

2023 Sustainability Bond Report

Empowering
Communities to Progress.





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As a bank, we are committed to shaping a future for our clients and communities that is fairer, greener and more sustainable. This is by providing them with the tools, support and knowledge they need no matter where they are on their journey.

ANDREA ORCEL
CHIEF EXECUTIVE OFFICER
UNICREDIT S.P.A.

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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Disclaimer

ESG Strategy

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

Sustainability at UniCredit

In line with our ambition to be the bank for Europe's future, **Environmental, Social and Governance (ESG) considerations** are a core part of our culture and mindset, as well as one of the five strategic imperatives of UniCredit Unlocked.

Sustainability guides and informs every decision we make and all actions we take.

We also know that fulfilling **our Purpose of empowering communities to progress** would not be possible without the highest ESG standards across our bank, driving sustainable growth.

Our ESG strategy is built around interrelated elements:

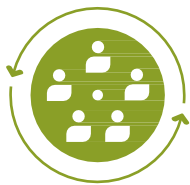
- **ESG principles**, representing our important milestones

woven through UniCredit Unlocked;

- **leading by example**, striving for the same high standards that we seek from those we do business with;
- setting **ambitious ESG goals** to support a just and fair transition for our clients;
- equipping ourselves with tools to assist clients and communities in navigating the **environmental and social transition through strategic sustainable actions** across our building blocks;
- **embracing and investing the resources** needed to deliver and reach our ambitious targets and long-term commitments, through a strong Governance Model, embracing our culture and delivering quality Monitoring, Reporting and Disclosure.

OUR ESG GOALS AND TARGETS

CUMULATIVE ESG VOLUMES 22-24



€61.7bn

FY22+1Q23 Actual
(+4bn in 1Q23 only)

€150bn

2022-24 Target

ENVIRONMENTAL LENDING¹

Despite lending slowdown, good performance on Sustainability linked lending

ESG INVESTMENT PRODUCTS²

Stock reduction due to SFDR Art. 8/9 reclassification, with ESG Penetration rate at c.45%

SUSTAINABLE BONDS³

Slow start to 2023 but prospect for recovery in next quarters

SOCIAL LENDING¹

Lending for High Impact and Disadvantaged Areas main drivers of growth

€12.9bn (+1.5bn)

€25bn New Production

€27.2bn (-1.4bn)

€65bn AuM stock conversion towards ESG investments

€15.7bn (+2.9bn)

€50bn DCM Origination

€5.8bn (+1bn)

€10bn New Production

FY22+1Q23 Actual (1Q23 only)⁴

2022-24 Target

ENVIRONMENTAL FOOTPRINT

OUR TARGETS

NET ZERO
on own emissions **by 2030**

NET ZERO
on emissions for lending and investment portfolio (financed emissions) **by 2050**

OUR ACHIEVEMENTS

14% reduction in 2022 vs. 2021, Scope 1 and 2, market-based emissions

Disclosure of first set of sectoral targets on **Oil & Gas, Power generation and Automotive**

¹ Including ESG-linked lending.

² Based on Art. 8 and 9 SFDR regulation.

³ All regions, including sustainability linked bonds

⁴ Calculated as difference between 1Q23 and FY22.

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.

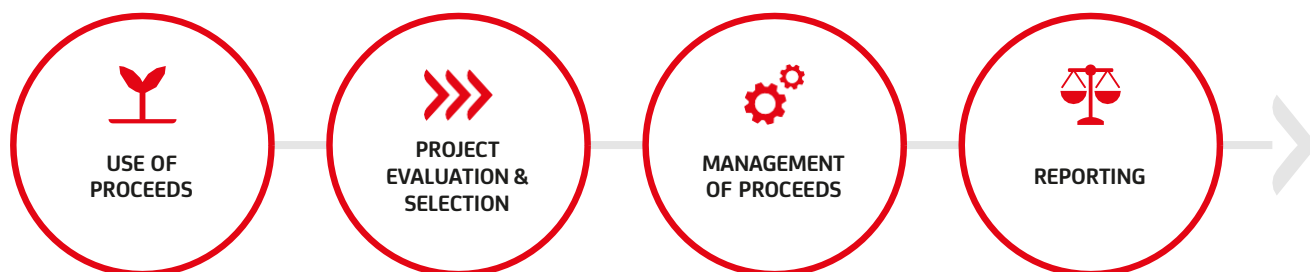
The Sustainability Bond Framework ⁵ aims to support our ambition to align our business strategy with the needs of individuals and the goals of society as expressed in the

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'S 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's bond issuances under the Sustainability Bond Framework are 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 Group's Sustainability Bond Framework applies to any Green, Social or Sustainability bond issued by UniCredit SpA, UniCredit Bank AG, 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



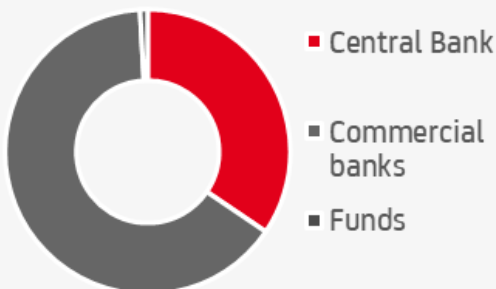
⁵ https://www.unicreditgroup.eu/content/dam/unicreditgroup-eu/documents/en/investors/ESG-investors/Sustainability-Bonds/UniCredit_Sustainability_Bond_Framework_18_6_21.pdf

UniCredit Jelzalogbank Green Bonds

**SENIOR
COVERED BOND
HU0000653472**

Year	2021
Issue size	HUF 23.2 bn (=EUR 63.8 mn)
Maturity date	22 October 2031
Coupon	3.75% fixed, annual, act/act ICMA
Order Book	17 valid offers, HUF 37.05 bn (=EUR 101.8 mn)

INVESTOR AND GEOGRAPHICAL DISTRIBUTION (ALLOCATED)



35%

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



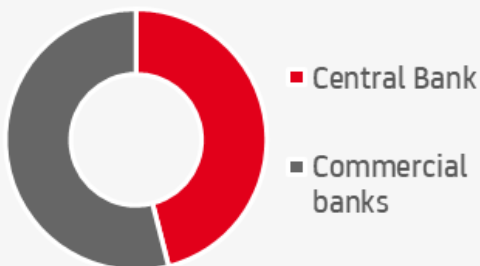
100%

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

**SENIOR
COVERED BOND
HU0000653472**

Year	2022
Issue size	HUF 5 bn (=EUR 11.8 mn)
Maturity date	22 October 2031
Coupon	3.75% fixed, annual, act/act ICMA
Order Book	6 valid offers, HUF 8.85 bn (=EUR 20.9 mn)

INVESTOR AND GEOGRAPHICAL DISTRIBUTION (ALLOCATED)



46%

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



100%

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

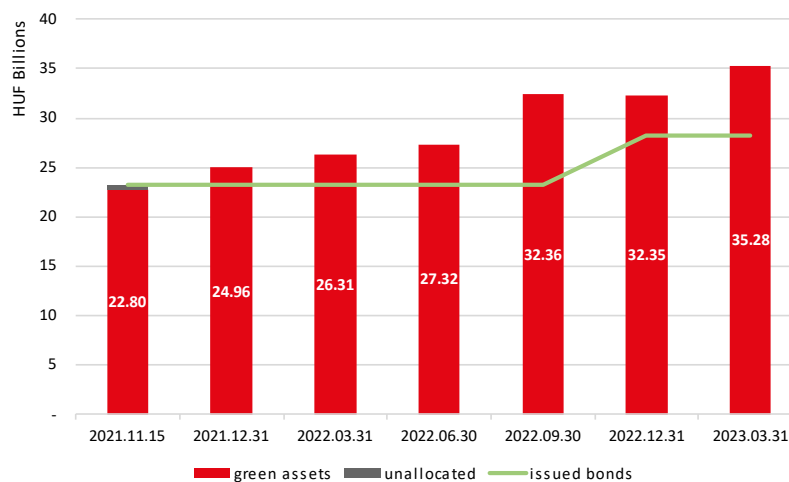
UniCredit Jelzalogbank Green Allocation

ALLOCATION

Based on the green asset selection criteria, the 98% allocation rate at the issuance - increased to 125% 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 REGION



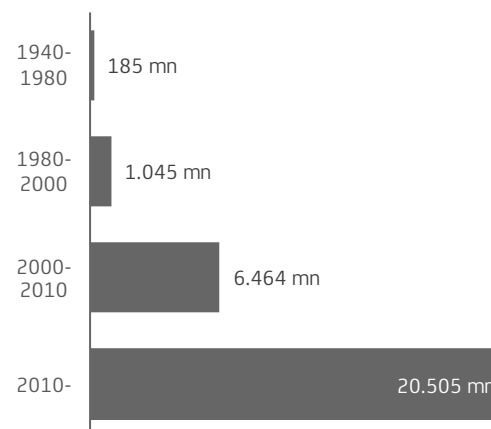
■ Hungary

SEGMENTS




■ Residential

PROPERTY AGE



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

	Outstanding (HUF bn)	% on TOTAL	Avg Tenor (y)
 Green Building	28.20⁶	100%⁶	17.3⁶
o/w EPC 'AA++'	0.06	0.23%	17.7
o/w EPC 'AA+'	0.28	0.99%	18.7
o/w EPC 'AA'/'A'	0.26	0.92%	18.0
o/w EPC 'BB'/'B'	1.62	5.74%	18.7
o/w EPC 'CC'	12.82	45.46%	17.9

EXAMPLE OF ELIGIBLE GREEN ASSETS

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

⁶ The total outstanding amount, % on TOTAL and Avg Tenor also contains green buildings based on other criteria than EPC

UniCredit Jelzalogbank Green Impact Reporting

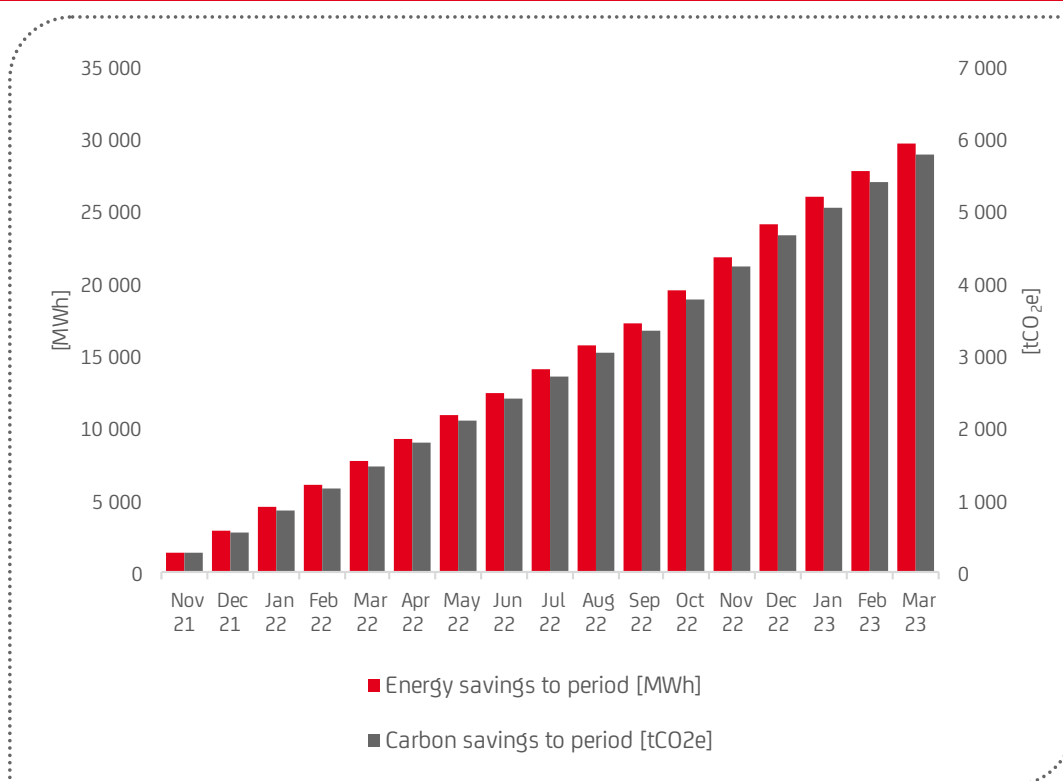
This section summarizes the main key environmental impact indicators associated with the eligible category. The choice of indicators was guided by the Sustainability Bond Framework as well as by the "The Green Bond Principles - ICMA (Handbook Harmonized Framework for Impact reporting)". Furthermore, 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 ₂ e savings (tCO ₂ e/year)	Investment intensity (tCO ₂ e/m€/y)
31 March 2022	19,386	3,790	59.40
31 March 2023	22,752	4,461	59.00

AGGREGATED AND STANDARDIZED ENVIRONMENTAL IMPACTS OF GREEN POOL



The average remaining tenor of financed portfolio is 17.3 years. The theoretical savings to loan maturity is 353,444 MWh and 69,293 tCO₂e from report date to loan maturity, considering unchanged 2023-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	Gross Building Area	Annual Energy Savings, possibly per Unit of Financing	Annual GHG emissions Reduced/Avoided	Investment Intensity	
Portfolio name	HUF	%	%	%	HUF	years	m ²	MWh	GJ	tons of CO ₂ eqv.	tCO ₂ e/m€/y
Total residential portfolio	28.2bn	100	100	100	28.2bn	17.3	193,727	22,752	81,907	4,461	59.00

Methodological Notes



GREEN BUILDINGS

The calculations are based on the Drees & Sommer utilized methodology and the loan dataset as of 31 March of 2023.

The presented environmental impact calculation based on the report date is a 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 residentials 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. In case the overall energy performance is available from the EPC summary sheet, the Individual EUI is calculated as the ratio of overall energy performance and the estimated Primary Energy Factor. 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):

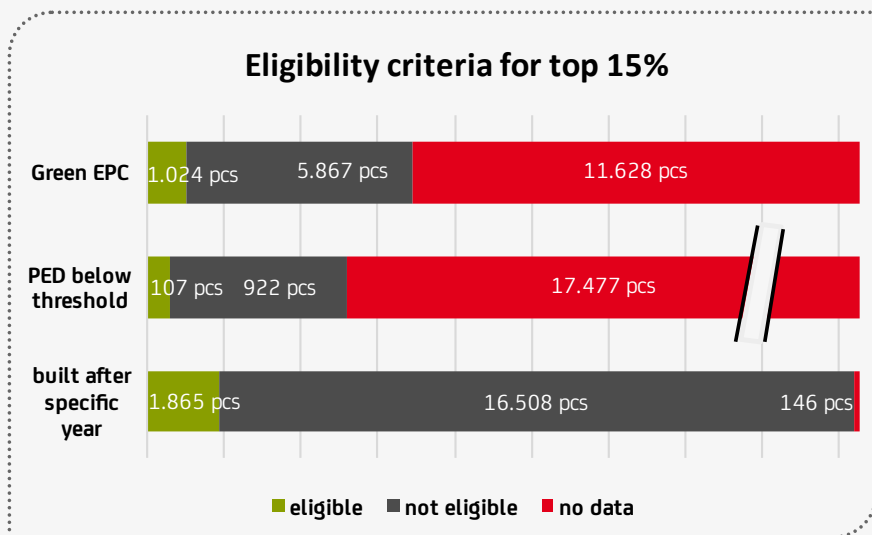
- For buildings built in 2021 or later:
 - The primary energy demand is at least 10% lower than the "Nearly Zero Energy Building" - Standard (NZEB)'s threshold
- For buildings built before 2021:
 - Buildings with Energy Performance Certificate (EPC) class 'A' (before 1st of January 2016) or class 'AA' (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.



TOP 15%

The following assets are considered as top 15% of the Hungarian residential building stock (for buildings built before 2021):

- PED from EPC dated 08/2012 or later is 118 kWh/sqm/year or better, or
- EPC - dated 08/2012 or later - label 'B' or better (before 2016) or 'CC' or better (after 2016), or
- Built year 2013 or newer but lower than year of introduction NZEB as obligatory criteria



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We hereby call your attention that this report does not comply with the legal requirements aimed to ensure the independency of investment research, therefore the trading prohibition before the dissemination and publication does not apply.

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.

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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” and “UniCredit Mortgage Bank Social Allocation Reporting” (together the “Allocation Reports”), 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”) developed and issued by the Bank in November 2021 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 to the Green Bonds identified as HU0000653472 ISIN.

Responsibilities of Management

The Bank's management is responsible for the preparation and presentation of the Report in accordance with the Framework. In preparing the Report, the Bank's management used its self-developed Framework in accordance with the Principles. This responsibility of the Bank's management includes the selection and application of appropriate methods for preparing the Report as well as making assumptions and estimates related to individual disclosures, which are reasonable in the circumstances. 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.

The firm applies International Standard on Quality Management 1 and accordingly maintains a comprehensive system of quality management 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 Reports, 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 Reports, 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 Reports and the environmental and social impacts;
- Understanding of the reporting process regarding the Allocation Reports;
- 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 Reports, 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 Reports of the green and social 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

The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, evaluation and measurement techniques that can affect comparability between entities and over time. The basis for reported allocation of Bond proceeds may differ between different reporting frameworks, including whether proceeds may be allocated to existing projects or only to new projects, and the basis on which eligibility of projects is determined. Therefore, Bank's reported allocation of Bond proceeds and our assurance thereon must be read and understood in conjunction with the Reporting Criteria.

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 Bond Impact Report with the respective data within the consolidated financial statements, the combined management report and the combined non-financial group report

Limited Assurance 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” and “UniCredit Mortgage Bank Social 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, August 31, 2023



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