on, to ensure that an institution's assets are in line with its capital. The Leverage Ratio Delegated Regulation (EU) No. 2015/62 was adopted on 10 October 2014 and was published in the Official Journal of the European Union in January 2015 amending the calculation of the leverage ratio compared to the current text of the CRR. Institutions have been required to disclose their leverage ratio from 1 January 2015. The CRD IV Package contains specific mandates for the European Banking Authority ("**EBA**") to develop draft regulatory or implementing technical standards as well as guidelines and reports related to liquidity coverage ratio and leverage ratio in order to enhance regulatory harmonisation in Europe through the Single Rule Book.

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

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

Risk relating to the uncertainty of future stress test results or asset quality review tests

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

The ECB recently conducted a sensitivity analysis on the effects of interest rate changes on the banking book. The results of the sensitivity analysis have been reviewed in the context of the SREP. Supervisory capital demand, primarily Pillar 2 guidance, in the 2017 SREP decision has been determined by the relative vulnerability of the banks to the different interest rate shocks applied, rather than the quantitative results of the sensitivity analysis.

The Guarantor also participated in the 2018 stress test conducted by the EBA, the ECB, the European Commission and the European Systemic Risk Board ("**ESRB**"). The exercise began in January 2018 and results were published on November 2018. As in previous exercises, impacts on credit and counterparty risk, market risk and operational risk have been assessed, in terms of risk weighted assets and income statement (also considering a stress on Net Interest Income, fees, commissions and other income statement items). The new methodology required accounting for the implementation of IFRS 9 standards both in the starting points and in the scenario projections. The 2018 EU-wide stress test did not contain a pass/fail threshold and instead was designed to be used as an important source of information for the purposes of the SREP. The results assist competent authorities in assessing the Guarantor's ability to meet applicable prudential requirements under stressed scenarios. The Guarantor's results were as follows:

- baseline scenario: 2020 CET1 ratio at 13.76 per cent., corresponding to 96 bps higher than CET1 ratio transitional (IFRS9-restated) as of December 2017; and
- adverse scenario: 2020 CET1 ratio at 9.34 per cent., corresponding to 346 bps lower than CET1 ratio transitional (IFRS9-restated) as of December 2017.

At the end of 2018 the ECB announced the "Sensitivity analysis of Liquidity Risk - Stress Test 2019" (LiST 2019) which is an analysis based on idiosyncratic liquidity shocks with no macro-economic scenario nor market risk shocks. The outcome will be integrated into the SREP 2019 and could lead to findings related to liquidity risk and qualitative information. The sensitivity analysis also aims to follow-up on ECB SREP analyses with respect to banks' ILAAP (as defined below) and to deep-dive on certain aspects of their liquidity risk management, such as the ability to mobilize collateral and impediments to collateral flows. The exercise was officially commenced on 6 February 2019 and the Quality Assurance phase was concluded on 29 May 2019. In Q3 2019 the first outcomes will feed into the SREP supervisory dialogue. No individual results will be published, although the ECB could disclose aggregate results.

The EBA, together with other supervisory authorities, may decide in the future to perform a new Asset Quality Review for the main European banks, including the Guarantor, in order to verify the classification and measurement of risk exposures, to address potential concerns on the quality of assets held by the European banking system. This exercise may be associated with a new stress test, to be performed jointly with the ECB in the context of an overall assessment of the capital adequacy of the European banks. If the Guarantor 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.

Risks associated with the Guarantor's participation in the Atlante Fund and the Italian Recovery Fund (former Atlante II Fund)

Atlante (the "**Atlante fund**") is a closed-end alternative investment fund (AIF) regulated by Italian law, reserved to professional investors, and managed by Quaestio Capital SGR S.p.A. (the "**Quaestio SGR**"). The size of the fund was equal to €4,249 million, of which the Guarantor invested for about 19.9 per cent.

Atlante may invest (i) in banks with regulatory capital ratios lower than the minimum level set down in the SREP process and, thus, realise, upon request of the supervisory authority, actions of capital strengthening through capital increases and (ii) in NPLs of a plurality of Italian banks.

With reference to the Atlante fund, as of 30 June 2019 the Guarantor holds shares classified as financial assets mandatory at fair value with a carrying value of €171 million. The year-to-date overall cash investments are equal to €844 million against which 2016 and 2017 impairments for €684 million were carried out. In addition the Guarantor has a residual commitment to invest in the fund for an amount less than €2 million.

Atlante II fund launched in August 2016 and then renamed Italian Recovery Fund ("**IRF**") on 27 October 2017, is a closed-end investment alternative fund reserved to professional investors, managed by Quaestio Capital SGR S.p.A., which may invest primarily in Italian Banks NPLs portfolios only, through (i) financial instruments issued by securitisation vehicles, primarily mezzanine and junior notes, as well as (ii) real estate assets through vehicles established to obtain the highest possible value of the receivables acquired.

With reference to Italian Recovery Fund, as of 30 June 2019 the Guarantor holds shares with a carrying value of €182 million, classified as financial assets mandatory at fair value. The net investments made in the fund amounted to €185 million with a residual commitment to invest in the Fund for about €10 million.

The book value of both Funds is substantially in line with the information provided, to 31 December 2018 by the management company Quaestio SGR, relating to the shares valuation. This valuation, based on the value of the assets held by the Funds, determined in the six months to 30 June 2019 a higher value for €8 million accounted into the Guarantor's profit and loss.

From a regulatory perspective, the treatment of the quotes held by the Guarantor in the Atlante Fund and Italian Recovery Fund foresees the application of article 128 of the CRR (Items associated with particular high risk). With reference to the residual commitments, the regulatory treatment foresees the application of a Credit Conversion Factor equal to 100 per cent. ("full risk" according to Annex I of CRR), for the calculation of the related Risk Weighted Assets. On 21 December 2016, Quaestio SGR committed (in the name and on behalf of Atlante fund) for future payments (to be made by 5 January 2017) connected to Banca Popolare di Vicenza S.p.A. e Veneto Banca S.p.A. capital increases, respectively for €310 million and €628 million (partially paid on 31 December 2016 for €164 million and €332 million respectively).

If the value of the assets in which Atlante and Italian Recovery Funds are invested and/or will be invested were to be reduced (among other things, as a result of write-downs or because the assets are sold at a price below the acquisition price, or if such assets were to be replaced with assets having a greater risk profile or that are characterised by a greater degree of capital absorption - for example, non-performing loans), it cannot be ruled out that this circumstance may result to further write-down the Guarantor's investment in the Atlante Fund and in the Italian Recovery Fund, with consequent impacts on the capital ratios of the Guarantor and with possible negative effects on the economic, equity and/or financial situation of the Guarantor and/or the Group.

Risks associated with the Group's exposure to sovereign debt

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

With reference to the Group's sovereign exposures in debt, the book value of sovereign debts securities as at 30 June 2019 amounted to €101,954 million[3], of which over 89 per cent. was concentrated in eight countries: Italy with €52,901 million, representing about 52 per cent. of the total; Spain with €10,754 million; Germany with €10,654 million; Japan with €5,954 million; Austria with €5,183 million; Hungary with €2,023 million; Romania with €1,822 million and the United States of America with €1,609 million.

---

3 Information on Sovereign exposures refers to the scope of the Guarantor's Consolidated Interim Report as at 30 June 2019, determined under IAS/IFRS. Based on these accounting principles, the Koç/Yapi Kredi Group (Turkey), being subject to joint control, is consolidated using the equity method and therefore the Sovereign exposures of the mentioned group are not included in this section.

As at 30 June 2019, the remaining 11 per cent. of the total sovereign exposures in debt securities, equal to €11,054 million as recorded at the book value, was divided between 35 countries, including: Bulgaria (€1,602 million), Croatia (€1,514 million), Czech Republic (€1,259 million), Poland (€1,110 million), Serbia (€866 million), Portugal (€562 million) and Russia (€517 million). The exposures in sovereign debt securities relating to Greece are immaterial.

As at 30 June 2019, there is no evidence of impairment of the exposures in question.

Note that the aforementioned remaining part of sovereign debt securities held as at 30 June 2019 are also debt towards Supranational Organisations, such as the European Union, the European Financial Stability Facility and the European Stability Mechanism, amounting to €2,543 million.

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

Total amount of loans booked in financial assets at amortised cost portfolio given to countries towards which the overall exposure exceeds €130 million, as at 30 June 2019 amounts to €20,294 million, representing about 92 per cent. of the total.

Liquidity Risk

Liquidity risk refers to the possibility that the UniCredit Group may find itself unable to meet its current and future, anticipated and unforeseen cash payment and delivery obligations without impairing its day-to-day operations or financial position. The activity of the UniCredit Group is subject in particular to funding liquidity risk, market liquidity risk, mismatch risk and contingency risk.

Funding liquidity risk refers to the risk that the Guarantor may not be able to meet its payment obligations, including financing commitments, when these become due. In light of this, the availability of the liquidity needed to carry out the Group's various activities and the ability to access long-term loans are essential for the Group to be able to meet its anticipated and unforeseen cash payment and delivery obligations, so as not to impair its day-to-day operations or financial position. The crisis that hit international financial markets and the subsequent instability gave rise to a considerable reduction in the liquidity accessible through private financing channels, resulting in major monetary policy interventions by the ECB, the reduction of which could lead the Guarantor and/or the Group legal entities to access the wholesale debt market to a greater extent than in the past. In order to assess the liquidity profile of the UniCredit Group, the Guarantor also uses the following principal indicators:

- the short-term indicator Liquidity Coverage Ratio (LCR), which expresses the ratio between the amount of available assets readily monetizable (cash and the readily liquidable securities held by the Guarantor) and the net cash imbalance accumulated over a 30-day stress period; as of 1 January 2018, 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 statutory amount of stable funding. The finalisation of this requirement will be carried out in the prescribed timetable. More specifically and on the basis of the Basel III Phase In Arrangements document, the *minimum standard requirement* should have been be introduced as of 1 January 2018. In the European Union, the Basel NSFR rule has been transposed through a revision of the CRR II published on 23 November 2016. The effective date of application will depend on the final completion of the Regulatory legislation process (currently envisaged after 2020) and on the related outcome resulting from the European Institutions discussion.

The Group's access to liquidity could be damaged by the inability of the Guarantor 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 Guarantor and/or of the Group.

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

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

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

Generally, the framework of the Guarantor's Internal Liquidity Adequacy Assessment Process (the "**ILAAP**") was judged as adequate; however, in relation to the results of recent inspections, the ECB reported certain areas of improvement under the governance, the liquidity strategy, the reporting and the control of liquidity risk. The Guarantor, following also the regular and continuous talks with the Regulator, has started its own action plan intended to enhance the processes self-assessed under the ILAAP framework.

Risks associated with system liquidity support

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

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

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

In March 2019, the ECB announced a new series of quarterly targeted longer-term refinancing operations ("**TLTRO-III**") to be launched in September 2019 to March 2021, each with a maturity of two years. It is not possible to predict the duration and extent of such liquidity support in the future, assuming it is not withdrawn completely. If such support were to be withdrawn or reduced, the Group would need to seek alternative sources of funding, which it may not succeed in doing, whether on equally favorable cost terms, or at all.

As of 30 June 2019, the Guarantor's total debt with the ECB through TLTRO II was €51.15 billion, with a timetable of maturities between the end of June 2020 and the end of March 2021.

Other than TLTRO II (e.g. one-week refinancing operations), as of 30 June 2019 the UniCredit Group did not have any other refinancing operation in place.

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

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

Risks related to intra-group exposure

UniCredit Group companies have historically financed other Group companies, in line with the practices of other banking groups operating in multiple countries, by transferring excess liquidity from one Group legal entity to another. The largest exposures are between banks belonging to the same country. Currently, the largest cross-countries outstanding exposures are from the Guarantor to UniCredit Bank Czech Republic and to Yapi ve Kredi Bankasi, although both banks also have exposures to other Group companies. In addition to this, important intra-group exposures exist among UCB AG with other banks of the Group, because the Group's investment banking activities are centralised in Germany and UCB AG acts as an intermediary between Group legal entities and market counterparties in financial risk hedging transactions. Due to the nature of this activity, UCB AG's intra-group credit exposure is volatile and may undergo significant changes from day to day.

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

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

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

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

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

Market risks

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

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

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

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

The broad risk measures include:

- Value at Risk (VaR), the potential loss in value of a portfolio over a defined time period for a given confidence interval;

- Stressed VaR (SVaR), which represents the potential VaR of a portfolio subject to a continuous 12-

months period of significant financial stress;

- Incremental Risk Charge (IRC), the amount of regulatory capital aimed at addressing the credit shortcomings (migration and default risks) that can affect a portfolio in a defined time period for a given confidence interval;
- Loss as Warning Level (LWL), set as the 60 days rolling period Accumulated Economic P&L; and
- Stress Test as Warning Level (STWL), the potential loss in value of a portfolio calculated on the basis of a distressed scenario.

The granular risk measures include:

- Sensitivity levels, which represent the change in the market value of a financial instrument due to small moves of the relevant market risk asset classes/factors;
- Stress scenario levels, which represent the change in the market value of a financial instrument due to large moves of the relevant market risk asset classes/factors; and
- Nominal levels, which are based on the notional value of the exposure.

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

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

Risks connected with interest rate fluctuations

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

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

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

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

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

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

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

Risks connected with exchange rates

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

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

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

The Group implements an economic hedging policy for dividends from its subsidiaries outside the Eurozone. Market conditions are taken into consideration when implementing such strategies. However, any negative change in exchange rates and/or a hedging policy that turns out to be insufficient to hedge the related risk could have major negative effects on the activity, operating results and capital and financial position of the Guarantor and/or the Group.

Risks associated with borrowings and evaluation methods of the assets and liabilities of the Guarantor

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

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

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

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

Regarding the evaluation of credit exposures at amortized cost or measured at fair value through other comprehensive income, it should be noted that, with the entrance into force of IFRS9, their evaluation depends on forward-looking information and, in particular, on the evolution of macro-economic scenarios used in the calculation of loan loss provisions.

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

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

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

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

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

Risks relating to IT system management

The complexity and geographical distribution of the UniCredit Group's activities requires, among other things, a capacity to carry out a large number of transactions efficiently and accurately, in compliance with the various different regulations applicable. The UniCredit Group is therefore exposed to operational risk, namely the risk of suffering losses due to errors, violations, interruptions, damages caused by internal processes, personnel, strikes, systems (including IT systems on which the UniCredit Group depends to a great extent) or caused by external events.

Operational risk also includes legal risk and compliance risk, but not strategic risk and reputational risk. The main sources of operational risk statistically include the instability of operational processes, poor IT security, excessive concentration of the number of suppliers, changes in strategy, fraud, errors, recruitment, staff training and loyalty and, lastly, social and environmental impacts. It is not possible to identify one consistent predominant source of operational risk. The UniCredit Group has a system for managing operational risks, comprising a collection of policies and procedures for controlling, measuring and mitigating Group operational risks. These measures could prove to be inadequate to deal with all the types of risk that could occur and one or more of these risks could occur in the future, as a result of unforeseen events, entirely or partly out of the control of the UniCredit Group (including, for example, fraud, deception or losses resulting from the disloyalty of employees and/or from the violation of control procedures, IT virus / cyber attacks or the malfunction of electronic and/or communication services, possible terrorist attacks). The realisation of one or more of these risks could have significant negative effects on the activity, operating results and capital and financial position of the Guarantor and/or the Group.

Moreover, in the context of its operation, the UniCredit Group outsources the execution of certain services to third companies, regarding, *inter alia*, banking and financial activities, and supervises outsourced activities according to policies and regulations adopted by the Group. The execution of the outsourced services is regulated by specific service level agreements entered into with the relevant outsourcers. The failure by the outsourcers to comply with the minimum level of service as determined in the relevant agreements might cause adverse effects for the operation of the Group. In particular, the Guarantor and the other Group companies are subject to the risk, including adverse actions by supervisory authorities, resulting from omissions, mistakes, delays or interruptions by the suppliers in the execution of the services offered, which might cause discontinuity with respect to the contractually agreed levels, in the service offered. Moreover, the continuity of the service level might be affected by the occurrence of certain events negatively impacting the suppliers, such as, for example, a declaration of insolvency, as well as the incurrence of certain suppliers in insolvency procedures.

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

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

The UniCredit Group has always invested a lot of energy and resources in upgrading its IT systems and improving its defence and monitoring systems. However, possible risks remain with regard to the reliability of the system (disaster recovery), the quality, integrity and confidentiality of the data managed and the threats to which IT systems are subject, as well as physiological risks related to the management of software changes (change management), which could have negative effects on the operations of the UniCredit Group, as well as on the capital and financial position of the Guarantor and/or the Group.

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

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

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

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

Starting from 2018, UniCredit Group subscribes a Cyber Insurance Policy with European Insurance Companies with adequate rating, with reasonably high limits, to cover damages caused by a major Cyber Attack to IT systems.

Risks relating to deferred taxes

Deferred tax assets ("**DTAs**") and liabilities are recognised in the Guarantor's consolidated financial statements according to accounting principle IAS 12. As of 30 June 2019, DTAs amounted in aggregate to €11,924 million. As at 31 December 2018, DTAs amounted to €12,046 million, of which €8,310 million may be converted into tax credits pursuant to Law No. 214 of 22 December 2011 ("**Law 214/2011**"). As of 31 December 2017, DTAs amounted to €10,619 million, of which €8,315 million was available for conversion to tax credits pursuant to Law 214/2011.

Under the terms of Law 214/2011, DTAs related to loan impairments and loan losses, or to goodwill and certain other intangible assets, may be converted into tax credits where the company has a full-year loss in its non-consolidated accounts (to which such convertible DTAs relate) ("**Convertible DTAs**"). The conversion into tax credits operates with respect to Convertible DTAs recognised in the accounts of the company with the non-consolidated full-year loss, and a proportion of the deferred tax credits are converted in accordance with the ratio between the amount of the full-year loss and the company's shareholders' equity.

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

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

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

The fee due for fiscal year 2018 was paid on 27 June 2018 for an amount equal to €115.8 million.

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

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

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

Starting from 1 January 2018, the new accounting standard IFRS9 which deals with the recognition and measurement of financial instruments has been applied for the preparation of the Guarantor's and the Group's financial statements. The adoption of the new accounting standard has determined, among other effects, an increase in Loan Loss Provisions ("**LLPs**") whose economic effects have been recognized as a reduction of 1 January 2018 net equity (First Time Adoption ("**FTA**")).

At the same date, the Guarantor has not recognised IRAP and IRES tax assets related to the mentioned LLPs because the tax rule applicable at the time required the full deductibility in 2018 and, absent a sufficient taxable income, the sustainability test showed the inability to recover the IRES deferred tax assets associated with tax losses carried forward.

The new 2019 Budgetary Law approved in December 2018 envisaged the deductibility of LLPs recognized in FTA on a 10 years period (1/10 in 2018 and 9/10 in future periods up to 2027), for both IRES and IRAP purposes. This circumstance has determined the transformation of these DTAs from tax assets related to tax losses carried forward to tax assets related to temporary differences (IRES and IRAP) and, consequently, their recognition in financial statements for an amount determined through the sustainability test carried out coherently with the new tax rules.

Recognition of these DTAs has required an in-depth analysis by the management so to assess the proper accounting treatment, given the absence of specific indications by IAS12 on their recognition against equity or against P&L. In conclusion, DTAs related to the first time adoption of IFRS9, have been recognised against

P&L for an amount of €871 million.

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

The remaining DTAs (non-convertible DTAs) are related to costs deductible in the years following their recognition in the financial statements (typically provisions for risks, costs related to net equity increase, etc.), equal to €3,349 million net of compensation with related Deferred Tax Liabilities (DTL) as of 31 December 2018, and to tax losses carried forward, for an amount equal to €387 million. DTAs on tax losses carried forward are mainly referred to the German subsidiary UCB AG (€274 million).

As of 31 December 2018, the sustainability test was performed pursuant to IAS 12 in order to verify whether the projected future taxable income is sufficient to absorb the future reversal of DTAs on tax losses and on temporary differences. The test takes into account the amount of taxable income currently foreseeable for future years over a five-year time period and the projection of the DTA conversion pursuant to Law No. 214/2011. Based on the outcome of the test, for the year ended 31 December 2018, a limited portion of DTAs, related to tax losses was recognised.

Risks connected with interests in the capital of Bank of Italy

As of 30 June 2019, the Guarantor holds a 12.8 per cent. shareholding in Banca d'Italia, with a book value of €961 million.

Since the third quarter of 2015, the Guarantor started the disposal of its stake in Banca d'Italia, for an amount corresponding to its carrying value. The Guarantor completed, until fourth quarter 2018, the disposal of about 8.7 per cent. of Banca d'Italia share capital for about €650 million, of which about €53 million in 2018.

The disposal process is the result of a capital increase carried out in 2013 when, in order to facilitate the redistribution of shares, a limit of 3 per cent. was introduced in respect of holding shares: after an interim period of no more than 36 months, no economic rights are applicable to shares exceeding the above limit.

In recent years shareholders with excess shares began selling, finalising sales for around 28 per cent. of the total capital. The carrying value at year end, in line with the figure at the end of the last period and the outcome of the measurement conducted by the committee of high-level experts on behalf of Banca d'Italia at the time of the capital increase, is supported by the price for the transactions that took place since 2015. The relevant measurement was therefore confirmed as level 2 in the fair value classification.

With regard to regulatory treatment as at 30 June 2019, the value of the investment measured at fair value in the balance sheet is given a weighting of 100 per cent. (in accordance with article 133 "Exposures in Equity Instruments" of the CRR).

Initiatives aimed at selling the shares exceeding the 3 per cent. limit are underway, with the completion of this process constituting a significant factor for the sustainability of value in the near future.

The Guarantor may not be able to sell its stake in the capital of the Banca d'Italia at conditions in line with those expected, with consequent negative effects on the operating results, capital and/or financial position of the Guarantor and/or of the Group.

Counterparty risk in derivative and repo operations

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

These operations expose the UniCredit Group to the risk that the counterparty of said derivative contracts or repos may fail to fulfil its obligations or may become insolvent before the contract matures, when the Guarantor or one of the other Group companies still holds a credit right against the counterparty.

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

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

Under the scope of its operations the Group also concludes derivative contracts with central governments and banks. Any changes in applicable regulations or in case-law guidelines, as well as the introduction of restrictions or limitations to such transactions, may have impacts (including potentially retroactive impacts) on the Group's operations with said counterparties, with possible negative effects on the activity, operating results and capital and financial position of the Guarantor and/or the Group.

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

As at 30 June 2019, the UniCredit Group's intangible assets stood at €2,802 million (of which €886 million related to goodwill).

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

Risks connected with existing alliances and joint ventures

At the date of this Offering Circular, the UniCredit Group has several alliance agreements, as well as several shareholders' agreements relating to its joint ventures, in particular, in the insurance sector, with Aviva S.p.A., CNP UniCredit Vita S.p.A., Creditras Assicurazioni S.p.A., Creditras Vita S.p.A. and Incontra Assicurazioni S.p.A.

Under the scope of these agreements, as per market practice, there are investment protective clauses which, depending on the case, allow the parties to negotiate their respective positions on the underlying investment in the case of their exit, through mechanisms that require purchase and/or sale. These provisions are usually applied after a certain period of time and/or when specific events occur, also connected to the underlying distribution agreements.

At the date of this Offering Circular, such circumstances in relation to the above-mentioned protective investment clauses have not yet occurred and therefore the Guarantor does not have definitive obligations to purchase the equity investments pertaining to one or more contractual counterparties. If these circumstances were to occur and the Guarantor and/or one or more of the UniCredit Group companies were to be compelled to buy the investments pertaining to one or more contractual counterparties, they may have to cope with possibly significant outlays in order to fulfil their obligations which may have negative effects on the operations, balance sheet and/or income statement of the Guarantor and/or the Group.

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

In addition – within the transaction relating to the sale of certain (at that time) subsidiaries of Pioneer Global Asset Management S.p.A. ("**PGAM**") to Amundi – UCI S.p.A., UCB AG and UCB Austria (the "**UniCredit Group Companies**") signed separate distribution agreements with some of (at that time) PGAM's subsidiaries and, namely, with the, respectively, Italian, German and Austrian subsidiary, now belonging to the Amundi Group (the "**Companies**"). Under the relevant distribution agreements, the UniCredit Group Companies are committed to maintain specific reference numbers related to Amundi products, which, if they fail to meet would result in the activation of specific compensation liabilities that could result in negative impacts on the operating results and capital and financial position of the Guarantor and/or the Group. Similarly, the failure by the relevant Companies to comply with their commitments would cause a reduction in UniCredit Group Companies' sales targets. In addition, if such distribution agreements are terminated in certain situations better identified in the Master Sale and Purchase Agreement executed with Amundi (i.e., termination of distribution agreements due to the breach by UniCredit Group Companies of the obligations and/or commitments set out therein or as a consequence of an order or a decision by the supervisory authorities), Amundi or PGAM (now UCI S.p.A.), depending on which is the entity affected by said termination, are entitled to, as the case may be, a price refund or a price supplement to be determined as specifically indicated in the aforesaid Master Sale and Purchase Agreement.

Risks connected with the performance of the property market

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

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

Risks connected with pension funds

The UniCredit Group is exposed to certain risks in connection with its commitments to provide pension plans to employees after the termination of their employment. These risks vary depending on the nature of the pension plan in question.

A distinction therefore needs to be made between: (i) defined-benefit plans, which provide a wide range of services depending on factors such as age, years of service and compensation needs; and (ii) defined-contribution plans, whereby the company pays fixed contributions and benefits are given based on the amount and performance of contribution paid.

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

Specifically, at the date of this Offering Circular, there are several defined-benefit plans within the UniCredit Group, i.e., plans whose benefit is linked to salary and employee length of service both in Italy and abroad.

The Austrian, German and Italian plans account for over 90 per cent. of the Group's pension obligations.

The 50 per cent. of the total obligations for defined benefit plans are financed with segregated assets. These plans are established in (i) Germany, the "Direct Pension Plan" (i.e. an external fund managed by independent trustees), the "HVB Trust Pensionfonds AG" and the "Pensionkasse der Hypovereinsbank WaG" - all created by UCB AG, and (ii) in the United Kingdom, Italy and Luxembourg created by UCB AG and the Guarantor.

According to IAS19, obligations arising from defined-benefit plans are determined using the "projected unit credit" method, while segregated assets are measured at fair value. The methods used to evaluate the related activities and commitments are reported in the Annual Report.

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

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

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

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

However, the above-mentioned methods and strategies could prove to be inadequate or the valuations and assumptions underpinning these policies and procedures could turn out to be incorrect, exposing the Guarantor to unexpected risks or risks which may not have been correctly quantified so therefore the Guarantor and/or the

Group could suffer losses, even significant ones, with possible negative effects on the operations, balance sheet and/or income statement of the Guarantor and/or the Group.

In addition, in spite of the presence of the above-mentioned internal procedures aimed at identifying and managing the risk, the occurrence of certain events, which cannot currently be budgeted for or assessed, as well as the incapacity of the Group's structures and human resources to include elements of risk in carrying out certain activities, could, in the future, lead to losses and therefore have a significant negative impact on the operations, balance sheet and/or income statement of the Guarantor and/or the Group.

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

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

The ECB acknowledged that the Guarantor's ICAAP (Internal Capital Adequacy Assessment Process) covers all categories of significant risk, however, some areas requiring attention have been identified in relation to correlation methodologies and assumptions, to concentration and diversification of intra-risk in the scope of the credit portfolio model. Therefore the ECB has asked the Guarantor to improve the supporting information justifying the reliability of the model assumptions.

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

Risks connected with legal proceedings in progress and supervisory authority measures

Risks connected with legal proceedings in progress

As at the date of this Offering Circular, the Guarantor and other UniCredit Group companies are named as defendants in several legal proceedings. In particular, as at 30 June 2019, the Guarantor and other UniCredit Group companies were named as defendants in about 20,700 legal proceedings of which approx. 9,700 involved the Guarantor (excluding labour law cases, tax cases and credit recovery actions in which counterclaims were asserted or objections raised with regard to the credit claims of Group companies). Moreover, from time to time, past and present directors, officers and employees may be involved in civil and/or criminal proceedings, the details of which the UniCredit Group may not lawfully know about or communicate.

The Group is also required to fulfil appropriately various legal and regulatory requirements in relation to certain aspects of its activity, such as conflicts of interest, ethical issues, anti-money laundering laws, US and international sanctions, client assets, competition law, privacy and information security rules and others. Actual or alleged failure to do so may lead to additional litigation and investigations and subject the Group to damages claims, regulatory fines, other penalties and/or reputational damages. In addition, one or more Group companies and/or their current and/or former directors are subject or may in the future be subject to investigations by the relevant supervisory or prosecutorial authority in a number of countries in which the Group operates. These include investigations and/or proceedings relating, *inter alia*, to aspects of systems and controls and instances of actual and potential regulatory infringement by the relevant Group companies and/or its clients. Given the nature of the UniCredit Group's business and its reorganisation over time there is a risk that claims or matters that initially involve one Group company may affect or involve other Group entities.

In many cases, there is substantial uncertainty regarding the outcomes of the proceedings and the amount of possible losses. Where it is possible to estimate reliably the amount of possible losses and the loss is considered likely to occur, provisions have been made in the financial statements to the extent the Guarantor, or any of the Group companies involved, deemed appropriate based on the circumstances of the case and in compliance with the International Accounting Standards (IAS).

To provide for possible liabilities and costs that may result from pending legal proceedings (excluding labour law and tax cases), as of 30 June 2019, the UniCredit Group set aside a provision for risks and charges of €718 million, of which €451 million for the Guarantor. As of 30 June 2019, the total amount of claimed damages relating to judicial proceedings other than labor, tax and debt collections proceedings was €11 billion, of which approximately €6.9 billion for the proceedings involving the Guarantor. This figure is affected by both the heterogeneous nature of the pending proceedings and the number of involved jurisdictions and their corresponding characteristics in which the UniCredit group is named as a defendant.

The estimate for reasonably possible liabilities and this provision are based upon information available as of 30 June 2019, however, given the many uncertainties inherent in legal proceedings, they involve significant elements of judgment. Therefore any provision may not be sufficient to meet entirely the legal costs and the fines and penalties that may result from pending legal actions.

With regard to criminal proceedings, note that at the date of this Offering Circular, certain entities within UniCredit Group and certain of its representatives (including those no longer in office), are involved in various criminal proceedings and/or, as far as the Guarantor is aware, are under investigation by the competent authorities with regard to various cases linked to banking transactions, including, specifically, in Italy, the offence pursuant to Article 644 (usury) of the Italian Criminal Code. At the date of this Offering Circular, these criminal proceedings have not had significant negative impacts on the operating results and capital and financial position of the Guarantor and/or the Group; however, there is the risk that if the Guarantor and/or other Group companies or their representatives (including ones no longer in office) were to be convicted, these events could have an impact on the reputation of the Guarantor and/or the Group.

Risks connected with Supervisory Authority measures

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

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

In particular, as at the date of this Offering Circular, the following is noted:

Bank of Italy inspections:

(a) In January 2019 the Bank of Italy launched an inspection related to "AML Anti Money Laundering", concluded in May 2019. The final results have not yet been notified to the Guarantor.

(b) In May 2019 the Bank of Italy launched a "General Inspection" of the Guarantor's subsidiary Cordusio SIM, which concluded in July 2019. The final results have not yet been notified to the Guarantor..

ECB inspections:

(a) In March 2018 the ECB announced an inspection related to "Credit Quality Review – Retail & SME-Portfolios" of the Guarantor and its subsidiaries in Italy. The inspection was launched in June 2018 and concluded in October 2018. The final results were notified in March 2019, highlighting some areas of improvement: (i) credit classification, (ii) forbearance granting and provisioning processes. The Guarantor has deliver a dedicated remediation plan to the ECB on 9 September 2019.

(b) In July 2018 the ECB announced an inspection related to the "Business Model" of the Guarantor. The inspection was launched in September 2018 and concluded in December 2018. The final results were notified to the Guarantor in June 2019, highlighting some areas of improvement: (i) FTP policy impacts, (ii) cost of equity model, (iii) distribution of investment products, (iv) cross-selling measurement, (v) corporate pricing process. The Guarantor has already started a remediation plan.

(c) In July 2018 the ECB announced an inspection dedicated to "IT Services". The inspection was launched in November 2018 and concluded in March 2019. The final results were notified in May 2019, highlighting some areas of improvement: (i) governance and IT risk control, with particular reference to outsourcing activities, (ii) risk control and risk assessment process. The Guarantor has already started a remediation plan.

(d) In October 2018 the ECB announced a TRIM – Targeted Review of Internal Models inspection related to "Counterparty Credit Risk". The inspection concluded in December 2018.The final assessment report did not report criticalities. The Guarantor is waiting for the final recommendation letter.

(e) As disclosed in November 2018, the ECB announced a TRIM – Targeted Review of Internal Models inspection related to "Credit Risk" with focus on MNC and Sovereign (PD and LGD models), including the assessment of a material model change on PD Multinational and PD Sovereign. The inspection was launched on 21 January 2019 and was concluded in April 2019. The assessment report was notified on 13 August 2019; the Guarantor is waiting for the final recommendation letter.

(f) In March 2019 the ECB announced an inspection dedicated to "Information Security". The inspection was launched in April 2019 and concluded in August 2019. The final results have not yet been notified to the Guarantor.

(g) In March 2019 the ECB announced an inspection dedicated to "Credit Lending Processing, Underwriting Standards and Delegations". The inspection was launched in May 2019 and concluded in July 2019. The final results have not yet been notified to the Guarantor.

(h) In March 2019 the ECB announced an inspection dedicated to "Business Model CIB". The inspection was launched in June 2019 and is ongoing.

(i) In March 2019 the ECB announced a TRIM – Targeted Review of Internal Models inspection related to "Credit Risk" with focus on Banks PD/LGD models and Group Wide EAD model, including the assessment of material model change on GW EAD model. The inspection was launched on 6 May 2019 and was concluded in July 2019. The final results have not yet been notified to the Guarantor.

(j) As disclosed in ECB "2019 Planned Supervisory Activities" sent in January 2019, the ECB announced a TRIM – Targeted Review of Internal Models inspection related to "Credit Risk" with focus on GLOBAL PROJECT FINANCE (GPF) PD/LGD models. The inspection was launched on 21 May 2019 and was concluded in July 2019. The final results have not yet been notified to the Guarantor .

With reference to the inspections which have already been completed or will be completed shortly, it cannot be excluded that the Supervisory Authority may request further interventions or proceed to further review of the actions taken

Consob:

On 13 June 2019, an ordinary inspection was launched in respect of the Guarantor in order to verify the conformity to the new regulation following the entry into force of MiFiD II with reference to the procedural features relating to product governance and to the procedures relating to the adequacy valuation.

European Commission:

On 31 January 2019 the Guarantor 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 extends to certain periods from 2007 to 2012, and includes alleged activities by one of the Guarantor's subsidiaries in a part of this period. The Statement of Objections does not prejudge the outcome of the proceeding; should the Commission conclude that there is sufficient evidence of an infringement, a decision prohibiting the conduct and imposing a fine could be adopted, with any fine subject to a statutory maximum of 10 per cent. of company's annual worldwide turnover.

The Guarantor and UCB AG had access to the entirety of the European Commission's file on the investigation from 15 February 2019 onwards. As a result of the assessment of the files, the Guarantor regards it no longer remote but possible, even though not likely, that a cash outflow might be required to fulfill a potential fine arising from the outcome of the investigation. On the basis of the current information, it is not possible to reliably estimate the amount of any potential fine at the present date.

The Guarantor and UCB AG have responded to the raised objections on 29 April 2019. Proceedings are ongoing. There is no legal deadline for the European Commission to complete antitrust inquiries.

On 11 June 2019, UCB AG and UniCredit Capital Markets LLC have been named, among other financial institutions, as defendants in a putative class action pending in the United States District Court for the Southern District of New York. The consolidated class action complaint 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. The consolidated class action complaint does not include a quantification of damages claimed. The proceedings are in their inception. Motions to dismiss, a procedural device contemplated by the United States Federal Rules of Civil Procedure which provides defendants with an opportunity to challenge the legal sufficiency of a complaint and present arguments that the complaint should be dismissed, are currently scheduled to be fully briefed by December 2019 and will include the argument that the complaint fails to state a claim.

Risks arising from tax disputes

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

As at 31 December 2018, the provisions for tax risks amounted to about €182.1 million (including provisions for legal expenses). As at 30 June 2019, due to the use of funds and to new provisions, the provisions amounted to €165.6 million, of which €6.5 million for legal expenses.In relation to the tax inspections which were concluded during the course of the financial year ended at 31 December 2018 are concerned, reference is made to paragraph "*Proceedings Related to Tax Matters*" of the Description of the Guarantor and the UniCredit Group.

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

Finally, it should be pointed out that in the event of a failure to comply with or a presumed breach of the tax law in force in the various countries, the UniCredit Group could see its tax-related risks increase, potentially resulting in an increase in tax disputes and possible reputational damage.

Pending cases arising during the period

In the first half of 2019 the Italian tax authorities have notified the following requests for information:

- to the Guarantor, two requests pursuant to Art.36-bis of D.P.R. 600/1973, regarding all the details of the computation of IRAP for the fiscal years 2010 and 2011. With respect to such fiscal years, the Guarantor had requested the refund of the IRAP tax paid with reference to certain dividends received, for €36.7 million (2010) and €34.7 million (2011);

- moreover, to the Guarantor, a request for information, pursuant to Art.36-bis of D.P.R. 600/1973, regarding certain amounts indicated in the 2015 IRAP tax return;

- to Bank Austria A.G., a request regarding income from capital of Italian source received from 2014 to 2018.

All the aforementioned requests were served in June 2019 and, as at 30 June 2019, responses are being prepared.

Moreover:

- to UCB AG, Italian branch, on 11 July 2019, the Italian tax authorities served a notice of assessment regarding VAT 2014 for a total amount of €14.5 million (€6 million for higher tax, €7.4 million for penalties and €1.1 million for interest). The deed follows a tax audit concluded in 2018 regarding the fiscal years 2013 and 2014. The remark pertains to the effects of the decision No. C-7/13 (Skandia) of the Court of Justice of the European Union. In accordance with the decision relating to the 2013 assessment, a claim with the Tax Court will be filed;

- pursuant to a decision of the Italian Supreme Court, which has referred the parties to the second degree Tax court, the Guarantor has been served with a request for payment of €0.48 million. Such request had been already notified and, therefore, it is a duplication. Subsequently, a claim with the Tax Court was filed and the litigation is pending.

Updates on pending disputes and tax audits

With reference to the first half of 2019, the following information is reported:

- with respect to the registration tax allegedly due for the registration of the rulings that had settled a number of opposition proceedings regarding the liability status of the "Costanzo Group" companies, the Italian tax authorities have recognised as not due an additional amount of the registration tax requested. Therefore, with reference to all the requests of payment notified, the tax requested is reduced to €12.05 million. Moreover, all the pending litigation has been decided by the second degree Tax Court in favour of the Guarantor. Currently, the legal terms for the filing of the claims with the Italian Supreme Court are pending;

- the notice of assessment regarding IRES 2013 referred to Pioneer Investment Management S.G.R.p.A., regarding transfer pricing issues, has been settled out of court, similarly to what happened with respect to previous fiscal years. The higher tax requested was equal to €4.4 million, plus interest, and the litigation has been settled by means of the payment of €2.34 million plus interest. No penalty has been applied since the Italian tax authorities have expressly recognized the compliance with the transfer pricing documentation regime;

- the Italian Supreme Court delivered a favourable decision for the Guarantor in relation to a notice of assessment regarding VAT 2000. The amount of such litigation is €6.7 million.

With reference to the settlement of pending tax litigation, provided for by Law Decree No.119/2018, the following information is reported:

- the Guarantor has settled pending litigation for a total amount of €54 million, by means of the payment of €2.1 million. The litigation which has been settled relates mainly to VAT and Corporate Income Tax;

- UniCredit Leasing S.p.A. has settled pending litigation for a total amount of €84.9 million, by means of the payment of €3.7 million. The litigation which has been settled relates mainly to VAT and, for a small amount, to other indirect taxes and IRAP. Both for the Guarantor and for UniCredit Leasing S.p.A., the amounts paid were due to the fact that, for the most part, with respect to the litigation which has been settled, favourable decisions had already been issued.

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

On 14 December 2018, the Public Prosecutor of the Court of Tempio Pausania dismissed the Guarantor from the criminal proceedings it had initiated, as the alleged violation of Article 24-*ter* of Legislative Decree 231/2001 became time-barred.

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

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

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

The methodological approach adopted by the UniCredit Group in order to comply with Italian Law on the savings protection (Law no. 262/05) has been shared with the Internal Audit and has been inspired by the "Internal Control – Integrated Framework (CoSO Framework)" issued by *the Committee of Sponsoring Organizations of the Treadway Commission* (CoSo). It should be pointed out that any internal control system, even when aligned with the international best practices, such aforementioned CoSO Framework, cannot completely avoid the risk of frauds, errors, malfunctions or need for further improvements, that may ultimately affect the produced financial disclosure.

Risks connected with operations in the banking and financial sector

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

The international market for banking and financial services is an extremely competitive market and, in spite of geographical diversification, Italy is the main market in which the UniCredit Group operates.

With regard to this, note how the banking sector in Italy, as well as in Europe, is going through a consolidation phase featuring a high degree of competition due to the following factors: (i) the introduction and amendments of EU directives aimed at harmonizing the European Union banking sector and making it sounder; (ii) continuous evolving customer needs; (iii) the advance of services with a strong element of technological innovation, such as internet banking and mobile banking; and (iv) the influx of new competitors, and other factors not necessarily under the Group's control. Furthermore, a deterioration of macroeconomic conditions could result in greater competitive pressure due to factors such as increased pressure on prices and lower business volumes.

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

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

The banking and financial sector is influenced by the uncertainties surrounding the stability and overall situation of the financial markets. In spite of the various measures adopted at European level, international financial markets continue to record high levels of volatility. Therefore, a further worsening of the economic situation or a return to tensions over the European sovereign debt could have a significant impact on both the recoverability and measurement of debt securities held and the liquidity of the Group's customers which are holders of these instruments, resulting in major negative effects on the operating results and capital and financial position of the Guarantor and/or the Group.

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

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

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

Deposit Guarantee Scheme and Single Resolution Fund

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

In relation to the contribution obligations described below, such schemes have led to expenses during the period and will result in expenses in future periods as ordinary contribution scheme and potential extraordinary contributions:

- With the introduction of the BRRD, the Regulation on the Single Resolution Mechanism (Regulation (EU) No.806/2014 of the European Parliament and of the Council dated 15 July 2014) established a framework for the recovery and resolution of crises in credit institutions, by setting up a single resolution committee and a single resolution fund for banks (Single Resolution Fund, SRF). The Regulation provides for the launch of a compulsory contribution mechanism that entails the collection of the target level of resources by 31 December 2023, equal to 1 per cent. of the covered deposits of all the authorised institutions acting in the Banking Union. The accumulation period may be extended for a further four years if the funding mechanisms have made cumulative disbursements for a percentage higher than 0.5 per cent. of the covered deposits. If, after the accumulation period, the available financial resources fall below the target level, the collection of contributions shall resume until that level has been recovered. Additionally, having reached the target level for the first time and, in the event that the available financial resources fall to less than two thirds of the target level, these contributions are set at the level which allows the target level to be reached within a period of six years.

  The contribution mechanism provides for ordinary annual contributions, with the aim of distributing the costs evenly over time for the contributing banks, and extraordinary additional contributions, of up to three times the expected annual contributions, when the available financial resources are not sufficient to cover the losses and costs of the interventions. A transitional phase of contributions to the national compartments of the SRF and a progressive mutualisation of these are expected

- Directive 2014/49/EU of 16 April 2014, in relation to the deposit guarantee funds ("**DGS**"), aims to enhance the protection of depositors through the harmonisation of the related national legislation. This Directive provides for the launch of a mandatory national contribution mechanism that will allow a target level of 0.8 per cent. of the amount of its members' covered deposits to be collected by 3 July

2024. The contribution resumes when the financing capacity is below the target level, at least until the target level is reached. If, after the target level has been reached for the first time, the available financial resources have been reduced to below two thirds of the target level, the regular contribution shall be set at a level to achieve the target level within six years.

The contribution mechanism provides for ordinary annual contribution instalments, with the aim of distributing the costs evenly over time for the contributing banks, and also extraordinary contributions, if the available financial resources of a DGS are insufficient to repay depositors; the extraordinary contributions cannot exceed 0.5 per cent. of covered deposits per calendar year, but in exceptional cases and with the consent of the competent authority, the DGS may demand even higher contributions.

Directives No.49 and No.59 specify the possibility of introducing irrevocable payment commitments as an alternative to collection of fund contributions lost through cash, up to a maximum of 30 per cent. of the total resources target.

The Group contributions to the SRF and DGS, harmonised and non-harmonised, respectively equal to €401 million (of which €185 million from the Guarantor) and €84 million (the cost for the Guarantor at 30 June 2019 is nil, since the obligation towards Fondo Interbancario di Tutela dei Depositi for yearly ordinary contribution arises in the third quarter of each year.

With reference to Directive No.59 (SRF contributions), ordinary contribution sum up to €370 million, extraordinary ones to €50 million (entirely from the Guarantor).

- Specifically referring to the Guarantor, for the years 2015, 2016, 2017 and 2018 ordinary contributions have been respectively €73 million, €107 million, €109 million and €140 million. In its capacity as National Resolution Authority ("**NRA**"), the Bank of Italy, with its Provisions dated 21 November 2015, approved by the Italian Minister of Economy and Finance on 22 November 2015, ordered the launch of a resolution programme (for Banca delle Marche, Banca Popolare dell'Etruria e del Lazio, Cassa di Risparmio di Ferrara, Cassa di Risparmio della Provincia di Chieti). In particular, this related to a restructuring process which resulted in the separation of the non-performing assets of the four banks concerned, which flowed into a “bad bank”, from the rest of the assets and liabilities, that flowed into four new “bridge banks”, held to be sold through a competitive selling procedure on the market. As a result of this intervention, the aforementioned ministerial measures led to a request for extraordinary contributions for 2015, in accordance with Directive 59, established at the maximum rate of three times the ordinary contribution due for 2015. Therefore, the Guarantor made an extraordinary contribution of €219 million (equal to 3 times the ordinary annual contribution due in 2015 for the Single Resolution Fund). Further the Italian Legislative Decree 183/2015 (converted into Law 208/2015) also introduced an additional payment commitment for 2016, due to the National Resolution Fund, for the payment of contributions of up to twice the ordinary contribution quotas to the Single Resolution Fund, which could be activated if the funds available to the National Resolution Fund net of recoveries arising from the disposal transactions carried out by the Fund from the assets of the four banks mentioned above were not sufficient to cover the bonds, losses and costs payable by the Fund in relation to the measures provided for by the Provisions launching the resolution. In application of this faculty, in December 2016 additional €214 million (two times the ordinary contribution) have been requested by the Bank of Italy and posted into the Guarantor's profit and loss and subsequently paid during 2017. The liquidity needed to fund this intervention was provided through a loan in which the Guarantor participated.

In particular, the intervention of the Guarantor entailed:

- the provision of a loan in favour of the National Resolution Fund for about €783 million (portion of a total loan of €2,350 million disbursed together with other banks), fully repaid on 21 December 2015 through the liquidity inflow from the ordinary and extraordinary contributions of 2015;
- the provision of a further tranche of the loan in favour of the National Resolution Fund for a numina equal to €516 million (portion of a total loan of €1,550 million disbursed together with other banks) and the payment commitment to the National Resolution Fund for an amount of €33 million (portion of a total commitment of €100 million for a further tranche of the loan together with other banks), both closed in June 2017;
- the provision of a loan in favour of the National Resolution Fund for about €210 million (portion of a total loan of €1,240 million disbursed together with other banks) maturing in 2021.

In respect of the loan and the commitment, Cassa Depositi e Prestiti has assumed a commitment of financial support in favour of National Resolution Fund in the event of insufficient liquidity to the date of loan maturity, while awaiting that the National Resolution Fund finds the necessary resources through ordinary and/or extraordinary contributions.

For facing the reimbursement commitments of capital and interests' payment, in 2018 €52 million and in 2019 €50 million were required as extraordinary contributions.The instrument of the irrevocable payment commitments has been used by the Guarantor and its subsidiary UCB AG for an amount equal to 15 per cent. of full contributions paid in May 2016, resulting in the payment of guarantees in the form of cash amounting respectively to €16 million and €12 million. Referring to ordinary contribution for 2017, 2018 and 2019, only UCB AG has adopted this faculty for an amount of respectively €14 million, €16 million and €18 million. The cash collateral has been recognised in the balance sheet as an asset and its contractual characteristics have been taken into account in its measurement. With reference to ordinary contribution for the years 2017, 2018 and 2019 the Guarantor has not adopted this faculty. In the first half of 2019, the Guarantor has voluntary converted into effective contribution the irrevocable payment commitment originated in 2016, equal to €16 million. With reference to Directive No.49 (DGS contribution), the entire amount refers to ordinary contribution.

Referring to ordinary contribution for 2019, UCB AG has adopted irrevocable payment commitments for €17 million for which the collateral has been recognised in the balance sheet as an asset and its contractual characteristics have been taken into account in its measurement.

Voluntary Scheme

The Guarantor and its former subsidiary, FinecoBank S.p.A. ("**Fineco**"), joined the voluntary scheme (the "**Voluntary Scheme**"), introduced by the FITD in November 2015 through a change to its by-laws with appropriate modification of its statute. Following Fineco's exit from the UniCredit Group in May 2019, the disclosure of participation in the Voluntary Scheme at 30 June 2019 only referred to the Guarantor.

The "*Schema Volontario*" is an instrument for the resolution of bank crises through support measures in favour of its member banks, if specific conditions laid down by the legislation occurring. The "*Schema Volontario*" has an independent funding and the participating banks are committed to supply the relevant resources upon demand, when resources are needed to fund interventions.

The "*Schema Volontario*", as a private entity, has provided in April 2016 the restructuring of the support of the action that FITD had operated in July 2014 in favour of Bank Tercas, operation that generated no further charges for participating banks. Subsequently, the participating size of the "*Schema Volontario*" was increased up to €700 million (of which €127 million from the UniCredit Group, of which €110 million referred to the Guarantor).

In this context, on June 2016 the "*Schema Volontario*" approved an action in support of Cassa di Risparmio di Cesena (CariCesena), in relation to a capital increase approved by the same bank on 8 June 2016 for €280 million (commitment relating to the Guarantor amounted to €44 million). On 30 September 2016 this commitment has been converted into a monetary payment which has led to the recognition of capital instruments classified, on the basis of the pre-existing accounting standard IAS39, as "available for sale" for €44 million (consistent with the monetary payment). Update of evaluation of the instruments as at December 2016, according to an internal evaluation model based on multiples of a banking basket integrated with estimates on Cassa di Risparmio di Cesena's credit portfolio and related equity/capital needs, has brought to full impairment of the position. In September 2017, to face Credit Agricole CariParma intervention in favour of CariCesena, Cassa di Risparmio di Rimini (Carim) and Cassa di Risparmio di San Miniato (Carismi) (based on a capital increase for €464 million and subscription of bonds from NPL securitisation of these banks for €170 million), the Fund has increased its capital endowment till to €795 million (share of total investments attributable to the Guarantor equal to approximately €125 million). Further in the same month, the Guarantor paid €9 million to the Fund in respect of the part of the intervention related to the capital increase of Carim and Carismi. During December 2017, the Guarantor paid the remaining €72 million (€45 million referred to capital increase of the banks and €27 million to the subscription of securitizations). Following these events, UniCredit Group's residual commitment towards "*Schema Volontario*" substantially nil.

All payments referred to capital increase of the banks have brought to the recognition of capital instruments classified, on the basis of the pre-existing accounting standard IAS39, as "available for sale" for the amount of €54 million entirely cancelled in 2017 Financial Statements due to the sale of the banks to Credit Agricole CariParma at a symbolic price.

Regarding the portion of investment referred to subscription of "*Schema Volontario*" of Junior and Mezzanine quotes of the securitisation, initial value €27 million has been rectified in 2017 to reflect fair value valuation declared by the "*Schema Volontario*" €4.4 million for the Guarantor, as resulting from analysis conducted by the advisors in charge for the underlying credits evaluation, conducted according to a Discounted Cash Flow model based on recovery plans elaborated by SPV's special servicer.

Following the update of the assessment received from "*Schema Volontario*" (supported by the analysis of the appointed advisor), at 31 December 2018 a further impairment of €1.2 million was recognised. Valuation has been updated as at 30 June 2019, thus resulting in a further impairment of €0.3 million for the Guarantor.

On 30 November 2018, the Shareholders' Meeting of the "*Schema Volontario*" decided to intervene in favour of Banca Carige S.p.A. by subscribing a Tier 2 subordinated loan (for a maximum amount of €320 million) issued by Banca Carige S.p.A. and intended for conversion into capital to the extent necessary to allow an expected capital increase of €400 million.

On the same date, within the framework of the agreement stipulated with the "*Schema Volontario*", Banca Carige S.p.A. has placed bonds for €320 million, of which €318.2 million subscribed directly through the same "*Schema Volontario*". The bonds were issued at par (100 per cent. of the nominal value), with a fixed rate coupon of 13 per cent. and a maturity of 10 years (maturity 30 November 2028).

Given the failure to provide, by 22 December 2018, by the Extraordinary Shareholders' Meeting of Banca Carige S.p.A. of the delegation to the Board of Directors, also pursuant to art.2443 of the Civil Code, to increase by payment the share capital for a maximum total amount, including share premium, of €400 million, with retroactive effect, starting from the date of issue, interests on the principal amount of outstanding bonds from time to time, mature at a nominal fixed rate of 16 per cent.

With reference to the intervention in favour of Banca Carige S.p.A., the Guarantor's contribution to the "*Schema Volontario*" at the recognition date amounts to approximately €53 million, and it has been identified as a financial instrument classified, on the basis of the existing accounting standard IFRS9, under item "20.c) Financial assets mandatorily at fair value through profit or loss".

Considering the various options relating to the solution of Banca Carige and since no market valuations or prices of comparable securities are available, at 30 June 2019 the fair value of the instrument for the Guarantor has been determined according to internal models (Market Multiples and Multi Scenario Analysis) amounting to €11 million.

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

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

The UniCredit Group is exposed, like other parties operating in the banking sector, to the effects of the entry into force and subsequent application of new accounting principles or standards and regulations and/or changes to them (including those resulting from IFRS as endorsed and adopted into European law). Specifically, in 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 this regard, an important change was introduced on 1 January 2018 following the coming into force of IFRS 9 "Financial Instruments". With mandatory date of effectiveness on 1 January 2018, it should be noted that the new accounting standard:

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

- requires the classification of the equity instruments at fair value either through profit or loss or through "other comprehensive income". In this second case, unlike previous requirements for available for sale assets set by IAS39, IFRS9 has eliminated the request to recognise impairment losses and provide for, in case of disposal of the instruments, the gain or losses from disposal shall be recycled to other equity reserve and not to profit and loss accounts;

- introduces a new accounting model for impairment, based on expected losses approach substituting the current approach based on the incurred losses;

- works on the hedge accounting model rewriting the rules for the designation of a hedge accounting relationship and for the verification of its effectiveness in order to achieve a stronger alignment between the hedge accounting treatment and the underlying risk management logic. It should be noted that the principle allows the entity to make use of the possibility to continue to apply IAS39 hedge accounting rules until the IASB has completed the project on definition of macro-hedging rules[4];

- has introduced guidelines that clarify when financial instruments shall be written off by specifying that the write - off constitutes an event of accounting derecognition; and

- changes the accounting treatment of "own credit risk", in other words changes in the fair value of issued debt liabilities that are designated at fair value attributable to changes of the own credit spread. The new accounting standard requires that these changes shall be recognised in a specific equity reserve, rather than to the income statement, as requested under IAS39, therefore removing a volatility source from the economic results.

The adoption of IFRS9 has determined, as at 1 January 2018:

- an overall negative effect on consolidated net equity for an amount of -€3,535,207 thousand, net of taxes (-€3,708,885 thousand gross of taxes);

- an overall negative effect on the CET1 Capital ratio[5], fully loaded, equal to -99 bps[6] -104 bps[7] gross of taxes;

- the increase of loan loss provisions to an amount equal to €31,002,599 thousand.

In addition to the above for IFRS 9, the International Accounting Standards IFRS15 "Revenues from contracts with customers" and IFRS16 "Leases" are reported.

IFRS15, effective from 1 January 2018 and endorsed by the European Union with Regulation EU 2016/1905 of 22 September 2016 (published on 29 October 2016), modifies the current set of international accounting principles and interpretations on revenue recognition and, in particular, IAS18.

---

4 The Group has exercised the option to continue applying the existing IAS39 hedge accounting requirements for all its hedging relationships until the IASB completes the project on accounting for macro-hedging.

5 The UniCredit Group has decided not to apply IFRS9 transitional approach as reported in article 473a of the CRR. Therefore, the cacluation of Own Funds, capital absorption, capital ratios and leverage fully reflects the impact arising from the application of the IFRS9 principle.

6 Considering tax impact (as calculated as at 1 January 2018) and First Time Adoption (FTA) related effects on loans and Deferred Tax Assets Risk weighted assets.

7 Considering FTA related effects on loans Risk weighted assets.

IFRS15 provides for:

- two approaches for the revenue recognition ("point in time" or "over time") depending on the nature of the performance obligation;
- a new model for the analysis of the transactions ("Five steps model") focalised on the transfer of control; and
- the request for a more detailed disclosure to be included in the explanatory notes to the financial statements.

The adoption of the new accounting standard might determine (i) reclassification between lines of income statement used for presenting revenues, (ii) change in the timing recognition of such revenue, when the contract with the customer contains several performance obligation that must be accounted for separately under the accounting standard, (iii) different measure of the revenue so to reflect their variability. Based on the analysis performed no major impacts have been detected by adoption of IFRS15 on current economics and financial volumes.

IFRS16, effective starting from 1 January 2019, has been endorsed by the European Union with Regulation EU 2017/1986 of 31 October 2017 (published on 9 November 2017) and modifies the current set of international accounting principles and interpretations on leases and, in particular, IAS17.

IFRS16 introduces a new definition for leases and confirms the current distinction between two types of leases (operating and finance) with reference to the accounting treatment to be applied by the lessor. With reference to the accounting treatment to be applied by the lessee, the new accounting standard sets, for all the leasing typologies, the recognition as an asset, representing the right of use of the underlying asset and, at the same time, a liability reflecting the future payments of the lease contract.

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

The adoption of IFRS16 determined, as at 1 January 2019 (a) an increase of the Group total assets and liabilities in the range of 0.3 per cent., (b) an effect on Group CET1 ratio in the range of -0.1 per cent., gross of tax effect.

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

Risks connected with the political and economic decisions of EU and Eurozone countries and the United

Kingdom leaving the European Union (Brexit)

On 29 March 2017, the UK delivered to the European Council notice of its intention to withdraw from the EU, pursuant to Article 50 of the Treaty on the European Union. The delivery of such notice started a two - year period of negotiations with the EU on the terms of the UK withdrawal and of its future relationship with the EU (the "**Article 50 Withdrawal Agreement**"). The UK and the European Council have agreed to extend this period of Article 50 negotiations until 31 October 2019.

If the parties fail to reach an agreement within this time frame, all EU treaties will cease to apply to the UK, unless the European Council, in agreement with the UK, unanimously decides to extend this period again or the UK decides to revoke Article 50 and remain in the EU. As part of those negotiations, a transitional period has been agreed in principle which would extend the application of EU law, and provide for continuing access to the EU single market, until the end of 2020. However, it is subject to ratification by the UK Parliament, the European Parliament and the European Council and, so far, the UK Parliament has rejected the withdrawal agreement. There are a number of uncertainties in connection with the Brexit process, including the timing and the future of the UK's relationship with the EU. It therefore remains uncertain whether the Article 50 Withdrawal Agreement will be finalised and ratified by the UK and the EU ahead of the 31 October 2019 deadline.

In addition, the UK's decision to withdraw from the EU has also given rise to calls for the governments of other EU member states to consider withdrawal. These developments, or the perception that any of them could occur, have had and may continue to have a material adverse effect on global economic conditions and the stability of global financial markets, and may significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets, which could in turn depress economic activity and restrict the access to capital of the Guarantor. Until the terms and timing of the UK's exit from the EU are clearer, it is not possible to determine the impact that the UK's departure from the EU and/or any related matters may have on the stability of the Eurozone or the European Union and, ultimately, on the business of the Group. As such, no assurance can be given that such matters would not adversely affect the Group, its business prospects, its financial condition, its results of operations, the ability of the Guarantor to satisfy the relevant obligations under the Guarantee and/or the market value and/or the liquidity of the Notes in the secondary market.

Forthcoming regulatory changes

In addition to the substantial changes in capital and liquidity requirements introduced by Basel III and the CRD IV Package, there are several other initiatives, in various stages of finalisation, which represent additional regulatory pressure over the medium term and will impact the EU's future regulatory direction.

On 9 November 2015, the FSB published its final Total Loss-Absorbing Capacity ("**TLAC**") Principles and Term Sheet, proposing that G-SIBs maintain significant minimum amounts of liabilities that are subordinated (by law, contractually or structurally) to liabilities excluded from TLAC, such as guaranteed insured deposits, derivatives, etc. and which forms a new standard for G-SIBs. The TLAC Principles and Term Sheet contains a set of principles on loss absorbing and recapitalisation capacity of G-SIBs in resolution and a term sheet for the implementation of these principles in the form of an internationally agreed standard. The FSB will undertake a review of the technical implementation of the TLAC Principles and Term Sheet by the end of 2019. The TLAC Principles and Term Sheet require a minimum TLAC requirement for each G-SIB at the greater of (a) 16 per cent. of RWA from 1 January 2019 and 18 per cent. from 1 January 2022, in both cases, in addition to the combined buffer requirement, and (b) 6 per cent. of the Basel III Tier 1 leverage ratio exposure from 1 January 2019, and 6.75 per cent. from 1 January 2022, in each case, in addition to the combined buffer requirement. For the Guarantor, the combined buffer requirement as 30 June 2019 is 3.57 per cent., including a countercyclical capital buffer of 0.07 per cent. a G-SIB buffer of 1 per cent. and embedding the fully loaded Capital Conservation Buffer of 2.5 per cent., leading the TLAC requirement on RWA to 19.57 per cent. and 21.57 per cent., respectively, as of 1 January 2019 and as of 1 January 2022.

The TLAC standards are implemented in the EU through amendments to the CRR as included in the CRR II Regulation, which was voted by the EU Parliament in April 2019 and published in the Official Journal of the European Union on 7 June 2019 and entered into force on 27 June 2019.

Based on the most recently updated FSB list of G-SIBs published in November 2018 (updated annually), the UniCredit Group is a G-SIB included in bucket 1 and it will be subject to the TLAC requirements when they will enter into force and become applicable.

On 23 November 2016, the European Commission released a package of proposals to amend the CRD IV Directive and the CRR (such proposals in their final forms, the "**CRD Reform Package**") and also the BRRD and the SRM Regulation (such proposals to the BRRD and the SRM (in their final form), together with the CRD Reform Package, the "**Risk Reduction Measures Package**" or "**RRM**"), which proposals were subsequently amended during the approval process prior to formal approval of the final text by the European Council in May 2019. The final text was published in the Official Journal of the European Union on 7 June 2019 and entered into force on 27 June 2019. Among other things, these proposals aim to implement a number of new Basel standards (such as the leverage ratio, the net stable funding ratio, market risk rules and requirements for own funds and eligible liabilities) and to transpose the FSB's TLAC termsheet into European law. Changes to the CRR will become directly applicable to the UniCredit Group. On the other hand, the CRD IV Directive amendments and the amendments to the BRRD will need to be transposed into Italian law within 18 months before taking effect. See "*The bank recovery and resolution directive is intended to enable a range of actions to be taken in relation to credit institutions and investment firms considered to be at risk of failing. The taking of any such actions (or the perception that the taking of any such action may occur) could materially adversely affect the value of the Notes and/or the rights of Noteholders*" below for further details on the implementation of TLAC in the EEA through changes to the BRRD.

The Impact Assessment accompanying the CRD Reform Package, carried out by the European Commission, highlights that implementing the proposed amendments would ensure that EU institutions would (i) be better capitalized (ii) have more stable sources of funding (iii) not have excessively leveraged balance sheets and (iv) be resolved more effectively. It cannot be excluded that under the envisaged new requirements, credit institutions shall be required to raise additional funds, raise additional stable funding or change the maturity structure of their assets. Changes in the requirements could also lead to one–off costs due to changes to reporting systems.

Moreover, it is worth mentioning that the BCBS has embarked on a very significant RWA variability agenda. This includes the Fundamental Review of the Trading Book, revised standardised approaches (credit, counterparty credit, market, operational risk), constraints to the use of internal models as well as the introduction of a capital floor. The regulator's primary aim is to eliminate unwarranted levels of RWA variance, to improve consistency and comparability across banks. The finalisation of the new framework was completed in respect of market risk in 2016, and in respect of credit risk and operational risk, in December 2017, but a number of elements of the market risk framework or so-called "Fundamental Review of the Trading Book" were revised in January 2019. It is designed to enhance the robustness and risk sensitivity of the standardised approach, constrain the use of internally modelled approaches and complement the risk-weighted capital ratio with a finalised leverage ratio (including an additional G-SIB buffer requirement) and a revised and robust capital floor. The EU is expected to implement these standards by way of new changes to the CRR (the CRR II) which are expected to be proposed not before the summer of 2020.

In 2016, the ECB began a review of the internal rating models authorised for calculating capital (the Targeted Review of Internal Models, referred to as "**TRIM**"), with the objective of ensuring the adequacy and comparability of the models given the highly fragmented nature of Internal Ratings-Based systems used by banks, and the resulting diversity in measurement of capital requirements. The review covers credit, counterparty and market risks. The TRIM is structured in two stages, with an institution-specific review commenced in 2016 and a model specific review in 2017 and 2018/2019. In stage one, the ECB reviewed governance relating to the Guarantor's IRB models as well as model mapping priorities, based on a sample of five "high default" portfolios. The Guarantor is involved in on-site inspections in connection with stage two of the TRIM. This second stage is focussing on high default portfolio models in 2017 and low default portfolio models in 2018/2019.

In March 2015, the EBA undertook the revision of some specific aspects of the RWA internal models, encouraging a major convergence between European banking supervision practices. The EBA has finalised the regulatory standards for the Internal Rating Based methodology and the Guidelines on the new Definition of Default, while final Guidelines on Probability of Default and the Loss Given Default estimation and treatment of defaulted assets were published in November 2017 and further enriched in 2019. Based on the EBA's proposal, the rules for internally estimating the LGD would become significantly tighter. The implementation of all the proposed changes is expected by January 2021 Last November, EBA also published regulatory standards for the nature, severity and duration of an economic downturn for estimating the LGD and conversion factors in the IRB approach. Finally, in March 2019 EBA issued the Guidelines for the quantification of the LGD in an economic downturn. These Guidelines conclude EBA's review of the IRB approach.

Due to the wide undergoing revision by global and European regulators and supervisors, the internal models are expected to be subject to either changes or withdrawal in favor of a new standardised approach, which is also under revision. The regulatory changes will impact the entire banking system and could lead to changes in the measurement of capital (although they will become effective after the time frame covered by the Strategic Plan, from 2022).

There can be no assurance that the implementation of the new capital requirements, standards and recommendations described above will not require the Guarantor to issue additional securities that qualify as regulatory capital, to liquidate assets, to curtail business or to take any other actions, any of which may have adverse effects on the Guarantor's business, financial condition and results of operations. Furthermore, increased capital requirements may negatively affect the Guarantor's return on equity and other financial performance indicators.

ECB Single Supervisory Mechanism

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

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

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

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

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

The Guarantor is subject to various resolution powers and tools provided for in the BRRD.

On 2 July 2014, the BRRD entered into force and Member States were expected to implement the majority of its provisions. On 23 November 2016, the European Commission published a proposal to amend certain provisions of the BRRD (the "**BRRD Reforms**") as part of the Risk Reduction Measures Package. The proposal included an amendment to Article 108 of the BRRD aimed at further harmonising the creditor hierarchy as regards the priority ranking of holders of bank senior unsecured debt in resolution and insolvency. A new class of so called "senior non-preferred debt" was proposed to be added that would have been eligible to meet TLAC and MREL requirements, being senior to all subordinated debt, but junior to ordinary unsecured senior claims. These changes to Article 108 were taken out of the general revision of the BRRD and were separately enacted on 12 December 2017 by (EU) Directive 2017/2399, requiring Member States to implement them in the national legislation by 29 December, 2018.

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

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

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

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

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

Under the BRRD, the target level of the National Resolution Funds is set at national level and calculated on the basis of deposits covered by deposit guarantee schemes. Under the SRM, the target level of the SRF is European and is the sum of the covered deposits of all institutions established in the participating Member States. This results in significant variations in the contributions by the banks under the SRM as compared to the BRRD. As a consequence of this difference, when contributions would have been paid based on a joint target level starting as of 2016, contributions of banks established in Member States with a high level of covered deposits could abruptly have decreased, while contributions of those banks established in Member States with fewer covered deposits could abruptly have increased. In order to prevent such abrupt changes, the Council Implementing Act provides for an adjustment mechanism to remedy these distortions during the transitional period by way of a gradual phasing in of the SRM methodology.

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

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

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

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

Guarantee.

In addition to the capital requirements under CRD IV, the BRRD introduces requirements for banks to maintain at all times a sufficient aggregate amount of own funds and eligible liabilities (the "**Minimum Requirement for Own Funds and Eligible Liabilities**, **MREL**"). The aim is that the minimum amount should be proportionate and adapted for each category of bank on the basis of their risk or the composition of their sources of funding and to ensure adequate loss absorption capacity and recapitalisation to continue exercising critical functions post resolution. On 23 May 2016, based on the draft regulatory technical standards submitted by EBA, the European Commission adopted Commission Delegated Regulation (EU) 2016/1450, supplementing BRRD, that specifies the criteria which further define the way in which resolution authorities/the SRB shall calculate MREL, as described in article 45(6) of the BRRD. Article 8 of the aforementioned regulation provides that resolution authorities may determine an appropriate transitional period for the purposes of meeting the full MREL requirement.

The BRRD does not foresee an absolute minimum, but attributes the competence to set a minimum amount for each bank to national resolution authorities (for banks not subject to supervision by the ECB) or to the Single Resolution Board (the "**SRB**") for banks subject to direct supervision by the ECB. As from 1 January 2016, the resolution authority for the Guarantor is the SRB, so that the Guarantor is subject to the authority of the SRB for the purposes of determination of its MREL requirement. The SRB has indicated that it took core features of the TLAC standard into account in its 2016 MREL decisions and also that it may make decisions on the quality (in particular a subordination requirement) for all or part of the MREL. The SRB had targeted the end of 2017 for calculating binding MREL targets at the consolidated level of all banking groups under its remit. In May 2018, an MREL requirement, binding from March 2020, has been received from the SRB and the Bank of Italy, equal to 11.74 per cent. of Total Liabilities and Own Funds (TLOF), which is equivalent to 26.03 per cent. of RWAs as of 31 December 2016. Indeed, the requirement was determined in line with the SRB MREL Policy for 2017, on the basis of figures at 31 December 2016 and applying the 2016 SREP Pillar 2 Capital Requirement of 2.5 per cent. This requirement, adjusted for the reduction of the Pillar 2 Capital Requirement from 2.5 per cent. to 2 per cent. as per the latest SREP (2018), is already factored in within the Group 2017-19 Multi Year Funding Plan. An updated requirement is expected to be communicated in 2019 according to the "2018 SRB Policy for the second wave of resolution plans". MREL decisions for subsidiaries will be made in a second stage, based on, among other things, their individual characteristics and the consolidated level which has been set for the group.

On 23 November 2016, the European Commission proposed revisions to the CRR, to the CRD IV as well as to the BRRD, all being part of the Risk Reduction Measures Package. A final version of the RRM texts was approved by the European Council in May 2019 and the final text was published in the Official Journal of the European Union on 7 June 2019 and entered into force on 27 June 2019. Among other things, the RRM aims at implementing TLAC and ensuring consistency, where appropriate, of MREL with TLAC. These reforms introduce a minimum harmonised MREL requirement (also referred to as a "**Pillar 1 MREL requirement**") applicable to G-SIIs (such as the Guarantor), to be satisfied only with Own Funds and eligible liabilities subordinated to excluded liabilities (even if, under specific conditions, part of the requirement may be satisfied with non subordinated liabilities). In addition, all EU banks will be required to comply with a bank specific (in terms of calibration) MREL requirement (a "**Pillar 2 MREL requirement**"), which can be satisfied also through the use of non subordinated liabilities, for the amount exceeding a minimum subordination level equal to 8 per cent. of TLOF (Total Liabilities and Own Funds) and applicable to G-SIBs and "Top Tier" banks (assets > €100 billion) only. However, if a bank is identified among the "riskiest" EU institutions", the Resolution Authority can decide to discretionally raise the applicable subordination requirement beyond the minimum level, in any case subject to the resolution authority assessment and determination.

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

Implementation of the BRRD in Italy

The BRRD has been implemented in Italy through the adoption of two Legislative Decrees by the Italian Government, namely Legislative Decrees No. 180/2015 and 181/2015 (together, the "**BRRD Decrees**"), both of which were published in the Italian Official Gazette (*Gazzetta Ufficiale*) on 16 November 2015. Legislative Decree No. 180/2015 is a stand-alone law which implements the provisions of BRRD relating to resolution actions, while Legislative Decree No. 181/2015 amends the existing Banking Law (Legislative Decree No. 385 of 1 September 1993, as amended) and deals principally with recovery plans, early intervention and changes to the creditor hierarchy. The BRRD Decrees entered into force on the date of publication on the Italian Official Gazette (i.e. 16 November 2015), save that: (i) the general bail-in tool applied from 1 January 2016; and (ii) a "depositor preference" granted for deposits other than those protected by the deposit guarantee scheme and excess deposits of individuals and SMEs is effective from 1 January 2019.

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

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

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

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

In particular, there remains uncertainty as to how or when the general bail-in tool (in respect of the Guarantee of the Notes) may be used and how it would affect the Guarantor, the UniCredit Group and the Guarantee of the Notes. Although there are proposed pre-conditions for the exercise of the general bail-in tool (in respect of the Guarantee of the Notes), there remains uncertainty regarding the specific factors which the SRB would consider in deciding whether to exercise the general bail-in tool (in respect of the Guarantee of the Notes). In particular, in determining whether an institution is failing or likely to fail, the SRB shall consider a number of factors, including, but not limited to, an institution's capital and liquidity position, governance arrangements and any other elements affecting the institution's continuing authorisation. Moreover, as the final criteria that the SRB would consider in exercising any general bail-in tool are likely to provide it with discretion, Noteholders may not be able to refer to publicly available criteria in order to anticipate a potential exercise of any such powers. Because of this inherent uncertainty, it will be difficult to predict when, if at all, the exercise of any bail-in tool by the SRB may occur which would result in a principal write-off or conversion to equity. The uncertainty may adversely affect the value of any investment in the Notes.

Also, certain provisions of the BRRD remain subject to regulatory technical standards and implementing technical standards to be prepared by the European Banking Authority. In addition to the BRRD, it is possible that the application of other relevant laws, the CRD IV and any amendments thereto or other similar regulatory proposals, including proposals by the FSB on cross-border recognition of resolution actions, could be used in such a way as to result in the claims under the Guarantee absorbing losses in the manner described above. Any actions by the SRB pursuant to the powers granted to it as a result of the transposition of the BRRD, or other measures or proposals relating to the resolution of financial institutions, may adversely affect the rights of holders of the Notes under the Guarantee, the price or value of an investment in the Notes and/or the Guarantor's ability to satisfy its obligations under the Guarantee of the Notes.

For further details on the risks relating to the BRRD, see also the risk factor entitled "*Risks Relating to the Notes - The Guarantee of the Notes may be subject to the exercise of bail-in powers*".

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

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

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

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

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

The European proposed financial transactions tax (the FTT)

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

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

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

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

Ratings

The Guarantor is rated by Fitch Italia S.p.A. ("**Fitch**"), by Moody’s Investors Service España, S.A. ("**Moody’s**") and by S&P Global Ratings Europe Limited ("**Standard & Poor’s**"), each of which is established in the European Union and registered under Regulation (EC) No. 1060/2009 on credit rating agencies as amended from time to time (the "**CRA Regulation**") as set out in the list of credit rating agencies registered in accordance with the CRA Regulation published on the website of the European Securities and Markets Authority pursuant to the CRA Regulation (for more information, please visit the ESMA webpage).

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

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

Risks Relating to the Notes

The following does not describe all the risks of an investment in the Notes. Prospective investors should consult their own financial and legal advisers about risks associated with investment in the Notes and the suitability of investing in the Notes in light of their particular circumstances.

There is no active trading market for the Notes.

The Notes are new securities which may not be widely distributed and for which there is currently no active trading market. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer and the Guarantor. Although application has been made for the Notes to be admitted to listing on the official list of the Luxembourg Stock Exchange and to trading on the Euro MTF, there is no assurance that such application will be accepted or that an active trading market will develop for the Notes. Accordingly, there is no assurance as to the development or liquidity of any trading market for the Notes. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have a severely adverse effect on the market value of the Notes.

The Notes may be redeemed prior to maturity.

In the event that the Issuer or the Guarantor, following a change in or amendment to applicable laws, would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Romania or the Republic of Italy or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes in accordance with (and as more fully described in) the Terms and Conditions of the Notes.

In addition the Terms and Conditions of the Notes provide that the Notes are redeemable at the Issuer's option and accordingly the Issuer may choose to redeem the Notes at times when prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the Notes.

The exercise of a Change of Control Put Option in respect of a significant number of the Notes may affect the liquidity of the Notes in respect of which such Put Option is not exercised and the occurrence of a change of control of the Issuer may result in the acceleration of other indebtedness of the Issuer

In the event that a Change of Control (as defined in the Terms and Conditions of the Notes) is triggered, each Noteholder may require the Issuer to redeem or, at the Issuer's option, procure the purchase of, all or part of its Notes at their principal amount together with any accrued and unpaid interest to (but excluding) the date of redemption. Depending on the number of Notes in respect of which such Put Option (as defined in the Terms and Conditions of the Notes) is exercised in conjunction, if applicable, with any Notes purchased by the Issuer and cancelled, any trading market of the Notes in respect of which such Put Option is not exercised may become less liquid or illiquid. Any such reduction in liquidity may adversely affect the market value of the Notes. In addition, investors may not be able to reinvest the money they receive upon such early redemption in securities with the same yield as the redeemed Notes.

A change of control of the Issuer may also cause the acceleration of other indebtedness of the Issuer. In the event that a change of control of the Issuer resulted in the simultaneous acceleration of the majority or a significant part of the Issuer's outstanding debt, there may be a material adverse affect on the Issuer's financial condition.

Because the Global Notes are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer and/or the Guarantor.

The Notes will be represented by the Global Notes except in certain limited circumstances described in the Permanent Global Note. The Global Notes will be deposited with a common safekeeper for Euroclear and Clearstream, Luxembourg. Except in certain limited circumstances described in the Permanent Global Note, investors will not be entitled to receive definitive Notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by the Global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

The Issuer and the Guarantor will discharge their payment obligations under the Notes by making payments to or to the order of the common safekeeper for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Notes. The Issuer and the Guarantor have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the

Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Notes will not have a direct right under the Global Notes to take enforcement action against the Issuer or the Guarantor in the event of a default under the Notes but will have to rely upon their rights under the Trust Deed.

The Terms and Conditions of the Notes and the Trust Deed contain provisions which may permit their modification, including the substitution of the Issuer, without the consent of all investors and confer significant discretions on the Trustee which may be exercised without the consent of the Noteholders or Couponholders and without regard to the individual interests of particular Noteholders or Couponholders.

The Terms and Conditions of the Notes and the Trust Deed contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally, including *inter alia* the appointment of a representative of the Noteholders. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority. The meeting provisions are also subject to mandatory laws, rules and regulations of Romania in force from time to time.

The Terms and Conditions of the Notes and the Trust Deed also provide that the Trustee may, without the consent of Noteholders, agree to (i) the modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes (including the determination that any event of default or poternial event of default shall not be treated as such) or (ii) the substitution of the Issuer as the principal debtor in relation to the Notes, in the circumstances described in the Trust Deed and the Terms and Conditions of the Notes or (iii) amendments of a formal, minor or technical nature or is to correct a manifest error or to comply with mandatory provisions of law provided that in the case of (i) and (ii), the Trustee is of the opinion that to do so would not be materially prejudicial to the interests of Noteholders.

If a representative of the Noteholders were to be appointed and/or undertook steps otherwise than in accordance with the terms of the Trust Deed, there is uncertainty as to how the role of such representative would interact with the role of the Trustee under the Terms and Conditions of the Notes and the Trust Deed, and whether such role may overlap or conflict with the role of the Trustee. This uncertainty may impact the Trustee's actions on behalf of the Noteholders and/or prejudice the ability of the Noteholders to enforce their rights under the Notes.

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

The Terms and Conditions of the Notes are based on English law in effect as at the date of this Offering Circular, save that the contractual recognition of statutory bail-in powers are governed by, and shall be construed in accordance with, Italian law in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to English law or to Italian law or administrative practice after the date of this Offering Circular and any such change could materially adversely impact the value of any Notes affected by it.

The Guarantee of the Notes may be limited by applicable laws or subject to certain defences that may limit its validity and enforceability.

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

Enforcement of the Guarantee of the Notes is subject to the detailed provisions contained in the Trust Deed which include certain limitations reflecting mandatory provisions of Italian laws, such as that the payment obligations of the Guarantor under the Guarantee of the Notes shall at no time exceed EUR 330,000,000.

The Guarantee of the Notes may be subject to the exercise of bail-in powers.

The Guarantor is subject to various resolution powers and tools provided for in the BRRD.

On 2 July 2014, the BRRD entered into force and Member States were expected to implement the majority of its provisions. On 23 November 2016, the European Commission published the BRRD Reforms (as defined above) as part of the Risk Reduction Measures Package, which proposal was subsequently amended during the approval process prior to formal approval of the final text by the European Council in May 2019. The final text was published in the Official Journal of the European Union on 7 June 2019 and entered into force on 27 June 2019. The proposal included an amendment to Article 108 of the BRRD aimed at further harmonising the creditor hierarchy as regards the priority ranking of holders of bank senior unsecured debt in resolution and insolvency. A new class of so called “senior non-preferred debt” was proposed to be added that would have been eligible to meet TLAC and MREL requirements, being senior to all subordinated debt, but junior to ordinary unsecured senior claims. These changes to Article 108 were taken out of the general revision of the BRRD and were separately enacted on 12 December 2017 by (EU) Directive 2017/2399, requiring Member States to implement them in the national legislation by 29 December 2018. The BRRD provides resolution authorities with comprehensive arrangements to deal with failing banks at national level, as well as cooperation arrangements to tackle cross-border banking failures.

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

The BRRD contains four resolution tools and powers which may be used alone (except for the asset separation tool) or in combination with other resolution tools where the relevant resolution authority considers that (a) an institution is failing or likely to fail, (b) there is no reasonable prospect that any alternative private sector measures would prevent the failure of such institution within a reasonable timeframe and (c) a resolution action is in the public interest: (i) sale of business – which enables resolution authorities to direct the sale of the institution or the whole or part of its business on commercial terms; (ii) bridge institution – which enables resolution authorities to transfer all or part of the business of the firm to a "bridge institution" (an entity created for this purpose that is wholly or partially in public control); (iii) asset separation – which enables resolution authorities to transfer impaired or problem assets to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only); and (iv) bail-in – which gives resolution authorities the power to write down certain claims of unsecured creditors of a failing institution and to convert certain unsecured debt claims (including the Guarantee of the Notes) into shares or other instruments of ownership (i.e. other instruments that confer ownership, instruments that are convertible into or give the right to acquire shares or other instruments of ownership, and instruments representing interests in shares or other instruments of ownership) (the "**general bail-in tool**"). Such shares or other instruments of ownership could also be subject to any future application of the BRRD. A SRF (as defined above) was set up under the control of the SRB (as defined above). It will ensure the availability of funding support while the bank is resolved. It is funded by contributions from the banking sector. The SRF can only contribute to resolution if at least 8 per cent. of the total liabilities, including Own FFunds, of the bank have been bailed-in.

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

Under the BRRD, the target level of the National Resolution Funds is set at national level and calculated on the basis of deposits covered by deposit guarantee schemes. Under the SRM, the target level of the SRF is European and is the sum of the covered deposits of all institutions established in the participating Member States. This results in significant variations in the contributions by the banks under the SRM as compared to the BRRD. As a consequence of this difference, when contributions would have been paid based on a joint target level starting as of 2016, contributions of banks established in Member States with a high level of covered deposits could abruptly have decreased, while contributions of those banks established in Member States with fewer covered deposits could abruptly have increased. In order to prevent such abrupt changes, the Council Implementing Act provides for an adjustment mechanism to remedy these distortions during the transitional period by way of a gradual phasing in of the SRM methodology.

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

As an exemption from these principles, the BRRD allows for three kinds of extraordinary public support to be provided to a solvent institution without triggering resolution: (i) a State guarantee to back liquidity facilities provided by central banks according to the central banks' conditions; (ii) a State guarantee of newly issued liabilities; or (iii) 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 Notes) contribute to the costs of restructuring.

The BRRD has been implemented in Italy through the adoption of the BRRD Decrees (as defined above), both of which were published in the Italian Official Gazette (*Gazzetta Ufficiale*) on 16 November 2015. Legislative Decree No. 180/2015 is a stand-alone law which implements the provisions of BRRD relating to resolution actions, while Legislative Decree No. 181/2015 amends the existing Banking Law (Legislative Decree No. 385 of 1 September 1993, as amended) and deals principally with recovery plans, early intervention and changes to the creditor hierarchy. The BRRD Decrees entered into force on the date of publication on the Italian Official Gazette (i.e. 16 November 2015), save that: (i) the general bail-in tool applied from 1 January 2016; and (ii) a "depositor preference" granted for deposits other than those protected by the deposit guarantee scheme and excess deposits of individuals and SMEs is effective from 1 January 2019. For further details on the implementation of the BRRD in Italy, see "*Risks Relating to the Guarantor - Implementation of the BRRD in Italy.*".

The Guarantee of the Notes may be subjected to the said general bail-in tool. So, if the Guarantor is subjected to resolution measures in the future, then the value of the Guarantee of the Notes may be written down (up to zero) as a result of the imposition of the bail-in tool by the Relevant Resolution Authority. Furthermore, the Guarantee of the Notes may be subject to modification or the disapplication of provisions in the Conditions, including alteration of the principal amount or any interest payable pursuant to the Guarantee of the Notes, the maturity date or any other dates on which payments may be due under the Guarantee of the Notes, as well as the suspension of payments under the Guarantee of the Notes for a certain period.

The exercise of the general bail-in tool, or any other power under the BRRD or any suggestion or perceived suggestion of such exercise could, therefore, materially adversely affect the rights of Noteholders, the price or value of their investment in any Notes and/or the ability of the Issuer and/or the Guarantor, as the case may be, to satisfy its obligations under any Notes and/or the Guarantee.

Pursuant to Condition 16 (*Contractual Recognition of Statutory Bail-in Powers*), each Noteholder acknowledges and accepts that any liability of the Guarantor arising under the Guarantee of the Notes may be subject to the exercise of Bail-in Powers by the Relevant Resolution Authority.

For further details on the risks relating to the BRRD, see "*Risks Relating to the Guarantor - The bank recovery and resolution directive is intended to enable a range of actions to be taken in relation to credit institutions and investment firms considered to be at risk of failing. The taking of any such actions (or the perception that the taking of any such action may occur) could materially adversely affect the value of the Notes and/or the rights of Noteholders.*".

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

The Issuer will pay principal and interest on the Notes and the Guarantor will make any payments under the Guarantee in euros. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than euros. These include the risk that exchange rates may significantly change (including changes due to devaluation of the euro or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the euro would decrease (1) the Investor's Currency equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer or the Guarantor to make payments in respect of Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

The value of the Notes may be adversely affected by movements in market interest rates.

Investment in fixed rate securities, such as the Notes, involves the risk that if market interest rates increase above the rate paid on the Notes, this will adversely affect the value of the Notes.

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

The Notes are expected to be rated "BBB" by S&P. The Guarantor has been assigned a long term rating of "BBB" by S&P, "BBB" by Fitch and "Baa1" by Moody's.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension, reduction or withdrawal at any time by the assigning rating agency. Any adverse change in a credit rating assigned to the Issuer, the Guarantor or the Notes could adversely affect the trading price for the Notes.

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the CRA Regulation (and such registration has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances) unless (1) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation (and such endorsement or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances).

New global note form and Eurosystem eligibility.

The new global note ("**NGN**") structure was introduced to allow for the possibility of debt instruments to be held in a manner that permits them to be recognised as eligible collateral for monetary policy of the central banking system for the euro (the "**Eurosystem**") and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. However in any particular case such recognition will depend upon satisfaction of the Eurosystem eligibility criteria at the relevant time. Investors should make their own assessment as to whether the Notes meet such Eurosystem eligibility criteria.

INFORMATION INCORPORATED BY REFERENCE

The following documents or sections of documents, as the case may be, which have previously been published and have been filed with the Luxembourg Stock Exchange shall be incorporated in, and form part of, this Offering Circular (in the case of items (g) and (h), in their entirety and in the case in the case of items (a), (b), (c), (d), (e) and (f), to the extent specified in the cross-reference list below):

(a) the audited annual financial statements (including the auditors' report thereon and notes thereto) of the Issuer in respect of the financial year ended 31 December 2017 (the "**2017 Issuer Financial Statements**");

(b) the audited annual financial statements (including the auditors' report thereon and notes thereto) of the Issuer in respect of the financial year ended 31 December 2018 (the "**2018 Issuer Financial Statements**");

(c) the audited consolidated annual financial statements (including the auditors' report thereon and notes thereto) of the Guarantor in respect of the financial year ended 31 December 2017 (the "**2017 Guarantor Annual Report and Accounts**");

(d) the audited consolidated annual financial statements (including the auditors' report thereon and notes thereto) of the Guarantor in respect of the financial year ended 31 December 2018 (the "**2018 Guarantor Annual Report and Accounts**");

(e) the unaudited financial statements (including the notes thereto) of the Issuer in respect of the six months ended 30 June 2019 (the "**June 2019 Issuer Interim Financial Statements**");

(f) the unaudited consolidated financial statements (including the auditors' review report thereon and notes thereto) of the Guarantor in respect of the six months ended 30 June 2019 (the "**UniCredit Consolidated First Half Financial Report 2019**");

(g) the section in the base prospectus dated 5 June 2019 in respect of the Guarantor's EUR60,000,000,000 Euro Medium Term Note Programme (the "**EMTN Base Prospectus**") entitled "*Description of UniCredit and the UniCredit Group*" at pages 308 to 346; and

(h) the section entitled "*Description of UniCredit and the UniCredit Group*" in the supplement dated 13 August 2019 to the EMTN Base Prospectus.

The information set out above shall be deemed to be incorporated in, and to form part of, this Offering Circular provided however that any statement contained in any document incorporated by reference in, and forming part of, this Offering Circular shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained herein modifies or supercedes such statement. Any documents themselves incorporated by reference in the documents incorporated by reference in this Offering Circular shall not form part of this Offering Circular. Where only certain sections of documents referred to above are incorporated by reference, the parts of the documents which are not incorporated by reference in this Offering Circular are either not relevant to investors or are covered elsewhere in this Offering Circular.

Such documents will be made available, free of charge, during usual business hours at the specified offices of the Principal Paying Agent and the Listing Agent in Luxembourg, unless such documents have been modified or superseded.

The following information from the Issuer's annual and interim financial statements is incorporated by reference, and the following cross-reference lists are provided to enable investors to identify specific items of information so incorporated.

Document	**Information incorporated**	**Page numbers**
2017 Issuer Financial Statements		
	Independent Auditor's Report	1-5
	Statement of Financial Position	6-8
	Statement of Profit and Loss	9-10
	Statement of Changes in Equity	11-12
	Statement of Cash Flows	13-14
	Notes to Financial Statements	15-65
	Administrator's Report (Annex)	1-17
2018 Issuer Financial Statements		
	Independent Auditor's Report	1-5
	Statement of Financial Position	6-7
	Statement of Profit and Loss	8-9
	Statement of Changes in Equity	10-11
	Statement of Cash Flows	12-13
	Notes to Financial Statements	14-62

Document	Information incorporated	Page numbers
	Administrator's Report (Annex)	1-15
June 2019 Issuer Interim Financial Statements		
	Statement of Assets, Liabilities and Equity	2-5
	Profit and Loss Account	6-7
	Informative Data	8-13

The following information from the Guarantor's annual and interim reports is incorporated by reference, and the following cross-reference lists are provided to enable investors to identify specific items of information so incorporated.

Document	Information incorporated	Page numbers
2017 Guarantor Annual Report and Accounts	Consolidated Report and Accounts of UniCredit Group:	
	Consolidated Report on Operations	21-59
	Consolidated Balance Sheet	82-83
	Consolidated Income Statement	84
	Consolidated Statement of Comprehensive Income	85
	Statement of Changes in the Consolidated Shareholders' Equity	86-89
	Consolidated Cash Flows Statement	90-91
	Notes to the Consolidated Accounts	93-470
	Annexes	473-534
	Certification	537-539
	Report of External Auditors	541-550

Document	Information incorporated	Page numbers
2018 Guarantor Annual Report and Accounts	Consolidated Report and Accounts of UniCredit Group:	
	Consolidated Report on Operations	29-67
	Consolidated Balance Sheet	89-90
	Consolidated Income Statement	91-92
	Consolidated Statement of Other Comprehensive Income	93
	Statement of Changes in the Consolidated Shareholders' Equity	94-97
	Consolidated Cash Flow Statement	98-99
	Notes to the Consolidated Accounts	101-435
	Annexes	437-487
	Certification	489
	Report of External Auditors	491-501
UniCredit Consolidated First Half Financial Report 2019		
	Consolidated Balance Sheet	51
	Consolidated Income Statement	52
	Consolidated Statement of other Comprehensive Income	53
	Statement of changes in the Consolidated Shareholder's Equity	54-55
	Consolidated Cash Flow Statement	56-57

Document	Information incorporated	Page numbers
	Explanatory Notes	59-221
	Report on Review of the Condensed Interim Consolidated Financial Statements	225
	Other Information – Subsequent Events	41-48

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Terms and Conditions of the Notes which (subject to completion and amendment) will be endorsed on each Note in definitive form:

The EUR 300,000,000 0.502 per cent. Guaranteed Notes due 2022 (the "**Notes**", which expression, unless the context otherwise requires, includes any further notes issued pursuant to Condition 13 (*Further issues*) and forming a single series therewith) of UniCredit Leasing Corporation IFN S.A. (the "**Issuer**") are subject to, and have the benefit of, a trust deed dated 18 October 2019 (as amended or supplemented from time to time, the "**Trust Deed**") between the Issuer, UniCredit S.p.A. (the "**Guarantor**") and Citicorp Trustee Company Limited as trustee (the "**Trustee**", which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed) and are the subject of an agency agreement dated 18 October 2019 (as amended or supplemented from time to time, the "**Agency Agreement**") between the Issuer, the Guarantor, Citibank, N.A., London Branch as principal paying agent (the "**Principal Paying Agent**", which expression includes any successor principal paying agent appointed from time to time in connection with the Notes), the paying agents named therein (together with the Principal Paying Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes) and the Trustee. Certain provisions of these Conditions are summaries of the Trust Deed and the Agency Agreement and subject to their detailed provisions. The holders of the Notes (the "**Noteholders**") and the holders of the related interest coupons (the "**Couponholders**" and the "**Coupons**", respectively) are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them. Copies of the Trust Deed and the Agency Agreement are available for inspection by Noteholders during normal business hours at the registered office for the time being of the Trustee, being at the date hereof Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom and at the Specified Offices (as defined in the Agency Agreement) of each of the Paying Agents, the initial Specified Offices of which are set out below.

1. **Form, Denomination and Title**

The Notes are in bearer form in denomination of EUR 100,000 each. Title to the Notes and the Coupons will pass by delivery. The holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such holder. No person shall have any right to enforce any term or condition of the Notes or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

2. **Status and Guarantee of the Notes**

(a) *Status of the Notes*: The Notes constitute direct, unsubordinated, unconditional and unsecured obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, subject to any obligations preferred by any applicable law.

(b) *Guarantee of the Notes*: The Guarantor has in the Trust Deed unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes. This guarantee (the "**Guarantee of the Notes**") constitutes direct, unsubordinated, unconditional and unsecured obligations of the Guarantor which will at all times rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Guarantor, subject to any obligations preferred by any applicable law.

3. **Interest**

The Notes bear interest from 18 October 2019 (the "**Issue Date**") at the rate of 0.502 per cent. per annum, (the "**Rate of Interest**") payable in arrear on 18 October in each year (each, an "**Interest Payment Date**"), subject as provided in Condition 5 (*Payments*).

Each Note will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (b) the day on which the Principal Paying Agent or the Trustee (as applicable) has notified the Noteholders that it has received all sums due in respect of the Notes up to such day (except to the extent that there is any subsequent default in payment).

The amount of interest payable on each Interest Payment Date shall be EUR 502 in respect of each Calculation Amount. If interest is required to be paid in respect of a Note on any other date, it shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest cent (half a cent being rounded upwards) and multiplying such rounded figure by a fraction equal to the denomination of such Note divided by the Calculation Amount, where:

"**Calculation Amount**" means EUR 100,000;

"**Day Count Fraction**" means, in respect of any period, the number of days in the relevant period, from (and including) the first day in such period to (but excluding) the last day in such period, divided by the number of days in the Regular Period in which the relevant period falls; and

"**Regular Period**" means each period from (and including) the Issue Date or any Interest Payment Date to (but excluding) the next Interest Payment Date.

4. **Redemption and Purchase**

(a) *Scheduled redemption*: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on 18 October 2022, subject as provided in Condition 5 (*Payments*).

(b) *Redemption for tax reasons*: The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Paying Agents, the Trustee and the Noteholders in accordance with Condition 14 (*Notices*) (which notice shall be irrevocable) at their principal amount, together with interest accrued to the date fixed for redemption, if, immediately before giving such notice:

(i) (A) the Issuer has or will become obliged to pay any taxes, duties, assessments or governmental charges as provided or referred to in Condition 6 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of Romania or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 16 October 2019 and (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or

(ii) (A) the Guarantor has or (if a demand was made under the Guarantee of the Notes) would become obliged to pay additional amounts as provided or referred to in Condition 6 (*Taxation*) or the Guarantee of the Notes, as the case may be, or the Guarantor has or will become obliged to make any such withholding or deduction as is referred to in Condition 6 (*Taxation*) or the Guarantee of the Notes, as the case may be, from any amount paid by it to the Issuer in order to enable the Issuer to make a payment of principal or interest in respect of the Notes, in either case as a result of any change in, or amendment to, the laws or regulations of the Republic of Italy or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 16 October 2019 and (B) such obligation cannot be avoided by the Guarantor taking reasonable measures available to it,

provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor would be obliged to pay such additional amounts or the Guarantor would be obliged to make such withholding or deduction if a payment in respect of the Notes were then due or (as the case may be) a demand under the Guarantee of the Notes were then made.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver or procure that there is delivered to the Trustee:

(A) a certificate signed by two directors of the Issuer stating that the circumstances referred to in (i)(A) and (i)(B) prevail and setting out the details of such circumstances or (as the case may be) a certificate signed by two Authorised Signatories (as defined in the Trust Deed) of the Guarantor stating that the circumstances referred to in (ii)(A) and (ii)(B) above prevail and setting out the details of such circumstances. The Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the circumstances set out in (i)(A) and (i)(B) above or (as the case may be) (ii)(A) and (ii)(B) above, in which event they shall be conclusive and binding on the Noteholders; and

(B) an opinion in form and substance satisfactory to the Trustee of independent legal or tax advisers of recognised standing to the effect that the Issuer or (as the case may be) the Guarantor has or will become obliged to pay such additional amounts or (as the case may be) the Guarantor has or will become obliged to make such withholding or deduction as a result of such change or amendment.

Upon the expiry of any such notice as is referred to in this Condition 4(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 4(b).

(c) *Redemption at the option of the Issuer (make-whole)*: The Notes may be redeemed at the option of the Issuer, in whole, but not in part, at any time on the Issuer's giving not less than 30 nor more than 60 days' notice to the Paying Agents, the Trustee and the Noteholders in accordance with Condition 14 (*Notices*) (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the Optional Redemption Date (as defined below) at the Optional Redemption Price (as defined below) (together, if applicable, with accrued interest to (but excluding) the relevant Optional Redemption Date)).

The Issuer shall notify the Paying Agents, the Trustee and the Noteholders in writing of the Optional Redemption Price no later than two business days prior to the Optional Redemption Date.

In this Condition:

"**DA Selected Bond**" means the government security or securities selected by the Determination Agent as having an actual or interpolated maturity comparable with the remaining term of the Notes, that would be utilised, at the time of selection and in accordance with customary financial practice, in determining the redemption price of corporate debt securities denominated in the same currency as the Notes and with a comparable remaining maturity to the remaining term of the Notes.

"**Determination Agent**" means an independent adviser, investment bank or financial institution of recognised standing appointed by the Issuer.

"**Optional Redemption Date**" shall have the meaning given in the relevant notice of redemption.

"**Optional Redemption Price**" will, in respect of Notes to be redeemed, be an amount equal to the higher of (i) 100 per cent. of the principal amount of such Notes and (ii) the principal amount of such Notes multiplied by the price (expressed as a percentage), as reported in writing to the Issuer by the Determination Agent on the Reference Date, at which the yield to maturity on such Notes on the Reference Date is equal to the sum of (x) the Reference Bond Rate at the Quotation Time on the Reference Date, plus (y) the Redemption Margin, as determined by the Determination Agent, *provided that* if the Optional Redemption Date occurs on or after 18 September 2022 the Optional Redemption Price will be equal to the principal amount of the Notes.

"**Quotation Time**" means 11.00 a.m. (Frankfurt time).

"**Redemption Margin**" means 0.200 per cent.

"**Reference Bond**" means the 0 per cent. German Bundesobligationen (OBL) due 7 October 2022 (ISIN: DE0001141760) or to the extent that such bond is no longer outstanding on the relevant Reference Date, the DA Selected Bond.

"**Reference Bond Price**" means, with respect to any Reference Date, (i) the arithmetic average of the Reference Government Bond Dealer Quotations for such date of redemption, after excluding the highest and lowest such Reference Government Bond Dealer Quotations, or (ii) if the Determination Agent obtains fewer than four such Reference Government Bond Dealer Quotations, the arithmetic average of all such quotations.

"**Reference Bond Rate**" means, with respect to any Reference Date, the rate per annum equal to the annual or semi-annual yield (as the case may be) to maturity or interpolated yield to maturity (on the relevant day count basis) of the Reference Bond, assuming a price for the Reference Bond (expressed as a percentage of its principal amount) equal to the Reference Bond Price for such Reference Date.

"**Reference Date**" means the date falling three business days prior to the Optional Redemption Date.

"**Reference Government Bond Dealer**" means each of five banks selected by the Issuer, or their affiliates, which are (i) primary government securities dealers, and their respective successors, or (ii) market makers in pricing corporate bond issues.

"**Reference Government Bond Dealer Quotations**" means, with respect to each Reference Government Bond Dealer and any Reference Date, the arithmetic average, as determined by the Determination Agent, of the bid and offered prices for the Reference Bond (expressed in each case as a percentage of its principal amount) at the Quotation Time on the Reference Date quoted in writing to the Determination Agent by such Reference Government Bond Dealer.

(d) *Change of Control Put Option:* If at any time while any Note remains outstanding, there occurs a Change of Control (as defined below), each Noteholder will have the option (the "**Change of Control**

Put Option") (unless, prior to the giving of the Change of Control Put Notice (as defined below), the Issuer gives notice to redeem the Notes under Condition 4(b) or Condition 4(c)) to require the Issuer to redeem or, at the Issuer's option, to procure the purchase of, all or part of its Notes, on the Optional Redemption Date (as defined below) at the principal amount outstanding of such Notes together with (or where purchased, together with an amount equal to) interest accrued to, but excluding, the Optional Redemption Date.

Where:

A "**Change of Control**" shall be deemed to have occurred if at any time following the Issue Date, the Guarantor (or its inheritors or executors and whether through a legal entity, trust or otherwise) ceases, directly and/or indirectly to hold beneficially more than 50 per cent. of the issued share capital of the Issuer (excluding any part of that issued share capital that carries no right to participate beyond a specified amount in a distribution of either profits or capital).

As soon as reasonably practicable upon the Issuer or the Guarantor becoming aware that a Change of Control has occurred, the Issuer or the Guarantor shall give notice (a "**Change of Control Put Notice**") to the Paying Agents, the Trustee and the Noteholders in accordance with Condition 14 (*Notices*) specifying the nature of the Change of Control and the circumstances giving rise to it and the procedure for exercising the Change of Control Put Option contained in this Condition 4(d).

To exercise the Change of Control Put Option, a Noteholder must deposit or cause to be deposited its Notes to be so redeemed or purchased with the Principal Paying Agent specified in the Change of Control Put Option Notice (as defined below) for the account of the Issuer within the period (the "**Change of Control Put Period**") of 45 days after a Change of Control Put Notice is given together with a duly signed and completed notice of exercise in the then current form obtainable from the Principal Paying Agent (a "**Change of Control Put Option Notice**") and in which the Noteholder shall specify a bank account to which payment is to be made under this Condition 4(d).

A Change of Control Put Option Notice once given shall be irrevocable. The Issuer shall redeem or, at the option of the Issuer procure the purchase of, the Notes in respect of which the Change of Control Put Option has been validly exercised as provided above, and subject to the deposit of such Notes with the Principal Paying Agent for the account of the Issuer as described above, by the date which is the fifth business day following the end of the Change of Control Put Period (the "**Optional Redemption Date**"). Payment in respect of such Notes will be made on the Optional Redemption Date by transfer to the bank account specified in the Change of Control Put Option Notice.

For the avoidance of doubt, the Issuer shall have no responsibility for any cost or loss of whatever kind (including breakage costs) which the Noteholder may incur as a result of or in connection with such Noteholder's exercise or purported exercise of, or otherwise in connection with, any Change of Control Put Option (whether as a result of any purchase or redemption arising therefrom or otherwise).

If 75 per cent. or more in principal amount of the Notes then outstanding have been redeemed pursuant to this Condition 4(d), the Issuer may, on not less than 30 nor more than 60 days' irrevocable notice to the Paying Agents, the Trustee and the Noteholders in accordance with Condition 14 (*Notices*) given within 30 days after the Optional Redemption Date, redeem on a date to be specified in such notice at its option, all (but not some only) of the remaining Notes at their principal amount, together with interest accrued to but excluding the date of redemption.

(e) *No other redemption*: The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) (*Scheduled redemption*) to (d) (*Change of Control Put Option*) above.

(f) *Purchase*: The Issuer, the Guarantor or any of their respective Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, *provided that* all unmatured Coupons are purchased therewith.

(g) *Cancellation*: All Notes so redeemed or purchased by the Issuer, the Guarantor or any of their respective Subsidiaries and any unmatured Coupons attached to or surrendered with them shall be forwarded to the Principal Paying Agent and cancelled and may not be reissued or resold.

5. **Payments**

(a) *Principal*: Payments of principal shall be made only against presentation and (*provided that* payment is made in full) surrender of Notes at the Specified Office of any Paying Agent outside the United States by transfer to a Euro account (or other account to which Euro may be credited or transferred) maintained by the payee with a bank in a city in which banks have access to the TARGET System.

(b) *Interest*: Payments of interest shall, subject to paragraph (g) (*Payments other than in respect of matured Coupons*) below, be made only against presentation and (*provided that* payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) (*Principal*) above.

(c) *Interpretation*: In these Conditions:

"**TARGET2**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007.

"**TARGET Settlement Day**" means any day on which TARGET2 is open for the settlement of payments in euro.

"**TARGET System**" means the TARGET2 system.

(d) *Payments subject to fiscal laws*: All payments in respect of the Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 6 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 to 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof or any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) *Deduction for unmatured Coupons*: If a Note is presented without all unmatured Coupons relating thereto, then:

(i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; *provided, however, that* if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;

(ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:

(A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the "**Relevant Coupons**") being equal to the amount of principal due for payment; *provided, however, that* where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and

(B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; *provided, however, that*, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in paragraph (a) (*Principal*) above against presentation and (*provided that* payment is made in full) surrender of the relevant missing Coupons. No payments will be made in respect of void coupons.

(f) *Payments on business days*: If the due date for payment of any amount in respect of any Note or Coupon is not a business day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding business day in such place and shall not be entitled to any further interest or other payment in respect of any such delay. In these Conditions, "**business day**" means, in respect of any place of presentation, any day on which banks are open for presentation and payment of bearer debt securities and for dealings in foreign currencies in such place of presentation and, in the case of payment by transfer to a Euro account as referred to above, on which the TARGET System is open.

(g) *Payments other than in respect of matured Coupons*: Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of any Paying Agent outside the United States.

(h) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and the date of such payment.

6. **Taxation**

(a) *Payments by or on behalf of the Issuer*

All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer shall be made without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Romania or any political subdivision thereof or any authority therein or thereof having power to tax. In the event that the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law, the Issuer shall pay such taxes, duties, assessments or governmental charges so imposed or levied (in addition to paying to the Noteholders and the Couponholders the full amount of the relevant payment of principal and/or interest (as the case may be) as if no withholding or deduction was applicable in accordance with these Conditions), except that no payment of such taxes, duties, assessments or governmental charges shall be payable in respect of any Note or Coupon presented for payment:

(i) by or on behalf of a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with Romania or any political subdivision thereof or any authority therein or thereof having power to tax other than the mere holding of the Note or Coupon; or

(ii) more than 30 days after the Relevant Date except to the extent that the holder of such Note or Coupon would have been entitled to such additional amounts on presenting such Note or Coupon for payment on the last day of such period of 30 days; or

(iii) where such withholding or deduction is imposed on a payment pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder or any official interpretations thereof or any law implementing an intergovernmental approach thereto, provided that, notwithstanding the above, exception (i) shall not apply to any Noteholder or Couponholder in respect of interest payments under the Notes made by or on behalf of the Issuer, if at the time of the relevant interest payment, payments to Non-Romanian Tax Residents are subject to income tax withholding under the laws of Romania.

(b) *Payments by or on behalf of the Guarantor*

All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Guarantor shall be made without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Republic of Italy or any political subdivision or any authority thereof or therein having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In such event, the Guarantor shall pay such additional amounts as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note or Coupon presented for payment:

(i) by or on behalf of a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with the Republic of Italy or any political subdivision thereof or any authority therein or thereof having power to tax other than the mere holding of the Note or Coupon; or

(ii) more than 30 days after the Relevant Date except to the extent that the holder of such Note or Coupon would have been entitled to such additional amounts on presenting such Note or Coupon for payment on the last day of such period of 30 days; or

(iii) presented for payment in the event of payment to a non-Italian resident legal entity or a non-Italian resident individual, to the extent that interest or any other amount is paid to a non-Italian resident legal entity or a non-Italian resident individual which is resident in a country which does not allow for a satisfactory exchange of information with the Italian authorities; or

(iv) for or on account of *imposta sostitutiva* pursuant to Italian Legislative Decree No. 239 of 1 April 1996, as amended and/or supplemented or any regulations implementing or complying with such Decree ("**Decree 239**"); or

(v) in all circumstances in which the procedures set forth in Decree 239, have not been met or complied with, except where such requirements and procedures have not been met or complied with due to the actions or omissions of the Guarantor or its agents; or

(vi) where such withholding or deduction is imposed on a payment pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder or any official interpretations thereof or any law implementing an intergovernmental approach thereto.

In these Conditions:

"**Non-Romanian Tax Resident**" means a "non-resident" in accordance with the definition under Romanian Law no. 227/2015 regarding the Fiscal Code, as subsequently amended and supplemented.

"**Relevant Date**" means whichever is the later of (1) the date on which the payment in question first becomes due and (2) if the full amount payable has not been received in a city in which banks have access to the TARGET System by the Principal Paying Agent or the Trustee (as applicable) on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given by the Issuer to the Noteholders.

Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 6 (*Taxation*) or any undertaking given in addition to or in substitution of this Condition 6 (*Taxation*) pursuant to the Trust Deed.

If the Issuer or the Guarantor becomes subject at any time to any taxing jurisdiction other than Romania or the Republic of Italy respectively, references in these Conditions to Romania or Italy shall be construed as references to Romania or (as the case may be) the Republic of Italy and/or such other jurisdiction.

7. **Events of Default**

If any of the following events occurs (subject to the provisions of Condition 16 (*Contractual Recognition of Statutory Bail-in Powers*)), then the Trustee at its discretion may and, if so requested in writing by holders of at least one quarter of the aggregate principal amount of the outstanding Notes or if so directed by an Extraordinary Resolution, shall (subject to the Trustee having been indemnified and/or pre-funded and/or secured to its satisfaction) give written notice to the Issuer declaring the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest without further action or formality:

(a) *Non-payment*: the Issuer fails to pay any amount of principal or interest in respect of the Notes within ten business days of the due date for payment thereof; or

(b) *Breach of other obligations*: the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes or the Trust Deed and such default is, in the opinion of the Trustee, materially prejudicial to the interests of Noteholders and remains unremedied for 30 days after the Trustee has given written notice thereof to the Issuer and the Guarantor; or

(c) *Security enforced*: a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or substantially all of the undertaking, assets and revenues of the Issuer; or

(d) *Insolvency, etc.*: (i) the Issuer becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator is appointed (or application for any such appointment is made) in respect of the Issuer or the whole or substantially all of the undertaking, assets and revenues of the Issuer, (iii) the Issuer makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Indebtedness or any Guarantee of any Indebtedness given by it, including pursuant to the introduction of a petition seeking institution of a preventative concordate (*concordat preventiv*) or ad hoc mandate (*mandate ad-hoc*) or (iv) the Issuer ceases or threatens to cease to carry on all or substantially all of its business; or

(e) *Winding up, etc.*: an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer; or

(f) *Liquidazione Coatta Amministrativa*: the Guarantor shall become subject to Liquidazione Coatta Amministrativa as defined in Legislative Decree No. 385 of September 1, 1993 of the Republic of Italy (as amended from time to time); or

(g) *Analogous event*: any event occurs which has an analogous effect to any of the events referred to in paragraphs (c) (*Security enforced*) to (f) (*Liquidazione Coatta Amministrativa*) above; or

(h) *Unlawfulness*: it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any of its obligations under or in respect of the Notes or the Trust Deed; or

(i) *Deregistration from the National Bank of Romania's registries*: the Issuer is deregistered from the relevant registries applicable for non-banking financial institutions kept by the National Bank of Romania; or

(j) *Guarantee not in force*: the Guarantee of the Notes is not (or is claimed by the Guarantor not to be) in full force and effect.

In these Conditions:

"**Guarantee**" means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness.

"**Indebtedness**" means any indebtedness of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

(i) amounts raised by acceptance under any acceptance credit facility;

(ii) amounts raised under any note purchase facility;

(iii) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;

(iv) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 60 days; and

(v) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing.

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality.

8. **Prescription**

Claims for principal shall become void unless the relevant Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date.

9. **Replacement of Notes and Coupons**

If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Principal Paying Agent, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

10. **Trustee and Paying Agents**

Under the Trust Deed, the Trustee is entitled to be indemnified and/or pre-funded and/or secured and relieved from responsibility in certain circumstances and to be paid its fees, costs and expenses in priority to the claims of the Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer, the Guarantor and any of their respective subsidiaries without accounting for any profit.

In the exercise of its powers and discretions under these Conditions and the Trust Deed, the Trustee will have regard to the interests of the Noteholders as a class and will not be responsible for any consequence for individual holders of Notes or Coupons as a result of such holders being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory.

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Paying Agents act solely as agents of the Issuer, the Guarantor and (to the extent provided therein) the Trustee and do not have any fiduciary duties or assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Paying Agents and their initial Specified Offices are listed below. The Issuer and the Guarantor reserve the right (with the prior written approval of the Trustee) at any time to vary or terminate the appointment of any Paying Agent and to appoint a successor principal paying agent and additional or successor paying agents in accordance with the terms of the Agency Agreement; *provided, however, that* the Issuer and the Guarantor shall at all times maintain a principal paying agent.

Notice of any change in any of the Paying Agents or in their Specified Offices shall promptly be given to the Noteholders.

11. **Meetings of Noteholders; Modification and Waiver; Substitution**

(a) *Meetings of Noteholders*: The Trust Deed contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, the Coupons and the Guarantee of the Notes, including the modification of any provision of these Conditions or the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer, the Guarantor or the Trustee and shall be convened by the Trustee upon the request in writing of Noteholders holding not less than one quarter of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be one or more persons holding or representing more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting for want of a quorum (for voting on all business other than voting on an Extraordinary Resolution relating to a Reserved Matter (as defined below)), one or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented; *provided, however, that* certain proposals (including any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to exchange, convert or substitute the Notes for or into shares, bonds or other securities of the Issuer or the Guarantor (other than as permitted in clause 7.3 of the Trust Deed), to change the currency of payments under the Notes, to amend the terms of the Guarantee of the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a "**Reserved Matter**")) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which one or more persons holding or representing not less than two-thirds of the aggregate principal amount of the outstanding Notes form a quorum and decisions are passed with a majority of at least four-fifths of the aggregate principal amount of the outstanding Notes present or represented at such meeting. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not, and whether or not they voted in favour of such Extraordinary Resolution.

(b) *Modification and waiver*: The Trustee may, without the consent or sanction of the Noteholders or the Couponholders, agree to (i) any modification of the Notes, the Coupons, these Conditions or the Trust

Deed (other than in respect of a Reserved Matter) which is, in the opinion of the Trustee, proper to make if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Noteholders and to (ii) any modification of the Notes, the Coupons, these Conditions or the Trust Deed which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of law. In addition, the Trustee may, without the consent of the Noteholders or the Couponholders, authorise or waive any proposed breach or breach of the Notes or Coupons or the Trust Deed or determine that any Event of Default or Potential Event of Default (each as defined in the Trust Deed) shall not be treated as such (other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby, *provided that* it would not contravene any express direction by an Extraordinary Resolution or a request in writing made by the holders of not less than 25 per cent. in aggregate principal amount of the Notes outstanding.

Any such modification shall be binding on the Noteholders and the Couponholders and, unless the Trustee agrees otherwise, shall be notified to the Noteholders as soon as practicable thereafter. Any authorisation or waiver shall be binding on the Noteholders and the Couponholders, if, but only if, the Trustee shall so require, shall be notified to the Noteholders as soon as reasonably practicable thereafter.

(c) *Substitution*: The Trust Deed contains provisions under which the Guarantor or any Subsidiary of the Guarantor may, without the consent of the Noteholders or Couponholders, assume the obligations of the Issuer as principal debtor under the Trust Deed and the Notes *provided that* certain conditions specified in the Trust Deed are fulfilled, including, in the case of a substitution of the Issuer by a company other than the Guarantor, a requirement that the Guarantee of the Notes is fully effective in relation to the obligations of the new principal debtor under the Trust Deed and the Notes.

No Noteholder or Couponholder shall, in connection with any substitution, be entitled to claim any indemnification or payment in respect of any tax consequence thereof for such Noteholder or (as the case may be) Couponholder except to the extent provided for in Condition 6 (*Taxation*) (or any undertaking given in addition to or substitution for it pursuant to the provisions of the Trust Deed).

12. Enforcement

The Trustee may at any time, at its discretion and without notice, institute such proceedings as it thinks fit to enforce its rights under the Trust Deed in respect of the Notes or the Coupons, but it shall not be bound to do so unless:

(a) it has been so requested in writing by the holders of at least one quarter of the aggregate principal amount of the outstanding Notes or has been so directed by an Extraordinary Resolution; and

(b) it has been indemnified, pre-funded and/or secured to its satisfaction.

No Noteholder or Couponholder may proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

13. **Further Issues**

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders and in accordance with the Trust Deed, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the amount and date of the first payment of interest and the date from which interest starts to accrue) so as to form a single series with the Notes. The Issuer may from time to time, with the consent of the Trustee, create and issue other series of notes having the benefit of the Trust Deed.

14. **Notices**

Notices to the Noteholders shall be valid if published either on the website of the Luxembourg Stock Exchange (*www.bourse.lu*) or in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort* or the *Tageblatt*) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe and, if required by Romanian law, shall be published by the Issuer in the Official Gazette of Romania and a leading newspaper having general circulation in Bucharest. Any such notice shall be deemed to have been given on the date of first publication. Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.

15. **Governing Law and Jurisdiction**

(a) *Governing law*: The Notes, the Coupons, the Agency Agreement and the Trust Deed and any non-contractual obligations arising out of or in connection with the Notes, the Coupons, the Agency Agreement and the Trust Deed are governed by English law, except for Condition 16 (*Contractual Recognition of Statutory Bail-in Powers*) and any non-contractual obligations arising out of or in connection with it, which shall be governed by Italian law.

(b) *Jurisdiction*: Each of the Issuer and the Guarantor has in the Trust Deed (i) agreed for the benefit of the Trustee and the Noteholders that the courts of England shall have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Notes (including any non-contractual obligation arising out of or in connection with the Notes); (ii) agreed that those courts are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue that any other courts are more appropriate or convenient; (iii) designated a person in England to accept service of any process on its behalf; and (iv) consented to the enforcement of any judgment. The Trust Deed also states that nothing contained in the Trust Deed prevents the Trustee or any of the Noteholders from taking proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction and that, to the extent allowed by law, the Trustee or any of the Noteholders may take concurrent Proceedings in any number of jurisdictions.

(c) *Waiver of trial by jury*: Without prejudice to Condition 15(b), each party waives any right it may have to a jury trial of any claim or cause of action in connection with the Trust Deed, the Notes and the Coupons. These Conditions may be filed as a written consent to a bench trial.

(d) *Appointment of Process Agent*: The Issuer and the Guarantor agree that any documents required to be served on them in relation to any proceedings before the English courts in relation to any Dispute (including any documents which start any proceedings) may be served on them by being delivered to UniCredit S.p.A., London Branch at Moor House, 120 London Wall, London, EC2Y 5ET or, if different, its principal office for the time being in London. In the event of UniCredit S.p.A., London Branch ceasing to act or ceasing to be registered in England, the Issuer or the Guarantor, as the case may be, will appoint such other person as the Trustee may approve and as the Issuer or the Guarantor, as the case may be, may nominate in writing to the Trustee for the purpose of accepting service of process on its behalf in England in respect of any proceedings. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

16. Contractual Recognition of Statutory Bail-in Powers

By the acquisition of the Notes, each Noteholder acknowledges and agrees to be bound by the exercise of any Bail-in Power by the Relevant Resolution Authority that may result in the write-down or cancellation of all or a portion of the Guarantor's obligations under the Guarantee of the Notes and/or the conversion of all or a portion of the Guarantor's obligations under the Guarantee of the Notes into ordinary shares or other obligations of the Guarantor or another person, including by means of a variation to the terms of the Guarantee of the Notes to give effect to the exercise by the Relevant Resolution Authority of such Bail-in Power. Each Noteholder further agrees that the rights of the Noteholders are subject to, and will be varied if necessary so as to give effect to, the exercise of any Bail-in Power by the Relevant Resolution Authority.

Upon the Guarantor being informed or notified by the Relevant Resolution Authority of the date from which the Bail-in Power is effective with respect to the Guarantee of the Notes, the Guarantor shall notify the Noteholders without delay. Any delay or failure by the Guarantor to give notice shall not affect the validity and enforceability of the Bail-in Power nor the effects on the Guarantee of the Notes described in this Condition 16.

The exercise of the Bail-in Power by the Relevant Resolution Authority with respect to the Guarantee of the Notes shall not constitute an Event of Default and the terms and conditions of the Notes shall continue to apply in relation to the residual principal amount of, or outstanding amount payable with respect to, the Notes subject to any modification of the amount of distributions payable to reflect the reduction of the principal amount, and any further modification of the terms that the Relevant

Resolution Authority may decide in accordance with applicable laws and regulations relating to the resolution of credit institutions, investment firms and/or Group Entities incorporated in the relevant Member State.

Each Noteholder also acknowledges and agrees that this provision is exhaustive on the matters described herein to the exclusion of any other agreements, arrangements or understandings relating to the application of any Bail-in Power to the Guarantee of the Notes.

In this Condition:

"**Bail-in Power**" means any statutory write-down and/or conversion power existing from time to time under any laws, regulations, rules or requirements, whether relating to the resolution or independent of any resolution action, of credit institutions, investment firms and/or Group Entities incorporated in the relevant Member State in effect and applicable in the relevant Member State to the Guarantor or other Group Entities, including (but not limited to) any such laws, regulations, rules or requirements that are implemented, adopted or enacted within the context of any European Union directive or regulation of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms and/or within the context of a relevant Member State resolution regime or otherwise, pursuant to which liabilities of a credit institution, investment firm and/or any Group Entities can be reduced, cancelled and/or converted into shares or obligations of the obligor or any other person.

"**BRRD**" means Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms, as amended or replaced from time to time (including by BRRD II).

"**BRRD II**" means Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending Directive 2014/59/EU as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms and Directive 98/26/EC.

"**Group**" means the UniCredit Banking Group, registered with the Register of Banking Groups held by the Bank of Italy pursuant to Article 64 of the Italian Banking Act, under number 02008.1.

"**Group Entity**" means the Guarantor or any legal person that is part of the Group.

"**Italian Banking Act**" means Legislative Decree No. 385 of 1 September 1993 of the Republic of Italy, as amended from time to time.

"**Relevant Resolution Authority**" means the Italian resolution authority, the Single Resolution Board established pursuant to the SRM Regulation and/or any other authority entitled to exercise or participate in the exercise of any Resolution Power or Bail-in Power from time to time.

"**Resolution Power**" means any statutory write-down, transfer and/or conversion power existing from time to time under any laws regulations, rules or requirements relating to the resolution of the Guarantor or any other Group Entities, including but not limited to any laws, regulations, rules or requirements implementing the BRRD and/or the SRM Regulation.

"**SRM Regulation**" means Regulation (EU) No 806/2014 of the European Parliament and Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010, as amended or replaced from time to time.

SUMMARY OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

The Notes will initially be in the form of the Temporary Global Note which will be deposited on or around the Closing Date with a common safekeeper for Euroclear and Clearstream, Luxembourg.

The Notes will be issued in new global note ("**NGN**") form. On 13 June 2006 the European Central Bank (the "**ECB**") announced that Notes in NGN form are in compliance with the "Standards for the use of EU securities settlement systems in ESCB credit operations" of the central banking system for the euro (the "**Eurosystem**"), **provided that** certain other criteria are fulfilled. At the same time the ECB also announced that arrangements for Notes in NGN form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2006 and that debt securities in global bearer form issued through Euroclear and Clearstream, Luxembourg after 31 December 2006 will only be eligible as collateral for Eurosystem operations if the NGN form is used.

The Notes are intended to be held in a manner which would allow Eurosystem eligibility - that is, in a manner which would allow the Notes to be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

The Temporary Global Note will be exchangeable in whole or in part for interests in the Permanent Global Note not earlier than 40 days after the Closing Date upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

The Permanent Global Note will become exchangeable in whole, but not in part, for Notes in definitive form ("**Definitive Notes**") in the denomination of EUR 100,000 each at the request of the bearer of the Permanent Global Note against presentation and surrender of the Permanent Global Note to the Principal Paying Agent if either of the following events (each, an "**Exchange Event**") occurs: (a) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 7 (*Events of Default*) occurs.

So long as the Notes are represented by a Temporary Global Note or a Permanent Global Note and the relevant clearing system(s) so permit, the Notes will be tradeable only in the minimum authorised denomination of EUR 100,000.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons attached, in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Principal Paying Agent within 30 days of the occurrence of the relevant Exchange Event.

In addition, the Temporary Global Note and the Permanent Global Note will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Temporary Global Note and the Permanent Global Note. The following is a summary of certain of those provisions:

Payments: All payments in respect of the Temporary Global Note and the Permanent Global Note will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Temporary Global Note or (as the case may be) the Permanent Global Note to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Temporary Global Note or (as the case may be) the Permanent Global Note, the Issuer shall procure that the payment is entered *pro rata* in the records of Euroclear and Clearstream, Luxembourg.

Payments on business days: In the case of all payments made in respect of the Temporary Global Note and the Permanent Global Note "**business day**" means any day on which the TARGET System is open.

Exercise of put option: In order to exercise the option contained in Condition 4(d) (*Redemption and Purchase – Change of Control Put Option*) the bearer of the Permanent Global Note must, within the period specified in the Terms and Conditions for the deposit of the relevant Note and put notice, give written notice of such exercise to the Principal Paying Agent, in accordance with the rules and procedures of Euroclear, Clearstream, Luxembourg and/or other relevant clearing system, specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

Notices: Notwithstanding Condition 14 (*Notices*), while all the Notes are represented by the Permanent Global Note (or by the Permanent Global Note and/or the Temporary Global Note) and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are) deposited with a common safekeeper for Euroclear and Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 14 (*Notices*) on the date of delivery to Euroclear and Clearstream, Luxembourg, except that, for so long as such Notes are admitted to trading on the Luxembourg Stock Exchange and it is a requirement of applicable law or regulations, such notices shall also be published in a leading newspaper having general circulation in Luxembourg (which is expected to be *Luxemburger Wort*) or published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*) and, if required by Romanian law, such notice to be published by the Issuer in the Official Gazette of Romania and a leading newspaper having general circulation in Bucharest.

Electronic Consent: While any Global Note is held on behalf of one or more clearing systems, then approval of a resolution proposed by the Issuer, the Guarantor or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes outstanding (an "**Electronic Consent**" as defined in the Trust Deed) shall, for all purposes (including matters that would otherwise require an Extraordinary Resolution to be passed at a meeting for which a special quorum was satisfied), take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held, and shall be binding on all Noteholders and Couponholders whether or not they participated in such Electronic Consent.

USE OF PROCEEDS

The net proceeds of the issue of the Notes will be used by the Issuer for general corporate purposes and refinancing existing indebtedness.

DESCRIPTION OF THE ISSUER

Introduction

The full legal name of the Issuer is UniCredit Leasing Corporation IFN S.A. The Issuer is organised as a joint-stock company managed under a two-tier system and was incorporated on 24 April 2002. The Issuer is incorporated under and operates pursuant to Romanian Law No.31/1990 and Romanian Law No. 93/2009 regarding non-banking financial institutions and is registered with the Bucharest Trade Register under number J40/3396/2002 attributed on 24 April 2002, sole registration code RO 14600820, and is a Romanian tax resident.

The Issuer is a subsidiary of UniCredit Bank S.A. and one of the largest players on the Romanian leasing market according to public media rankings[8]. As at 31 December 2018, the Issuer had RON 4.8bn in assets and RON 4.49bn in outstanding loans and leases. The Issuer provides, via a country-wide network, loans and leasing services to its clients, which comprise mostly legal entities from a wide range of sectors, as well as private individuals (representing less than 1 per cent. of the Issuer's total portfolio exposure).

The Issuer's issued and subscribed share capital is RON 90,989,012.79 divided into 2,223 shares, each with a nominal value of RON 40,931, none of which are non-voting shares. According to its bylaws, the Issuer functions for an indefinite period.

The Issuer's registered office is at 23-25 Ghetarilor Street, 1st District, 014106 Bucharest, Romania, and its telephone number is +40 21 200 7777.

As at the date of this Offering Circular, the Issuer operates through its head office located in Bucharest and 8 branches and 6 agents (franchises) located throughout Romania.

The Issuer has over 160 employees at the date of this Offering Circular.

History

Demir Romlease S.A., first incorporated in 1994 under Romanian law, was the first leasing company in the Romanian market. In 2003 UniCredito Italiano S.p.A. (now known as UniCredit S.p.A.) acquired a 28 per cent. stake in Demir Romlease S.A., becoming its main shareholder. The company was renamed UniCredit Leasing Romania S.A. in December 2003, becoming UniCredit Leasing Romania IFN S.A. in July 2006 and on February 2008 was renamed again to UniCredit Leasing Romania S.A.

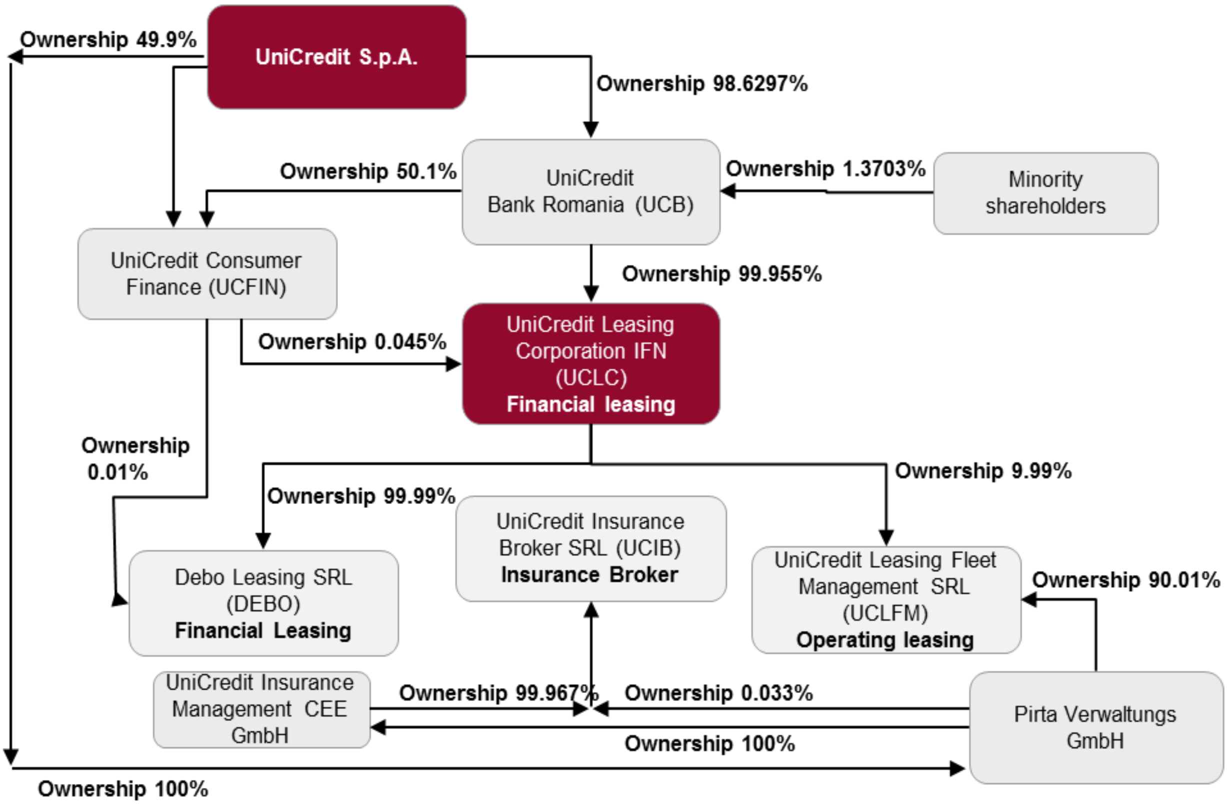
During 2007, as part of the broader pan-European merger between UniCredit Group Italia and Bank Austria HVB Group, UniCredit Leasing Romania IFN S.A. combined its activities with HVB Leasing Romania IFN SA (currently named UniCredit Leasing Corporation IFN S.A.). A merger subsequently occurred in June 2015 whereby UniCredit Leasing Corporation IFN S.A. absorbed UniCredit Leasing Romania S.A.

---

[8]Based on public data.

Shareholding Structure

The below chart sets out the shareholding structure of the Issuer as at 31 December 2018:



The Issuer's main shareholder is UniCredit Bank Romania with a 99.955 per cent. stake. The Issuer has a majority ownership in Debo Leasing SRL and a minority participation in UniCredit Leasing Fleet Management SRL.

Principal Activities

The Issuer's principal activities are the offering of (i) financial leasing (of both movable and immovable assets) (ii) loans (for the acquisition of vehicles and equipment) and (iii) vehicle and equipment stock financing (for distributors of such assets) services mostly to SMEs.

The Issuer's main competitive strengths are as follows:

- largest Romanian financial leasing company with a market share of approximately 20 per cent.[9] (measured by value of financed assets);
- product quality and a customer centric organisation;

[9] Based on public data.

- strong focus on digitalisation and automation;
- affiliation and support from an important pan-European Group (the UniCredit Group);
- highly trained staff with extensive know-how and sound expertise in the leasing market;
- agile organisation developed during the last 10 years;
- proven resilient business throughout the economic cycle;
- good territorial coverage in Romania through its network of branches (9, including its head office) and agents (6);
- lean organisational structure with strong procedures in place;
- strong co-operation with UniCredit Bank S.A. (through its expansive network the Issuer is distributing its products and benefits from strong cross-selling opportunities);
- extensive vendor partnerships and business distribution agreements; and
- local affiliation and collaboration with UniCredit Bank S.A., UniCredit Leasing Fleet Management SRL (operating leasing and fleet management services) and UniCredit Insurance Broker SRL (insurance distribution), which covers a wide range of customer demands and facilitates increased business opportunities.

Financial Leasing and Loans

The Issuer provides loans and financial leasing services to both companies and individuals. Main assets financed are autovehicles and equipment.

The Issuer's financial leasing activities are governed by, inter alia, the Nonbank Financial Institutions' Law (Law No. 93/2009), by Government Ordinance No. 51/1997 regarding leasing activities and leasing companies, as well as by other laws and regulations. According to the Romanian Fiscal Code a "financial lease" is a lease that fulfils one or more of the following criteria:

1. the risks and benefits associated with the ownership of the leased asset are transferred to the lessee at the inception of the leasing contract;
2. the parties expressly agree that at the end of the leasing contract the ownership of the leased asset is automatically transferred to the lessee;
3. the lessee can opt to buy the leased asset at a price set at a maximum percentage of the initial value, depending on the tenor of the lease and the normal usage of the asset;
4. the leasing period is more than 80 per cent. of the normal usage of the asset;

5. the total value of the leasing rates (with the exclusion of ancillary costs) is equal to or higher than the purchase price paid for the asset by the lessor.

Conversely, an "operating lease" is one that transfers to the lessee all risks and benefits of ownership of the asset except the residual value risk and does not fulfil any of the above mentioned criteria.

The Issuer offers a limited range of loans (for the acquisition of vehicles and/or equipment) aligned with its expertise and business model. UniCredit Leasing, as part of the UniCredit Group encourages cross-selling between various arms of the group (including UniCredit Insurance Broker).

The Issuer's loans and financial leasing portfolio structure by asset type as at 31 December 2018 is set out in the table below:

Asset type	**Number of contracts**	**Principal to be invoiced as at 31 December 2018 (thousand RON)**	**Percentage in total**
Vehicles <3.5t	20,831	1,352,393	37%
Vehicles >3.5t	3,572	870,655	24%
Equipment	3,255	991,128	27%
Other	84	450,499	12%
Total	**27,742**	**3,664,675**	**100%**

In terms of the number of contracts, the portfolio is constituted predominantly by SME customers, with corporate customers forming the second class of customers and lastly individual customers (who constitute an insignificant part of the number of contracts).

The maximum tenor of the Issuer's leasing contracts is defined in the Issuer's internal procedures and strategy and is correlated with the asset's features. The average maturity of the Issuer's leasing contracts is four years, with a minimum of one year and a maximum of 20 years. As of the date of this Offering Circular, the Issuer has 46 active Real Estate leasing contracts.

The Issuer performs simulations on its portfolio to assess the financial position of its clients in a crisis environment characterised by, but not limited to, high exchange rate volatility.

The Issuer defines annual steering goals for different industries and monitors the structure of its portfolio exposure, to each industry, quarterly, as part of its Credit Risk Strategy. The Issuer applies a concentration limit of 25 per cent. exposure to each industry, in order to manage any potential risks that may arise from overexposure to a particular industry.

The Issuer's portfolio exposure by client industry sector as at 31 December 2018 is set out in the table below (all amounts are in RON):

	31 December 2017	31 December 2018
Financial leasing – individuals customers	**32,727,128**	**36,082,282**
Financial leasing – legal entities customers:	**2,801,861,810**	**3,143,900,766**
Agriculture and food industry	154,302,661	198,631,051
Electricity, oil and gas	229,620,724	187,057,887
Transportation	465,123,293	537,130,780
Construction	265,717,660	291,561,784
Retail and wholesales	507,006,101	603,710,946
Services	444,100,742	486,732,696
Public sector	2,941,252	3,772,983
Others	733,049,377	835,302,639
	1,000,768,175	**1,109,036,503**
Financing loans for inventories and equipment		
BMW Dealers	**94,318,625**	**85,601,286**
FORD Dealers	**262,868,796**	**322,112,603**
Other dealers	**98,325,013**	**128,385,416**
Schmitz assets and Agricultural assets loans	**545,253,559**	**572,935,014**
Agrarian European Fund for Rural Development Loans	**2,182**	**2,184**
Portfolio value before depreciation adjustments	**3,835,357,113**	**4,289,019,551**

Wholesale Financing

The Issuer's wholesale financing business involves the financing of stocks of cars, motorcycles, trucks, trailers, spare parts, machinery and equipment (including agricultural equipment) and other assets through credit facility agreements between the Issuer and specialised dealers (and in some cases the importer or manufacturer of the assets) which allows the Issuer to support the development of the dealership business as well as reach the end users of the products.

The Issuer defines annual steering goals for different industries and monitors the structure of its portfolio exposure to each industry quarterly as part of its Credit Risk Strategy and in its Floor Plan Group policy.

For the vendor model (floor plan financing), it has issued several restrictions in order to manage and prevent potential risks that may arise from overexposure to this model, including:

- wholesale/stock financing can only be offered in connection with the end-customer retail business and not as a stand-alone product; and

- financing of VAT is only allowed insofar as there is a VAT refund in place and there is a properly established process to reclaim the VAT on a short-term basis.

As at 31 December 2018, the Issuer's vendor model is defined by the following main characteristics:

- vendor co-operation agreements entered into with key manufacturers and/or importers from the automotive industry;

- 74 wholesale credit lines; and

- vendors channel constitutes approximately 46 per cent. of the Issuer's total new business (including leasing contracts with end-customers under retail financing connected to vendors wholesale financing).

Financial Performance

The Issuer reported fiscal year 2018 total revenues of RON 235.3 million, 20.4 per cent. higher compared to 2017, and operating expenses of RON 102 million, 3.6 per cent. higher compared to 2017. Pre-provisioning income increased to RON 133.3 million, 37.4 per cent. higher compared to 2017, while Profit Before Tax declined to RON 76.7 million (compared to RON 113.1 million in 2017) due to an increase in net impairment charges to RON 26.7 million and losses on investments of RON 30.0 million generated by the sale of its participation in UniCredit Insurance Broker. In 2018, net profit dropped 33.6 per cent. to RON 70.0 million.

STATEMENT OF PROFIT AND LOSS			
Romanian Accounting Standards, data in RON million	**Year ending 31 Dec-16**	**Year ending 31 Dec-17**	**Year ending 31 Dec-18**
Net Interest Income, out of which:	**93.9**	**114.7**	**142.7**
Interest receivables and similar income	*151.5*	*167.0*	*188.6*
Interest payable and similar charges	*(57.6)*	*(52.3)*	*(45.9)*
Net Fees and Commissions	**3.3**	**5.2**	**5.6**
Core Income	**97.2**	**119.9**	**148.3**
Net profit or net loss on financial operations	9.7	11.0	16.1
Income from shares in affiliated undertakings	40.0	27.0	28.4
Other operating income	46.7	37.6	42.5

Total Income	**193.6**	**195.5**	**235.3**
Staff costs	(21.7)	(22.2)	(24.6)
Other administrative expenses	(30.1)	(34.5)	(41.7)
Depreciation and amortization of intangible and tangible assets	(10.8)	(5.9)	(3.2)
Other operating expenses	(46.1)	(35.9)	(32.5)
Total Operating Expenses	**(108.7)**	**(98.5)**	**(102.0)**
Pre-Provisioning Income	**84.9**	**97.0**	**133.3**
Impairment Charges	7.2	(0.6)	(26.7)
Gain/(Loss) on Associate Investments	(16.9)	16.9	(30.0)
Profit before tax	**75.2**	**113.1**	**76.7**
Income tax	**(15.4)**	**(7.7)**	**(6.7)**
Net Profit	**59.9**	**105.3**	**70.0**
Underlying Net Profit[1]	**76.7**	**88.5**	**93.1**

[1] Profit after tax eliminating the effect of selling from 2018 and the impairment charges and reversals from 2016 and 2017 of the Insurance Broker affiliate.

The Issuer's total assets increased 12.3 per cent. in fiscal year 2018 to RON 4.8 billion, mainly due to a 12.9 per cent. year-on-year increase in receivables from customers to RON 4.1 billion. The Issuer's asset expansion was financed mainly via loans from financial institutions and retained earnings. Capital levels continued to improve, with the total capital ratio[10] reaching 22.8 per cent. as of 31 December 2018, up from 19.7 per cent. in 2017 and 16.8 per cent. in 2016.

BALANCE SHEET			
Romanian Accounting Standards, data in RON million	**As at 31 Dec-16**	**As at 31 Dec-17**	**As at 31 Dec-18**
Cash and cash equivalents	0.0	0.0	0.0
Receivables from credit institutions	348.7	183.8	315.1
Receivables from customers	3,050.4	3,635.6	4,103.6
Shares and other variable-yield securities	2.4	2.4	2.4
Shares in affiliated undertakings	27.3	44.2	1.0
Intangible assets	5.4	6.3	7.6
Tangible assets	82.2	147.5	1.6
Other assets	187.1	198.7	306.6
Prepayments and accrued income	42.4	58.7	65.8

[10] Computed based on National Bank of Romania reporting

Total Assets	**3,745.9**	**4,277.0**	**4,803.6**
Amounts due to credit institutions	3,310.7	3,653.0	4,123.5
Amounts owed to customers	2.3	4.6	3.9
Other liabilities	60.1	125.5	86.1
Accruals and deferred income	39.4	53.4	76.8
Other provisions	10.2	9.4	12.1
Subordinated loans	99.9	102.5	102.6
Total Liabilities	**3,522.6**	**3,948.4**	**4,405.0**
Subscribed share capital	91.0	91.0	91.0
Share premiums	13.7	13.7	13.7
Reserves	21.6	26.6	26.6
Revaluation reserves	0.3	0.3	0.3
Retained earnings	40.6	96.7	197.1
Profit or (loss) for the financial year	59.9	105.3	70.0
Profit distribution	-3.8	-5.0	0.0
Total Equity	**223.3**	**328.6**	**398.6**
Total Liabilities and Equity	**3,745.9**	**4,277.0**	**4,803.6**

Strategy

The Issuer's strategy is to maintain its leading position within the Romanian leasing market whilst ensuring long term value creation by focusing on capital light products, the management of its risk/return profile throughout the cycle and cost optimisation, via simplification and digitisation.

The Issuer's main strategic objectives over the 2019 financial year are as follows:

- **Maintain value generation through the cycle** via a balanced product, customer and sales channel mix.
- **Enhance vendor business model** by maximizing performance of existing vendor partnerships, and developing new partnerships.
- **Enhance risk diversification** by customer, product and channel portfolio (also developing equipment and agribusiness).
- **Increase cross-selling and coordination with other UniCredit Group entities** - in particular UniCredit Bank S.A., UniCredit Consumer Financing IFN SA, UniCredit Fleet Management SRL and UniCredit Insurance Broker SRL.

- **Continue accelerating time to asset for all business lines** to improve customer experience, increase number of clients and profitability per transaction.
- **Continue digitalisation process** (including documentation and electronic signature) starting with the implementation of robotic process automatisation and digital front end solutions.
- **Continuous simplification of head office, product offer and end to end processes** for optimal operational management and low cost to serve also through IT automations and robotics.

Management

Supervisory Board

The Supervisory Board members have mandates of three years and they exercise their duties under, inter alia, Company Law No. 31/1990. These duties include supervising the implementation of the decisions made by the General Meeting of Shareholders ("**GMS**") and carrying out any other duties expressly delegated by the GMS, approving the overall strategy and guidelines of the Issuer, appointing members of the Management Board and reviewing the annual balance sheet, profit and loss account, auditor's report and any proposals on profit distribution.

The members of the Supervisory Board are also members of the Management Board of the main shareholder of the Issuer (UniCredit Bank S.A.).

The Supervisory Board of the Issuer, as at the date of this Offering Circular, consists of the following members each having their business address at UniCredit Tower, Bulevardul Expoziției 1F, 1st district, 012101 Bucharest, Romania and whose principal activities performed outside of the Issuer which are significant with respect to the Issuer are as follows:

Name	**Position**	**Other Principal Activities**
Catalin-Rasvan Radu	Chairman	CEO UniCredit Bank S.A.
Marco Cravario	Member	Deputy CEO UniCredit Bank S.A.
Andrei-Florin Bratu	Member	Executive Vice President – Risk Area / UniCredit Bank S.A.
Philipp Gamauf	Member	Executive Vice President – Finance Area / UniCredit Bank S.A.
Nicola Longo Dente	Member	Executive Vice President – CIB / UniCredit Bank S.A.

Management Board

The Management Board members have mandates of three years and their duties include guiding the Issuer's business operations and leading the Issuer's day to day activity, implementing the decisions of the GMS and Supervisory Board and developing the Issuer's overall strategy and guidelines.

The Management Board is also responsible for approving any policy, procedure or internal instruction the approval of which is not in the competence of the Supervisory Board under the Issuer's Articles of Association or according to the legislation in force.

The Management Board of the Issuer consists of the following members, each having their business address at 23-25, Ghetarilor Street, 1st district, 014106 Bucharest, Romania and whose principal activities performed outside of the Issuer which are significant with respect to the Issuer are as follows:

Name	**Position**	**Time in current position**	**Other Principal Activities**	**Previous positions held**
Daniela-Margareta Bodîrcă	Chairman & CEO	10 months	President of the Romanian Leasing Association (ALB)	Chief Risk Officer at UniCredit Bank S.A. (2008-2018)
Serban-Mihai Tanasescu-Ienciu	VP, Chief Sales Officer	3 years	None	Director in the Large Corporate Department at UniCredit Bank S.A. (2011-2016)
Simona-Nicoleta Milosoiu	VP, Chief Financial Officer	3 years	Director at DEBO LEASING SRL (Issuer subsidiary)	Chief Risk Officer at UCLC – member of the Management Board – Vice-President (2013-2016) Chief Risk Officer at UCLC - (2009-2013) Head of Credit Operations at UCLC (2008-2009) Senior auditor at Ernst & Young

				Romania (2002-2003)
Ramona Balasanian	VP, Chief Risk Officer	3 years	None	Head of Underwriting and Risk Strategies and Control at UCLC (2013-2016) Underwriting and Risk Strategies and Control Officer at UCLC (2008-2013)
Daniela Panaitescu	VP, Head of GBS	3 years	None	Head of Customer Operations (2009-2017)

Credit Committee

The Credit Committee members have mandates for indefinite terms and their duties primarily concern the credit risk activity of the Issuer, including the approval or rejection of financing proposals for new deals and/or amendments within the powers delegated to the Committee, issuing recommendations for financing proposals that fall within the powers of superior bodies and deciding on the sub-delegation of credit authority powers, according to the principles approved and developed by the UniCredit Group.

The Credit Committee is also responsible for defining risk mitigation actions as part of its periodical credit review of counterparts and for the approval of working instructions for financing products and alternative scoring approval mechanisms.

The Credit Committee of the Issuer consists of the following members, each having their business address at 23-25, Ghetarilor Street, 1st district, 014106 Bucharest, Romania and whose principal activities performed outside of the Issuer which are significant with respect to the Issuer are as follows:

Name	**Position**	**Other Principal Activities**
Daniela-Margareta Bodîrcă	Chief Executive Officer (CEO)	President of the Romanian Leasing Association (ALB)
Serban-Mihai Tanasescu-Ienciu	Chief Sales Officer (CSO)	None
Ramona Balasanian	Chief Risk Officer (CRO)	None
Maria Madalina Dumitrescu	Head of Underwriting	None

Special Credit Committee

The Special Credit Committee members have mandates for indefinite terms and their duties primarily concern the definition of the Issuer's strategies related to local restructuring and workout positions, and the valuation, approval and monitoring of the overall development of such positions, within the powers delegated to them.

The duties of the Special Credit Committee include making determinations in respect of credit reclassifications, restructuring and/or workout initiatives and provisioning, write off and write back, issuing opinions to support restructuring files to be submitted to the superior body and deciding on the sub-delegation of special credit and workout authority powers, according to the principles approved and developed by the UniCredit Group.

The Special Credit Committee of the Issuer consists of the following members, each having their business address at 23-25, Ghetarilor Street, 1st district, 014106 Bucharest, Romania and whose principal activities performed outside of the Issuer which are significant with respect to the Issuer are as follows:

Name	**Position**	**Other Principal Acitivities**
Daniela-Margareta Bodîrcă	Chief Executive Officer (CEO)	President of the Romanian Leasing Association (ALB)
Serban-Mihai Tanasescu-Ienciu	Chief Sales Officer (CSO)	None
Ramona Balasanian	Chief Risk Officer (CRO)	None
Oana Andreea Haralambie	Restructuring and Workout Manager	None

Risk Management Committee

The Risk Management Committee members have mandates for indefinite terms and their duties include supporting the implementation of methodological manuals relating to local measurement and risk control models, providing proposals to the Issuer's Supervisory Board in relation to any important changes to the risk measurement system or corrective actions to balance risk and review of strategies, assessing the risk reports for the Issuer's Supervisory Board and validating local methods of measurement and risk control according to approved policies and models.

The Risk Management Committee of the Issuer consists of the following members, each having their business address at 23-25, Ghetarilor Street, 014106 Bucharest, Romania and whose principal activities performed outside of the Issuer which are significant with respect to the Issuer are as follows:

Name	**Position**	**Other Principal Activities**
Daniela-Margareta Bodîrcă	Chief Executive Officer (CEO)	President of the Romanian Leasing Association (ALB)
Simona-Nicoleta Milosoiu	Chief Financial Officer (CFO)	Director at DEBO LEASING SRL

		(SPV/subsidiary of the Issuer)
Serban-Mihai Tanasescu-Ienciu	Chief Sales Officer (CSO)	None
Ramona Balasanian	Chief Risk Officer (CRO)	None
Daniela Panaitescu	Vice-President GBS	None
Bogdan Marita	Legal and Compliance Director	None

Audit Committee

The Audit Committee members have mandates for the terms indicated in the below table and their duties include assessing how senior management establishes and maintains an adequate and effective internal control system and processes and whether senior management applies an appropriate "control culture", by communicating the importance of internal control and risk management. In addition, the Audit Committee monitors the financial reporting process and sends recommendations or proposals to the Supervisory Board to ensure their integrity.

The Audit Committee also informs the Supervisory Board members regarding the results of the statutory audit and explains how the statutory audit contributed to the integrity of financial reporting and what role the Audit Committee itself played in the process. The Audit Committee also monitors the statutory audit of the annual financial statements and consolidated annual financial statements and assesses and monitors the independence of the external auditor.

The Audit Committee of the Issuer consists of the following members, each having their business address as shown in the table below and whose principal activities performed outside of the Issuer which are significant with respect to the Issuer are as follows:

Name	**Position**	**Mandate duration**	**Other Principal Activities**	**Business Address**
Florentina Susnea	Chairman (independent)	3 years	Managing partner at PKF Finconta SRL	38 Jean Louis Calderon Street, District 2,Bucharest, 020037, Romania
Andrei-Florin Bratu	Member	Indefinite	CRO - Unicredit Bank S.A.	Unicredit Tower, Bulevardul Expoziției 1F, 1st district, 012101
Adriana Badiu	Member (independent)	3 years	Managing Partner - 3B Expert Audit SRL	Aurel Vlaicu114 Street, 2nd district, Bucharest, 020098, Romania

Permanent Workgroup for Operational Risk

The Permanent Workgroup for Operational Risk members have mandates for indefinite terms and their duties include identifying, classifying and evaluating the Issuer's operational risk, and proposing mitigation actions in order to reduce the operational risk and monitoring the implementation of such actions.

The Permanent Workgroup for Operational Risk of the Issuer consists of the following members, each having their business address at 23-25, Ghetarilor Street, 1st district, 014106 Bucharest, Romania and whose principal activities performed outside of the Issuer which are significant with respect to the Issuer are as follows:

Name	**Position**	**Other Principal Activities**
Madalina Calinescu	Operational Risk Manager	None
Gabriela Simon	Processes, Organisation & Cost Manager	None
Laura Ban	Head of Internal Controls & Monitoring	None

In addition, at any one time, a member of the Issuer's Legal and Compliance team also participates in the Permanent Workgroup for Operational Risk.

Statutory Auditors

As at the date of this Offering Circular, the Issuer's external auditors are Deloitte Audit SRL ("**Deloitte**"). Deloitte's re-appointment as the Issuer's independent statutory auditor was approved on 8 May 2018 by a Resolution of the ordinary meeting of the shareholders of the Issuer.

Deloitte is a member of the Chamber of Financial Auditors of Romania, registration number 25/25 June 2001 and has a registered office at The Mark Tower, 82-98 Calea Grivitei, 14th Floor, District 1010735, Bucharest, Romania.

The Issuer's financial statements for the financial years ended 31 December 2017 and 31 December 2018 have each been audited without qualification by Deloitte.

The Issuer's annual and interim financial statements are each prepared in accordance with Romanian GAAP, respectively Order of the National Bank of Romania Governor no. 6/2015 for the adoption of accounting Regulations in accordance with European directives, with subsequent amendments.

The Issuer's interim financial statements for the six month period ended 30 June 2019 included in this Offering Circular have not been audited or reviewed.

The auditors have no material interest in the Issuer.

Legal and Arbitration Proceedings

The Issuer, together with several other Romanian leasing companies (members of ALB – the Romanian Association of Leasing and Non-Banking Financial Services), is currently subject to an investigation of the Romanian Competition Council concerning exchange of information among competitors. The investigation commenced in 2017 and might result in significant fines being imposed on the Issuer. As a precautionary measure, the Issuer has already made provisions in relation thereto.

Save as disclosed in the preceding paragraph, neither the Issuer nor any of its subsidiaries is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware), during the 12 months prior to the date of this Offering Circular which, according to information available at present, may have, or have had, in such period a significant effect on the financial position or profitability of the Issuer and its subsidiaries.

DESCRIPTION OF THE GUARANTOR

Prospective investors should consider (i) the section entitled "*Description of UniCredit and the UniCredit Group*" at pages 308 to 346 of the EMTN Base Prospectus; and (ii) the section entitled "*Description of UniCredit and the UniCredit Group*" at pages 3 to 9 of the supplement dated 13 August 2019 to the EMTN Base Prospectus, each as referred to in, and incorporated by reference into, this Offering Circular as set out in "*Information Incorporated by Reference*".

TAXATION

The statements herein regarding taxation are based on the laws in force as at the date of this Offering Circular and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules.

Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Notes.

Also investors should note that the appointment by an investor in Notes, or any person through which an investor holds Notes, of a custodian, collection agent or similar person in relation to such Notes in any jurisdiction may have tax implications. Investors should consult their own tax advisers in relation to the tax consequences for them of any such appointment.

Taxation in Romania

Pursuant to the provisions of Law no. 227/2015 regarding the Fiscal Code, as subsequently amended and supplemented (the "**Fiscal Code**") and the related Methodological Norms (approved by Government Decision no. 1/2016 regarding the Methodological Norms for the application of the Fiscal Code, as subsequently amended and supplemented) (the "**Methodological Norms**") valid as at the date of this Offering Circular, the income derived from holding and trading certain debt instruments issued by Romanian tax residents, such as the Notes, is generally taxable in Romania.

1. Definition of the used terms

According to the provisions of the Fiscal Code, there are certain conditions that must be met in order for an entity to be subject to tax on income or on profit obtained in Romania. In determining the tax consequences in Romania, the following definitions will apply:

- "**fiscally transparent entity, with/without legal personality**" means any association, joint venture, associations based on joint-venture contracts, economic interest group, civil entity (in Romanian, "societate civilă") or other entity which is not a distinct taxable person, each associate/participant being subject to corporate tax or income tax, as applicable;
- "**foreign legal person**" means any legal person that is not a Romanian legal person and any legal person incorporated according to the European legislation and not having its registered office in Romania.
- "**individual contributors to the Social Health Insurance System**" or "**SHIS**" in respect of the income from investments has the following meaning:
    a. Romanian citizens having their domicile or residence in Romania;
    b. foreign citizens and stateless persons who requested and obtained the extension of their temporary right to stay or have their domicile in Romania;

c. citizens of the Member States of the European Union, European Economic Area and Swiss Confederation who do not hold an insurance concluded on the territory of another Member State producing effects on the territory of Romania, who requested and obtained the right to stay in Romania for a period exceeding 3 months;

d. persons of the Member States of the European Union, European Economic Area and Swiss Confederation who meet the conditions of frontier worker and pursue an activity as an employed or self-employed person in Romania and reside in another Member State to which they return on a daily basis or at least once a week.

The persons stipulated in letters a) - d) above, holding a sickness and maternity insurance within the social security system of another Member State of the European Union, European Economic Area and Swiss Confederation or of the states with which Romania concluded bilateral social security agreements regulating the sickness-maternity insurance, based on the internal legislation of the respective states, which produces effects on the territory of Romania and who provide the proof of the validity of such insurance, in accordance with the procedure established by a joint order of the president of the National Agency of Tax Administration and of the president of the National House of Health Insurance, are not contributors to the social health insurance system (SHIS).

- "**individual resident in Romania**" means any individual fulfilling at least one of the following conditions:
  - a) has his/her domicile in Romania;
  - b) his/her centre of vital interests is located in Romania;
  - c) is present in Romania for a period or several periods exceeding in aggregate 183 days during any 12 consecutive months, which end in the calendar year concerned;
  - d) is a Romanian citizen who works abroad as an officer or employee of Romania in a foreign state.
- "**interest**" is defined as any amount which must be paid or received for the use of money, regardless of whether it must be paid or received in relation to a debt, in connection with a deposit or in accordance with a financial leasing contract, sale with payment in instalments or any sale with deferred payment.
- "**legal person incorporated according to the European legislation**" means any legal person incorporated under the conditions and based on the mechanisms laid down by the European regulations;
- "**non-resident**" means any foreign legal person, any non-resident individual and any other foreign entities, including undertakings for collective investment in securities without legal personality, which are not registered in Romania, according to the law.
- "**non-resident individual**" means any individual who does not meet any of the conditions stated above for being an "individual resident in Romania", as well as any individual who is a foreign citizen with diplomatic or consular status in Romania, any foreign citizen who is an officer or employee of an international and inter-governmental body registered in Romania, any foreign citizen who is an officer or employee of a foreign state in Romania and their family members.

- "**place of effective management**" is the place where the strategic economic decisions necessary for the activity of the foreign legal person as a whole are taken and/or the place where the executive director and other directors ensuring the management and control over the legal entity carry out their activities.
- "**resident**" in Romania means any Romanian legal person, any foreign legal person having its place of effective management in Romania, any legal person having its registered office in Romania, incorporated according to the European legislation, and any individual resident in Romania.
- "**Romanian legal person**" means any legal person which has been incorporated and operates according to the Romanian laws.
- "**Sole tax return for estimated income**" is the *sole tax return regarding income tax and social security contributions due by individuals - Chapter II. Data concerning tax on estimated income/ income norm to be derived in Romania and the payable social security contributions* to be submitted by individual taxpayers for the income estimated to be obtained in each tax year, until 15 March inclusive of each year.
- "**Sole tax return for realised income**" is the *sole tax return regarding income tax and social security contributions due by individuals - Chapter I. Data on realised income* to be submitted by individual taxpayers, for each tax year, until 15 March inclusive of the year following the year in which the income was realised, for the final assessment of the annual income tax.

2. Taxation of interest

The Romanian taxation of interest depends on the status of the Noteholder beneficially owning the interest, as follows:

(i) Legal persons resident in Romania for tax purposes

Interest income derived from the holding of the Notes by legal persons resident in Romania represents taxable income when computing the tax result subject to corporate income tax at a rate of 16 per cent. at the level of the entity obtaining the interest.

If the resident entity applies the micro-enterprises' income tax system, then the interest income will be included in the taxable base (representing the gross income), to which a 1 per cent. rate is applied (if the entity has at least one full-time employee) or 3 per cent. for a legal person that does not have any employees.

In both cases, no withholding tax applies in Romania, therefore Noteholders will receive the gross amount of the interest in respect of the Notes held.

(ii) Legal persons not resident in Romania for tax purposes and undertakings for collective investment in securities without legal personality, which are not registered in Romania

The interest income derived from the holding of the Notes by legal persons not resident in Romania or undertakings for collective investment in securities without legal personality, which are not registered in Romania, is subject to withholding tax at the rate of 16 per cent.

To this end, given that a withholding tax is required by law, the Issuer shall pay such tax, at its own cost, in addition to paying to the Noteholders the full amount of the relevant interest. As such, pursuant to the Norms for the application of the Romanian Tax Code (point 18, paragraph (5) of the Norms to Title VI), a Noteholder would not be able to invoke the benefits of any treaties for the avoidance of double taxation that may be in force between Romania and the state of tax residency of such Noteholder.

The tax is final and no reporting obligation shall arise in Romania for the non-resident beneficiary, save for the obligation to obtain a tax identification number if they do not already have one in Romania.

Under certain conditions, the exemption for interest payments provided by the EU Interest and Royalties Directive (2003/49/EC) may apply for payments between associated companies, in accordance with the provisions of the Fiscal Code transposing this Directive.

(iii) Non-resident pension funds

As a general rule, interest paid to pension funds, as defined in the legislation of the Member State of the European Union or in one of the countries of the European Economic Area, is exempted from withholding tax in Romania provided that there is a legal instrument based on which the exchange of information takes place.

No reporting obligation shall arise for such pension funds for the interest income derived from the Notes, save for the obligation to obtain a tax identification number if they do not already have one in Romania.

(iv) Individuals resident in Romania for tax purposes

<u>*Personal income tax*</u> - interest income derived from the holding of the Notes by individuals tax resident in Romania, is subject to income tax at the rate of 10 per cent. The income tax shoud be computed and withheld by the Issuer. To this end, given that a withholding tax is required by law, the Issuer shall pay such tax, at its own cost, in addition to paying to the Noteholders the full amount of the relevant interest. By exception, if Romanian law on income tax withholding changes in the future and payments of interest under the Notes to non-residents cease to be subject to Romanian income withholding tax, no obligation of the Issuer to make payment of any taxes, duties, assessments or governmental charges or gross up interest payments will arise even if individuals tax resident in Romania remain subject to income tax withholding.

The tax is final and no reporting obligation shall arise in Romania for the beneficiary individual for personal income tax purposes.

<u>*Health insurance contribution*</u> - individuals who are contributors to the SHIS who estimate/actually derive interest income may be required to pay also the individual social health insurance contribution (in 2019, 10 per cent. applied on the amount of 12 national gross minimum salaries: currently totalising RON 24,960). This applies if the individuals estimate/actually derive cumulated annual income from (i) investment (e.g., interest, dividends, capital gains, liquidation proceeds etc.), (ii) independent activities, (iii) intellectual property rights (if applicable), (iv) partnership with a legal person, (v) rental and leasing activities, (vi) agricultural, forestry and fisheries activities, (vii) other sources, which, in total, are at least equal to 12 national gross minimum salaries for a year (currently RON 24,960 for 2019). In the case of interest income, the amounts actually received shall be taken into account when establishing whether

such income is at least equal to the annual threshold of at least 12 national gross minimum salaries.

The social health insurance contribution, when due, should be determined and declared by the individual who is a contributor to SHIS by submitting the *Sole tax return for estimated income* until 15 March inclusive of each year, for individuals carrying out activity during the year, respectively within 30 days from the beginning of the activity, for individuals starting an activity during the tax year. The individual who is a contributor to SHIS is required to submit the *Sole tax return for realised income*, for each fiscal year, until 15 March, inclusive, of the year following that for which the contribution is due.

The deadline for the payment of the social health insurance contribution is until 15 March inclusive of the year following that for which the contribution is due. A bonus for early payment may be granted in certain conditions.

(v) Individuals non-resident in Romania for tax purposes

Interest income derived from the holding of the Notes by individuals non-resident in Romania for tax purposes, is subject to withholding tax at the rate of 16 per cent. To this end, given that a withholding tax is required by law, the Issuer shall pay such tax, at its own cost, in addition to paying to the Noteholders the full amount of the relevant interest. As such, a Noteholder would not be able to invoke the benefits of any treaties for the avoidance of double taxation that may be in force between Romania and the state of tax residency of such Noteholder.

The tax is final and no reporting obligation shall arise in Romania for the non-resident beneficiary, save for the obligation to obtain a tax identification number if they do not already have one in Romania.

In the case of non-resident individuals who are SHIS contributors, they may be required to declare and pay the individual social health insurance contribution, under the same rules applicable to the resident individuals who are SHIS contributors (please see point 2.(iv) above at Taxation of interest).

3. Taxation of capital gains

Capital gains are not expressly defined by the Romanian Fiscal Code for legal entities taxpayers. Hence, these gains are included in the overall taxable result in case of corporate income tax payers.

In case of individuals, the capital gains are included in the category of investment income. Generally, the taxable gain (or tax loss) from the transfer of securities is computed as the difference between the sale price and the tax value (acquisition or subscription price), less the costs related to the transaction, backed-up by appropriate supporting documents.

(i) Legal persons resident in Romania for tax purposes

Capital gains obtained by Romanian resident legal persons from the transfer of the Notes will be included as taxable elements in the computation of the tax result that is subject to corporate income tax at the rate of 16 per cent., at the level of said entity. Tax losses established under the annual corporate income tax return can be recovered from the taxable profits derived over the next seven consecutive years.

If the resident entity applies micro-enterprises' income tax system, the income derived from the sale of the Notes will be included in the taxable base (representing the gross income, without deduction of the acquisition cost), to which a 1 per cent. rate is applied (if the entity has at least one full-time employee) or 3 per cent. for a legal person that does not have any employees.

No withholding tax is applicable in respect of capital gains derived by legal persons.

(ii) Legal persons not resident in Romania for tax purposes

The Fiscal Code does not contain any express provisions regarding the taxation of capital gains obtained by non-resident legal persons from the transfer of the Notes issued by the Issuer. However, by corroborating the provisions of art. 7, 12, 38 and 223 of the Fiscal Code, it can be interpreted that any capital gains obtained by non-resident legal persons from the transfer of such Notes are not taxable income in Romania. Given the lack of a clear and express regulation applicable in this context, it is however recommended to potential investors to confirm the applicable tax treatment on a case-by-case basis. This applies also to international financial institutions with legal personality.

(iii) Non-resident pension funds and undertakings for collective investment in securities without legal personality, which are not registered in Romania

Capital gains from trading the Notes, derived by non-resident undertakings for collective investment without legal personality and any other non-resident assimilated vehicles without legal personality, recognised by the relevant regulatory body authorising their activity on that particular market, are non-taxable in Romania. However, the Romanian tax law is not clear as to whether, for this rule to apply, the Notes themselves should be issued and traded on a regulated market.

The Fiscal Code does not contain express provisions regarding the taxation of capital gains obtained by foreign pension funds from the transfer of the Notes issued by the Issuer. However, by corroborating the provisions of art. 7, 12, 38 and 223 of the Fiscal Code, it can be interpreted that any capital gains obtained by foreign pension funds from the transfer of such Notes are not taxable income in Romania.

Given the lack of a clear and express regulation applicable in this context, it is, however, recommended to potential investors to confirm the applicable tax treatment on a case-by-case basis.

(iv) Individuals resident in Romania for tax purposes

Capital gains obtained by individuals tax resident in Romania from the transfer of Notes are subject to income tax at the rate of 10 per cent. The annual net gain / annual net loss is determined by the individual based on the Sole tax return for realised income.

Depending on how each transaction is carried out, different rules may apply, as follows:

a) When the transaction is carried out through an intermediary which is tax resident in Romania, the determination of the gain / loss on the transfer of securities is made by the latter at the transaction date, based on supporting documents. Each intermediary, investment management company or self-managed investment company has the following obligations: a) to calculate the gain / loss for each transaction carried out for the taxpayer or on an annual basis, as the case may be; b) to communicate to each taxpayer the information on the total gains / losses, in written form, for the transactions carried out during the tax year, by 31 January inclusive of the current year for the previous year; c) to submit annually, by 31 January inclusive of the current year for the previous year, to the competent tax authority an informative statement regarding the total gains / losses, for each taxpayer;

b) When the transaction is not carried out through an intermediary or if the intermediary is not a Romanian tax resident, the determination of the gain / loss on the transfer of securities is made by the beneficiary of the income at the date when the price is paid, based on supporting documents (as received from the foreign intermediary, where the case).

The tax is not withheld at source. For the assessment of the annual income tax due, the individual is required to fill in and submit the Sole tax return for realised income, for each tax year until 15 March inclusive of the year following that in which the annual net gain / annual net loss was obtained. The payment of the annual tax due for taxable net annual income / taxable net annual gain is made by the individual to the state budget, until 15 March inclusive of the year following that in which the income was derived.

The annual net loss established in the Sole tax return for ralised income can be recovered from the annual net gains obtained over the next seven consecutive tax years, under the conditions provided by the Fiscal Code.

Individuals tax resident in Romania deriving capital gains from the transfer of Notes are required to declare and pay the social health insurance contribution, under the same rules applicable to resident individuals deriving income from interest related to the Notes (please see point 2.(iv) above at Taxation of interest).

(v) Individuals non-resident in Romania for tax purposes

Capital gains derived by non-resident individuals for tax purposes from the transfer of Notes issued by the Issuer are considered Romanian-sourced income (regardless of whether the income is received in Romania or abroad) and thus are subject to taxation in Romania at 10 per cent. income tax rate. By exception, such capital gains would not have been taxable in Romania if the Notes had been traded on foreign capital markets – however, this is not applicable.

Depending on the country in which the individual investor has its tax residence, the capital gains tax may be reduced or eliminated based on a double taxation treaty. In order to benefit from the more favourable provisions of a double taxation treaty, the non-resident should obtain and provide a tax residence certificate (valid for the relevant tax year) issued by the tax authorities of its country of residence, accompanied by a certified translation into Romanian, and attach to the annual income tax return a legalised copy of the certificate accompanied by a certified translation. If transactions are carried out through a resident intermediary, the latter shall keep the tax residence certificate and the certified translation into Romanian.

If income tax is due in Romania on capital gains, the beneficiary of the income is required to declare and pay the income tax under the same rules applicable to resident individuals deriving capital gains from the transfer of Notes (please see point 2.(iv) above at Taxation of capital gains).

However, if the double taxation treaty concluded between Romania and the state of residence of the non-resident individual does not set forth Romania's taxing right and the said person presents the tax residence certificate, the non-resident individual is not required to declare the gains / losses for transactions performed during the year.

Non-resident individuals having tax obligations in Romania must appoint a tax agent in Romania to obtain a tax identification number and declare any tax liabilities in the name and on behalf of the non-resident individual. This obligation also applies to individuals whose capital gains are tax exempt in Romania. Tax residents in any EU Member State / state within the European Economic Area or in a state that is part of an international framework of mutual administrative assistance in tax matters and recovery of tax claims to which Romania is a party are not required to appoint a tax agent, as they may represent themselves directly.

However, when transactions are carried out through a resident intermediary, the latter shall request from the Romanian tax authority the tax identification number for the non-resident individual who does not have such a number. Also, the Romanian resident intermediary should a) calculate the gain / loss for each transaction carried out for the taxpayer and on an annual basis, as the case may be; b) communicate to each taxpayer the information on the total gains / losses, in written form, for the transactions carried out during the tax year, by 31 January inclusive of the current year for the previous year; c) submit annually, by 31 January inclusive of the current year for the previous year, to the competent tax authority an informative statement regarding the total gains / losses, for each taxpayer.

If the non-resident individuals are SHIS contributors, they may be required to declare and pay the individual social health insurance contribution, under the same rules applicable to resident individuals who are SHIS contributors (please see point 2.(iv) above on Taxation of interest income).

4. Value added tax (VAT) considerations

Investment transactions with financial instruments, such as the Notes, including negotiation, but excluding administration or safekeeping are VAT exempt without deduction right.

Taxation in the Republic of Italy

Tax treatment of the Notes

Legislative Decree No. 239 of 1 April 1996, as subsequently amended, ("**Decree 239**") provides for the applicable regime with respect to the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) from Notes falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*), issued, *inter alia*, by a non-Italian resident issuer.

Italian resident Noteholders

Where an Italian resident Noteholder is (a) an individual not engaged in an entrepreneurial activity to which the

Notes are connected; (b) a non-commercial partnership; (c) a non-commercial private or public institution; or (d) an investor exempt from Italian corporate income taxation (unless the Noteholders has opted for the application of the *risparmio gestito* regime – see "Capital gains tax" below), interest, premium and other income relating to the Notes, accrued during the relevant holding period, are subject to a substitute tax, referred to as "*imposta sostitutiva*", levied at the rate of 26 per cent. In the event that the Noteholders described under (a) and (c) above are engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* applies as a provisional tax.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity to which the Notes are connected or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from any income taxation, including the *imposta sostitutiva*, on interest, premium and other income relating to the Notes if the Notes are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1(88-114) of Law No. 232 of 11 December 2016, as subsequently amended (the "**Finance Act 2017**") and in Article 1(210-215) of Law No. 145 of 30 December 2018 (the "**Finance Act 2019**"), as implemented by the Ministerial Decree of 30 April 2019.

Where an Italian resident Noteholder is a company or similar commercial entity, or a permanent establishment in Italy of a foreign company to which the Notes are effectively connected, and the Notes are deposited with an authorised intermediary, interest, premium and other income from the Notes will not be subject to *imposta sostitutiva*, but must be included in the relevant Noteholder's income tax return and are therefore subject to general Italian corporate taxation (and, in certain circumstances, depending on the "status" of the Noteholder, also to the regional tax on productive activities ("**IRAP**")).

Under the current regime provided by Law Decree No. 351 of 25 September 2001 converted into law with amendments by Law No. 410 of 23 November 2001 ("**Decree 351**"), and Article 9, par. 1, Legislative Decree No. 44 of 4 March 2014, payments of interest, premiums or other proceeds in respect of the Notes made to Italian resident real estate investment funds established pursuant to Article 37 of Legislative Decree No. 58 of 24 February 1998 (the "**Financial Services Act**") or pursuant to Article 14-bis of Law No. 86 of 25 January 1994, and Italian real estate investment companies with fixed capital (the "**Real Estate SICAFs**" and, together with the Italian resident real estate investment funds, the "**Real Estate Funds**") are subject neither to *imposta sostitutiva* nor to any other income tax in the hands of the Real Estate Fund, but subsequent distributions made in favour of unitholders or shareholders will be subject, in certain circumstances, to a withholding tax of 26 per cent.; subject to certain conditions, depending on the status of the investor and percentage of participation, income of the Real Estate Fund is subject to taxation in the hands of the unitholder or shareholder regardless of distribution.

If the investor is resident in Italy and is an open-ended or closed-ended investment fund, a SICAF (an investment company with fixed capital other than a Real Estate SICAF) or a SICAV (an investment company with variable capital) established in Italy and either (i) the fund, the SICAF or the SICAV or (ii) their manager is subject to the supervision of a regulatory authority (the "**Fund**"), and the relevant Notes are held by an authorised intermediary, interest, premium and other income accrued during the holding period on such Notes will not be subject to *imposta sostitutiva* nor to any other income tax in the hands of the Fund, but subsequent distributions made in favour of unitholders or shareholders will be subject, in certain circumstances, to a withholding tax of 26 per cent. (the "**Collective Investment Fund Withholding Tax**").

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by Article 17 of Legislative Decree No. 252 of 5 December 2005) and the Notes are deposited with an authorised intermediary, interest, premium and other income relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period to be subject to a 20 per cent. substitute tax. Subject to certain conditions (including minimum holding period requirement) and limitations, interest, premium and other income relating to the Notes may be excluded from the taxable base of the 20 per cent. substitute tax if the Notes are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1 (88-114) of Finance Act 2017 and in Article 1(210-215) of Finance Act 2019, as implemented by the Ministerial Decree of 30 April 2019.

Pursuant to Decree 239, *imposta sostitutiva* is applied by banks, Italian investment companies (*società di intermediazione mobiliare*) ("**SIM**s"), fiduciary companies, Italian asset management companies (*società di gestione del risparmio*) ("**SGR**s"), stockbrokers and other entities identified by a decree of the Ministry of Finance (each an "**Intermediary**").

An Intermediary (a) must (i) be resident in Italy or (ii) be a permanent establishment in Italy of a non-Italian resident financial intermediary or (iii) an entity or company not resident in Italy, acting through a system of centralised administration of notes and directly connected with the Department of Revenue of the Italian Ministry of Finance having appointed an Italian representative for the purposes of Decree 239 and (b) intervene, in any way, in the collection of interest or in the transfer of the Notes. For the purpose of the application of the *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Notes or in a change of the Intermediary with which the Notes are deposited.

Where the Notes are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by any entity paying interest to a Noteholder.

Non-Italian resident Noteholders

No Italian *imposta sostitutiva* is applied on payments to a non-Italian resident Noteholder of interest or premium relating to the Notes, provided that, if the Notes are held in Italy, the non-Italian resident Noteholder declares itself to be a non-Italian resident according to Italian tax regulations.

Payments made by an Italian resident guarantor

With respect to payments on the Notes made to Italian resident Noteholders by an Italian resident guarantor, in accordance with one interpretation of Italian tax law, any payment of liabilities equal to interest and other proceeds from the Notes may be subject to a provisional withholding tax at a rate of 26 per cent. pursuant to Presidential Decree No. 600 of 29 September 1973. In case of payments to non-Italian resident Noteholders, the final withholding tax may be applied at 26 per cent.

Double taxation treaties entered into by Italy may apply allowing for a lower (or, in certain cases, nil) rate of withholding tax.

In accordance with another interpretation, any such payment made by the Italian resident guarantor will be treated, in certain circumstances, as a payment by the relevant issuer and will thus be subject to the tax regime described in the previous paragraphs of this section.

Capital gains tax

Any gain obtained from the sale or redemption of the Notes would be treated as part of the taxable income (and, in certain circumstances, depending on the "status" of the Noteholder, also as part of the net value of the production for IRAP purposes) if realised by an Italian company or a similar commercial entity (including the Italian permanent establishment of foreign entities to which the Notes are connected) or Italian resident individuals engaged in an entrepreneurial activity to which the Notes are connected.

Where an Italian resident Noteholder is an (i) an individual holding the Notes not in connection with an entrepreneurial activity, (ii) a non-commercial partnership, (iii) a non-commercial private or public institution, any capital gain realised by such Noteholder from the sale or redemption of the Notes would be subject to an *imposta sostitutiva*, levied at the current rate of 26 per cent. Noteholders may set off losses with gains.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not engaged in an entrepreneurial activity to which the Notes are connected or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from Italian capital gain taxes, including the *imposta sostitutiva*, on capital gains realised upon sale or redemption of the Notes, if the Notes are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1(88-114) of Finance Act 2017 and in Article 1(210-215) of Finance Act 2019, as implemented by the Ministerial Decree of 30 April 2019.

In respect of the application of *imposta sostitutiva*, taxpayers may choose one of the three regimes described below.

Under the tax declaration regime (*regime della dichiarazione*), which is the default regime for Noteholders under (i) to (iii) above, the *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any incurred capital loss, realised by the investor in connection with an entrepreneurial activity pursuant to all sales or redemptions of the Notes carried out during any given tax year. The relevant Noteholder must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return and pay *imposta sostitutiva* on such gains together with any balance of income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years. As an alternative to the tax declaration regime, Italian resident Noteholders under (i) to (iii) above may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the Notes (the "*risparmio amministrato"* regime). Such separate taxation of capital gains is allowed subject to (a) the Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries (including permanent establishments in Italy of foreign intermediaries) and (b) an express election for the *risparmio amministrato* regime being timely made in writing by the relevant Noteholder. The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Notes (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose. Under the *risparmio amministrato* regime, where a sale or redemption of the Notes results in a capital loss, such loss may be deducted from capital gains subsequently realised, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the Noteholder is not required to declare the capital gains in the annual tax return.

Any capital gains realised by Italian resident Noteholders under (i) to (iii) above who have entrusted the management of their financial assets, including the Notes, to an authorised intermediary and have opted for the so-called "*risparmio gestito*" regime will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a substitute tax at a rate of 26 per cent., to be paid by the managing authorised intermediary. Under the *risparmio gestito* regime, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under the *risparmio gestito* regime, the Noteholder is not required to declare the capital gains realised in the annual tax return. Any capital gains realised by a Noteholder who is a Real Estate Fund will be subject neither to *imposta sostitutiva* nor to any other income tax at the level of the Real Estate Fund, but subsequent distributions made in favour of unitholders or shareholders will be subject, in certain circumstances, to a withholding tax of 26 per cent.; subject to certain conditions, depending on the status of the investor and percentage of participation, income of the Real Estate Fund is subject to taxation in the hands of the unitholder or the shareholder regardless of distribution.

Any capital gains realised by a Noteholder which is a Fund will not be subject to *imposta sostitutiva*. Such result will not be taxed with the Fund, but subsequent distributions in favour of unitholders of shareholders may be subject to the Collective Investment Fund Withholding Tax.

Any capital gains realised by a Noteholder who is an Italian pension fund (subject to the regime provided for by article 17 of the Legislative Decree No. 252 of 5 December 2005) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 20 per cent. substitute tax. Subject to certain conditions (including minimum holding period requirement) and limitations, interest, premium and other income relating to the Notes may be excluded from the taxable base of the 20 per cent. substitute tax if the Notes are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1 (88-114) of Finance Act 2017 and in Article 1(210-215) of Finance Act

2019, as implemented by the Ministerial Decree of 30 April 2019.

Capital gains realised by non-Italian resident Noteholders from the sale or redemption of the Notes are not subject to Italian taxation, provided that the Notes (i) are traded on a regulated market, or (ii) if are not traded on a regulated market, are held outside Italy.

Inheritance and gift taxes

Pursuant to Law Decree No. 262 of 3 October 2006, converted into Law No. 286 of 24 November 2006, as subsequently amended, the transfers of any valuable asset (including shares, notes or other securities) as a result of death or donation are taxed as follows:

(i) transfers in favour of spouses and direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4 per cent. on the value of the inheritance or the gift exceeding, for each beneficiary, €1,000,000;

(ii) transfers in favour of relatives to the fourth degree or relatives-in-law to the third degree are subject to an inheritance and gift tax at a rate of 6 per cent. on the entire value of the inheritance or the gift. Transfers in favour of brothers/sisters are subject to the 6 per cent. inheritance and gift tax on the value of the inheritance or the gift exceeding, for each beneficiary, €100,000; and

(iii) any other transfer is, in principle, subject to an inheritance and gift tax applied at a rate of 8 per cent. on the entire value of the inheritance or the gift.

If the transfer is made in favour of persons with severe disabilities, the tax is levied at the rate mentioned above in (i), (ii) and (iii) on the value exceeding, for each beneficiary, €1,500,000.

Transfer tax

Following the repeal of the Italian transfer tax, contracts relating to the transfer of securities are subject to the following registration tax: (i) public deeds and notarised deeds are subject to fixed registration tax at a rate of €200.00; (ii) private deeds are subject to registration tax only in the case of voluntary registration.

Stamp duty

Pursuant to Article 19(1) of Decree No. 201 of 6 December 2011 ("**Decree 201**"), a proportional stamp duty applies on an annual basis to the periodic reporting communications sent by financial intermediaries to their clients for the Notes deposited in Italy. The stamp duty applies at a rate of 0.20 per cent.; and cannot exceed €14,000 for taxpayers other than individuals; this stamp duty is determined on the basis of the market value or, if no market value figure is available, the nominal value or redemption amount or in the case the nominal or redemption values cannot be determined, on the purchase value of the Notes held. Based on the wording of the law and the implementing decree issued by the Italian Ministry of Economy on 24 May 2012, the stamp duty applies to any investor who is a client (as defined in the regulations issued by the Bank of Italy) of an entity that exercises in any form a banking, financial or insurance activity within the Italian territory.

Wealth Tax on securities deposited abroad

Pursuant to Article 19(18) of Decree 201, Italian resident individuals holding the Notes outside the Italian territory are required to pay an additional tax at a rate of 0.20 per cent. ("**IVAFE**").

This tax is calculated on the market value of the Notes at the end of the relevant year or, if no market value figure is available, the nominal value or the redemption value or in the case the nominal or redemption values cannot be determined, on the purchase value of such financial assets held outside the Italian territory. Taxpayers are entitled to an Italian tax credit equivalent to the amount of wealth taxes paid in the State where the financial assets are held (up to an amount equal to the Italian wealth tax due).

Taxation in Luxembourg

The following information is of a general nature only and is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. The information contained within this section is limited to Luxembourg withholding tax issues and prospective investors in the Notes should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a withholding tax or a tax of a similar nature, or to any other concepts, refers to Luxembourg tax law and/or concepts only.

Withholding Tax

(a) Non-resident holders of Notes

Under Luxembourg general tax laws currently in force, there is no withholding tax on payments of principal, premium or interest made to non-resident holders of Notes, nor on accrued but unpaid interest in respect of the Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes held by non-resident holders of Notes.

(b) Resident holders of Notes

Under Luxembourg general tax laws currently in force and subject to the law of 23 December 2005 as amended (the "**Relibi Law**") mentioned below, there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of Notes, nor on accrued but unpaid interest in respect of Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident holders of Notes.

Under the Relibi Law payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to an individual beneficial owner who is a resident of Luxembourg will be subject to a withholding tax of 20 per cent. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Accordingly, payments of interest under the Notes coming within the scope of the Relibi Law will be subject to a withholding tax at a rate of 20 per cent.

The proposed financial transactions tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has ceased to participate.

The Commission's proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

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

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" (as defined by FATCA) may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be and the the Guarantor is a foreign financial institutions for these purposes. A number of jurisdictions (including the jurisdictions of the Issuer and the Guarantor) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register. However, if additional Notes (as described under Condition 13 (*Further Issues*)) that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

SUBSCRIPTION AND SALE

Morgan Stanley & Co. International plc and UniCredit Bank AG (the "**Joint Bookrunners**") have, in a subscription agreement dated 16 October 2019 (the "**Subscription Agreement**") and made between the Issuer, the Guarantor and the Joint Bookrunners upon the terms and subject to the conditions contained therein, agreed to subscribe for the Notes at their issue price of 100 per cent. of their principal amount plus any accrued interest in respect thereof and less fees payable to the Joint Bookrunners. The Issuer (failing which, the Guarantor) has also agreed to reimburse the Joint Bookrunners for certain of their expenses incurred in connection with the management of the issue of the Notes. The Joint Bookrunners are entitled in certain circumstances to be released and discharged from its obligations under the Subscription Agreement prior to the closing of the issue of the Notes.

United States of America

The Notes have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder.

Each Joint Bookrunner has represented and agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes, (a) as part of their distribution at any time or (b) otherwise, until 40 days after the later of the commencement of the offering and the issue date of the Notes, within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S of the Securities Act. Each Joint Bookrunner has further agreed that it will send to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after commencement of the offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Prohibition of Sales to EEA Retail Investors

Each Joint Bookrunner has represented, warranted and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular in relation thereto to any retail investor in the European Economic Area.

For the purposes of this provision, the expression "**retail investor**" means a person who is one (or more) of the following:

(a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

(b) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Prohibition of Sales to Investors other than qualified investors

In consideration of the Issuer's capacity as non-banking financing institution, the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any investor other than a qualified investor. For these purposes, a qualified investor means a professional client or an eligible counterparty, both as defined under MiFID II.

United Kingdom

Each Joint Bookrunner has further represented, warranted and undertaken that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not (or, in the case of the Guarantor, would not, if it was not an authorised person) apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Republic of Italy

The offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of the Offering Circular or of any other document relating to the Notes be distributed in the Republic of Italy, except:

(i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 2 of Regulation (EU) No. 1129 of 14 June 2017 (the "**PD Regulation**") and any applicable provision of Legislative Decree No. 58 of 24 February 1998, as amended (the "**Financial Services Act**") and Italian CONSOB regulations; or

(ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the PD Regulation, Article 34-*ter* of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time, and the applicable Italian laws.

Any offer, sale or delivery of the Notes or distribution of copies of this Offering Circular or any other document relating to the Notes in the Republic of Italy under (i) or (ii) above must:

(a) be made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 20307 of 15 February 2018 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993 (as amended, the "**Banking Act**");

(b) comply with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy (including the reporting requirements, where applicable, pursuant to Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other Italian authority.

General

No action has been or will be taken in any jurisdiction by the Issuer, the Guarantor or the Joint Bookrunners that would or is intended to permit a public offering of the Notes, or possession or distribution of any offering documents or any amendment or supplement thereto or any other offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required.

Each Joint Bookrunner has represented, warranted and agreed that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers the Notes or possesses, distributes or publishes this Offering Circular or any other offering material relating to the Notes and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer, the Guarantor nor the Joint Bookrunners shall have any responsibility therefor. Persons into whose hands this Offering Circular comes are required by the Issuer, the Guarantor and the Joint Bookrunners to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Offering Circular or any other offering material relating to the Notes, in all cases at their own expense.

None of the Issuer, the Guarantor and the Joint Bookrunners represents that the Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

GENERAL INFORMATION

Authorisation

1. The creation and issue of the Notes has been authorised by a resolution of the general meeting of shareholders of the Issuer dated 9 October 2019. The giving of the Guarantee of the Notes has been authorised by resolutions of the Board of Directors of the Guarantor dated 13 December 2018 and 10 January 2019.

Legal and Arbitration Proceedings

2. Save as disclosed in the section entitled "*Legal and arbitration proceedings*" on pages 132 to 133 of this Offering Circular, neither the Issuer nor any of its subsidiaries is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which the Issuer is aware), during the 12 months prior to the date of this Offering Circular which, according to information available at present, may have, or have had, in such period a significant effect on the financial position or profitability of the Issuer and its subsidiaries.

3. Save as disclosed in (i) the section entitled "*Legal and arbitration proceedings and proceedings connected to actions of the supervisory authorities*" on pages 315 to 334 of the EMTN Base Prospectus; (ii) the 2018 Guarantor Annual Report and Accounts; and (iii) in the UniCredit Consolidated First Half Financial Report 2019, neither the Guarantor nor any other member of the UniCredit Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which the Issuer or the Guarantor is aware), during the 12 months prior to the date of this Offering Circular which, according to information available at present, may have, or have had, in such period a significant effect on the financial position or profitability of the Guarantor and the UniCredit Group.

Significant/Material Change

4. Since 31 December 2018, there has been no material adverse change in the prospects of the Issuer and its subsidiaries and, since 30 June 2019, there has been no significant change in the financial performance or financial position of the Issuer and its subsidiaries. Since 31 December 2018, there has been no material adverse change in the prospects of the Guarantor and the UniCredit Group and since 30 June 2019, there has been no significant change in the financial performance or financial position of the Guarantor and the UniCredit Group.

Auditors

5. The financial statements of the Issuer have been audited without qualification for the years ended 31 December 2017 and 31 December 2018 by Deloitte Audit SRL.

6. The consolidated financial statements of the Guarantor have been audited without qualification for the

years ended 31 December 2017 and 31 December 2018 by Deloitte & Touche S.p.A.

Documents on Display

7. Copies of the following documents may be inspected during normal business hours at the registered office of the Issuer and from the specified office of the Principal Paying Agent for the time being in London:

    (a) the articles of association (with an English translation where applicable) of the Issuer;

    (b) the memorandum and articles of association (with an English translation where applicable) of the Guarantor;

    (c) the Agency Agreement and the Trust Deed (including the Guarantee);

    (d) the 2017 Issuer Financial Statements and the 2018 Issuer Financial Statements;

    (e) the 2017 Guarantor Annual Report and Accounts and the 2018 Guarantor Annual Report and Accounts;

    (f) the June 2019 Issuer Interim Financial Statements;

    (g) the UniCredit Consolidated First Half Financial Report 2019.

Yield

8. On the basis of the issue price of the Notes of 100 per cent. of their principal amount, the yield of the Notes is 0.502 per cent. on an annual basis.

ISIN and Common Code

9. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN is XS2066749461 and the common code is 206674946.

Listing Agent

10. Banque Internationale à Luxembourg S.A. is acting solely in its capacity as listing agent for the Issuer in relation to the Notes and is not itself seeking admission of the Notes to the official list of the Luxembourg Stock Exchange or to trading on the exchange regulated Euro MTF market of the Luxembourg Stock Exchange.

The Legal Entity Identifier

11. The Legal Entity Identifier (LEI) code of the Issuer is 549300A3K0DM0UWTAQ37.

12. The Legal Entity Identifier (LEI) code of the Guarantor is 549300TRUWO2CD2G5692.

Conflicts of Interest

13. Each Joint Bookrunner has, directly or indirectly through affiliates, provided investment and commercial banking, financial advisory and other services to the Issuer, the Guarantor and their affiliates from time to time, for which it has received monetary compensation. Each Joint Bookrunner may from time to time also enter into swap and other derivative transactions with the Issuer, the Guarantor and their affiliates. In addition, each Joint Bookrunner and its affiliates may in the future engage in investment banking, commercial banking, financial or other advisory transactions with the Issuer, the Guarantor and their affiliates.

In addition, in the ordinary course of their business activities, each Joint Bookrunner and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer, the Guarantor or their affiliates. Each Joint Bookrunner and its affiliates that have a lending relationship with the Issuer, the Guarantor or their affiliates may routinely hedge their credit exposure to the Issuer, the Guarantor or their affiliates consistent with their customary risk management policies. Typically, each Joint Bookrunner and its affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes. Any such positions could adversely affect future trading prices of Notes. Each Joint Bookrunner and its affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. UniCredit Bank AG is part of the UniCredit Group.

ISSUER

UniCredit Leasing Corporation IFN S.A.
23-25 Ghetarilor Street
014106 Bucharest
Romania

GUARANTOR

UniCredit S.p.A.
Piazza Gae Aulenti 3 Tower A
20154 Milano
Italy

JOINT BOOKRUNNERS

Morgan Stanley & Co. International plc
25 Cabot Square
London E14 4QA
United Kingdom

UniCredit Bank AG
Arabellastrasse 12
81925 Munich
Germany

PRINCIPAL PAYING AGENT

Citibank, N.A., London Branch
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

TRUSTEE

Citicorp Trustee Company Limited
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

LEGAL ADVISERS

To the Issuer and the Guarantor
as to English and Italian law:

Allen & Overy Studio Legale Associato

Corso Vittorio Emanuele II 284
00186 Rome
Italy

Via Nino Bixio 31
20129 Milan
Italy

To the Issuer and the Guarantor
as to Romanian law:

Radu Tărăcilă Pădurari Retevoescu SCA
Charles de Gaulle Plaza, 5th floor
15 Charles de Gaulle Square
011857 Bucharest 1
Romania

To the Joint Bookrunners and the Trustee
as to English law:

Clifford Chance LLP
10 Upper Bank Street
London E14 5JJ
United Kingdom

To the Joint Bookrunners and the Trustee as to Romanian law:

Clifford Chance Badea SPRL
Excelsior Center
28-30 Academiei Street
Sector 1, Bucharest
010016
Romania

To the Joint Bookrunners as to Italian law:

Clifford Chance Studio Legale Associato
Via Broletto, 16
20121 Milan
Italy

TAX ADVISERS

To the Issuer as to Romanian tax law

Taxhouse SRL
Monolit Building, 1st floor
79-81 Popa Savu Street
District 1, 011432, Bucharest
Romania

AUDITORS

To the Issuer:

Deloitte Audit SRL
14th Floor
The Mark Tower, 82 - 98 Calea Grivitei,
010735 Bucharest 1
Romania

To the Guarantor:

Deloitte & Touche S.p.A.
Via Tortona, 25
20144 Milan
Italy

LISTING AGENT

Banque Internationale à Luxembourg S.A.
69, Route d'Esch
L-2953 Luxembourg