

Sustainability Bond Report 2022

Empowering
Communities to Progress.



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As the bank for Europe's future Environmental, Social, and Governance considerations are at the heart of everything we do.

ANDREA ORCEL

GROUP CHIEF EXECUTIVE OFFICER
UNICREDIT SPA

This document is the annual Sustainability Bond Report on the allocation and impact of UniCredit's Green and Social Bonds issued to date. This report was prepared in line with UniCredit Group's Sustainability Bond Framework published in June 2021 (hereafter: "Framework").



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ESG Strategy

UniCredit is a pan-European Bank with a unique service offering in Italy, Germany and Central and Eastern Europe. Our purpose is to empower communities to progress, delivering the best-in-class for all stakeholders and unlocking the potential of our clients and people across Europe.

Sustainability at UniCredit

In 2020 we embarked on a journey to further integrate all ESG factors in the bank's strategy, core business and processes, looking at both risks and market opportunities and with a clear multi-stakeholder approach.

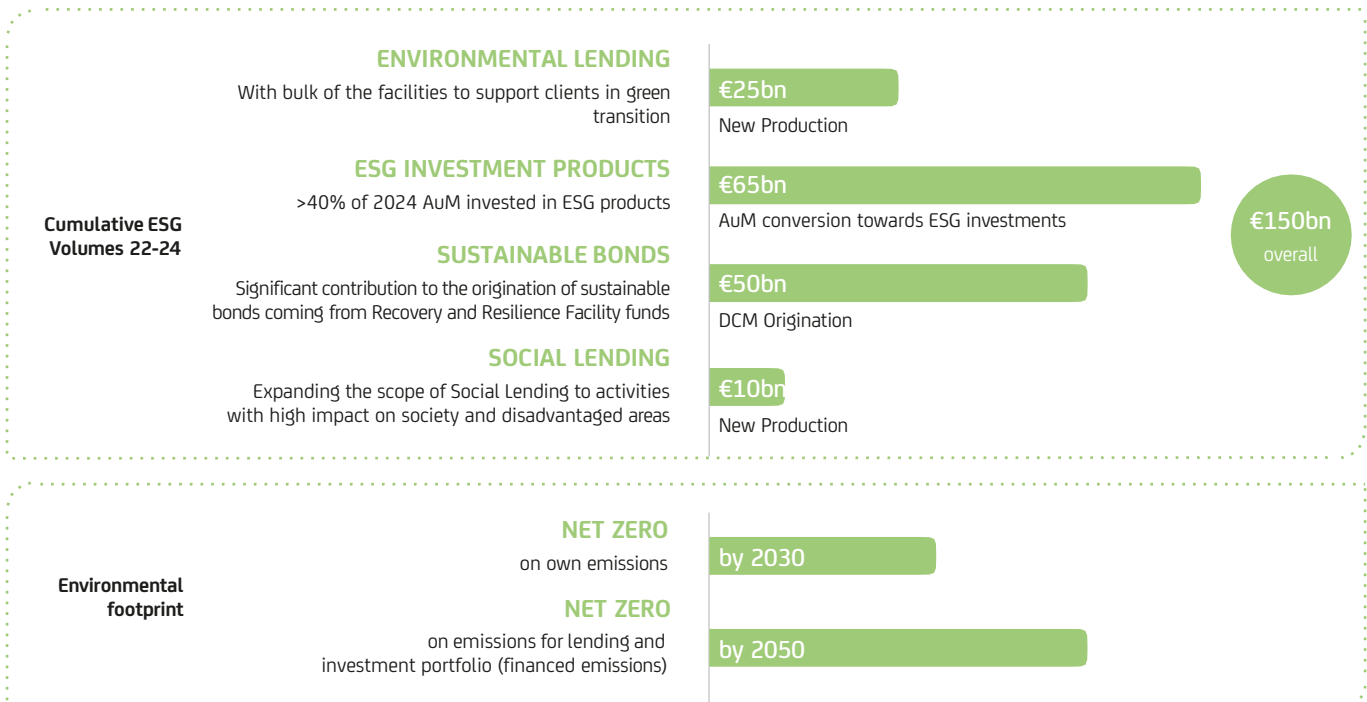
ESG considerations are fundamental to every decision we make and every action we execute. They are a central part of how we do business. Fulfilling our purpose of empowering communities to progress would not be possible without the highest ESG standards across our bank.

Embedding sustainability in all that we do is one of the five strategic imperatives of our 2022-2024 Strategic Plan, **UniCredit Unlocked** approved on 9th Dec 2021, which includes a new financial ambition to deliver sustainable performance and profitable growth over the cycle.

Our ESG strategy is built around four fundamentals:

- **leading by example**, striving for the same high standards that we seek from those we do business with
- setting **ambitious ESG goals** to support our clients' need for change
- equipping ourselves with tools to assist clients and communities in navigating the **environmental and social transition** through strategic actions across our building blocks
- **embracing and investing the resources** needed to deliver and reach medium and long-term commitments (Net Zero, same salary for same role, Financial Health and Inclusion) to enable a more equal and sustainable society.

OUR ESG GOALS AND TARGETS



UniCredit Jelzálogbank Inaugural Green Covered Bond

ISSUER	UniCredit Jelzálogbank Zrt.
Issue rating	A1 (Moody's)
Status	Green Covered Bond
Legal status	Mortgage Covered Bond
Launch date	28 October 2021
Settlement date	2 November 2021 (t+2)
Maturity	22 October 2031
Issue size	HUF 21.2 bn (=EUR 58.8 mn)
Coupon	3.75% fixed, annual, act/ act ICMA
Re-offer Price / Spread	100.7728% / MS -10bps
Law	Hungarian Law
ISIN	HU0000653472
Use of proceeds	UniCredit Jelzálogbank will use the amount equal to the bond's net proceeds to finance or refinance specific projects that have been selected in accordance with UniCredit' Sustainability Bond Framework
UniCredit Bank Hungary role	Lead manager, payment agent and market maker

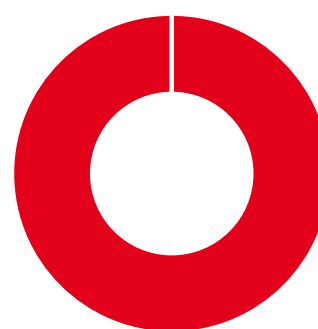
INVESTOR AND GEOGRAPHICAL DISTRIBUTION (ALLOCATED)



- Central Bank
- Commercial banks
- Funds



35%
of the bonds were placed with
investors with an ESG/Green focus



- Hungary



100%
of the bonds were allocated to **Hungarian**
market

Overview of UniCredit Group's Sustainability Bond Framework

Rationale for Sustainable Financing



UniCredit strongly believes in the effectiveness of the sustainable finance market and its ability to channel investments to projects and activities with environmental and social benefits.

The Sustainability Bond Framework¹ aims to support our ambition to align our business strategy with the need of individuals and the goals of society as expressed in the United Nations Sustainable Development Goals and the Paris Climate Agreement.

The framework obtained a Second Party Opinion issued by ISS ESG which is the opinion that UniCredit's framework is aligned with ICMA guidelines and principles, is consistent with UniCredit Sustainability Strategy and the overall sustainability quality of the selection criteria is good.

UNICREDIT SUSTAINABILITY BOND FRAMEWORK: FOUR COMPONENTS

The four components of the Sustainability Bond Framework for the Issuance of Green, Social & Sustainability Bonds



Alignment with ICMA's Green and Social Bond Principles

UniCredit bond issuance under the Sustainability Bond Framework is based on principles and guidelines introduced by the Green Bond Principles (GBP) 2021 version, the Social Bond Principles (SBP) 2021 version and the Sustainability Bond Guidelines (SBG) 2021 version as administered by the International Capital Markets Association (ICMA), collectively the Principles.

The UniCredit Sustainability Bond Framework will apply to any Green, Social or Sustainability bond issued by UniCredit SpA., UniCredit Bank AG, UniCredit Jelzalogbank, UniCredit Bank Austria and all subsidiaries of the UniCredit Group (jointly UniCredit) and will remain in force, as long as any of those instruments are outstanding.

GREEN AND SOCIAL ELIGIBLE CATEGORIES



¹ https://www.unicreditgroup.eu/content/dam/unicreditgroup-eu/documents/en/investors/ESG-investors/Sustainability-Bonds/UniCredit_Sustainability_Bond_Framework_18_6_21.pdf

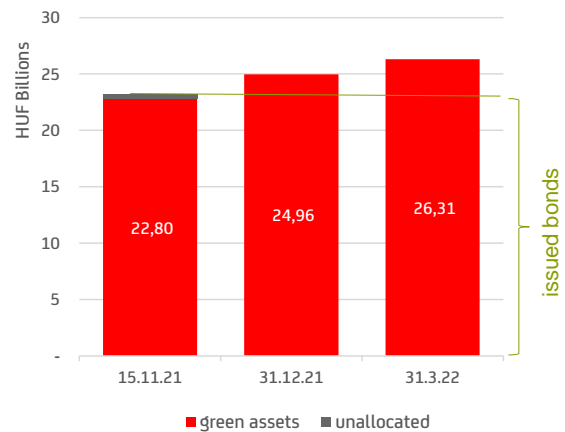
UniCredit Jelzalogbank Green Allocation Reporting

ALLOCATION

Based on the green asset selection criteria, the 98% allocation rate at the issuance - increased to 113% by the report date, thanks to the new green asset collection. On the report date the total funds from the green covered bond issuances are fully utilized for green asset financing.

The development of fund allocation from green covered bond issuance is shown in the chart.

The shown all amounts are presented in HUF currency, since the issued bonds and allocated green assets are settled in HUF.

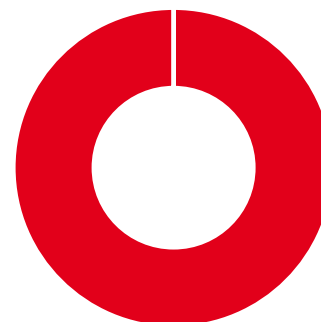


BREAKDOWN BY SEGMENTS



■ Hungary

BREAKDOWN BY REGIONS



■ Residential

The total amount is allocated to finance Residential Buildings located in Hungary.

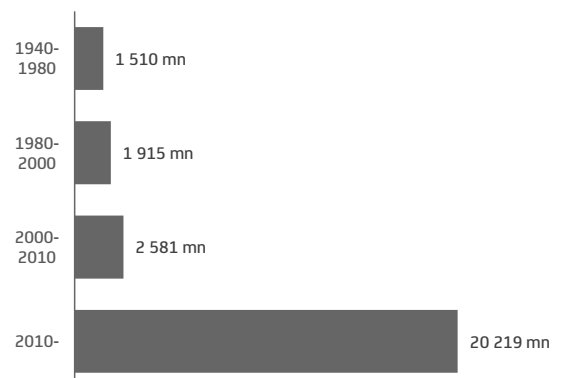
BREAKDOWN BY ELIGIBLE CATEGORIES



Example of Eligible Green Assets

The example presentation is not possible, due to GDPR reasons. The Green Asset Pool contains exclusively residential properties.

BY PROPERTY AGE



UniCredit Jelzalogbank Impact Reporting

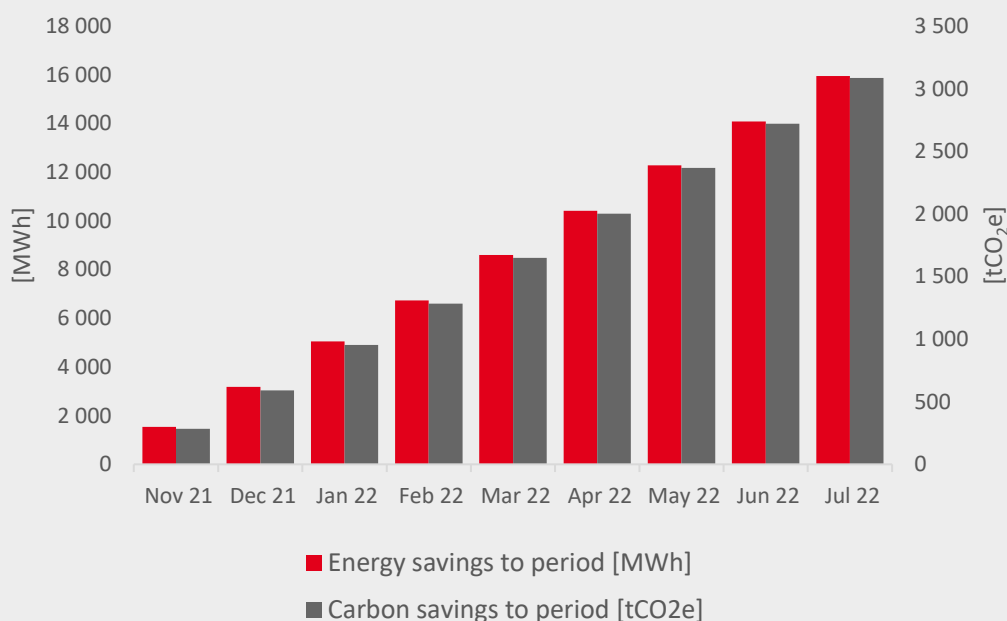
This section summarizes the main key environmental impact indicators associated with the eligible category. The choice of indicators was guided by the Sustainability Bond Framework as well as by the "The Green Bond Principles - ICMA (Handbook Harmonized Framework for Impact reporting)". Furthermore, this impact reporting is in line with the work that Unicredit is carrying out on the European Taxonomy. Indeed, UniCredit focused this impact reporting on the assessment of Eligible Green Asset contributions to climate change mitigation.

Following you will find the results and methodology of our assessment of avoided carbon emissions related to UniCredit Jelzalogbank's green buildings portfolio. The calculation of CO₂-equivalent (CO₂e) savings is based on the energy demand for heating and the energy demand for electricity of green buildings. In order to convert heating energy demand savings into avoided carbon emissions, a conversion factor is applied based on the benchmark's specific heating sources.

UC Jelzalogbank has mandated the well-known real estate consulting company Drees & Sommer to analyze its mortgage portfolio and to provide methodology for valid assessment of energy savings and avoided carbon emissions.

	Annual energy savings (MWh/year)	Annual CO savings (tCO ₂ e/year)	Investment intensity (tco ₂ e/m€/y)
31 March 2022	21,981	4,297	64.45

AGGREGATED AND STANDARDIZED ENVIRONMENTAL IMPACTS OF GREEN POOL



The average remaining tenor of financed portfolio is 17.1 years. The theoretical savings to loan maturity is 343,729 MWh and 67,199 tCO₂e from report date to loan maturity, considering unchanged 2022-year Hungarian benchmarks in each following years and unchanged green asset portfolio.

Energy Efficiency (EE)	Signed Amount	Share of Total Portfolio Financing	Eligibility for green Bonds	EE component	Allocated Amount	Average Portfolio Lifetime	Annual Energy Savings, Possibly per Unit of Financing	Annual GHG emissions Reduced/Avoided	Investment Intensity	
Portfolio name	HUF	%	%	%	HUF	years	MWh	GJ	tonnes of CO ₂ eqv.	tco ₂ e/m€/y
Total residential portfolio	23.2bn	26.3bn	100	100	26.3	17.1	21,981	79,131.6	4,297	64.45

Methodological Notes



GREEN BUILDINGS

The calculations are based on the Drees & Sommer utilized methodology and the loan dataset as of 31 March of 2022.

The presented environmental impact calculation based on the report date snapshot. The allocated amount and impact calculation base is the loan amount included in the covered bond cover pool.

In the calculations utilized Hungarian Benchmark characteristic is refreshed yearly. The Final Energy Benchmark is a function of total yearly energy consumption by Hungarian residential and total size of residential properties. The Primary Energy Factor is the weighted average of primary energy factors of the main energy sources of residential houses. The CO_{2e} intensity is the weighted average of CO_{2e} emission factors by main energy sources of residential houses.

Regarding property saving to benchmark calculation, the estimation of EUI (specific end energy consumption) is based on the building years and property types. The Final Energy Savings are calculated as the difference between EUI and benchmark to flat size. The carbon emission savings are calculated from energy savings and CO_{2e} intensity.



Local green assets selection criteria

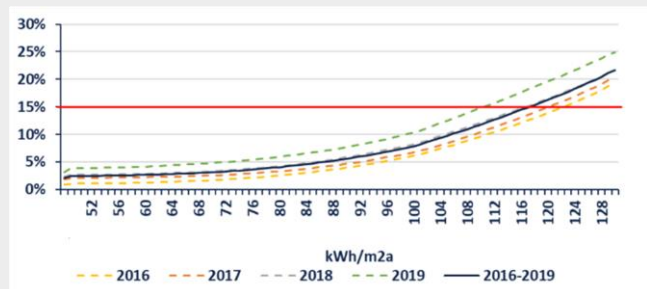
Construction or acquisition of commercial or residential green buildings which meet at least one of the following criteria (remark: the note focuses on residential conditions. For details see issuer's announcement on issuer's website):

- Buildings with Energy Performance Certificate (EPC) class 'A' (before 1st of January 2016) or class 'AA' (after 1st of January 2016).
- The energy performance of the building is within the top 15% of the Hungarian residential building stock.
- Implementation of energy efficiency solutions or renovations in buildings, which lead to a 30% increase in the building energy efficiency or at least two steps improvement in EPC label compared to the baseline before the renovation.



TOP15%

In Hungary, the TOP15% based on all EPC's PED dataset originated between 2016-2019 is 118kWh/sqm, that is within the EPC labelling 'CC' (2016-2019, article by Ritter Renato²):



² <https://www.mnb.hu/kiadvanyok/szakmai-cikkek/felugyelet/ritter-renato-van-eszkoz-a-magyarorszag-i-ingatlanok-energetikai-allapotanak-javitasara>

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Impact calculation

Quantifying emissions related to the funded portfolio presents a number of difficulties: amongst other reasons, data scarcity is typical where data quality and reliability is low, and in the absence of good practices, there is no consensus on how much of the output of the clients they finance. When evaluating the sustainability metrics, it is advisable to take into account the outdated condition of the Hungarian real estate portfolio, and also the fact that without dedicated energy modernization programs, only moderate successes can be achieved in the field of energy renewal of the used residential real estate portfolio

UniCredit Jelzálogbank Zrt.

A mortgage covered bond issuer specialized financial Institution.

Registered Office and Head Office in Budapest, Hungary: H-1054 Budapest, Szabadság tér 5-6.

Internet: www.jelzalogbank.hu

Phone: +36-1-301-5500

Asset Controller: PricewaterhouseCoopers Könyvvizsgáló Kft., H-1055 Budapest Bajcsy-Zsilinszky út 78.

Public auction's Lead Manager: UniCredit Bank Hungary Zrt., H-1054 Budapest, Szabadság tér 5-6.

INDEPENDENT AUDITOR'S REPORT ON SUSTAINABILITY BOND REPORT

To the Management of UniCredit Mortgage Bank Ltd.,

We have been engaged to perform a limited assurance engagement of the sections “UniCredit Mortgage Bank Green Allocation Reporting” (the “Allocation Report”), included in the Sustainability Bond Report 2022 (the “Report”). The Report has been prepared by UniCredit Mortgage Bank (the “Bank”), on the basis of the Sustainability Bond Framework (the “Framework”) issued in November 2021 and developed in accordance with the Green Bond Principles 2021 version, the Social Bond Principles 2021 version and the Sustainability Bond Guidelines 2021 version, as published by the International Capital Markets Association (the “Principles”). The Report is related the Green Bond issued in November.

Responsibilities of Management

The Bank's management is responsible for the preparation of the Report in accordance with the Framework developed by the Bank in accordance with the Principles. The Bank's management is also responsible for such internal control as they determine is necessary to enable the preparation of the Report that is free from material misstatement, whether due to fraud or error.

Independence and quality control policies

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies International Standard on Quality Control 1 (ISQC 1) and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's Responsibility

Our responsibility is to express a conclusion on Allocation Report, included in the Report, based on the procedures performed. We conducted our engagement in accordance with *International Standards on Assurance Engagements - Assurance Engagements other than Audits or Reviews of Historical Information* ("ISAE 3000 revised") issued by International Auditing and Assurance Standards Board for limited assurance engagements. This standard requires that we plan and perform the review to obtain limited assurance as to whether the Allocation Report, included in the Report, are free of material misstatement.

The procedures performed have been based on our professional judgment and have included inquiries primarily of Bank personnel responsible for the preparation of information included in the Report, analysis of documents, recalculations, comparisons, reconciliations with the accounting records and other procedures to obtain supporting evidence.

In detail, we have performed the following procedures:

- Analysis of the second party opinion which addresses the compliance with ICMA guidelines and include an assessment of the categories of green, social and sustainability bonds, used in the preparation of the Allocation Report and the environmental and social impacts;
- Understanding of the reporting process regarding the Allocation Report;
- Interviews with the Bank's management in order to understand criteria and processes underlying the generation, the detection and management of relevant qualitative and quantitative information included in the Report;
- Reconciliation and verification of consistency of quantitative data included in the Allocation Report, with internal reporting prepared by the Bank;
- Sample analysis performed through the internal and external documentation gathering and analysis, in order to verify the coherence of the information included in the Allocation Report of the green bonds to the Sustainability Bond Framework;
- Obtain the representation letter, signed by the Bank's legal representative, on the correctness and completeness of the information indicated in the Report and of the information supplied to us for the purposes of our work.

The procedures performed are less in extent than for a reasonable assurance engagement conducted in accordance with *ISAE 3000 revised* and, consequently, do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement.

Limitations of our assessment

Our limited assurance procedures excluded, among others, the following:

- Assessing the impact indicators of the future green assets:
 - o #1) Estimated annual energy savings in MWh/GWh (electricity) and GJ/TJ (other energy savings)
 - o #2) Estimated annual GHG emissions reduced/avoided in tonnes of CO2 equivalent
- Assessment of underlying assumptions in the models used for calculations by the Bank
- Reconciliation of the disclosures within the Green Impact Report with the respective data within the consolidated financial statements

Conclusion

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the sections UniCredit Mortgage Bank Green Allocation Reporting, included in the Sustainability Bond Report 2022 of UniCredit Mortgage Bank are not prepared, in all material respects, in accordance with the Sustainability Bond Framework.

Budapest, October 10, 2022



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Gábor Molnár
Deloitte Auditing and Consulting Ltd.
1068 Budapest, Dózsa György út 84/C.
Registration number: 000083