UniCredit Bank

PILLAR III DISCLOSURE REPORT

Report reference date: 31st December, 2018

CONTENT

1. OVERVIEW ON DISCLOSURES

The Report is prepared in accordance with National Bank of Romania Regulation no. 5/2013 regarding prudential requirements for credit institutions, Regulation no. 575/2013 of European Parliament and Council dated 26.06.2013 regarding prudential requirements for credit institution and investment companies and amending Regulation (UE) no.648/2012.

The disclosed information is compliant with the Guideline EBA/GL/2016/11 on disclosure requirements under Part Eight of Regulation (EU) No 575/2013 and with the dedicated Guidelines issued by European Banking Authority and Basel Committee:

- Regulation (EU) No 1423/2013 laying down implementing technical standards with regard to disclosure of own funds requirements for institutions according to Regulation (EU) No 575/2013 of the European Parliament and of the Council Text;

- Regulation (EU) 22959/2017 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for disclosure of encumbered and unencumbered assets;

- Regulation (EU) 200/2016, laying down implementing technical standards with regard to disclosure of the leverage ratio for institutions, according to Regulation (EU) No 575/2013 of the European Parliament and of the Council;

- EBA /GL/2014/14 Guideline on materiality, proprietary and confidentiality and on disclosure frequency under Articles 432(1), 432(2) and 433 of Regulation (EU) No 575/2013;

- Basel Committee Pillar 3. Requirements Disclosures- Consolidated and Updated March 2017;

- EBA/GL/2015/22 Guideline on sound remuneration policies;

- EBA/GL/2017/01 Guideline on LCR disclosure to complement the disclosure of liquidity risk management under Article 435 of Regulation (EU) No 575/2013.

The document is available in electronic format at www.unicredit.ro, area Financial Reports, Basel II-Pillar III Disclosure, following https://www.unicredit.ro/en/institutional/the-bank/financial-reports.html#baseliipillariiidisclosure

The quantitative data are presented on consolidated basis, except those flagged at individual level, in RON equivalent, except those flagged in other currencies.

As the UniCredit Bank Romania has been identified as “Other Systemically Important credit Institution (O-SII)” from Romania, the Bank will provide the users with quarterly frequency a relevant bucket of information.

The Pillar III Report is approved by the Supervisory Board of UniCredit Bank Romania.

When assessing the disclosure requirements in accordance with Regulation (UE) No 575/2013 and EBA/GL/2016/11 Guideline regarding the disclosure requirements as the 8th part of Regulation (UE) No. 575/2013, the Bank considers the following requirements as not applicable:

Area	Regulation (EU) no 575/2013 article reference	Disclosure template	Reason for not disclosure
Use of Internal Market Risk Models	455	EU MR2-A – Market risk under the IMA (Internal Modal Approach)	UniCredit Bank does not apply an internal model approach for the calculation of market risk capital requirements
	445 & 455	EU MR2-B – RWA flow statements of market risk exposures under the IMA	UniCredit Bank does not apply an internal model approach for the calculation of market risk capital requirements
	445 & 455	EU MRB – Qualitative disclosure requirements for institutions using the IMA	UniCredit Bank does not apply an internal model approach for the calculation of market risk capital requirements
	445 & 455	EU MR3 – IMA values for trading portfolios	UniCredit Bank does not apply an internal model approach for the calculation of market risk capital requirements
	445 & 455	EU MR4 – Comparison of VaR estimates with gains/losses	UniCredit Bank does not apply an internal model approach for the calculation of market risk capital requirements
Capital requirements	438	EU INS1 – Non-deducted participations in insurance undertakings	As at December 31, 2018, UniCredit Bank does not have participations in insurance undertakings
Exposure to counterparty credit risk	439	EU CCR8 – Exposures to CCPs	As at December 31, 2018, UniCredit Bank does not have exposures to CCPs
		EU CCR6 – Credit derivatives exposures	As at December 31, 2018, UniCredit Bank does not have credit derivatives exposures
Use of credit risk mitigation techniques	453	EU CR7 – IRB approach – Effect on the RWAs of credit derivatives used as CRM techniques	As at December 31, 2018, UniCredit Bank does use credit derivatives used as CRM techniques
Indicators of global systemic importance	441		UniCredit Bank has not been identified as global systemically important institutions (G-SIIs)
Securitisation		SECA – Qualitative disclosure requirements related to securitisation exposures	UniCredit Bank doesn't perform securitisation transactions
		SEC1 – Securitisation exposures in the banking book	UniCredit Bank doesn't perform securitisation transactions
		SEC2 – Securitisation exposures in the trading book	UniCredit Bank doesn't perform securitisation transactions
		SEC3 – Securitisation exposures in the banking book and associated regulatory capital requirements – bank acting as originator or as sponsor	UniCredit Bank doesn't perform securitisation transactions
		SEC4 – Securitisation exposures in the banking book and associated capital requirements – bank acting as investor	UniCredit Bank doesn't perform securitisation transactions
Overview of risk management, key prudential metrics and RWA		KM2 – Key metrics – TLAC requirements (at resolution group level)	UniCredit Bank has not been identified as global systemically important institutions (G-SIIs)
Asset Encumbrance	443	Template B-Guarantee Received	UniCredit Bank does not have guarantees received as unencumbered or available for encumbrance

2. GENERAL INFORMATION RELATED TO RISK MANAGEMENT, OBJECTIVES AND POLICIES

2.1 Strategies and processes of risk management

Risk management objectives are correlated with the Banks' general strategic objectives:

- Adequate and prudent management of risks and in particular of significant risks;
- Selective enlargement of the loan book, by achieving a balanced structure on client segments;
- Products' diversification;
- Conservation of a sustainable profitability threshold;
- Mitigation – to the possible extent – of the unpredictability and uncertainty of the legal framework related to the financial-banking system;
- Identification of optimal solutions tailored to clients' financing needs;
- Adequate training of the personnel, so that they may offer high quality services to customers;
- Local integration of the existent standards at the group's level under the form of internal regulations and procedures.

The strategic objectives on significant risk management are achieved through the following:

- Definition and setting of basic principles and respective limits regarding risk management;
- An organizational structure specialized in management and control risk;
- Specific strategies and techniques for risk measuring, assessing, monitoring, diminishing and reporting.

Stress testing program is an integrated part of the Bank's risk management framework, being supported by an effective infrastructure to perform stress tests depending on the nature, scale and complexity of the activities and also depending on the Bank risk profile.

The management body has the final responsibility for the credit institution's overall stress testing program.

The Bank uses stress testing as a diagnostic tool to understand their risk profile and as a forward-looking tool within the internal capital adequacy assessment process - for example, to assess how the profits are affected by crisis situations, for internal assessment of capital adequacy, or for risk assessment in an anticipatory measure.

In general a capital stress test assumes possible but uncertain scenarios, based on assumptions of the development of the capital market. This leads to different effects and impact on the Capital components. It shows whether the bank is able to stay over the regulatory minimum of Capital requirement under adverse conditions.

The stress tests are applied to all types of risk considered tangible and quantifiable within the Bank, such as: credit risk, operational risk, market risk, business risk, real estate risk and financial investment risk. The purpose of these simulations is to assess the Bank's vulnerability to exceptional, but plausible crisis events that could influence the Bank's performance.

The methodology for stress tests is established centralized at the UniCredit Group level and is running based on scenarios defined at the Group level and adapted to the local conditions.

The 2018 stress tests were conducted over a 3-year horizon, based on three macroeconomic scenarios that took into account the systemic and specific changes that might materialize, both presently and in the near future. Thus, crisis simulations provide a perspective picture of a possible evolution of the Bank.

2.2 Structure and Risk Management organization

The risks management structure is based on several operational and control functions, defined as per the provisions of the Bank Organizational and Functioning Regulation and the existent Group-level provisions.

The risk management framework in the Bank is based on the following components:

- The risk management processes established in the Bank in order to identify, measure or assesses, monitor, manage and report risks. Risk management responsibilities are not confined to risk specialists or control functions, as each Bank's employee has to be fully aware of his/her own responsibilities with regard to risk management. Business units are primarily responsible for managing risks on a day-to-day basis, taking into account the Bank's risk tolerance/appetite and in line with internal policies, procedures and controls.
- The risk management and compliance functions, that ensure effective and efficient operations, adequate control of risks, prudent conduct of business, reliability of financial and non-financial information reported, both internally and externally, and compliance with laws, regulations, supervisory requirements and the Bank's internal policies and procedures.
- The internal audit function, which ensures an independent assessment regarding the compliance of all activities and business units of the Bank (including the risk management function and compliance function) with policies and procedures of the Bank. The internal audit function also assesses whether existing policies and procedures remain adequate and comply with legal and regulatory requirements.

On the risk management line there are two committees that exercise advisory functions and have specific responsibilities in order to monitor the implementation of the risk management strategy:

- The Risk Management Committee organized at Supervisory Board level has a consultative function for the decisions of the management body regarding the risk appetite and global strategy for the management of the current and future risks the Bank is exposed to and assist the Supervisory Board in overseeing the implementation of that strategy by senior management.
- The Operative Risk Management Committee organized at Management Board level has a consultative function for Management Board with regard to any actions to ensure a rigorous and adequate risk management framework.

During 2018, the Risk Management Committee at Supervisory Board level had 3 meetings, and the Operative Risk Management Committee had 4 meetings.

Also, an important role in risk management is played by Risk Division, which operates as a permanent organizational structure, with roles and responsibilities related to the administration of the general framework of risk management and by Finance and Planning / Financial Management Division. These Divisions offer support to the Risk Management Committees and to the management of the Bank through the continuous monitoring of the risks related to the Bank activity.

The risk management framework is clearly and transparently transposed in internal norms, procedures, manuals and codes of conduct, distinctively mentioning the standards applicable for all employees and those applicable only to specific categories of employees.

The operational activity is running based on codes of conduct, specific manuals of each activity area, procedures and internal instructions, which include the main tasks and responsibilities in identifying, transmitting, monitoring, approving and reporting risks. Also, the internal regulations governing the Bank's activity include specific limits for different types of risks, significance thresholds, target values, alarm signals and modalities for addressing deviations in order to ensure high standards of professional conduct and integrity of the activity within the Bank.

2.3 The internal control framework

The internal control framework is based on the 3 lines of defence model:

- The first line of defense is represented by the risk management processes established in the Bank in order to identify, measure or assesses, monitor, manage and report risks. Risk management responsibilities are not confined to risk specialists or control functions, as each Bank's employee has to be fully aware of his/her own responsibilities with regard to risk management. Business units are primarily responsible for managing risks on a day-to-day basis, taking into account the Bank's risk tolerance/appetite and in line with internal policies, procedures and controls.

- The second line of defense is represented by risk management and compliance functions, that ensure effective and efficient operations, adequate control of risks, prudent conduct of business, reliability of financial and non-financial information reported, both internally and externally, and compliance with laws, regulations, supervisory requirements and the Bank's internal policies and procedures.

- The third line of defense is represented by internal audit function, which ensures an independent assessment of the compliance of all activities and business units of the Bank (including the risk management function and compliance function) with its policies and procedures. The internal audit function also assesses whether existing policies and procedures remain adequate and comply with legal and regulatory requirements.

Internal control framework covers the overall Bank organization, including the activities of all business, support and control units.

Internal control function within the Bank includes the following independent specific control functions:

- Risk management function
- Compliance function
- Internal audit function

2.4 Risk management and in internal control in UniCredit Bank subsidiaries

UniCredit Consumer Financing

The Supervisory Board is responsible for the set up and keeping of a proper and effective internal control system.

The Management Board is responsible for implementing the strategy and the policies on risk management as established and defined in the Article of Association and the Internal Governance Rules.

For the support of the risk management activities, specialised committees are set-up within the financial institution: Audit Committee, Risk Management Committee and Credit Committee.

Risk and Collection Division operates as a permanent organizational structure, with responsibilities related to the administration of the general framework of risk management. The Risk Division offers support to the Risk Management Committee and the company's management through the current monitoring of the credit risk.

The Finance and Planning Division offers support to the Risk Management Committee and the company's management through the current monitoring of the market and liquidity risk.

Marketing and Product Development Department offers support to Risk Management Committee and the company's management through the current monitoring of the reputation risk.

Operational risk is managed by all the departments whose activities incur operational risks.

The monitoring is ensured by operational risk function by regular verification of the limits of operational risk indicators.

Risk management function is supported at company level by other specialized committees (Discipline Committee, Norms and Procedures Committee, Projects Committee, Product and Pricing Committee, Business Continuity and Crisis Management Committee, etc.).

UniCredit Leasing Corporation

Organizational structures responsible for risk management:

The Supervisory Board is responsible for the set up and keeping of a proper and effective internal control system.

The Board of Directors is responsible for implementing the strategy and the policies on risk management.

Risk Management Committee - is a strategic committee and has the responsibility of identification, evaluation and management of significant risks and has to meet at least quarterly or any time when required.

Audit Committee is responsible to assist the Company's Board in defining and preparing the principles and guidelines governing the entity's entire internal control system, on the basis of a risk-oriented approach, and assessing its effectiveness and efficiency, so that the main risks are properly identified, then measured, managed and monitored, subject to the Board's responsibility for all decisions on this matter.

Credit Committee is responsible for approval of restructured cases, IFRS provisioning level for individually assessed clients, according to competencies and specific Regulation.

The Special Credit Committee has responsibilities of approval of the new transactions and credit reviews as per competences framework in order to assure the required quality of the portfolio and to limit the credit risk as required by the credit policies.

Permanent Workgroup Committee for Operational Risks is responsible for operational risk identification, mitigation actions proposed and monitoring of the mitigation actions in place.

Credit Operations Division functions as a permanent organizational structure, with responsibilities related to management of general framework for risk management and supports Risk Management Committee and the Board of Directors by ensuring the monitoring systems for the management of significant risks.

2.5 Scope and type of reporting and risk measurement system

The Internal Capital Adequacy Assessment Process ("ICAAP") focuses on the development and maintenance of sound internal procedures and systems which allow the evaluation of the bank capital adequacy, i.e. the balance between the assumed risk (measured in terms of Internal Capital – "IC") and the available capital (Available Financial Resources – "AFR"), both related to the current situation and in a forward looking perspective, as represented by the budget and strategic plan.

The comparison between AFR and IC is the Risk Taking Capacity (RTC), a key metric included in the Risk Appetite framework.

ICAAP is an integrant part of management and decision-making processes. In this context, the main impacts are related to the risk awareness embedding in the strategic planning and budgeting processes, limit setting and performance evaluation according to a backward and forward-looking perspectives. Setting up an appropriate capital adequacy process means not only using internally developed metrics, but also setting the appropriate capital levels corresponding to the Pillar 1 metrics, such as the Core Tier 1 (CET1) and Total capital ratios as banks are expected to operate with a capital level higher than minimum requirements (i.e. Regulatory Capital).

The process consists of the following phases:

- Perimeter definition and risk identification and mapping
- Risk profile assessment and stress testing
- Risk appetite setting and Capital allocation
- Monitoring and reporting

The process of identification and assessment of significant risks is an element of internal control and aims to ensure that internal control objectives are met (efficiency, information and conformity objectives).

UniCredit Bank carries out an analysis by selecting which risks are relevant with reference to its perimeter of activities.

The risk definition and mapping is not a one-off process, but it is done on an on-going basis to improve the risk management framework.

UCB reviews the risk map and classification according to the proportionality principle, at least on an annual base and in case of relevant changes. The risk map is the basis for the risk evaluation and measurement.

Based on the Group's approach and on the internal analysis performed with the Group guidance, in 2018 UniCredit Bank S.A. identified the following significant risks:

1. Credit risk
2. Market risk and Interest Rate Risk in the Banking Book (IRRBB)
3. Liquidity risk
4. Operational risk
5. Reputational risk
6. Business risk
7. Real estate risk
8. Strategic risk
9. Risk of excessive leverage.
10. Inter-concentration risk

2.6 Other risks

Other risks considered to have major impact on the bank patrimony are the risks associated with outsourcing activities.

The management of outsourcing activities risk takes into consideration, in a non exhaustive form:

1. Reputation, operational and financial impact on the Bank that can be generated by the execution/failure to execute accordingly the contract obligations by the supplier;
2. Consequences of outsourcing and their impact upon the assurance of the respect by the Bank of the legal framework and internal regulations framework;
3. Impact upon Bank's clients or upon counterparties in case of default in the execution of contract obligations by the supplier;
4. Analysis of supplier's solvency taking into consideration: reputation, previous experience in the field, quality of services, internal control framework regarding their activities and performance, quality and quantity of resources at the disposal of the supplier for the execution of activities subject to contract, confidentiality of data/ processed transactions etc.;
5. Outsourcing relationships will be governed by contracts; the contracts will include clear provisions regarding the nature of the outsourced activity, the responsibilities of the Bank and of the supplier, as well as activities control tools etc.;

6. For each activity proposed for outsourcing an analysis and opinion will be required from the departments directly involved in risk analysis, such as: Risk Division, Legal and Compliance Department, as well as other units in case the outsourced activity represents their work area;
7. A cost-benefit analysis on outsourced activities is assessed;
8. Degree to which the Bank and the control authorities have access to information, files and databases of the supplier that are a result of the contractual obligations;
9. Back-up plans or measures to remediate crisis situations; they must take into consideration any event that can impose/ force the termination of the contractual relationship and – as the case may be the transfer under optimal circumstances of the activity to another supplier or its takeover by the Bank.

The final responsability for risks assesment belongs exclusively to the Bank that critically assesses its risks without relying solely on external valuations.

Both, the strategy and significant risk management policies, established at the Bank level, are reviewed periodically.

The Bank has implemented a well-defined and documented reporting framework, including regular and transparent reporting mechanisms, so that the management body and all relevant units within the institution benefit on time by accurate and concise reports, through risk management advisory committees, established by the Bank.

The reports to be submitted to the management body and to the relevant units, and other relevant information related to the identification, measurement or evaluation and monitoring of risks are summarized in the implemented reporting framework.

Bank defines periodically **the risk appetite,** respectively the level of risk that UniCredit Bank is prepared to accept in pursuit of its strategic objectives and business plan, taking into account the interest of its customers (e.g. depositors, policyholders) and shareholders as well as capital and other requirements.

The Management structure reviews and approves the risk appetite on a yearly basis to ensure its consistency with the Group's Strategy, business environment and stakeholder requirements, as defined in the budget process.

Bank regularly monitors the actual risk profile and examines it in relation to the credit institution's strategic objectives and tolerance / risk appetite for assessing the effectiveness of the risk management framework. Evaluation and monitoring of the risk profile is done through indicators established within risk appetite.

2.7 Risk coverage and mitigation policies

The risk mitigation techniques implemented at the Bank level are aimed to reducing the identified risks and limiting their impact on the Bank's performance. Periodically, at the Bank level is monitored the effectiveness of the hedging and mitigating features of risks in order to updating and improving of these techniques to ensure that the objectives set up for each activity are fulfilled as high as possible.

3. SCOPE OF APPLICATION

3.1 Relevant scope of consolidation

The institution subject to disclosure is **UniCredit Bank SA.** ("the Bank"), the report includes Bank information and also information regarding the entities integrated in the consolidated prudential perimeter of UniCredit Bank.

Starting with August 2015, UniCredit Bank S.A. (the "Bank") is the new brand name of formerly UniCredit Tiriac Bank SA that was established as a Romanian commercial bank on 1 June 2007 upon the merger by acquisition of the former UniCredit Romania S.A. (the absorbed bank) by Banca Comerciala HVB Tiriac S.A. (the absorbing bank) and is licensed by the National Bank of Romania ("NBR") to conduct banking activities.

The Bank's current registered office is 1F, Expozitiei Boulevard, District 1, Bucharest, Romania.

UniCredit Bank S.A. is controlled by UniCredit SpA (Italy), with registered office in Milano (Mi), Italia Piazza Gae Aulenti 3 Cap 20154 Tower A.

The Bank provides retail and commercial banking services in Romanian Lei ("RON") and foreign currency for individuals and legal entities. These include: accounts opening, domestic and international payments, foreign exchange transactions, working capital finance, medium and long term facilities, retail loans, bank guarantees, letter of credits and documentary collections, derivative financial instruments.

UniCredit Bank Group is exercising direct and indirect control over the following subsidiaries:

- UniCredit Consumer Financing IFN S.A., having its current registered office at 23-25 Ghetarilor street, 1st and 3rd floor, District 1, Bucharest, Romania, provides consumer finance loans to individual clients. The Bank has a shareholding of 50.1% in UCFIN since January 2013.
- UniCredit Leasing Corporation IFN S.A.("UCLC"), having its current registered office at 23-25 Ghetarilor Street, 1st, 2nd and 4th floor, District 1, Bucharest, Romania, provides financial lease services to corporate clients and individuals. UCLC, previously associate entity, has become a subsidiary of the Bank starting with April 2014 when the Bank obtained 99.95% direct and indirect controlling interest (direct controlling interest: 99.90%). The Bank's shareholding has changed to an indirect controlling interest 99.98% (direct controlling interest: 99.96%), as a result of the merger of UCLC with UniCredit Leasing Romania SA ("UCLRO") finalized in June 2015, where UCLRO was absorbed by UCLC.
- Debo Leasing IFN S.A., having its current registered office in 23-25 Ghetarilor Street, 2nd floor, 1st district, Bucharest, Romania, is a real estate finance lease entity, in which the Bank has an indirect controlling interest of 99.97% (31 December 2017: 99.97%) through UCLC.

During 2018 the following company ceased to be UniCredit Bank subsidiary:

- UniCredit Insurance Broker S.R.L., having its current registered office in 23-25 Ghetarilor Street, 2nd floor, 1st district, Bucharest, Romania, intermediates insurance policies related to leasing activities to legal entities and individuals, in which the Bank has an indirect controlling interest of 99.98% (31 December 2017: 99.98%) through UCLC.

EU LI1 – Differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories

This template presents the differences between the accounting prudential consolidation perimeter which applies for providing the required information in CRR the eight part (UE Regulation nr. 575/2013).

	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items				
			Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets							
Cash and balances at central banks	10,282,258,032	10,282,258,032	3,433,803,051	6,847,975,601	-	-	-
Of which: Reverse Repo	6,847,975,601	6,847,975,601	-	6,847,975,601	-	-	-
Financial assets at fair value through profit or loss: Derivatives and Debt Securities	269,721,286	269,721,286	-	67,060,040	-	202,661,246	-
Financial assets at fair value through profit or loss: Capital Instruments	27,063,861	27,063,861	27,063,861	-	-	-	-
Derivatives assets designated as hedging instruments	145,776	145,776	-	145,776	-	-	-
Loans and advances to banks at amortized cost	1,897,602,342	1,897,602,342	1,897,602,342	-	-	-	-
Loans and advances to customers at amortized cost	27,625,050,754	27,625,050,754	27,625,050,754	-	-	-	-
Financial assets at fair value through other comprehensive income-Debt Instruments	7,322,422,365	7,312,353,882	7,322,422,365	-	-	-	-
*Of which Financial assets at fair value through other comprehensive income-Debt Instruments : Reverse Repo	-	10,068,483	-	10,068,483	-	-	-
Financial assets at fair value through other comprehensive income-Debt Instruments : Capital Instruments	8,198,521	8,198,521	8,198,521	-	-	-	-
Property and equipment	196,172,078	196,172,078	196,172,078	-	-	-	-
**Intangible assets	165,875,587	164,345,353	-	-	-	-	164,345,353
Current tax assets	629,515	629,515	629,515	-	-	-	-
Deferred tax assets	143,455,672	143,455,672	139,322,590	-	-	-	4,133,082
**Other assets	398,438,482	399,968,716	399,968,716	-	-	-	-
Total assets	**48,337,034,271**	**48,337,034,271**	**41,050,233,793**	**6,925,249,900**	**-**	**202,661,246**	**168,478,435**

*The accounting value according to the prudential accounting perimeter represents repurchase agreements securities.

**The differences between the accounting amounts as they have been discosed in the financial statements and the accounting amounts according to the prudential consolidation perimeter regarding the Intangible Assets and Other Assets are due to differences in Intangible Assets Advances. In the prudential perimeter are considered as Other Assets and in Financial Statements are considered as Intangible Assets (1.5 mill RON).

The differences between the amount in column a) and b) substantially depend on the composition of accounting (IFRS) and regulatory perimeters.

For balance sheet items, the allocation of the amount in column b) , among columns from c) to f) is based on the risk categories they may be subject to.

	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items				
			Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Liabilities							
Deposits from banks	3,757,657,279	3,757,657,279	-	-	-	-	3,757,657,279
Items in the course of collection due to other banks	7,581,232,050	7,581,232,050	-	-	-	-	7,581,232,050
Customer accounts	29,494,900,813	29,494,900,813	-	-	-	-	29,494,900,813
Repurchase agreements and other similar secured borrowings	10,068,483	10,068,483	-	-	-	-	10,068,483
Trading portfolio liabilities	69,809,153	69,809,153	-	-	-	-	69,809,153
Derivatives liabilities designated as hedging instruments	78,918,801	78,918,801	-	-	-	-	78,918,801
Debt securities issued	622,114,544	622,114,544	-	-	-	-	622,114,544
Subordinated liabilities	890,310,531	890,310,531	-	-	-	-	890,310,531
Current tax liabilities	44,889,368	44,889,368	-	-	-	-	44,889,368
Provisions	205,454,098	205,454,098	-	-	-	-	205,454,098
Other non-financial liabilities	724,495,205	724,495,205	-	-	-	-	724,495,205
Total liabilities	**43,479,850,325**	**43,479,850,325**	**-**	**-**	**-**	**-**	**43,479,850,325**

EU LI2 – Main sources of differences between regulatory exposure amounts and carrying values in financial statements

The template provides information regarding the main sources of differences (other then those due to the consolidation perimeter which are presented in the templates UE LI1) between the accounting amounts from the Financial Statements and the exposure values used in regulatory purposes.

Regarding the point 1, the amounts disclosed in columns from b) to e) correspond to the accounting values according to the prudential consolidation perimeter of the balance sheet asset as they were reported in the column c)-f) in the template EU LI1 from the present document.

Regarding the point 2, the amounts disclosed in the columns b) and c) correspond to the accounting values according to the prudential consolidation perimeter of the balance sheet liabilities as they were reported in the column c), f) in the template EU LI1 from the present document.

*According to the Article 429. (b) CRR, the Bank includes in the exposure amounts the deals SFT computed considering the Article 429 , point 5 and the Article 111, point 1 and an increase for the counterparty credit risc according to Article 429 (b), point 2.

		Total	Items subject to			
			Credit risk framework	CCR framework	Securitisation framework	Market risk framework
1	**Assets carrying value amount under the scope of regulatory consolidation (as per template EU LI1)**	**48,337,034,271**	**41,050,233,793**	**6,925,249,900**	-	**202,661,246**
2	Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU LI1)	-	-	-	-	-
3	Total net amount under the regulatory scope of consolidation	48,337,034,271	41,050,233,793	6,925,249,900	-	202,661,246
4	Off-balance-sheet amounts	13,115,239,426	4,096,998,394	-	-	-
5	*Differences in valuations*	57,391,037	-	57,391,037	-	-
6	*Differences due to different netting rules, other than those already included in row 2*	-	-	-	-	-
7	*Differences due to Derivatives*	98,700,741	-	98,700,741	-	-
8	*Differences due to SFT*	2,139,508	-	2,139,508	-	-
9	**Exposure amounts considered for regulatory purposes**	**61,610,504,983**	**45,147,232,187**	**7,083,481,186**	-	**202,661,246**

EU LI3 – Outline of the differences in the scopes of consolidation (entity by entity)

Name of the entity	Method of accounting consolidation	Method of regulatory consolidation				Description of the entity
		Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	
UniCredit Consumer Financing IFN S.A.	Full Consolidation	X				Credit Institution
UniCredit Leasing Corporation IFN S.A.	Full Consolidation	X				Financial Leasing company
Debo Leasing IFN SA	Full Consolidation	X				Real Estate Leasing company

3.2. Prudent valuation

The below table contains the additional evaluation adjustments (AVA). The most significant adjustments are related to concentration risk and the closeout cost uncertainty of the government bonds issued by the Romanian Ministry of Finance held in the bank's portfolio.

PV1: Prudent valuation adjustments (PVA)

		Equity	Interest rates	FX	Credit	Commodities	Total	Of which: In the trading book	Of which: In the banking book
1	Closeout uncertainty, of which:		324,243	6,823	13,123,522		13,454,588	492,331	12,962,257
2	Mid-market value		161,762	6,534	1,557,204		1,725,500	187,298	1,538,202
3	Closeout cost		162,481	289	2,253,503		2,416,273	305,033	2,111,240
4	Concentration		-	-	9,312,815		9,312,815	-	9,312,815
5	Early termination								
6	Model risk						135,692	122,120	13,572
7	Operational risk						-		
8	Investing and funding costs						23,151		
9	Unearned credit spreads						152,536		
10	Future administrative costs						-		
11	Other						-		
12	**Total adjustment**		**324,243**	**6,823**	**13,123,522**		**13,765,967**		

3.3. Entities deducted from Own Funds

According to Regulation no. 575/2013 of European Parliament and Council dated 26.06.2013 regarding prudential requirements for credit institutions and investment companies, the holdings in Common Equity Tier 1 (CET1) that are classified as significant investments should be deducted from own funds if the CET1-threshold for deduction is exceeded.

As at 31 December 2018, UniCredit Bank doesn't holds at individual level significant investments in financial entities which were not deducted from own funds according to the Article 48 from CRR.

3.4 Entities added to RWA

As at 31 December 2018, the significant investments in financial entities are shown at the individual level with a risk weight of 370% as they are not deducted from own funds, but are included in the consolidated perimeter.

3.5 Substantial or legal impediments that hinder the rapid transfer of capital resources within the Group

At UniCredit Group level, an integrated analysis is done to identify the significant risks. The processes for management, monitoring and reporting of risks are formalized in the Group regulations, aligned and integrated at the local group at UniCredit Bank SA level. In accordance with the rules regarding the analysis process, calibration, approval, adoption, implementation, monitoring and reporting of the Group regulations, UniCredit Bank SA has the responsibility of sending the applicable regulation to its subsidiaries, in order to be analyzed, approved/adopted and implemented. Subsequently, UniCredit Bank SA assesses and decides the applicability at the subsidiaries level taking into account the nature, dimension and complexity of their activities.

In order to ensure the control over implementation of the Group requirements at level of direct controlled entities, there is a frequent reporting process regarding the status of local implementation under the Internal Control Committee of UniCredit Bank SA.

The main potential impediments regarding the rapid transfer of capital resources are addressed below:

3.5.1 The impact of legal status of subsidiaries regarding the prompt transfer of funds and/or debt reimbursement

UniCredit Consumer Finance IFN SA

UniCredit Bank SA (UCB) controls UniCredit Consumer Financing (UCFin) through majority of voting rights held (50.1%), which implies the approval of development plan and strategy of UCFIN in accordance with Bank and UniCredit Group's strategy.

The control exercised over UCFIN is strengthened by the fact that UCB appoints 4 out of 5 members of UCFIN Supervisory Board in accordance with UCFIN Articles of Association („AoA" or Constitutive Act). In Accordance with AoA, the UCFIN Supervisory Board has the authority to check the Board Member's activity in respect of the implementation of the Bank's strategy, aligned with those of UniCredit Group.

As result, there is no impediment which could adversely impact the prompt transfer of funds from UCFIN to UCB and/or the UCFIN capacity for fast reimbursement of debts to UCB.

UniCredit Leasing Corporation IFN SA

UniCredit Bank SA (UCB) controls UniCredit Leasing Corporation IFN S.A. (UCLC) through majority of voting rights held (99.98%), which implies the approval of development plan and strategy of UCLC in accordance with Bank and UniCredit Group's strategy.

The control exercised over UCLC is strengthened by the fact that UCB appoints all 5 members of UCLC Supervisory Board in accordance with UCLC Articles of Association („AoA" or Constitutive Act). In Accordance with AoA, the UCLC Supervisory Board has the authority to check the Board Member's activity in respect of the implementation of the Bank's strategy, aligned with those of UniCredit Group.

As a result, there is no impediment which could adversely impact the prompt transfer of funds from UCLC to UCB and/or the UCLC capacity for fast reimbursement of debts to UCB.

The Articles of Associations of UCFIN and UCLC do no include limitations, restrictions regarding the transfer of own funds and/or debt reimbursement.

3.5.2. Assessment of the other interests, different from those (controlling interests) of UCB and of their impact. UCB capacity to ask for the funds transfers or debt reimbursements

No other interests were identified except the UCB controlling interests as the control is defined in the Articles of Associations of the 2 subsidiaries.

Meanwhile, we mention that the financing agreements concluded between UCB and their subsidiaries contain contractual clauses regarding the situations where repayments in advance can appear and where collateral guarantees are in place, where all actual and future cash amounts are pledged in the bank's favour. (credit balances in the bank accounts open at UCB).

3.5.3 Potential unfavorable fiscal impact for UCB or its subsidiaries in case of funds transfer or debt reimbursement

At UniCredit Bank SA level there is no adverse fiscal impact as a result of the potential prompt transfer of funds or debt repayment in advance in accordance with the Fiscal Code provisions in force starting with 1st of January 2017.

At subsidiaries level, in hypothethical case of share capital distribution, there is no effect that could generate a fiscal impact.

3.5.4 Eventual prejudices could result from the business strategies of subsidiaries regarding the prompt transfer of funds and/or debt reimbursement

The Budget for 2019 and the financial plan for the next 3 years of UCB and its subsidiaries outline the intention of ongoing business activity and to support for the implementation of the subsidiaries strategies. In normal conditions of ongoing business activity, there has not been forecasted any prompt transfer of funds and/or debt repayments in advance in the financial plans.

3.5.5 Analysis of the impact of contractual relationships between the subsidiaries and UCB/other third parties regarding the prompt transfer of funds and/or debts repayment

The contractual relationships between UCB and its subsidiaries are approved and monitored in accordance with the provisions of Articles of Association of subsidiaries and internal procedures which regulates the competencies levels for approval set up by managements and their shareholders.

Taking into account the shareholders structure, there is no negative risk that could impact the contractual business relationships of subsidiaries.

3.5.6 The historical and forecast flows of funds between UCB and its subsidiaries with potential impact on capacity of prompt transfer of funds and/or debt reimbursement

The loan agreements concluded by UniCredit Bank with its subsidiaries include the calculation of penalty interest in case the loans' payments obligations are not met. The penalty interest is applied at the maturity date, until the full payment date and it is applied to outstanding amount. There have been no cases in the past of penalty interest being applied for the credit lines granted to subsidiaries of UCB.

Meanwhile, we have to mention that, in accordance with the provisions of article 26 of NBR Regulation no.5/2013, UCB, as parent credit institution, takes into account and balance the interests of its subsidiaries and analyzes them continuously in the way those interests contributes to the objectives and interests of UCB Group and respectively of UniCredit Group, taken together as one objective/interest, on a long term basis.

3.5.7 Intragroup Liquidity Transfers

Intra-group liquidity transfers are subject to restrictions due to legal and regulatory constraints.

With reference to regulatory requirements, it should be noted that UniCredit Bank is subject to rules provided by The Regulation (EU) No 575/2013 on “prudential requirements for credit institutions and investment firms”.

4.OWN FUNDS AND KEY METRICS

4.1 Regulatory capital - summary reconciliation and changes over time

Starting with January 2014, Romanian Banking System is applying the Basel III norms, in accordance with Regulation no. 575/2013 of European Parliament and Council dated 26.06.2013 regarding prudential requirements for credit institutions and investment companies, amended by Regulation (UE) no.648 / 2012 and by Regulation no. 5/2013 regarding prudential requirements for credit institutions issued by National Bank of Romania and Commission Implementing Regulation (EU) No 1423/2013 of 20 December 2013 laying down implementing technical standards with regard to the disclosure of own funds requirements for institutions according to Regulation (EU) No 575/2013 of the European Parliament and of the Council.

The prudential requirements define the eligibility criteria for capital instruments which shall be included in Own Funds – Common Equity Tier 1 Capital, Additional Tier 1 Capital or Own Funds – Tier 2 Capital, as detailed below:

Capital instruments qualify as equity instruments Level 1 basic eligibility if the conditions listed below are fulfilled:

- Instruments are issued directly by the institution with the prior approval of shareholders institution or, where permitted under applicable national legislation governing body of the institution;
- Instruments are paid, and their purchase is not funded directly or indirectly by the institution; are classified as equity within the meaning of applicable accounting framework;
- Instruments are presented clearly and distinctly in the balance sheet in the financial statements of the institution;
- Instruments are perpetual
- The instruments meet the following conditions in terms of distributions:
  - No preferential treatment in terms of distribution order to perform distributions, including in relation to other instruments Tier 1 instruments and the conditions governing the instruments do not provide preferential rights to making distributions;
  - Distributions to holders of the instruments may be made only items that can be distributed;
  - The conditions governing the instruments do not include a cap or other restriction on the maximum level of distributions;
  - The level of distributions is not determined based on the purchase price of the instruments at issue.
  - The conditions governing the instruments do not include any obligation for the institution to make distributions to their owners, and the institution is not otherwise subject to such obligations;
  - Failure distributions is not an event of default for the institution;
  - Annual distributions do not impose restrictions on the institution.

Capital instruments qualify as equity instruments Level 2 if the conditions for eligibility listed below are fulfilled:

- Subordinated loans are obtained and fully paid;
- Subordinated loans are not issued by a subsidiary or an associate;

- Providing subordinated loans is not funded directly or indirectly by the institution; the principal debt subordinated loans under the provisions governing subordinated loans, is entirely subordinated to the claims of all unsubordinated creditors;
- Subordinated loans have an original maturity of at least five years;
- Provisions governing, subordinated loans do not include any incentive for their principal amount to be refunded or, if applicable, returned by the institution before maturity;
- Subordinated loans can be recognized in the category of Tier 2 items if in the opinion of the National Bank of Romania meet the eligibility conditions listed above.

The main characteristics of the Level 1 Capital Instruments are detailed below:

Capital Instruments Level 1		
1	**Issuer**	**UniCredit Bank Romania**
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	n/a
3	Governing law(s) of the instrument	Law-no.31/1990
	Regulatory treatment	
4	Transitional CRR rules	CET1
5	Post-transitional CRR rules	CET1
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	solo and consolidated
7	Instrument type (types to be specified by each jurisdiction)	ordinary shares
8	Amount recognised in regulatory capital (in RON thousands)	1,177,748,253
	Currency of issue	RON
9	Nominal amount of instrument - in currency of issue	9.3
10	Accounting classification	shareholder's equity
12	Perpetual or dated	perpetual
13	Original maturity date	no maturity
14	Issuer call subject to prior supervisory approval	no
15	Optional call date, contingent call dates and redemption amount (s. 9b)	-
16	Subsequent call dates, if applicable	-
	Coupons / dividends	
17	Fixed or floating dividend/coupon	floating
18	Coupon rate and any related index	n/a
19	Existence of a dividend stopper	no
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	discretionary
21	Existence of step up or other incentive to redeem	no
22	Noncumulative or cumulative	non-cumulative
23	Convertible or non-convertible	no
24	If convertible, conversion trigger(s)	-
25	If convertible, fully or partially	-
26	If convertible, conversion rate	-
27	If convertible, mandatory or optional conversion	-
28	If convertible, specify instrument type convertible into	-
29	If convertible, specify issuer of instrument it converts into	-
30	Write-down features	no
31	If write-down, write-down trigger(s)	-
32	If write-down, full or partial	-
33	If write-down, permanent or temporary	-
34	If temporary write-down, description of write-up mechanism	-
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	subordinated
36	Non-compliant transitioned features	no
37	If yes, specify non-compliant features	-

Tier 2 - Capital Instruments features			
1	Issuer	UniCredit SPA	UniCredit SPA
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	n/a	n/a
3	Governing law(s) of the instrument	Government Emergency Ordinance no.99/2006	Government Emergency Ordinance no.99/2006
	Regulatory treatment		
4	Transitional CRR rules	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	solo and consolidated	solo and consolidated
7	Instrument type (types to be specified by each jurisdiction)	subordinated loan	subordinated loan
8	Amount recognised in regulatory capital (in RON)	48,500,000	120,000,000
	Currency of issue	EUR	EUR
9	Nominal amount of instrument (agregate) - in currency of issue	48,500,000	120,000,000
9a	Issue price	48,500,000	120,000,000
9b	Redemption price - in currency of issue	48,500,000	120,000,000
10	Accounting classification	liabilities at amortised cost	liabilities at amortised cost
11	Original date of issuance	27/07/2017	29/12/2017
12	Perpetual or dated	dated	dated
13	Original maturity date	27/07/2027	29/12/2027
14	Issuer call subject to prior supervisory approval	no	no
15	Optional call date, contingent call dates and redemption amount (s. 9b)	-	-
16	Subsequent call dates, if applicable	n/a	n/a
	Coupons / dividends		
17	Fixed or floating dividend/coupon	floating	floating
18	Coupon rate and any related index	4.5%+3M EURIBOR	3.88%+3M EURIBOR
19	Existence of a dividend stopper	n/a	n/a
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	n/a	n/a
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	n/a	n/a
21	Existence of step up or other incentive to redeem	n/a	n/a
22	Noncumulative or cumulative	n/a	n/a
23	Convertible or non-convertible	no	no
24	If convertible, conversion trigger(s)	n/a	n/a
25	If convertible, fully or partially	n/a	n/a
26	If convertible, conversion rate	n/a	n/a
27	If convertible, mandatory or optional conversion	n/a	n/a
28	If convertible, specify instrument type convertible into	n/a	n/a
29	If convertible, specify issuer of instrument it converts into	n/a	n/a
30	Write-down features	no	no
31	If write-down, write-down trigger(s)		
32	If write-down, full or partial		
33	If write-down, permanent or temporary		
34	If temporary write-down, description of write-up mechanism		
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	to all other non subordinated liabilities	to all other non subordinated liabilities
36	Non-compliant transitioned features	no	no
37	If yes, specify non-compliant features	-	-

The contractual terms and conditions of the Level 2 Own Funds –Subordinated Loans, according to Art. 437, point 1, C are presented below:

No. cr.	Counterparty	Currency	Amount (principal)	Starting date	Maturity Date	Update interest frequency	Clauses	Payments
1	UniCredit SPA	EUR	48.500.000	27-Jul-17	27-Jul-27	3 months	without anticipated reimbursement	one
2	UniCredit SPA	EUR	120.000.000	29-Dec-17	29-Dec-27	3 months	without anticipated reimbursement	one
Total			**168.500.000**					

When IFRS9 standard was implemented, the Group decided not to apply the transitional treatment of expected credit losses.

During the first quarter 2018, the Group decided to increase the own funds by issuing 8.187.547 ordinary shares with a nominal amount 9.30 RON per share (76,144,187 RON) and by the inclusion of the issuing premium valuing 75.93 RON per share (621,680,444 RON).

Starting with the year 2018 the following transitional adjustments do not apply:

- intangible assets;
- unrealized gains and losses from assessing the assets and the liabilities at fair value;
- local filters set up by the National Bank of Romania;
- recognising in Level 1 Consolidated Own Funds, the instruments and the elements which do not qualify as minority interest.

The structure of the Own Funds (individual and consolidated) as at 31 December 2018 is presented below:

Reference Annex IV	Item	Group	Bank	Reference for reconciliation with balance sheet
	Own Funds			
1	Capital instruments and the related share premium accounts	1,799,428,752	1,799,428,752	c+d
	of which: ordinary shares	1,177,748,253	1,177,748,253	c
2	Retained earnings	2,433,976,544	2,241,007,098	i-j
3	Accumulated other comprehensive income (and any other reserves, included unrealised gains and losses)	147,226,119	147,226,119	e+f+g+h
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	4,380,631,415	4,187,661,969	
	Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments	13,765,967	13,765,967	
8	Intangible assets (net of related tax liability)	159,896,748	147,638,820	a+b+k
11	Fair value reserves related to gains or losses on cash flow hedges	(45,053,855)	(45,053,855)	
12	(-) IRB shortfall of credit risk adjustments to expected losses	69,793,372	74,760,299	
25b	Foreseeable tax charges relating to CET1 items	10,654,179	10,654,179	
26b	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment	209,056,411	201,765,410	
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	209,056,411	201,765,410	
29	Common Equity Tier 1 (CET1) capital	4,171,575,004	3,985,896,559	
	Additional Tier 1 (AT1) capital: instruments			
36	Additional Tier 1 (AT1) capital before regulatory adjustments			
	Additional Tier 1 (AT1) capital: regulatory adjustments			
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital			
44	Additional Tier 1 (AT1) capital			
45	**Tier 1 capital (T1 = CET1 + AT1)**	**4,171,575,004**	**3,985,896,559**	
	Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments and the related share premium accounts	785,867,150	785,867,150	
51	Tier 2 (T2) capital before regulatory adjustment	785,867,150	785,867,150	
	Tier 2 (T2) capital: regulatory adjustments			
57	Total regulatory adjustments to Tier 2 (T2) capital			
58	**Tier 2 (T2) capital**	**785,867,150**	**785,867,150**	
59	**Total capital (TC = T1 + T2)**	**4,957,442,154**	**4,771,763,709**	
60	**Total risk-weighted assets**	**28,458,911,738**	**22,536,864,951**	
	Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of total risk exposure amount	14.66%	17.69%	
62	Tier 1 (as a percentage of total risk exposure amount	14.66%	17.69%	
63	Total capital (as a percentage of total risk exposure amount	17.42%	21.17%	
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements plus a systemic risk buffer, plus systemically important institution buffer expressed as a percentage of total risk exposure amount)	3.875%		
65	of which: capital conservation buffer requirement	1.875%	1.875%	
66	of which: countercyclical buffer requirement			
67	of which: systemic risk buffer requirement	1%*		
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	1.0000%		

Art.277-If a credit institution at individual or sub -consolidated level makes the object of O-SII buffer and systemic risk buffer, according to the Art.288 , the buffer with the highest value is used.

The reconciliation of the elements from Own Funds with the Financial Statements is presented below:

Thousand RON	a Group 31.12.2018	b Bank 31.12.2018	c Reference
Assets			
Cash and cash equivalents*	10,282,258	10,282,174	
Financial assets at fair value through profit or loss	296,785	296,785	
Financial assets at fair value through profit and loss according to IAS39			
Derivatives assets designated as hedging instruments	146	146	
Loans and advances to customers at amortized cost	23,535,848	20,973,071	
Net Lease receivables	4,089,203	-	
Loans and advances to banks at amortized cost	1,897,602	1,897,602	
Other financial assets at amortized cost*	190,151	143,332	
Financial assets at fair value through other comprehensive income	7,330,621	7,328,275	
Investments in subsidiaries	-	143,116	
Property and equipment	196,172	193,931	
Intangible assets	165,876	153,618	a
Current tax assets	630	-	
Deferred tax assets	143,456	79,454	
of which:Deffered tax regarding Intangible Assets	(4,449)	(4,449)	b
of which: Other Intangible Assets	(1,530)	(1,530)	k
Other assets	175,594	54,992	
Non-current assets classified as held for sale	32,693	-	
Total assets	48,337,034	41,546,496	
Liabilities			
Financial liabilities at fair value through profit or loss	69,809	69,829	
Derivatives liabilities designated as hedging instruments	78,919	78,919	
Financial liabilities at amortized cost:			
Deposits from banks	3,757,657	3,757,657	
Loans from banks and other financial institutions at amortized cost	7,591,301	1,073,065	
Deposits from clients	29,494,901	29,841,828	
Debt securities issued	622,115	622,115	
Subordinated liabilities	890,311	787,705	
Other financial liabilities at amortized cost	459,838	368,442	
Current tax liabilities	44,889	43,705	
Deferred tax liabilities	-	-	
Provisions	205,454	202,412	
Other non-financial liabilities	264,657	152,409	
Total liabilities	43,479,850	36,998,085	
Shareholders' equity			
Share capital	1,177,748	1,177,748	c
Share premium	621,680	621,680	d
Cash flow hedge reserve	(45,054)	(45,054)	e
Reserve on financial assets at fair value through other comprehensive income	(88,570)	(88,570)	f
Revaluation reserve on property and equipment	9,819	9,819	g
Other reserves	271,031	271,031	h
Retained earnings	2,794,726	2,601,756	i
of which: Dividends	360,749	360,749	j
Total equity for parent company	4,741,381	4,548,411	
Non-controlling interest	115,803	-	
Total Equity	4,857,184	4,548,411	
Total liabilities and equity	48,337,034	41,546,496	

4.2 Summary of Key Prudential Metrics

KM1: Key metrics		31-Dec-18	30-Sep-18	30-Jun-18	31-Mar-18	31-Dec-17
Available capital (amounts)						
1	Common Equity Tier 1 (CET1)	4,171,575,004	3,982,709,142	3,910,162,278	4,017,014,833	3,379,971,273
1a	Fully loaded ECL accounting model	0	0	N/A	N/A	N/A
2	Tier 1	4,171,575,004	3,982,709,142	3,910,162,278	4,017,014,833	3,379,971,273
2a	Fully loaded accounting model Tier 1	0	0	N/A	N/A	N/A
3	Total capital	4,957,442,154	4,768,542,592	4,695,557,628	4,801,820,433	4,157,349,397
3a	Fully loaded ECL accounting model total capital	N/A	N/A	N/A	N/A	N/A
Risk-weighted assets (amounts)						
4	Total risk-weighted assets (RWA)	28,458,911,738	28,033,862,368	27,328,175,598	28,340,880,032	26,364,458,726
Risk-based capital ratios as a percentage of RWA						
5	Common Equity Tier 1 ratio (%)	14.66%	14.21%	14.31%	14.17%	12.82%
5a	Fully loaded ECL accounting model CET1 (%)	N/A	N/A	N/A	N/A	N/A
6	Tier 1 ratio (%)	14.66%	14.21%	14.31%	14.17%	12.82%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	N/A	N/A	N/A	N/A	N/A
7	Total capital ratio (%)	17.42%	17.01%	17.18%	16.94%	15.77%
7a	Fully loaded ECL accounting model total capital ratio (%)	N/A	N/A	N/A	N/A	N/A
Additional CET1 buffer requirements as a percentage of RWA						
8	Capital conservation buffer requirement (2.5% from 2019) (%)	1.875%	1.875%	1.875%	1.875%	1.250%
9	Countercyclical buffer requirement (%)	0	0	0	0	0
10	Bank O-SIB additional requirements (%)	1.000%	1.000%	1.000%	1.000%	1.000%
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)	2.875%	2.875%	2.875%	2.875%	2.250%
12	CET1 available after meeting the bank's minimum capital requirements (%)	10.158%	9.707%	9.808%	9.674%	8.320%
Basel III Leverage Ratio						
13	Total Basel III leverage ratio measure	52,371,283,957	51,202,073,669	50,104,860,672	49,396,422,145	47,318,802,526
14	Basel III leverage ratio (%) (row 2/row 13)	7,97%	7,78%	7,80%	8,13%	7,14%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2A/row 13)	N/A	N/A	N/A	N/A	N/A
Liquidity Coverage Ratio						
15	Total HQLA	15,231,462,230	12,925,680,605	6,677,134,879	10,121,174,907	10,624,243,714
16	Total net cash outflow	9,472,995,928	9,278,100,723	4,571,448,746	5,879,385,485	6,871,266,136
17	LCR ratio (%)	160.79%	139.31%	146.06%	172.15%	154.62%
Net Stable Funding Ratio						
18	Total available stable funding	35,289,226,952	33,805,525,436	33,560,999,244	32,294,848,445	30,382,697,906
19	Total required stable funding	23,629,251,629	23,842,931,492	22,896,151,930	22,162,737,461	20,762,184,694
20	NSFR ratio (%)	149.35%	141.78%	146.58%	145.72%	146.34%

5. CAPITAL REQUIREMENTS

5.1 General comment

Capital Adequacy Assessment

During 2018, within the Bank it was continued the sustained process for completing the internal methodological framework with specific regulations, mainly as regards to ICAAP general framework, stress tests, setting and monitoring of risk appetite, capital management rules, rules regarding the new risks identified by the Bank as significant.

The Internal Capital Adequacy Assessment Process was performed in accordance with National Bank of Romania Regulation no 5/2013, with subsequent amendments and changes, representing an independent assessment of the current and future internal capital, related to the risks the bank is facing and in line with the Bank's strategy. That is to say that UCB assesses the balance between the assumed risk and the available capital consistently with the strategy and assumed objectives, respectively the internal capital and the available financial resources.

The internal capital is represented by the sum of the economic capitals calculated for each risk: credit risk, market risk, operational risk, business risk, financial investments risk, real estate investments risk based on internal models (ex. CVaR, VaR etc).

The ultimate mission of the capital adequacy is to ensure that it forms an integral part of day-to-day management and decision-making processes such as: embedding risk management measures and the capital needed in strategic planning, introduction of risk analysis in strategic planning and budgetary processes.

Thus, the Bank develops and manages its risk management processes, respectively implements processes and tools to assess the level of internal capital adequate to support each type of risk, including those risks not captured by the total capital requirement (i.e. Pillar I risks), within the scope of an assessment of the Bank's Legal current and future exposure, taking account its strategies and developments in its business environment.

Necessary regulated own funds requirements at consolidated level

For calculating the regulatory capital requirements for credit risk, the Bank applies the Foundation Internal Rating Based Approach, according to Regulation no. 575/2013 of European Parliament and Council dated 26.06.2013 regarding prudential requirements for credit institutions and investment companies and amending Regulation (UE) no. 648/2012 of the Commission for establishing technical standards for reporting for supervisory purposes and by Regulation no. 5/2013 regarding prudential requirements for credit institutions issued by National Bank of Romania (due to the joint approval received from Bank of Italy, FMA and National Bank of Romania) for the following segments of clients: corporate (except for real estate clients and specialized financing), multinational companies, banks, sovereigns and central banks and securities industries. For the rest of the portfolio, the Bank continued to use the standardized approach.

For calculating the regulatory capital requirements for market risk, the Bank uses the Standardised Approach, while, for operational risk, it is used advanced approach in accordance the above mentioned regulations. All tasks related to the calculation and monitoring of capital requirements are performed by specialized units of Finance Division and Risk Division of the Bank.

For complying with capital adequacy requirements established by Emergency Ordinance 99/2006, the Bank is actively involved in an evaluation process of capital requirements, for sustaining current and future activity, which implies the following processes:

- Budgeting
- Monitoring and analysis
- Stress testing
- Forecasting

EU OV1 – Overview of RWAs

		Group			Bank	
		RWA		Capital Requirement	RWA	Capital Requirements
		31.12.2018	30.09.2018	31.12.2018	31.12.2018	31.12.2018
1	Credit risk (excluding CCR)	26,024,533,002	25,899,111,459	2,081,962,640	20,827,648,248	1,666,211,860
2	Of which the standardised approach	11,187,520,646	11,462,890,823	895,001,652	5,383,862,709	430,709,017
3	Of which the foundation IRB (FIRB) approach	14,837,012,356	14,436,220,636	1,186,960,988	15,443,785,539	1,235,502,843
4	Of which the advanced IRB (AIRB) approach	-	-	-	-	-
5	Of which equity IRB under the simple risk-weighted approach or the IMA	-	-	-	-	-
6	CCR	161,883,541	127,221,546	12,950,683	161,954,172	12,956,334
7	Of which mark to market	108,479,320	117,686,387	8,678,346	108,549,952	8,683,996
8	Of which original exposure	-	-	-	-	-
9	Of which the standardised approach	-	-	-	-	-
10	Of which internal model method (IMM)	44,981,806	73,501	3,598,544	44,981,806	3,598,544
11	Of which risk exposure amount for contributions to the default fund of a CCP	-	-	-	-	-
12	Of which CVA	8,422,415	9,461,658	673,793	8,422,415	673,793
13	Settlement risk	-	-	-	-	-
14	Securitisation exposures in the banking book (after the cap)	-	-	-	-	-
15	Of which IRB approach	-	-	-	-	-
16	Of which IRB supervisory formula approach (SFA)	-	-	-	-	-
17	Of which internal assessment approach (IAA)	-	-	-	-	-
18	Of which standardised approach	-	-	-	-	-
19	Market risk	181,875,574	28,780,255	14,550,046	176,907,416	14,152,593
20	Of which the standardised approach	181,875,574	28,780,255	14,550,046	176,907,416	14,152,593
21	Of which IMA	-	-	-	-	-
22	Large exposures	-	-	-	-	-
23	Operational risk	2,090,619,619	1,978,749,108	167,249,570	1,370,355,118	109,628,409
24	Of which basic indicator approach	720,264,501	672,174,338	57,621,160	-	-
25	Of which standardised approach	-	-	-	-	-
26	Of which advanced measurement approach	1,370,355,118	1,306,574,771	109,628,409	1,370,355,118	109,628,409
27	Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-	-	-
28	Floor adjustment	-	-	-	-	-
29	**Total**	**28,458,911,734**	**28,033,862,368**	**2,276,712,939**	**22,536,864,954**	**1,802,949,196**

The row "Of which the foundation IRB approach" does not contains CCR exposures 75,226,841 RON (presented on the row "Of which market to market").

The position includes RWA for the assets which are not loans 721,758,858 RON.

According to the Article 114, starting with 2018, the risk weighetd asset applied to Central Government and Central Banks changed.

5.2 Capital Strengthening

From the bank's perspective, Tier 1 capital is the core measure of its financial health and is assessed from the view of its capacity to absorb losses without ceasing business operations. Under Basel III, the minimum tier 1 capital ratio is 6%, which is calculated by dividing the bank's tier 1 capital by its total risk-weighted assets.

As at December 2018, the bank did not hold additional Tier 1 instruments, therefore Core Tier 1 ratio was calculated at the level of tier 1 ratio, with a consolidated level of 17.42%, significantly higher than the minimum regulatory requirement.

EU CR10 – IRB (specialized lending and equities)

The template presents quantitative information regarding the capital instruments exposures using standardised approach.

Specialised lending							
Regulatory categories		**On- balance-sheet amount**	**Off-balance-sheet amount**	**Risk weight**	**Exposure amount**	**RWAs**	**Expected losses**
	Remaining maturity						
Category 1	Less than 2.5 years			50%			
	Equal to or more than 2.5 years			70%			
Category 2	Less than 2.5 years			70%			
	Equal to or more than 2.5 years			90%			
Category 3	Less than 2.5 years			115%			
	Equal to or more than 2.5 years			115%			
Category 4	Less than 2.5 years			250%			
	Equal to or more than 2.5 years			250%			
Category 5	Less than 2.5 years			-			
	Equal to or more than 2.5 years			-			
Total	Less than 2.5 years						
	Equal to or more than 2.5 years						
Equities under the simple risk-weighted approach							
Categories		**On- balance-sheet amount**	**Off-balance-sheet amount**	**Risk weight**	**Exposure amount**	**RWAs**	**Capital requirements**
Private equity exposures				190%			
Exchange-traded equity exposures				290%			
Other equity exposures		32,916,384		370%	32,916,384	121,790,621	9,743,250
Total		**32,916,384**			**32,916,384**	**121,790,621**	**9,743,250**

5.3 Risk Management and business model - RWA segmentation

One of the Bank's strategic objectives was the development of a sound risk culture extended both at management level and at the level of all business units with risk management responsibilities, by determining firm-wide views on acceptable relationships between the risks and profitability at a Bank's overall level and for each significant activity in order to ensure sustainability of sound and prudent operations.

UniCredit Bank targeted a balanced asset in order to diminish the exposures that have a high risk associated. Also, the Bank performed processes for RWA optimization.

5.4. Capital surcharges & buffers

Regulation no. 5/2013 issued by National Bank of Romania includes specific provisions for capital buffers that may be applicable on top of minimum capital requirements. The following buffers were imposed by the National Bank of Romania through Order no 12/ 2015, Order no 12/2017 and Order no 4/2018.

Capital requirements - Pillar I	31.12.2018	
Capital conservation buffer	1.875%	
Countercyclical capital buffer	0%	
O-SII buffer	1%	only at sub-consolidated level
Systemic risk buffer	2%, but supplementary requirement by set at 1%, according to art. 276 and 277 from NBR Reg. no 5/2013	only at sub-consolidated level, starting with 30.06.2018
Combined buffer requirement	**1.875%**	at individual level
	3.875%	at sub-consolidated level

Additionally, College of Supervisors of European Central Bank (ECB), in line with the local Supervisory Review and Evaluation Process (SREP) assessment carried out by the National Bank of Romania, decided that UniCredit Bank S.A. shall maintain a solvency ratio above 11.20% at individual level and 10.70% at sub-consolidated level.

Solvency ratio - minimum requirements including Pillar I & II buffers	**31.12.2018**		
	NBR Supervisory Report - SREP	**Capital buffers in force starting with 30.06.2018**	**TOTAL**
		as per Order no 1/13.02.2017	**- in force starting with 30.06.2018**
- individual level			
CET 1 ratio	6.30%	1.875%	8.18%
Tier 1 ratio	8.40%		10.28%
Total capital ratio	**11.20%**		**13.08%**
-sub-consolidated level			
CET 1 ratio	6.02%	3.875%	9.90%
Tier 1 ratio	8.03%		11.91%
Total capital ratio	**10.70%**		**14.58%**

Other Systemically Important Institutions buffer

As per National Bank of Romania Order no.12/2017, UniCredit Bank was identified as O-SII (Other Systemically Important Institutions) by the NBR (National Bank of Romania) and consequently, an O-SII buffer of 1% of the total risk weighted exposure, calculated as per art. 92(3) of NBR Regulation no. 575/ 2013 on prudential requirements for credit institutions, had to be maintained by the bank at sub-consolidated level, starting with 01.01.2018.

Capital conservation buffer

As per National Bank of Romania Order no.12/2015, during 2018, UniCredit Bank had to maintain a capital conservation buffer of 1.875% of the total risk weighted exposure, calculated in accordance with Article 92(3) of Regulation (EU) No 575/2013, at both individual and sub-consolidated level.

Countercyclical capital buffer

As per National Bank of Romania Order no.12/2015, during 2018, UniCredit Bank had to maintain a countercyclical capital buffer of 0% of the total risk weighted exposure, calculated as per art. 92(3) of NBR Regulation no. 575/2013 on prudential requirements for credit institutions.

Systemic risk buffer

As per National Bank of Romania Order no. 4/2018, UniCredit Bank has to maintain, at sub-consolidated level, a systemic risk buffer of 2% of the total risk weighted exposure, calculated as per art. 92(3) of Regulation no. 575/2013 on prudential requirements for credit institutions. This buffer is applicable starting with 30.06.2018, with semi-annual review.

As per article 277 of NBR Regulation no 5/2013, "where a credit institution, at individual or sub-consolidated level, is subject to an O-SII buffer and a systemic risk buffer, the higher of the two shall apply", thus the capital requirement for structural buffers is determined as the maximum level of the other systemically important institutions (O-SII) buffer and the systemic risk buffer (SRB).

Therefore, in the case of UCB, the maximum combined requirement for the systemic risk buffer and O-SII buffer, at consolidated level, is 2%, in force for 30.06.2018 – 31.12.2018 period.

5.5 Capital planning- targeted level of capital

As per Regulation 575/2013, the Minimum Capital Requirement is set to 8% of Risk Weighted Assets.

Based on common decision European Central Bank and National Bank of Romania (SREP process), UniCredit Bank must at all times satisfy the total capital ratio (solvency ratio) of 11.20% at individual level and 10.70% at sub-consolidated level.

The total minimum capital requirements (including Pillar I and Pillar II buffers) is 13.08% at individual level and 14.58% at sub-consolidated level.

5.6 RWA calculation method and models

The bank calculates RWA according to the stipulations of Regulation EU no 575/2013 of the European Parliament and of the Council, using the following approaches:

Standardized Approach:

Risk-weighted exposure amount is calculated by using Fixed Regulatory Risk Weights (RW) and depends on the obligor type (Corporate/ Retail) and external rating (if available).

Internal Rating Base (IRB) Approach:

Risk-weighted exposure is calculated by using Calculated Risk Weights (RW) based on internally built credit risk parameters: Probability of default (PD), Loss given default (LGD), Exposure at default (EAD), M (Maturity).

In **Internal Rating Base** approach, Capital Reserve is adequate to the specific risk profile of the portfolio.

5.7 RWA changes overtime

In July 2012, the Bank has obtained the joint approval of Bank of Italy, Financial Market Authority and

National Bank of Romania to use the Foundation – Internal Rating Based approach for the calculation of minimum capital requirements for the following client segments: corporate clients (except for real estate clients and specialized financing), multinational companies, banks, sovereigns and central bank and securities industries clients.

Further, for the rest of the portfolio, the Bank continued to apply the Standardized approach.

6. CREDIT RISK

6.1 Strategies, policies and processes for credit risk management

Credit risk strategy is established by all the Bank's activities that present a significant exposure to credit risk. The Bank's credit risk strategy is reviewed periodically, but at least once a year and and whenever significant changes occur in risk assessment factors, and is approved by the Bank's management structure. The credit risk strategy reflects the tolerance to risk and the profitability level which the Bank intends to achieve in the conditions of the exposure to the assumed risks.

The Bank assesses the credit risk in all activities affected by this kind of risk, no matter if the results of the respective activities are reflected in the balance sheet or off balance sheet.

The Bank has established risk management processes and has tools in order to identify, measure, monitor and control the credit risk.

The Bank's credit risk management policy promotes a set of coherent principles and practices, oriented towards the following main directions:

- Establishment of a framework and adequate parameters of credit risk;
- Promotion and operation of a healthy and solid credit granting process;
- Promotion and maintenance of an adequate process for credit administration, measurement and monitoring;
- Permanent control over the quality of the loan portfolio.

The credit risk management is performed taking into consideration the credits both at individual level and at whole portfolio level and includes the consideration of the qualitative and quantitative aspects related to risks.

Credit risk management is realised by limiting credit risk exposures setting limits established in accordance with general strategy of the Bank (limits established by sectors of activity, zones / geographical areas, counterparty categories, type of products, residence, country and currency, etc.). These limits are monitored and periodically reported to relevant committees.

The Bank is exposed in particular to credit risk in credit granting activity, this being the most common type of risk the Bank is confronted with.

The most important activity generating risk is financing, but any other banking activity can potentially generate credit risk (off balance commitments and debts, deposits constitution and other transaction on inter-banking market, hedging on stock/interbank market, etc.)

The Bank has a credit risk management process that takes into account its risk appetite, risk profile and market and macroeconomic conditions. This process includes policies and processes to identify, measure, evaluate, monitor, report, control and mitigate credit risk - including counterparty credit risk and potential future exposure, policies and processes aiming to capture the material risks inherent in individual products or transactions.

Credit risk includes risk derived from credit granting activity and from other transactions initiated for Bank clients, such as: issuance of LGs, opening / confirmation of LC's, availing, discounting of trade instruments presented by the clients, investments in stocks and other financial assets, other facilities granted to clients.

The scope and type of reporting and measuring systems for credit risk

In order to evaluate the basis of prudential exposure to credit risk, in the Bank implemented rating systems (through consideration of quantitative factors, qualitative factors and payment behavior related factors), for all categories of clients in order to realise the classification of exposures based on the assessment borrowers' credit risk throughout the entire loan life cycle, by reference to a general scale assessment of default risk.

In UniCredit Bank internal ratings and default probability plays an essential role in the entire process of credit risk management. Rating assessment is an important part of the credit approval process. Credit risk tolerance is considering limits for granting credit exposures on rating classes. During the credit life cycle, the rating information is an important part of monitoring as well as of restructuring and of the progress of the problem credits.

In addition, the risk reporting and portfolio management focuses on rating (in addition to information on debt service).

6.2 The structure and organization of the credit risk management and control function

Credit risk management processes within UniCredit Bank imply the following:

- Accurate definition of specific processes and procedures for credit risk management differentiated depending on the main components of credit risk and the stage of the credit granting process, as follows:
  - Procedures of risk management at credit granting stage;
  - Procedures to prevent and mitigate default risk, settlement risk, concentration risk and residual risk;
  - Procedures for the prevention and mitigation of the risk related to foreign currency lending for debtors exposed to currency risk;
  - Specific procedures for identification and management of „problem" assets.
- Adequacy of credit risk procedures, policies and management tools, in line with the strategy:
  - Identification of the risk associated to the customer by applying internal rating specific for each client category; the analysis of the customer's rating, which is achieved by an internal assessment system;
  - Requesting complete and adequate proving documents from customers according to the type of financing and to the associated risk;
  - Approval of the standard parameters of lending products by taking into account the analysis of the associated risks;
  - Continuous monitoring of the loan portfolio;
- Exposure collateralization with eligible collaterals according to the legal stipulations in force, and also based on the Basel III implementation approach and relevant internal norms and procedures;
- Other credit risk mitigation techniques.

The credit risk management process is considering the appropriate allocation of duties that are clearly defined in specific lending procedures so as not to be assigned responsibilities that lead to conflicts of interest.

The credit facilities are approved in accordance with the internal lending rules and procedures, set up in accordance with the provisions of the National Bank of Romania regulations, specific for each category of customers.

The Bank has implemented policies and processes for monitoring the total indebtedness of the customers, as well as any risk factor that may lead to a default, including uncovered foreign exchange risk.

6.3 Credit risk profile and concentrations

Credit risk - Quantitative Information

EU CRB-B – Total and average net amount of exposures

The template presents the total and the average net exposures during 2018 considering the exposure class.

The net amounts regarding the balance sheet and off balance exposures and represents: for balance sheet exposure, the accounting exposures without the adjustments for losses/depreciations and for off balance sheet elements, the accounting exposures without provisions.

The average exposure of the period: the average exposures observed at the end of each quarter of 2018.

EU CRB-B – Total and average net amount of exposures

		Group		Bank
		Net value of exposures at the end of the period	Average net exposures over the period	Net value of exposures at the end of the period
1	Central governments or central banks	1,182,453,314	1,745,470,950	1,182,453,314
2	Institutions	11,639,575,297	9,761,085,154	11,686,375,611
3	Corporates	20,700,981,736	19,815,506,063	20,774,009,105
4	*Of which: Specialised lending*	-	-	-
5	*Of which: SMEs*	9,853,357,989	9,534,415,025	9,896,789,776
6	Retail	-	-	-
7	*Secured by real estate property*	-	-	-
8	*SMEs*	-	-	-
9	*Non-SMEs*	-	-	-
10	*Qualifying revolving*	-	-	-
11	*Other retail*	-	-	-
12	*SMEs*	-	-	-
13	*Non-SMEs*	-	-	-
14	Equity	32,916,384	31,929,801	176,032,067
15	**Total IRB approach**	**33,555,926,731**	**31,353,991,968**	**33,818,870,097**
16	Central governments or central banks	7,683,363,413	8,069,049,625	7,617,814,836

		Group		Bank
		Net value of exposures at the end of the period	**Average net exposures over the period**	**Net value of exposures at the end of the period**
17	Regional governments or local authorities	316,809,014	364,817,836	315,888,660
18	Public sector entities	-	1,581	-
19	Multilateral development banks	-	-	-
20	International organisations	-	-	-
21	Institutions	29,790,653	10,640,714	27,020,150
22	Corporates	4,491,340,317	4,729,863,901	2,333,097,012
23	*Of which: SMEs*	3,298,545,404	2,796,196,878	1,925,808,718
24	Retail	7,586,860,699	7,546,341,091	2,652,075,210
25	*Of which: SMEs*	3,774,565,405	3,713,184,776	1,663,998,603
26	Secured by mortgages on immovable property	4,735,517,737	4,397,668,267	4,715,208,715
27	*Of which: SMEs*	361,871,263	345,151,967	341,562,241
28	Exposures in default	357,152,119	415,178,433	183,541,103
29	Items associated with particularly high risk	223,241,453	297,990,482	223,241,453
30	Covered bonds	-	-	-
31	Claims on institutions and corporates with a short-term credit assessment	88,329	646,001	-
32	Collective investments undertakings	-	-	-
33	Equity exposures	2,345,998	1,420,995	-
34	Other exposures	204,957,286	228,237,085	-
35	**Total standardised approach**	**25,631,467,019**	**26,061,856,011**	**18,067,887,140**
36	**Total**	**59,187,393,750**	**57,415,847,979**	**51,886,757,237**

EU CRB-C – Geographical breakdown of exposures

		Net value					
		Austria	Elvetia	Germania	Spania	Franta	Italia
1	Central governments or central banks	-	437,334	-	-	-	38,102,915
2	Institutions	188,369,967	21,402,218	849,347,580	107,963,169	16,787,417	9,251,737,674
3	Corporates	42,482,986	37,310,867	38,985,395	-	41,304,349	98,266,806
4	Retail	-	-	-	-	-	-
5	Equity	-	-	-	-	-	-
6	***Total IRB approach***	**230,852,953**	**59,150,419**	**888,332,976**	**107,963,169**	**58,091,766**	**9,388,107,395**
7	Central governments or central banks	-	-	-	-	-	-
8	Regional governments or local authorities	-	-	-	-	-	-
9	Public sector entities	-	-	-	-	-	-
10	Multilateral development banks	-	-	-	-	-	-
11	International organisations	-	-	-	-	-	-
12	Institutions	1,225,045	-	-	-	23,988,615	-
13	Corporates	-	-	11,566,666	-	-	933,455
14	Retail	182,125	22	390,190	289	2,870	403,103
15	Secured by mortgages on immovable property	-	-	1,362,168	-	-	700,731
16	Exposures in default	-	-	322	43	43	379
17	Items associated with particularly high risk	-	-	-	191	-	-
18	Covered bonds	-	-	-	-	-	-
19	Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
20	Collective investments undertakings	-	-	-	-	-	-
21	Equity exposures	-	-	-	-	-	-
22	Other exposures	-	-	-	-	-	-
23	***Total standardised approach***	**1,407,170**	**22**	**13,319,346**	**523**	**23,991,528**	**2,037,668**
24	***Total***	**232,260,123**	**59,150,441**	**901,652,322**	**107,963,692**	**82,083,294**	**9,390,145,063**

EU CRB-C – Geographical breakdown of exposures (continued)

		Net value					
		Olanda	Romania	Slovenia	United States	Other countries	Total
1	Central governments or central banks	-	1,143,913,065	-	-	-	1,182,453,314
2	Institutions	15,843,416	892,603,954	46,372,760	38,965,564	210,181,580	11,639,575,297
3	Corporates	366,816,118	19,979,751,767	44,946,522	-	51,116,926	20,700,981,736
4	Retail	-	-	-	-	-	-
5	Equity	-	5,852,523	-	27,063,861	-	32,916,384
6	***Total IRB approach***	**382,659,533**	**22,022,121,308**	**91,319,282**	**66,029,425**	**261,298,506**	**33,555,926,731**
7	Central governments or central banks	-	7,683,363,413	-	-	-	7,683,363,413
8	Regional governments or local authorities	-	316,809,014	-	-	-	316,809,014
9	Public sector entities	-	-	-	-	-	-
10	Multilateral development banks	-	-	-	-	-	-
11	International organisations	-	-	-	-	-	-
12	Institutions	-	4,576,993	-	-	-	29,790,653
13	Corporates	-	4,476,848,627	-	-	1,991,569	4,491,340,317
14	Retail	91,098	7,582,201,316	-	736,270	2,853,416	7,586,860,699
15	Secured by mortgages on immovable property	-	4,729,420,713	-	305,117	3,729,008	4,735,517,737
16	Exposures in default	-	357,124,705	-	155	26,471	357,152,119
17	Items associated with particularly high risk	-	223,241,262	-	-	-	223,241,453
18	Covered bonds	-	-	-	-	-	-
19	Claims on institutions and corporates with a short-term credit assessment	-	88,329	-	-	-	88,329
20	Collective investments undertakings	-	-	-	-	-	-
21	Equity exposures	-	2,345,998	-	-	-	2,345,998
22	Other exposures	-	204,957,286	-	-	-	204,957,286
23	***Total standardised approach***	**91,098**	**25,580,977,656**	**-**	**1,041,543**	**8,600,463**	**25,631,467,019**
24	***Total***	**382,750,632**	**47,603,098,965**	**91,319,282**	**67,070,968**	**269,898,969**	**59,187,393,750**

EU CRB-D – Concentration of exposures by industry or counterparty types

The template presents the details of the gross exposure (balance sheet and off balance sheet) depending by the industry or by counterparty and the exposure classes.

The template does not contain CCR exposures (standardized approach 33,274,910, IRB approach 132,631,647) and SFT (IRB approach 6,858,044,085).

		Agriculture, forestry and fishing	Mining and quarrying	Manufacturing	Electricity, gas, steam and air conditioning supply	Water supply	Construction	Wholesale and retail trade
1	Central governments or central banks	-	-	-	-	-	-	-
2	Institutions	-	-	-	-	-	-	-
3	Corporates	1,333,478,380	122,722,643	6,491,692,405	1,484,932,876	158,423,398	1,131,732,056	6,078,035,612
4	Retail	-	-	-	-	-	-	-
5	Equity	-	-	-	-	-	-	-
6	***Total IRB approach***	1,333,478,380	122,722,643	6,491,692,405	1,484,932,876	158,423,398	1,131,732,056	6,078,035,612
7	Central governments or central banks	-	-	-	-	-	-	-
8	Regional governments or local authorities	-	-	-	-	-	-	-
9	Public sector entities	-	-	-	-	-	-	-
10	Multilateral development banks	-	-	-	-	-	-	-
11	International organisations	-	-	-	-	-	-	-
12	Institutions	-	-	-	-	-	-	-
13	Corporates	155,052,663	61,888,073	529,331,830	21,001,205	6,353,744	195,572,269	1,114,323,856
14	Retail	477,873,596	15,767,566	636,881,488	5,144,101	43,299,105	266,127,325	1,110,070,449
15	Secured by mortgages on immovable property	20,913,694	1,352,930	31,612,436	-	240,000	51,416,353	113,383,393
16	Exposures in default	8,985,256	1,706,583	23,482,564	61,317,762	8,583,924	21,856,606	33,136,030
17	Items associated with particularly high risk	-	-	-	-	-	192,321,238	2,896,859
18	Covered bonds	-	-	-	-	-	-	-
19	Claims on institutions and corporates with a short- term credit assessment	-	-	-	-	-	-	-
20	Collective investments undertakings	-	-	-	-	-	-	-
21	Equity exposures	-	-	-	-	-	-	-
22	Other exposures	-	-	-	-	-	-	-
23	***Total standardised approach***	662,825,209	80,715,153	1,221,308,318	87,463,067	58,476,773	727,293,790	2,373,810,586
24	***Total***	1,996,303,588	203,437,795	7,713,000,722	1,572,395,943	216,900,171	1,859,025,846	8,451,846,198

EU CRB-D – Concentration of exposures by industry or counterparty types (continued)

		Transport and storage	Accommodation and food service activities	Information and communication	Financial services and insurances	Real estate activities	Professional, scientific and technical activities	Administrative and support service activities
1	Central governments or central banks	-	-	-	223,973,031	-	-	-
2	Institutions	-	-	-	4,679,734,698	-	-	-
3	Corporates	892,640,135	167,074,354	957,469,766	356,712,676	421,929,075	713,903,641	214,462,600
4	Retail	-	-	-	-	-	-	-
5	Equity	-	-	-	32,916,384	-	-	-
6	***Total IRB approach***	892,640,135	167,074,354	957,469,766	5,293,336,789	421,929,075	713,903,641	214,462,600
7	Central governments or central banks	-	-	-	1,321,419,913	-	-	-
8	Regional governments or local authorities	-	-	-	-	-	-	-
9	Public sector entities	-	-	-	-	-	-	-
10	Multilateral development banks	-	-	-	-	-	-	-
11	International organisations	-	-	-	-	-	-	-
12	Institutions	-	-	-	29,790,653	-	-	-
13	Corporates	506,265,000	44,195,769	20,130,193	21,226,876	1,580,072,368	53,551,217	44,014,016
14	Retail	536,950,632	74,352,982	85,676,825	25,525,389	30,576,918	209,128,820	110,057,524
15	Secured by mortgages on immovable property	20,991,905	4,447,530	7,583,269	948,213	4,071,006	19,197,554	5,023,511
16	Exposures in default	13,511,957	3,946,472	1,552,254	1,957	38,493,559	3,949,251	1,817,697
17	Items associated with particularly high risk	-	-	-	-	11,662,041	-	-
18	Covered bonds	-	-	-	-	-	-	-
19	Claims on institutions and corporates with a short- term credit assessment	-	-	-	88,329	-	-	-
20	Collective investments undertakings	-	-	-	-	-	-	-
21	Equity exposures	-	-	-	2,345,998	-	-	-
22	Other exposures	-	-	-	-	-	-	-
23	***Total standardised approach***	1,077,719,494	126,942,753	114,942,540	1,401,347,326	1,664,875,893	285,826,841	160,912,749
24	***Total***	1,970,359,628	294,017,107	1,072,412,306	6,694,684,115	2,086,804,968	999,730,482	375,375,349

EU CRB-D – Concentration of exposures by industry or counterparty types (continued)

		Public administration and defense, compulsory social security	Education	Human health services and social work activities	Arts, entertainment and recreation	Other services	Households	Extra territorial activities	Other	Total
1	Central governments or central banks	958,042,949	-	-	-	-	-	437,334	-	1,182,453,314
2	Institutions	-	-	-	-	-	-	-	-	4,679,734,698
3	Corporates	54,071,528	-	22,142,198	27,482,074	38,384,367	2,856,819	-	-	20,670,146,603
4	Retail	-	-	-	-	-	-	-	-	-
5	Equity	-	-	-	-	-	-	-	-	32,916,384
6	***Total IRB approach***	1,012,114,478	-	22,142,198	27,482,074	38,384,367	2,856,819	437,334	-	26,565,250,999
7	Central governments or central banks	6,346,443,488	-	-	-	61,593	15,438,420	-	-	7,683,363,413
8	Regional governments or local authorities	316,721,370	-	-	-	87,643	-	-	-	316,809,014
9	Public sector entities	-	-	-	-	-	-	-	-	-
10	Multilateral development banks	-	-	-	-	-	-	-	-	-
11	International organizations	-	-	-	-	-	-	-	-	-
12	Institutions	-	-	-	-	-	-	-	-	29,790,653
13	Corporates	1	2,629,972	32,971,462	2,843,742	1,562,903	65,167,973	-	-	4,458,155,131
14	Retail	4,459,529	14,568,818	100,306,960	9,586,890	20,072,534	3,800,050,563	-	10,292,963	7,586,770,976
15	Secured by mortgages on immovable property	-	628,224	2,309,773	-	1,836,590	4,419,928,796	-	29,632,561	4,735,517,737
16	Exposures in default	-	371,203	8,244,995	459,184	884,054	124,850,353	-	459	357,152,119
17	Items associated with particularly high risk	-	-	-	-	-	16,361,315	-	-	223,241,453
18	Covered bonds	-	-	-	-	-	-	-	-	-
19	Claims on institutions and corporates with a short- term credit assessment	-	-	-	-	-	-	-	-	88,329
20	Collective investments undertakings	-	-	-	-	-	-	-	-	-
21	Equity exposures	-	-	-	-	-	-	-	-	2,345,998
22	Other exposures	-	-	-	-	-	-	-	204,957,286	204,957,286
23	***Total standardised approach***	6,667,624,388	18,198,217	143,833,191	12,889,816	24,505,317	8,441,797,420	-	244,883,269	25,598,192,109
24	***Total***	7,679,738,866	18,198,217	165,975,389	40,371,890	62,889,685	8,444,654,239	437,334	244,883,269	52,163,443,108

EU CR1-A – Credit quality of exposures by exposure class and instrument

The template presents the credit quality for the balance sheet and for off balance sheet exposures.

The template does not contain CCR exposures (standardized approach 33,274,910, IRB approach 132,631,647) and SFT (IRB approach 6,858,044,085).

		Gross carrying values		Specific credit risk adjustment (c)	General credit risk adjustment (d)	Accumulated write-offs (e)	Credit risk adjustment charges of the period (f)	Net values
		Defaulted exposures (a)	Non-defaulted exposures (b)					(a+b-c-d)
1	Central governments or central banks	266,024,790	1,163,454,294	247,025,770	-	-	23,333,371	1,182,453,314
2	Institutions	-	4,682,694,472	2,959,774	-	-	2,276,694	4,679,734,698
3	Corporates	981,501,450	20,546,571,922	857,926,769	-	207,797,675	187,265,908	20,670,146,603
4	*Of which: Specialised lending*	-	-	-	-	-	-	-
5	*Of which: SMEs*	884,989,416	9,706,295,375	751,044,952	-	148,113,793	136,798,479	9,840,239,838
6	Retail	-	-	-	-	-	-	-
7	*Secured by real estate property*	-	-	-	-	-	-	-
8	*SMEs*	-	-	-	-	-	-	-
9	*Non-SMEs*	-	-	-	-	-	-	-
10	*Qualifying revolving*	-	-	-	-	-	-	-
11	*Other retail*	-	-	-	-	-	-	-
12	*SMEs*	-	-	-	-	-	-	-
13	*Non-SMEs*	-	-	-	-	-	-	-
14	Equity	-	32,916,384	-	-	-	-	32,916,384
15	**Total IRB approach**	**1,247,526,240**	**26,425,637,072**	**1,107,912,313**	**0**	**207,797,675**	**212,875,973**	**26,565,250,999**
16	Central governments or central banks	-	7,685,128,229	1,764,815	-	-	-	7,683,363,413
17	Regional governments or local authorities	-	317,909,191	1,100,177	-	-	102,403	316,809,014
18	Public sector entities	-	-	-	-	-	-	-
19	Multilateral development banks	-	-	-	-	-	-	-
20	International organisations	-	-	-	-	-	-	-
21	Institutions	5,162	29,802,976	17,485	-	-	-	29,790,653
22	Corporates	554,862,825	4,557,066,049	493,152,989	-	16,988,011	40,166,068	4,618,775,885
23	*Of which: SMEs*	527,900,649	3,363,119,890	451,772,736	-	-	34,263,642	3,439,247,803
24	Retail	624,713,400	7,724,076,207	638,275,413	-	35,793,737	15,730,395	7,710,514,193
25	*Of which: SMEs*	342,249,499	3,810,267,266	310,855,665	-	-	7,656,104	3,841,661,101
26	Secured by mortgages on immovable property	76,109,161	4,754,524,985	22,328,263	-	4,085	6,816,961	4,808,305,884

		Gross carrying values		Specific credit risk adjustment (c)	General credit risk adjustment (d)	Accumulated write-offs (e)	Credit risk adjustment charges of the period (f)	Net values
		Defaulted exposures (a)	Non-defaulted exposures (b)					(a+b-c-d)
27	*Of which: SMEs*	18,413,775	363,676,752	3,117,272	-	-	663,859	378,973,255
28	Exposures in default	1,255,690,548	-	898,538,429	-	527,749,395	87,856,567	357,152,119
29	Items associated with particularly high risk	78,452,169	209,879,605	65,090,320	-	-	8,368,622	223,241,453
30	Covered bonds	-	-	-	-	-	-	-
31	Claims on institutions and corporates with a short-term credit assessment	-	140,981	52,652	-	-	-	88,329
32	Collective investments undertakings	-	-	-	-	-	-	-
33	Equity exposures	-	2,345,998	-	-	-	-	2,345,998
34	Other exposures	-	204,957,286	-	-	-	-	204,957,286
35	**Total standardised approach**	**1,334,142,717**	**25,485,831,507**	**1,221,782,115**	**-**	**580,535,228**	**159,041,015**	**25,598,192,109**
36	**Total**	**2,581,668,957**	**51,911,468,579**	**2,329,694,428**	**-**	**788,332,903**	**371,916,989**	**52,163,443,108**
37	Of which: Loans	2,389,650,906	31,184,507,777	2,152,598,696	-	-	304,612,417	31,421,559,987
38	Of which: Debt securities	-	7,322,422,366	-	-	-	-	7,322,422,366
39	Of which: Off- balance-sheet exposures	192,018,051	13,100,317,106	177,095,731	-	-	67,305,582	13,115,239,426

EU CR1-B – Credit quality of exposures by industry or counterparty types

The template presents the credit quality for balance sheet and for off balance sheet by industry or counterparty types. The template does not contain CCR exposures (standardized approach 33,274,910, IRB approach 132,631,647) and SFT (IRB approach 6,858,044,085).

		Gross carrying values of		Specific credit risk adjustment (c)	General credit risk adjustment (d)	Accumulated write-offs (e)	Credit risk adjustment charges of the period (f)	Net values
		Defaulted exposures (a)	Non-defaulted exposures (b)					(a+b-c-d)
1	Agriculture, forestry and fishing	46,524,371	1,993,731,380	43,952,163	-	15,347,450	7,955,394	1,996,303,588
2	Mining and quarrying	12,813,632	201,526,626	10,902,463	-	713,550	451,494	203,437,795
3	Manufacturing	474,176,195	7,653,748,770	414,924,242	-	200,581,531	90,638,445	7,713,000,722
4	Electricity, gas, steam and air conditioning supply	159,457,804	1,530,441,507	117,503,368	-	-	4,606,236	1,572,395,943
5	Water supply	48,359,441	197,342,013	28,801,283	-	2,590,895	5,479,627	216,900,171
6	Construction	383,607,396	1,801,952,940	305,243,972	-	46,246,102	42,788,100	1,880,316,363
7	Wholesale and retail trade	356,424,251	8,412,555,859	317,133,912	-	177,092,407	59,723,682	8,451,846,198
8	Transport and storage	67,974,414	1,974,567,982	72,182,768	-	6,309,824	9,708,913	1,970,359,628
9	Accommodation and food service activities	11,586,868	291,611,229	9,180,989	-	2,515,369	3,341,232	294,017,107
10	Information and communication	39,648,489	1,068,254,735	35,490,918	-	62,296	8,739,755	1,072,412,306
11	Financial services and insurances	753,999	6,609,597,951	29,199,605	-	51,681,974	2,598,946	6,581,152,345
12	Real Estate	148,171,748	2,089,952,575	151,319,354	-	10,554,625	46,238,280	2,086,804,968
13	Professional, scientific and technical activities	74,114,846	991,122,369	65,506,733	-	10,030,082	10,682,192	999,730,482
14	Administrative and support service activities	14,969,247	376,625,731	16,219,628	-	1,502,184	2,684,526	375,375,349
15	Public administration and defence, compulsory social security	266,107,388	7,661,751,975	248,120,497	-	-	23,300,368	7,679,738,866
16	Education	461,040	18,008,080	270,903	-	64,057	65,161	18,198,217
17	Human health services and social work activities	13,490,240	159,069,945	6,584,797	-	4,417,799	2,299,374	165,975,389
18	Arts, entertainment and recreation	10,344,367	39,125,388	9,097,865	-	17,737	2,202,022	40,371,890
19	Other services	5,119,798	62,241,192	4,471,305	-	94,536,118	266,482	62,889,685
20	Households	447,559,951	8,484,253,515	443,486,631	-	-	48,073,304	8,488,326,835
21	Extraterritorial activities	-	437,334	-	-	163,970,650	-	437,334
22	Other activities	3,472	293,549,482	101,028	-	98,253	73,457	293,451,926
23	**Total**	2,581,668,957	51,911,468,579	2,329,694,428	-	788,332,903	371,916,989	52,163,443,108

EU CR1-C – Credit quality of exposures by geography

The template presents the credit quality for balance sheet and for off balance sheet by geography.

The template does not contain CCR exposures (standardized approach 33,274,910, IRB approach 132,631,647) and SFT (IRB approach 6,858,044,085).

		Gross carrying values of		Specific credit risk adjustment (c)	General credit risk adjustment (d)	Accumulated write-offs (e)	Credit risk adjustment charges (f)	Net values
		Defaulted exposures (a)	Non-defaulted exposures (b)					(a+ b -c-d)
1	United Arab Emirates	-	460,024	964	-	-	-	459,060
2	Argentina	-	23,320	-	-	-	-	23,320
3	Austria	1,015,273	220,255,772	1,103,235	-	423,257	980,927	220,167,810
4	Australia	-	68,000	80	-	-	-	67,920
5	Belgium	-	263,366	126	-	-	63	263,240
6	Bulgaria	-	10,685,386	2,194	-	-	204	10,683,191
7	Bahamas	-	23,087	305	-	-	159	22,783
8	Canada	-	506,792	823	-	-	48	505,969
9	Congo	-	48	-	-	-	-	48
10	Switzerland	-	59,157,024	6,583	-	-	1,929	59,150,441
11	China	-	749,590	500	-	-	492	749,090
12	Cyprus	3,198,096	9	3,198,096	-	92,313,362	41,996	9
13	Czech Republic	-	29,778,040	2,185	-	-	1,778	29,775,855
14	Germania	10,396	857,250,921	50,281	-	-	22,917	857,211,036
15	Denmark	-	149,646	1,941	-	-	1,933	147,705
16	Spain	353	107,989,808	26,469	-	-	11,349	107,963,692
17	Finland	-	11,827,377	1,521	-	-	697	11,825,856
18	France	354	77,487,129	11,152	-	-	2,157	77,476,331
19	United Kingdom	-	41,182,672	17,831	-	-	583	41,164,840
20	Greece	619	81	573	-	-	86	127
21	Hungary	-	37,822,232	27,123	-	-	15,721	37,795,110
22	Indonesia	-	8,000	36	-	-	3	7,964
23	Ireland	-	16,438,542	1,708	-	-	1,517	16,436,833
24	Israel	-	6,263,131	596	-	-	394	6,262,535
25	British Territory of Indian Ocean	7,614	-	7,614	-	-	779	-
26	Italia	35,124	2,530,298,748	618,778	-	687,933	658,373	2,529,715,095

		Gross carrying values of		Specific credit risk adjustment (c)	General credit risk adjustment (d)	Accumulated write-offs (e)	Credit risk adjustment charges (f)	Net values
		Defaulted exposures (a)	Non-defaulted exposures (b)					(a+ b -c-d)
27	Japan	-	9,414,495	989	-	-	249	9,413,506
28	Kuwait	-	5	-	-	-	-	5
29	Lebanon	47,809	3,214,539	33,797	-	-	1,267	3,228,551
30	Luxembourg	-	14,061,508	1,034	-	-	675	14,060,474
31	Monaco	-	1,103,454	1,902	-	-	1	1,101,553
32	Moldova Republic	-	466,463	3,494	-	-	3,492	462,970
33	Mongolia	-	13	-	-	-	-	12
34	Malta	-	1,850,340	-	-	-	-	1,850,340
35	Mexico	-	146,163	24	-	-	24	146,139
36	Nigeria	-	174,202	6,693	-	-	5,567	167,509
37	Nederland	-	369,175,424	222,610	-	-	47,490	368,952,814
38	Norway	-	12,000	13	-	-	-	11,987
39	Pakistan	-	52,500	53	-	-	-	52,447
40	Poland	-	24,290,330	1,466	-	-	828	24,288,864
41	Reunion	-	2,661	13	-	-	5	2,647
42	Romania	2,577,324,073	47,277,535,981	2,324,183,182	-	694,908,069	370,024,641	47,530,676,872
43	Serbia	-	10	-	-	-	-	10
44	Russian Federation	-	8,061,949	3,303	-	-	3,195	8,058,646
45	Sweden	-	9	-	-	-	-	9
46	Slovenia	-	91,384,845	65,564	-	-	34,007	91,319,282
47	Slovakia	-	1,912,600	84	-	-	10	1,912,516
48	Turkey	16,265	31,313,028	71,299	-	282	46,348	31,257,994
49	Taiwan	-	1,246,080	68	-	-	61	1,246,012
50	United States Minor Outlying Islands	-	5	-	-	-	-	5
51	United State of America	12,980	67,076,085	18,097	-	-	5,002	67,070,968
52	South Africa	-	285,147	30	-	-	26	285,117
	Total	**2,581,668,957**	**51,911,468,579**	**2,329,694,428**	**-**	**788,332,903**	**371,916,989**	**52,163,443,108**

EU CRB-E – Maturity of exposures

The template presents the credit quality for balance sheet and for off balance sheet by maturity of exposure.

The template does not contain CCR exposures (standardized approach 33,274,910, IRB approach 132,631,647) and SFT (IRB approach 6,858,044,085).

		Net exposure value					
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1	Central governments or central banks	205,156,335	11,677	186,359,036	752,386,017	-	1,143,913,065
2	Institutions	77,832,327	1,062,939,897	1,463,957,461	39,959,043	-	2,644,688,728
3	Corporates	21,216,317	7,450,286,560	2,709,190,467	1,486,079,702	-	11,666,773,046
4	Retail	-	-	-	-	-	-
5	Equity	-	-	-	-	32,916,384	32,916,384
6	**Total IRB approach**	304,204,979	8,513,238,134	4,359,506,964	2,278,424,761	32,916,384	15,488,291,223
7	Central governments or central banks	1,336,706,429	642,103,365	4,050,210,331	1,654,343,288	-	7,683,363,413
8	Regional governments or local authorities	9,038	10,383,262	57,913,708	202,458,000	-	270,764,008
9	Public sector entities	-	-	-	-	-	-
10	Multilateral development banks	-	-	-	-	-	-
11	International organizations	-	-	-	-	-	-
12	Institutions	-	16,731	1,455,816	1,225,045	-	2,697,592
13	Corporates	14,516,376	895,407,509	1,382,448,957	1,364,079,621	-	3,656,452,463
14	Retail	147,087,437	958,359,406	4,371,193,282	1,005,660,078	-	6,482,300,203
15	Secured by mortgages on immovable property	-	132,586,241	162,211,908	4,385,706,343	-	4,680,504,492
16	Exposures in default	18,414,072	30,235,824	164,799,390	139,747,934	-	353,197,220
17	Items associated with particularly high risk	4,824,605	50,347,515	137,011,812	31,057,521	-	223,241,453
18	Covered bonds	-	-	-	-	-	-
19	Claims on institutions and corporates with a short-term credit assessment	-	88,329	-	-	-	88,329
20	Collective investments undertakings	-	-	-	-	-	-
21	Equity exposures	-	-	-	-	2,345,998	2,345,998
22	Other exposures	-	-	-	-	204,957,286	204,957,286
23	**Total standardized approach**	**1,521,557,957**	**2,719,528,184**	**10,327,245,204**	**8,784,277,830**	**207,303,284**	**23,559,912,460**
24	**Total**	**1,825,762,936**	**11,232,766,318**	**14,686,752,168**	**11,062,702,591**	**240,219,668**	**39,048,203,683**

6.4 Credit risk impaired/NLPs (non-performing loans) policies

A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future CF of the financial asset or group of financial assets that can be reliably estimated. It may not be possible to identify a single, discrete event that caused the impairment. Rather the combined effect of several events may have caused the impairment.

At the end of each reporting period the Bank evaluates whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Non performing exposures means the cases in which, due to deterioration of the economic and financial situation of the borrower, they are neither capable, nor worthy of being restructured. Included in this category are also those companies whose business is about to end (e.g.: voluntary liquidation or similar situations).

Non-performing exposures (NPE) are considered the exposures which satisfy either or both of the following criteria:

(a) material exposures which are *more than 90 days past-due;*

(b) the debtor is assessed as *unlikely to pay its credit obligations* in full without realisation of collateral, regardless of the existence of any past-due amount or of the number of days past due.

Replaced exposure is the loan facility for which the Bank modifies the initial contractual terms and conditions following of financial and economical deterioration (i.e. payment terms, interest decrease etc).

Any replacement operation of an exposure granted to a debtor that is facing or about to face financial difficulties in meeting its financial commitments represents a concession granted to the borrower (**forbearance**), which would not have been granted if the debtor had not been in financial difficulties. Both conditions - the concession of a measure in favor of the debtor and the assessment of its financial difficulty - have to be met for an exposure in order to be considered as forborne.

EU CR2-B – Changes in the stock of defaulted and impaired loans and debt securities – Bank (individual)

The below template presents the changes in the stock of defaulted and impaired loans and debt securities.

		Gross carrying value defaulted exposures
1	**Opening balance (30.06.2018)**	**2,038,395,300**
2	Loans and debt securities that have defaulted or impaired since the last reporting period	115,198,799
3	Returned to non-defaulted status	(12,241,812)
4	Amounts written off	(737,971,281)
5	Other changes	640,608,105
6	**Closing balance (31.12.2018)**	**2,043,989,110**

UE CR5 – Standardised approach

The template presents the split of the balance sheet and of the off balance sheet elements by asset class and by risk weighetd assets according to the standardised approach.

The columns “Without Rating” concerns the exposures for which a credit assessment performed by an ECAI Institution is not available and weigheted risk are applied according to the articles 113-134 CRR.

		Risk Weight								
	Exposure classes	**0%**	**2%**	**4%**	**10%**	**20%**	**35%**	**50%**	**70%**	**75%**
1	Central governments or central banks	7,776,839,841	-	-	-	-	-	-	-	-
2	Regional government or local authorities	-	-	-	-	224,775,243	-	-	-	-
3	Public sector entities	-	-	-	-	-	-	-	-	-
4	Multilateral development banks	53,645,258	-	-	-	-	-	-	-	-
5	International organizations	-	-	-	-	-	-	-	-	-
6	Institutions	-	-	-	-	12,013,407	-	70,136,685	-	-
7	Corporates	-	-	-	-	-	-	11,193,360	-	-
8	Retail	-	-	-	-	-	-	-	-	6,595,096,920
9	Secured by mortgages on immovable property	-	-	-	-	-	4,707,919,618	-	-	-
10	Exposures in default	-	-	-	-	-	-	-	-	-
11	Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-
12	Covered bonds	-	-	-	-	-	-	-	-	-
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-
14	Collective investment undertakings	-	-	-	-	-	-	-	-	-
15	Equity	-	-	-	-	-	-	-	-	-
16	Other items	8,151	-	-	-	-	-	-	-	-
17	**Total**	**7,830,493,250**	-	-	-	**236,788,650**	**4,707,919,618**	**81,330,045**	-	**6,595,096,920**

UE CR5 – Standardised approach (2)

		Risk Weight							Total	Of which unrated
	Exposure classes	100%	150%	250%	370%	1250%	Others	Deducted		
1	Central governments or central banks	-	-	64,001,662	-	-	-	-	7,840,841,503	-
2	Regional government or local authorities	75,351,427	-	-	-	-	-	-	300,126,670	-
3	Public sector entities	-	-	-	-	-	-	-	0	-
4	Multilateral development banks	-	-	-	-	-	-	-	53,645,258	-
5	International organizations	-	-	-	-	-	-	-	0	-
6	Institutions	1,509,002	-	-	-	-	-	-	83,659,095	-
7	Corporates	3,905,460,502	-	-	-	-	-	-	3,916,653,862	-
8	Retail	-	-	-	-	-	-	-	6,595,096,920	-
9	Secured by mortgages on immovable property	-	-	-	-	-	-	-	4,707,919,618	-
10	Exposures in default	272,189,698	76,040,108	-	-	-	-	-	348,229,807	-
11	Exposures associated with particularly high risk	-	222,068,283	-	-	-	-	-	222,068,283	-
12	Covered bonds	-	-	-	-	-	-	-	-	-
13	Institutions and corporates with a short-term credit assessment	88,329	-	-	-	-	-	-	88,329	-
14	Collective investment undertakings	-	-	-	-	-	-	-	-	-
15	Equity	2,345,998	-	-	-	-	-	-	2,345,998	-
16	Other items	204,949,135	-	-	-	-	-	-	204,957,286	-
17	**Total**	4,461,894,092	298,108,391	64,001,662	-	-	-	-	24,275,632,629	-

EU CR1-E – Non-performing and forborne exposures

The template presents gross accounting values, the impairment and the provisions for the credit portfolio of the performing and non-performing exposure or restructured exposures and the collateral and guarantees received for non-performing and restructured exposures.

		Gross carrying values of performing and non-performing exposures						
					Of which non-performing			
		Accounting value of performing and non-performing	Of which performing but past due > 30 days and <=90 days	Of which performing forborne	Of which non-performing	Of which defaulted	Of which impaired	Of which forborne
10	Debt securities	7,332,631,814	-	-	-	-	-	-
20	Loans and advances	40,307,813,597	267,888,575	366,735,137	1,997,592,027	1,997,592,009	1,997,592,009	1,275,079,044
30	Off-balance-sheet exposures	13,292,335,157	978,685	103,936,912	191,290,618	191,290,618	191,290,618	141,520,185
	Total	**60,932,780,568**	**268,867,260**	**470,672,049**	**2,188,882,645**	**2,188,882,627**	**2,188,882,627**	**1,416,599,229**

EU CR1-E – Non-performing and forborne exposures (continue)

		Accumulated impairment and provisions and negative fair value adjustments due to credit risk				Collaterals and financial guarantees received	
		On performing exposures		On non-performing exposures			
		On performing exposures	Of which forborne	Of which non-performing	Of which forborne	On non-performing exposures	Of which forborne exposures
10	Debt securities	(10,209,449)	-	-	-	-	-
20	Loans and advances	(310,265,777)	(15,097,300)	(1,863,925,955)	(966,946,354)	400,269,663	258,938,293
30	Off-balance-sheet exposures	(28,877,624)	(7,474,912)	(126,440,317)	(94,532,293)	34,211,519	17,193,047
	Total	**(349,352,850)**	**(22,572,212)**	**(1,990,366,272)**	**(1,061,478,647)**	**434,481,182**	**276,131,340**

6.5 Expected Credit Loss – Approaches and Methods

For Expected Credit Loss (ECL) calculation according to IFRS9 there are applicable two different approaches: "collective" approach and "individual" approach.

The approach generic named "collective" (ECL calculated at the level of group financial assets), represented by expected credit losses for the next 12 months or / and expected losses for lifetime.

Through collective approach, the approach is applied to a portfolio through its division into risk groups with similar characteristics. This approach is used for both the Retail Loan portfolio and the Corporate Portfolio. Evaluation is made monthly by Credit Risk Management Department, according to internal regulations.

Individual approach is a process of measurement of exposure impairment at transaction level or for at the client level. According to IFRS9, individual assessment is mandatory for individually significant exposures and may also be used to assess insignificant exposures.

The individual assessment process has been divided into 2 steps:

- Identification of individually significant exposures and/or exposures of clients which may be individually assessed
- Individual estimation of ECL level for the respective exposures.

Individually significant exposures are considered to be the following:

- all exposures to banks, countries and sovereigns;
- all exposures to corporate defaulted clients (clients with rating 8-, 9, 10) which exceed the amount of EUR 1.000.000;
- all exposures to SME defaulted clients (rating 8-, 9, 10), exposures which exceed the amount of EUR 250.000;
- all loans granted to private individuals & private banking defaulted clients (rating 8-, 9, 10) with exposures exceeding the amount of EUR 250.000, for which at least one default event has been identified.
- all clients/transactions whose risk profile cannot be assessed based on statistical parameters at the portfolio level or for the cases that the individual assessment is necessary.

Threshold mentioned above was referred to current total exposure (considering bank balance sheet) for a client, including also off-balance exposure.

For each significant individual transaction where a default event was identified, based on objective evidence of impairment, the value of the future cash flows will be determined.

The estimated value to be recovered is represented by the value of the future cash flows and payments, considering within the analyses all available information about the transaction/client.

EU CR2-A – Changes in the stock of general and specific credit risk adjustments

The template presents the changes in an institution's stock of general and specific credit risk adjustments held against loans and debt securities that are defaulted or impaired.

		Accumulated specific credit risk adjustment	Accumulated general credit risk adjustment
1	**Opening balance (01.01.2018)**	(1,624,865,022)	-
2	Increases due to amounts set aside for estimated loan losses during the period	(724,550,168)	-
3	Decreases due to amounts reversed for estimated loan losses during the period	506,214,924	-
4	Decreases due to amounts taken against accumulated credit risk adjustments	249,915,502	-
5	Transfers between credit risk adjustments	(96,129,154)	-
6	Impact of exchange rate differences	(1,557,196)	-
7	Business combinations, including acquisitions and disposals of subsidiaries	-	-
8	Other adjustments	(172,954,841)	-
9	**Closing balance (31.12.2018)**	(1,863,925,955)	-
10	Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	30,958,917	-
11	Specific credit risk adjustments directly recorded to the statement of profit or loss	993,860	-

EU CR1-D – Ageing of past-due exposures

The template presents an ageing analysis of accounting on-balance-sheet past-due exposures regardless of their impairment status, split by maturity and instruments.

		Gross carrying values						
		≤ 30 days	> 30 days ≤ 60 days	> 60 days ≤ 90 days	> 90 days ≤ 180 days	> 180 days ≤ 1 year	> 1 year	Total
1	Loans	1,437,184,427	214,506,546	59,601,759	101,722,120	218,541,485	1,106,664,280	3,138,220,617
2	Debt securities	-	-	-	-	-	-	-
3	**Total exposures**	**1,437,184,427**	**214,506,546**	**59,601,759**	**101,722,120**	**218,541,485**	**1,106,664,280**	**3,138,220,617**

6.6 Risk Weighted Asset (RWA) – Internal Ratings Based (IRB) by internal rating grade

The internal models used in the IRB approach, for which the Bank has obtained approval, are the following:

- local rating model used for Corporate clients or small and medium companies with yearly turnover over than EUR 3 million at individual or group level, but not more than EUR 500 million for two consecutive reporting dates;
- group rating model for multinational companies with yearly turnover over than EUR 500 million;
- group rating model for banks;
- group rating model for sovereign and central banks.

The Bank uses internal rating models for estimation of probability of default. The structure of internal ratings is presented below:

Exposure Class	Rating System	Type
Central governments and central banks	Sovereign (PD)	Group Model
Institutions	Banks (PD)	Group Model
Corporate - Multinationals	Multinational (PD)	Group Model
Corporate (excluding Real Estate)	Mid Corporate (PD)	Local Model

Rating Scale – relationship between internal and external ratings

Rating Class	Rating Notch	S&P	Moody's	Fitch
1		AAA/AA+…AA	Aaa/Aa1…Aa3	AAA / AA+
2		A+ … A-	A1 … A3	A+ …A-
3		BBB+/BBB	Baa1/Baa2	BBB+/BBB
4		BBB-/ BB+	Baa3… Ba1	BBB-/BB+
5		BB	Ba2	BB
6		BB/B+	Ba3/B1	BB/B+
7		B	B2	B
8	8+	B-	B3	B-
	8	CCC/CC	Caa/Ca	CCC/CC
	8-			
9	9			
10	10			

Internal rating models and risk estimates are used for calculating risk-weighted exposure and also for other purposes related to credit risk management: strategies definition, budgeting process, assessment process, decision process, pricing, monitoring, reporting and portfolio management, stress testing.

The inputs for risk parameters estimates should be essentially the same both, for credit management purposes and for regulatory capital requirement calculation purposes. Any differences between the ratings and risk parameter estimates used in calculating capital requirements and the final parameters used internally shall rely on a well-documented rationale.

In accordance with internal regulation and taking into account Group guidelines, the Bank implemented processes for the development of internal rating models, and also processes that ensure a periodical cycle for internal model validation, that include monitoring of model performance and stability, review of model specification, and testing of model outputs against outcomes.

Any rating model supposes the following stages:

- rating model development
- initial validation
- monitoring of the rating model
- rating model refinement
- on-going validation

At the Bank level, there are in place robust systems for validation of the accuracy and consistency of rating systems and processes, as well as estimation of all relevant risk parameters, both by verifying on a regular basis the performance of the internal rating models used to calculate the weighted assets at risk assessment in order to determine the minimum capital requirements for credit risk, as well as, by ensuring the independence of the credit rating validation function from the rating system modeling function.

EU CR6 – IRB approach – Credit risk exposures by exposure class and PD range

The below template presents the exposure classes according to PD grades.

Exposure class	Average	Original on-balance- sheet gross exposures	Off- balance-sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors
Central Governments or Central Bank							
	0.00 to <0.15	-	437,334	0.5000	218,667	0.0000	1
	0.15 to <0.25	-	38,153,885	0.5000	19,076,943	0.0419	1
	0.25 to <0.50	1,124,863,075	-	0.0000	1,192,438,968	0.0419	3
	0.50 to <0.75	-	-	0.0000	-	-	0
	0.75 to <2.50	-	-	0.0000	-	-	0
	2.50 to <10.00	-	-	0.0000	-	-	0
	10.00 to <100.00	-	-	0.0000	-	-	0
	100.00 (Default)	266,024,790	-	0.0000	266,024,790	0.0419	1
	Subtotal	**1,390,887,865**	**38,591,219**	**0.5000**	**1,477,759,368**	**0.0366**	**6**
Institutions						-	
	0.00 to <0.15	2,301,154,362	1,718,136,392	2.5097	10,087,229,213	0.0006	77
	0.15 to <0.25	16,627,081	57,590,253	0.5470	40,593,582	0.0020	8
	0.25 to <0.50	30,619,891	116,755,815	1.0236	150,855,709	0.0039	16
	0.50 to <0.75	8,165,781	23,053,542	0.6137	19,160,740	0.0061	5
	0.75 to <2.50	26,626,301	102,337,777	0.6038	77,874,724	0.0067	16
	2.50 to <10.00	263,473,945	17,368,303	0.9735	273,402,886	0.0195	3
	10.00 to <100.00	785,031		1.0000	785,031	0.0000	1
	100.00 (Default)			0.0000	-	-	0
	Subtotal	**2,647,452,391**	**2,035,242,081**	**2.2743**	**10,649,901,886**	**0.0055**	**126**
Retail - IMM						-	
	0.00 to <0.15	21,603,509	45,886,084	0.4303	29,039,363	0.0005	14
	0.15 to <0.25	829,102	2,901,120	0.2223	829,102	0.0019	4
	0.25 to <0.50	191,414,400	184,678,511	0.5925	222,819,534	0.0037	98
	0.50 to <0.75	166,182,835	172,622,927	0.7153	242,343,295	0.0067	141
	0.75 to <2.50	3,032,285,851	1,874,676,304	0.6997	3,433,408,051	0.0156	1,527
	2.50 to <10.00	2,805,768,001	1,082,051,784	0.7389	2,872,749,231	0.0522	1,426
	10.00 to <100.00	64,988,321	60,406,627	0.5306	66,528,814	0.1562	92
	100.00 (Default)	724,864,713	160,124,703	0.8681	768,291,877	1.0000	230
	Subtotal	**7,007,936,731**	**3,583,348,060**	**0.7210**	**7,636,009,267**	**0.1546**	**3,532**
Corporate - others							
	0.00 to <0.15	127,980,705	1,826,514,210	0.3432	670,831,258	0.0007	105
	0.15 to <0.25	357,543,531	537,623,062	0.5381	481,713,117	0.0019	32
	0.25 to <0.50	591,676,793	585,866,043	0.5976	703,669,834	0.0037	109
	0.50 to <0.75	674,036,229	799,135,487	0.6776	998,262,501	0.0067	64
	0.75 to <2.50	2,635,646,945	1,392,510,859	0.7084	2,853,419,652	0.0177	345
	2.50 to <10.00	861,603,445	349,731,281	0.7468	904,585,760	0.0522	147
	10.00 to <100.00	34,622,593	65,785,364	0.5752	57,751,896	0.1563	15
	100.00 (Default)	71,138,978	25,373,057	0.7365	71,079,497	1.0000	25
	Subtotal	**5,354,249,219**	**5,582,539,363**	**0.6164**	**6,741,313,515**	**0.1549**	**842**
Total		**16,400,526,206**	**11,239,720,722**	**0.9589**	**26,504,984,036**	**0.0879**	**4,506**

EU CR6 – IRB approach – Credit risk exposures by exposure class and PD range (continue)

Exposure class	Average	Average LGD	Average maturity	RWAs	RWA density	EL	Value adjust-ments and provisions
Central Governments or Central Bank							
	0.00 to <0.15	-	-	-	-	-	-
	0.15 to <0.25	0.4500	913	8,687,393	0.4554	16,507	50,970
	0.25 to <0.50	0.4500	913	632,019,444	0.5300	1,368,968	247,907
	0.50 to <0.75	-	-	-	-	-	-
	0.75 to <2.50	-	-	-	-	-	-
	2.50 to <10.00	-	-	-	-	-	-
	10.00 to <100.00	-	-	-	-	-	-
	100.00 (Default)	0.4500	913	-	0.0000	119,711,155	246,726,893
	Subtotal	**0.2250**	**913**	**640,706,837**	**0.4336**	**121,096,630**	**247,025,770**
Institutions		-					
	0.00 to <0.15	0.2939	787	381,824,303	0.0379	510,157	1,093,237
	0.15 to <0.25	0.4415	913	19,769,424	0.4870	35,706	20,163
	0.25 to <0.50	0.4222	913	80,120,030	0.5311	190,292	59,209
	0.50 to <0.75	0.4064	913	14,172,044	0.7396	47,599	9,617
	0.75 to <2.50	0.3991	913	89,190,819	1.1453	410,667	255,447
	2.50 to <10.00	0.0867	913	402,902,982	1.4737	7,403,680	1,985,007
	10.00 to <100.00	0.0000	-	1,798,863	2.2915	48,922	16,475
	100.00 (Default)	-	-	-	-	-	-
	Subtotal	**0.2928**	**764**	**989,778,465**	**0.0929**	**8,647,024**	**3,439,154**
Retail - SME							
	0.00 to <0.15	0.1125	913	7,770,535	0.2676	12,899	13,086
	0.15 to <0.25	0.4500	913	317,758	0.3833	711	1,582
	0.25 to <0.50	0.4415	913	126,923,869	0.5696	437,237	269,704
	0.50 to <0.75	0.4480	913	152,920,201	0.6310	715,144	403,248
	0.75 to <2.50	0.4176	913	2,971,364,358	0.8654	24,581,390	8,781,006
	2.50 to <10.00	0.4123	913	3,140,811,418	1.0933	50,085,101	14,682,149
	10.00 to <100.00	0.4363	913	88,605,932	1.3318	3,129,886	2,288,268
	100.00 (Default)	0.4365	913	-	0.0000	335,394,272	724,605,909
	Subtotal	**0.3943**	**913**	**6,488,714,070**	**0.8498**	**414,356,640**	**751,044,952**
Corporate - other							
	0.00 to <0.15	0.3633	913	174,402,063	0.2600	231,170	1,351,853
	0.15 to <0.25	0.4006	913	195,383,989	0.4056	372,047	5,614,859
	0.25 to <0.50	0,0000	913	425,345,807	0.6045	1,046,507	1,515,585
	0.50 to <0.75	0,0000	913	796,467,719	0.7979	2,824,633	1,728,588
	0.75 to <2.50	0.0000	913	3,099,321,966	1.0862	19,684,218	12,920,085
	2.50 to <10.00	0.4253	913	1,330,873,116	1.4713	17,550,720	2,953,989
	10.00 to <100.00	0.2411	913	94,468,112	1.6358	2,388,429	7,827,178
	100.00 (Default)	0.4349	-	-	0.0000	30,911,706	72,969,679
	Subtotal	**0.2332**	**798**	**6,116,262,772**	**0.9073**	**75,009,430**	**106,881,817**
Total		**0.2863**	**847**	**14,235,462,145**	**0.5371**	**619,109,723**	**1,108,391,693**

EU CCR4 – IRB approach – CCR exposures by portfolio and PD scale

The template presents relevant parameters used for the calculation of CCR capital requirements for IRB models.

	PD scale	EAD post CRM	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density
Financial institutions								
	0,00 to <0,15	1,429,142	0.0012	1	-	912.5	675,559	0.472702897
	0,15 to <0,25	-	-	-	-	-	-	-
	0,25 to <0,50	-	-	-	-	-	-	-
	0,50 to <0,75	-	-	-	-	-	-	-
	0,75 to <2,50	-	-	-	-	-	-	-
	2,50 to <10,00	-	-	-	-	-	-	-
	10,00 to <100,00	-	-	-	-	-	-	-
	100,00 (Defaul)	-	-	-	-	-	-	-
	Subtotal	**1,429,142**	**0.0012**	**1**	-	**912.5**	**675,559**	**0.472702897**
Corporate-Other		-	-	-	-	-	-	-
	0,00 to <0,15	16,111,853	0.0263	43	0.45	912.5	16,367,572	1.004895206
	0,15 to <0,25	-	-	-	-	-	-	-
	0,25 to <0,50	-	-	-	-	-	-	-
	0,50 to <0,75	-	-	-	-	-	-	-
	0,75 to <2,50	175,987	1	1	0.45	912.5	-	-
	2,50 to <10,00	-	-	-	-	-	-	-
	10,00 to <100,00	-	-	-	-	-	-	-
	100,00 (Defaul)	-	-	-	-	-	-	-
	Subtotal	**16,287,840**	**0.0263**	**43**	-	**912.5**	**16,367,572**	**1.004895206**
Retail-SME		-	-	-	-	-	-	-
	0,00 to <0,15	12,507,680	0.0682	97	0.45	912.5	12,889,487	0.982568846
	0,15 to <0,25	-	-	-	-	-	-	-
	0,25 to <0,50	-	-	-	-	-	-	-
	0,50 to <0,75	-	-	-	-	-	-	-
	0,75 to <2,50	610,471	1	3	0.45	912.5	-	-
	2,50 to <10,00	-	-	-	-	-	-	-
	10,00 to <100,00	-	-	-	-	-	-	-
	100,00 (Defaul)	-	-	-	-	-	-	-
	Subtotal	**13,118,151**	**0.0682**	**97**	**0.45**	**912.5**	**12,889,487**	**0.982568846**
Institutions		-	-	-	-	-	-	-
	0,00 to <0,15	101,796,514	0.0014	15	0.45	912.5	45,294,222	0.444948659
	0,15 to <0,25	-	-	-	-	-	-	-
	0,25 to <0,50	-	-	-	-	-	-	-
	0,50 to <0,75	-	-	-	-	-	-	-
	0,75 to <2,50	-	-	-	-	-	-	-
	2,50 to <10,00	-	-	-	-	-	-	-
	10,00 to <100,00	-	-	-	-	-	-	-
	100,00 (Defaul)	-	-	-	-	-	-	-
	Subtotal	**101,796,514**	**0.0014**	**15**	**0.45**	**912.5**	**45,294,222**	**0.444948659**
Total		**132,631,647**	**0.0110**	**156**	**0.4500**	**912.50**	**75,226,841**	**0.567186208**

EU CR8 – RWA flow statements of credit risk exposures under the IRB approach (Individual)

The template presents a flow statement explaining variations in the credit RWAs of exposures for which the risk-weighted amount is determined in accordance with IRB approach.

The table does not contain CCR exposures amounted 44,981,806 RON and SFT amounted 75,226,841 RON.

		RWA amounts	Capital requirements
1	**RWAs as at the end of the previous reporting period 30.09.2018**	**13,847,716,971**	**1,107,817,358**
2	Asset size	338,608,145	27,088,652
3	Asset quality	(38,862,324)	(3,108,986)
4	Model updates	-	-
5	Methodology and policy	-	-
6	Acquisitions and disposals	47,102,224	3,768,178
7	Foreign exchange movements	2,934,865	234,789
8	Other	(9,136,261)	(730,901)
9	**RWAs as at the end of the reporting period 31.12.2018**	**14,188,363,620**	**1,135,069,090**

6.7 Risk Weighted Assets - Backtesting of PD per exposure class

The ex–post testing of the risk weighted assets is performed during the validation of the internal rating systems.

EU CR9 – IRB approach – Backtesting of PD per exposure class

Exposure class	PD range	External rating equivalent	Weighted average PD	Arithmetic average PD by obligors	Number of obligors		Defaulted obligors in the year	Of which new obligors	Average historical annual default rate
					End of previous year	End of the year			
Central Governments or Central Banks	Class 08	B-	0.0922248	0	0				
Central Governments or Central Banks	Class 10	Class 10	1	0	0	0			
Corporate - other	Class 03	From A+ to A-	0.000653087	0.000639286	39	38			0
Corporate - other	Class 04	From BBB+ to BBB-	0.002629267	0.002354806	96	88			0.004878
Corporate - other	Class 05	From BB+ to BB-	0.009880349	0.009852464	72	102	1		0.013115
Corporate - other	Class 06	B+	0.022316177	0.021291263	111	124			0.009434
Corporate - other	Class 07	B	0.048524606	0.046713359	52	49	1		0.025773
Corporate - other	Class 08	B-	0.078194372	0.083466652	13	19			0.030928
Corporate - other	Class 09	From CCC to C	0.285881617	0.314011813	3	1			0.111111
Corporate - other	Class 10	Class 10	1	1	18	16	3	3	
Corporate - SME	Class 03	From A+ to A-	0.00091849	0.001011033	5	10			0.009346
Corporate - SME	Class 04	From BBB+ to BBB-	0.004019914	0.003978287	71	60	1		0.00774
Corporate - SME	Class 05	From BB+ to BB-	0.010399444	0.010668723	312	400	1		0.008366
Corporate - SME	Class 06	B+	0.023513664	0.023926106	801	785	10		0.019476
Corporate - SME	Class 07	B	0.047462357	0.048309661	337	343	9	1	0.040763
Corporate - SME	Class 08	B-	0.088353032	0.08707624	142	151	11	2	0.098806
Corporate - SME	Class 09	From CCC to C	0.215894792	0.216186019	8	7	2		0.309859
Corporate - SME	Class 10	Class 10	1	1	149	177	21	21	
Institutions	Class 03	From A+ to A-	0.000831903	0.000838507	32	33	1		0.006329
Institutions	Class 04	From BBB+ to BBB-	0.002384512	0.003182918	32	25			0
Institutions	Class 05	From BB+ to BB-	0.01063128	0.011559643	9	12			0
Institutions	Class 06	B+	0.017510243	0.020224475	3	5			0
Institutions	Class 08	B-	0.081820295	0.08182	1	2			0
Institutions	Class 09	From CCC to C	0.2747441	0.2747441	1				0

6.8 Credit risk mitigation

The goal of providing collateral is to minimize the loss given default (credit risk) by diminishing the loss or risk transfer, as follows:

- For real collateral, financial or physical, the risk exposure is reduced by the expected revenue to be realized from collateral capitalization and, thus, losses can be reduced;
- For collateral provided by means of letters of guarantee or other personal guarantees, the risk is transferred to the protection provider.

The Bank established the accepted collateral types and also the conditions for the collateral acceptance.

For a better administration of all collateral instruments accepted in the credit process and for a better mitigation of associated risks, the Bank has implemented within internal credit management system, a specific collateral module where all accepted collateral instruments are adequately, uniformly recorded and managed in a structured manner. Adequate data quality is ensured by processes and controls supported by the system.

Collateral management system ensures:

- Monitoring and controlling of collaterals;
- Estimation of loss given default;
- Calculation of collateral recovery rates;
- Production of various portfolio analyses.

Considering the mitigation of risk exposure for determining the minimum capital requirements, the Bank is using eligible collaterals according to National Bank of Romania Regulation no. 5/20.12.2013 regarding prudential requirements for credit institutions and Regulation no. 575/2013 of European Parliament and Council regarding prudential requirements for credit institutions and investment companies and amending Regulation (UE) no.648 / 2012.

Collateral types accepted by the Bank as credit risk mitigation techniques for calculating the minimum capital requirements according to the standardized approach Basel III, are presented below:

Collateral Category		Type of collateral
Direct Personal Guarantees		Guarantee / Surety
		Bill of exchange from third party
		Letter of comfort
		Risk sharing
Credit Derivatives		Credit Derivatives Instruments
Life Insurance		Pledge on life insurance with non-reducible surrender value
Financial collateral	Own	Pledge on securities deposits
		Pledge on cash collateral
		Pledge on gold
	Third Party	Pledge on third party cash collateral
Real Estate		First Rank Mortgage on Residential Real Estate occupied or rented by owner
		First rank mortgage on commercial real estate – offices and other commercial spaces
On Balance Sheet Netting		Not used in the Bank as credit risk mitigation technique

Guarantee category	Category Type
Balance Sheet Compensation	The Balance Sheet Compensation is not used in the Bank as a measure of reducing the risk

Collateral types accepted by the Bank as credit risk mitigation techniques for computing the minimum capital requirements according to the internal rating based approach Basel III, are those considered under standardized approach and the ones that are presented below:

Collateral Category	Type of collateral
Receivables of goods and services	Receivables on commercial transactions or transactions with initial maturity less or equal to one year
Other categories of tangible goods	Not used in the Bank as credit risk mitigation techniques

Policies and processes applied for evaluating and administrating real collaterals

The internal Bank value calculation is carried out by experts, who have the required qualifications, ability, experience and competence to perform such a valuation and who are independent of the credit decision.

The valuation of the goods proposed as collateral shall be made by independent valuators approved by UniCredit Bank or by the Bank's internal valuators.

The internal and independent valuators must be certified by A.N.E.V.A.R. and the valuation reports need to comply with relevant Valuation Standards in force.

The valuation report is the document that attests the valuation result, namely the material value of the collateral depending on which the collateral coverage corresponding to a lending operation is calculated.

The valuation value of the collateral accepted by the Bank is the market value.

If collateral is accepted in a currency that differs from that of the credit and/or if the collateral is not available for the entire credit maturity, under certain conditions, for minimum capital requirements calculation purpose, the collateral values are to be reduced accordingly as per Basel III legal requirements.

During loans period, the collaterals are periodically reassesed according to provisions of National Bank of Romania Regulation no.5/2013 on prudential requirements for credit institutions and Regulation (EU) no 575/ 2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012.

The reassesment process of the collaterals is periodically monitored, the report related to the status of this process is submit quarterly to the Operative Risk Management Committee.

Where the collaterals are not reassessed according to the already set up terms depending on collateral type, these collaterals are not considered eligible from credit risk mitigation techniques perspective.

EU CR4 – Standardised approach – Credit risk exposure and CRM effects

	Exposure classes	Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
		On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWAs	RWA density
1	Central governments or central banks	7,683,363,413	-	7,840,841,502	-	160,004,155	2.04%
2	Regional government or local authorities	270,764,008	46,045,006	270,764,008	29,362,662	120,306,475	40.09%
3	Public sector entities	-	-	-	-	-	0,00%
4	Multilateral development banks	-	-	48,016,493	5,628,765	-	0.00%
5	International organisations	-	-	-	-	-	0,00%
6	Institutions	2,697,592	27,093,061	69,897,641	13,761,454	37,734,311	45.10%
7	Corporates	3,656,452,464	801,702,666	3,575,513,689	307,954,987	3,798,281,084	97.81%
8	Retail	6,482,300,202	1,104,470,774	6,264,906,617	330,100,580	4,514,447,797	68.45%
9	Secured by mortgages on immovable property	4,680,504,493	55,013,244	4,680,504,493	27,415,126	1,630,011,076	34.62%
10	Exposures in default	353,197,221	3,954,898	347,171,114	1,058,693	386,249,861	110.92%
11	Exposures associated with particularly high risk	223,241,453	-	222,068,283	-	333,102,424	150.00%
12	Covered bonds	-	-	-	-	-	0,00%
13	Institutions and corporates with a short-term credit assessment	88,329	-	88,329	-	88,329	100.00%
14	Collective investment undertakings	-	-	-	-	-	0,00%
15	Equity	2,345,998	-	2,345,998	-	2,345,998	100.00%
16	Other items	204,957,286	-	204,957,286	-	204,949,135	100.00%
17	**Total**	**23,559,912,459**	**2,038,279,649**	**23,527,075,453**	**715,282,267**	**11,187,520,645**	**46.15%**

EU CR3 – CRM techniques – Overview

The template presents the net accounting exposures of the Bank split by guaranteed and not guaranteed .

The guaranteed exposures are those exposures which have at least one mechanism of risk mitigation (real guarantees, financial guarantess, financial credit derivates) associated to those exposures.

	Instruments	Total exposures - Carrying amount	Exposures unsecured – Carrying amount	Exposures secured – Carrying amount	Exposures secur ed by collateral	Exposures secu red by financial guarantees	Exposures secured by credit derivatives
1	Total loans	38,479,531,547	15,185,586,758	23,293,944,789	19,658,796,910	3,635,147,880	-
2	Total debt securities	7,322,422,365	7,322,422,365	-	-	-	-
3	**Total exposures**	**45,801,953,912**	**22,508,009,123**	**23,293,944,789**	**19,658,796,910**	**3,635,147,880**	**-**
4	Of which defaulted	479,575,736	102,596,848	376,978,888	345,701,432	31,277,455	-

7.EXPOSURE TO COUNTERPARTY RISK

7.1 Limits on exposures, policies for assessing counterparty credit risk and guarantee risk, management of wrong - way risk etc.

Counterparty credit risk is measured and monitored by an independent risk management unit using an internal model based on historical simulation.

Counterparty credit risk is classified into two categories:

- Pre-settlement risk - counterparty risk in connection with treasury transactions in which the counterparty defaults after entering into the transaction and remains in default until the settlement date and the transaction must be replaced at less favorable market conditions;
- Settlement risk - counterparty risk under treasury transactions in which the Bank performs a transaction (payment) on the settlement day, while the counterparty has not met its obligations yet.

Counterparty risk monitoring is based on a system of limits for individual counterparties and product groups (spot, derivatives, money market, securities and repo).

The Bank does not hold credit derivatives hedges.

7.2 Positive fair value of financial and credit derivatives, collateral held, value of CCF etc.

Details regarding the fair value of derivatives, notional value of trading contracts and notional value of hedging contracts that are taken into account in own funds requirements at consolidated level, are presented below:

EU CCR1 – Analysis of CCR exposure by approach

		Notional	Replacement cost/current market value	Potential future credit exposure	EEPE	Multiplier	EAD post CRM	RWA
1	Mark to market		67,205,812	98,700,745			165,906,557	108,479,320
2	Original exposure							-
3	Standardised approach							-
4	IMM (for derivatives and SFTs)							44,981,806
5	Of which securities financing transactions							-
6	Of which derivatives and long settlement transactions							-
7	Of which from contractual cross-product netting							-
8	Financial collateral simple method (for SFTs)							-
9	Financial collateral comprehensive method (for SFTs)							-
10	VaR for SFTs							-
11	**Total**							153,461,126

EU CCR2 – CVA capital charge

		Exposure value	RWAs
1	Total portfolios subject to the advanced method	-	-
2	(i) VaR component (including the 3× multiplier)		-
3	(ii) SVaR component (including the 3× multiplier)		-
4	All portfolios subject to the standardised method	57.391.037	8.422.415
EU4	Based on the original exposure method	-	-
5	**Total subject to the CVA capital charge**	**57.391.037**	**8.422.415**

EU CCR5-A – Impact of netting and collateral held on exposure values

		Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
1	**Derivatives**	-	-	-	-	-
2	**SFTs**	6,849,301,194	-	-	6,849,301,194	-
3	Cross-product netting	-	-	-	-	-
4	**Total**	6,849,301,194	-	-	6,849,301,194	-

EU CCR5-B – Composition of collateral for exposures to CCR

	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
SFT	-	-	-	-	6,849,301,194	-
Total	-	-	-	-	**6,849,301,194**	-

EU CCR3-Standardised approach – CCR exposures by regulatory portfolio and risk

		RWA											Total	Of which unrated
	Exposure classes	**0%**	**2%**	**4%**	**10%**	**20%**	**50%**	**70%**	**75%**	**100%**	**150%**	**Others**		
1	Central governments or central banks	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Regional government or local authorities	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Corporates	-	-	-	-	-	-	-	-	33,162,756	-	-	33,162,756	-
8	Retail	-	-	-	-	-	-	-	89,723	-	-	-	89,723	-
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Other items	-	-	-	-	-	-	-	-	-	-	-	-	-
11	**Total**	-	-	-	-	-	-	-	**89,723**	**33,162,756**	-	-	**33,252,479**	-

EU CCR7 – RWA flow statements of CCR exposures under the IMM

The template presents the quarterly changes in the CCR RWAs determined under the IMM for CCR.

During the fourth quarter of 2018 , the exposures regarding the counterparty credit risk increased with 1.222 billion RON comparing with the previous quarter , mainly explained by the 490 thousand RON presented on the position “Asset size“.

In the same time , the row “Credit quality of counterparties“ registered an increase of 44 million RON due to the volatility adjustments applied to the financial collateral according to the article 224 from CRR.

		RWA amounts	Capital requirements
1	**RWAs as at the end of the previous reporting period (30.09.2018)**	**73,501**	**5,880**
2	Asset size	490,895	39,272
3	Credit quality of counterparties	44,417,410	3,553,392
4	Model updates (IMM only)	-	-
5	Methodology and policy (IMM only)	-	-
6	Acquisitions and disposals	-	-
7	Foreign exchange movements	-	-
8	Other	-	-
9	**RWAs as at the end of the current reporting period (31.12.2018)**	**44,981,806**	**3,598,544**

8. MARKET RISK

In UniCredit Bank, Market Risk management function is organized at centralized level in the Risk Division – Market Risk department.

According to Regulation no.5/2013 on prudential requirements for credit institutions, the following definitions are presented:

- Market risk is the risk of incurring on-balance and off-balance sheet losses due to adverse market movements in prices (such as, for example, the share prices, the interest rates, the foreign-exchange rates)
- Interest rate risk is the current or future risk of negative impact on profits and capital as a consequence of certain adverse changes of the interest rates
- Liquidity risk is the current or future risk of negative impact on profits and capital, determined by the credit institution's inability to meet its liabilities when they become due

The market risk management activity is regulated by a specific set of policies and procedures for the purpose of:

- Identifying, monitoring, analysis and controling market risks: currency risk, interest rate and liquidity, according to Group standards and requirements of the National Bank of Romania through a system of limits for both the trading portfolio (trading book) and for positions outside the trading portfolio (banking book);
- Implementing the strategy of market risk management through appropriate policies and processes;
- Reporting of market risk issues to Bank's management.

Market Risk Management activity is performed according to legal regulations in force in Romania, norms and regulations issued by the National Bank of Romania (NBR) and internal regulations of UniCredit Bank, while the application of these regulations is harmonized with the Group Rules of UniCredit.

The market risk management strategy is done by applying the following **basic principles**:

- Market risk management is done through specific risk indicators and models: Value at risk (VaR) limits, Basis Point Value and Credit Point Value limits, fx position limits, as well as monitoring risk appetite framework defined according to internal policies and procedures;
- Exposure to market risk is generated only by Treasury and ALM departments;
- Trading positions are held at current market value (mark-to-market). If specific revaluation models are used, they are validated independently;
- All relevant risk factors are identified and considered during the process of setting limits. The identification of risk factors is the responsibility of Market Risk and business lines;
- Specific events are considered in the stress scenarios, not as manual adjustments of volatilities of correlations among risk factors;
- Total VaR refers to the whole activity of the bank, not only to trading book positions, nevertheless Banking Book VaR and Trading Book VaR are calculated and monitored separately as well as per risk factors;

- Exposure to market risk (usage of limits, excesses) are reported in time and with regularity to the respective business lines, to the Management and the Group. Risk reports are generated for the total bank and separately for each risk generating unit. Exposure to market risk limits are monitored for the UniCredit Group in Romania, as well as for UniCredit Consumer Financing (UCFIN) and UniCredit Leasing (UCL), according to internal regulations.

The evolution of the main market risk indicators for VaR (Value at Risk) in 2018 is presented in the table below:

EUR mio	Total VaR 99%	VaR Trading Book	SVaR* Trading Book	IRC**
Limit	**12.00**	**2.00**	**10.00**	**50.00**
End 2018	4.83	0.25	1.84	9.32
Average	3.96	0.37	2.71	13.86
Maximum	5.03	0.61	4.61	22.20
Minimum	3.07	0.15	1.02	3.65

* Stressed value at risk

** Icremental risk charge

The Bank considers the following adjustments:

- on a monthly basis: CVA (Credit Value Adjustment), FuVA (Funding Value Adjustment) and AVA (Additional Value Adjustment);
- on a quarterly basis: FVA (Fair Value Adjustment).

8.1 Price risk, Interest rate risk, exchange rate risk and credit spread - Trading book

Trading Book includes all positions in financial instruments owned by UniCredit Bank for trading or hedging the other elements of the trading book that are free from other restrictive clauses on trading opportunities that can be immunized.

Positions held for trading are those held for sale in the short term with the intent to benefit from the difference between purchase price and the sale or short-term fluctuations in interest rates or prices. The term "position" includes both its own positions and those of its clients, and positions resulted from the market maker.

Trading Book of UniCredit Bank contains all products traded as they were approved by the Group:

- Derivatives exchange rate:
  - Outright Forwards and FX Swaps;
  - Plain Vanilla Options;
  - Exotic FX Options (Digitals and Barriers).
- Interest rate derivatives:
  - Interest Rate Swaps (IRS), Cross Currency Swaps (CCS);
  - Interest Rate Options (Caps, Floors, collars).
- Commodities derivatives
  - Swaps
  - Options
- Fixed income financial instruments

All other products are part of the Banking Book.

Derivatives are recorded at market value through the daily mark-to-market revaluation.

From the perspective of market risk, all derivatives transactions (except outright forwards and interest rate swaps) are closed back-to-back with another entity within the Group, in most cases, so not having open positions for UniCredit Bank trading activity.

Capital requirement for market risk is calculated using the standardised method.

During 2018 the following components were relevant – trading debt instruments (general risk) and foreign exchange risk.

A. Interest Rate Risk

Interest rate risk arising from Trading Book results from positions in derivative products or fixed income financial instruments of UniCredit Bank. All derivative client transactions (except FX Swaps and FX FWD Outright) are closed back-to-back with another entity owned by UniCredit Group.

Interest rate risk in Banking book is separately measured and monitored by VaR and BPV indicators, as well as Economic Value Sensitivity (measured against own funds tier 1) and Net Interest Income Sensitivity (measured against the NII budget).

B. Price Risk

Price risk results from the activity of capital markets, commodities and associated derivative is zero because UniCredit Bank has no position on these markets / instruments.

C. Exchange Rate Risk

Foreign exchange risk arising from positions taken by departments / traders specializing owning specific limits for market risk. This risk arising from trading activities conducted through negotiation on various market instruments and is constantly monitored and measured.

Given the structure of the Banking Book and Trading Book, in the standard method to calculate the capital requirement for position risk (MKR SA TDI form) and for foreign exchange (MKR SA FX form) based on open currency positions at the end of each month, and reported by the National Bank of Romania.

The amount of capital requirement is determined based on regulations in force.

The following risk limits are also monitored:

- FX net open position limits;
- BPV limits (Basis Point Value);
- CPV limits (Credit Point Value);
- VaR limits (Value at Risk);
- LWL limits (Loss Warning Level);
- Liquidity limits (Trigger points / Ratios);
- Limits for investments in government securities.

Stress Testing

The market risk profile is monitored for the following crisis scenarios:

- Currency risk - run locally and within market risk management system;
- Interest rate risk - run locally and within market risk management system;
- Credit spread risk – run within market risk management system;
- Short term liquidity – run locally and within the liquidity system;
- Economic capital – run quarterly at local level and in the market risk system.

8.2 Price risk, interest rate risk, exchange rate risk - Banking book

Interest rate risk consists of changes in interest rates that are reflected in:

- Interest income sources, and thus, the Bank's earnings (cash flow risk);
- The net present value of assets and liabilities, due to their impact on the present value of future cash flows (fair value risk).

IRRBB1 – EVE and NII sensitivity to interest rate shocks (values in RON)

In reporting currency	ΔEVE		ΔNII	
Period	**31.12.2018**	**30.09.2018**	**31.12.2018**	**30.09.2018**
Parallel up	(388,582,718)	(396,475,597)	140,536,450	189,399,177
Parallel down	553,855,553	554,443,562	(314,703,816)	(424,734,977)
Steepener	(14,149,326)	(6,609,069)		
Flattener	(59,007,058)	(37,294,686)		
Short rate up	(225,466,540)	(201,264,950)		
Short rate down	261,787,805	240,695,872		
Maximum	553,855,553	554,443,562	140,536,450	189,399,177
Period	**31.12.2018**		**31.12.2017**	
Tier 1 capital	4,171,575,004		3,379,971,273	

The resulting changes in Economic Value of Equity reflect the considerable investments in fixed income assets: government bonds, consumer loans and mortgage loans with a 5 year fixed interest rate period. On the asset side, there is also an impact from interbank deposits placed at a fixed interest rate. On the liability side, a considerable amount of financing is obtained from client short and medium term deposits at fixed interest rates.

The field ΔNII represents the changes in the projected net interest income over a rolling 12 month period, due to instantaneous interest rate shocks, compared to the bank's own best estimate. The estimate is done applying parallel shock scenarios in accordance with Basel 3 definition. At a parallel move of interest rate curves, there is a positive correlation with changes of income from loans given to clients, interbank deposits and secured lending transactions. The cost of funds is also directly affected, but to a lower extend. The decrease in net interest income values in 2018 compared to previous year can be explained due to the increasing cost of funding from term deposits received from non-financial customers.

Definition of IRRBB for purpose of risk control and measurement

Interest rate risk in the banking book is defined as actual or future risk of negative impact on the Bank's earnings and capital, due to adverse movements in interest rates on its banking book.

Changing interest rates influence the level of earnings by changing interest income and expenses as well as other interest-sensitive income and operating expenses; they also impact the bank's underlying value by generating variations in the net present value of assets, liabilities and off balance sheet instruments.

The banking book regards the traditional commercial activity of the bank, which consists of lending and borrowing funds to and from customers. Per definition, banking book positions are the ones not held for trading purposes.

The IRRBB control and measurement system implemented by of the Bank addresses material sources of interest rate risk including repricing, yield curve, basis and option risk exposures, in compliance with biding regulatory requirements.

Description of overall IRRBB management and mitigation strategies

The management of IRRBB aims to optimize, in an on-going scenario, the risk-return profile and long term value creation while reducing adverse impacts on bank's earnings and regulatory capital coming from interest rates volatility, in accordance with the strategy set by the Board in coherence with the UniCredit Group overall IRRBB strategy.

In order to take into account short and long term effects of interest rate volatility on future net interest income, the IRRBB management is performed within a set of limitations (limits, targets and triggers) defined in the risk appetite framework and in a set of granular restrictions approved by relevant bodies.

Limitations are defined in terms of earnings sensitivity and economic value sensitivity envisaging also thresholds per time buckets. The limits are linked to specific scenarios of interest rates movements such an increase or decrease of a particular magnitude (interest rate shocks), as well as to measures derived from underlying statistical distribution of interest rates (value at risk).

Specific measures that the bank uses to gauge its sensitivity to IRRBB

The main metrics used for IRRBB risk control and measurement are defined from both economic value and earnings perspective as follows:

- **Economic Value Perspective**:
  - Re-pricing Gap analysis
  - Economic Value Sensitivity: Basis Point Value (BP01) and time bucket sensitivity
  - Economic Value Sensitivity: EVE Supervisory standardized shocks
  - Basis Risk, captured in the Bank's Value at risk (VaR)
- **Net Interest Income perspective**
  - Net Interest Income (NII) sensitivity for parallel shocks (standard shocks)

Monitoring of EVE and NII in relation to established limits

The monitoring of the interest rate risk exposures is the responsibility of the risk taking functions (as 1st level control) and Risk function (as 2nd level control) , which performs an independent and continuous monitoring of the risk indicators and metrics, a regular check of the limit compliance and an assessment of the effectiveness of market transactions executed by business functions. The Risk function is also responsible for updating Senior Management and/or relevant bodies (Management Board, Risk Management Committee, ALCO) with regard to relevant interest rate risk exposure on a regular basis and compliance with the limits and warning levels set.

In case of a limit breach, a specific escalation process is defined, varying on the nature of the limit or warning level. The actions to taken by relevant function in the event of a breach also depend on the nature of the limit. As a general rule in the event of a limit breach, every effort is made in order to bring the exposure within the approved limit (by closing the positions that caused the breach or hedging them).

Conduct of stress testing, outcomes analysis

A regular stress testing assessment is performed in order to measure the vulnerability to loss under stressful market conditions. Depending on the vulnerabilities identified in case of extreme market conditions, measures to improve interest rate risk management, to review current limits, to reduce risk and/or conserve capital are implemented. Stress scenarios include:

- abrupt changes in the general level of interest rates;
- parallel interest rate shock;
- economic environment, and their possible development;
- specific scenarios that relate to the individual business model and profile of the institution.

Role and practice of ALCO

ALCO acts as **operative body for monitoring, discussing and deciding on interest rate risk relevant topics and activities** within the Bank, having the following responsibilities:

- Approves, as first instance, the IRRBB strategy and overall interest rate risk framework of the Bank and regularly reviews them
- Approves the interest rate risk restrictions at local level, set in coherence with the UniCredit Group overall ones;
- Analyzes the evolution net interest income
- Analyzes the sensitivity of the balance sheet to changes in interest rates
- Receives information regarding risk indicators and evidence of conformity with the interest rate risk restrictions
- Defines corrective actions for balancing UCB interest rate risk position in accordance with the IRRBB strategy and system of restrictions in place

Description of how the bank covers its interest risk in the banking book as well as the associated accounting treatment

In accordance with prevailing accounting standards, the Bank values its banking book items at "amortised" (or "historical") cost and at "fair" (or "market") value.

In order to achieve the financial stability of the balance sheet despite the effects of interest rate changes on both earnings and economic value, consistently with the risk appetite parameters and approved IRRBB strategy, the Bank uses derivatives that allow to optimize the risk/return profile that arises from mismatches in terms of tenor and interest rate characteristics of assets and liabilities. Consequently, hedging the banking book interest rate risk encompasses two aspects:

- Minimization of the variability in banking book's present value due to changes in market interest rate curves
- Minimization of the variability in interest cash flows sensitive to changes in market interest rates that could negatively impact future profit and loss.

In order to ensure a consistency between the accounting perspective and business consideration, especially when interest rate derivatives are used for managing banking book interest rate risk, the Bank adopted Fair Value Hedge (FVH) and Cash Flow Hedge (CFH) accounting procedures for the hedge of the interest rate risk run in its banking book.

Modelling assumptions

Behavioral assumptions (about banking book items without specific re-pricing dates) for the purposes of IRR risk control metrics undergo an independent control and validation process by competent risk functions and are approved by the competent body (e.g. ALCO). Behavioral assumptions are back-tested in accordance with regulatory requirements and overall UniCredit Group standards.

Non-maturity deposits (sight deposits) are modelled based on a statistical analysis of customer behavior. The analysis identifies the stable and non-stable part of such deposits, as well as the core part insensitive to interest rate changes. The outcome is a fix maturity profile ("modelled profile") that reflects the likelihood of re-pricing of the sight deposits, based on which these products are slotted on time buckets for purposes of calculating ΔEVE and ΔNII. This "modelled profile" is also used as a benchmark for a hedging strategy ("Replicating portfolio") put in place to stabilize the Bank's net interest income.

The average re-pricing maturity assigned to NMDs as of December 31st, 2018 is 1M, whilst the longest re-pricing maturity assigned 10Y. The average maturity assigned to the core part is 4.6Y.

Main IRRBB indicators are as per table below:

EUR mio	VaR IRRBB*	BPV BB**
Limit	**10.00**	**0.32**
End 2018	3.53	0.21
Average	5.36	0.14
Maximum	8.17	0.30
Minimum	2.51	0.00

Economic Value Sensitivity	NII Sensitivity
% of Own funds Tier 1	% of NII budget
End 2018	End 2018
5.18%	-4.36%

*IRRBB Interest rate risk for exposure outside banking book

**BB Exposures from banking book

8.3 Stress testing disclosures

Market Risk performs the following stress tests, which are presented in the Risk Management Operative Committee, Assets & Liabilities Committee and Supervisory Board:

Currency Risk:

a) Daily calculation of the impact of +/- 10% change of the fx rate

b) Monthly calculation of the impact of the following scenarios:

- depreciation EUR vs all other currencies with -15%
- appreciation EUR vs all other currencies with +15%
- depreciation EUR vs all other currencies with -10%
- appreciation EUR vs all other currencies with +10%
- depreciation RON vs EUR with -15%
- appreciation RON vs EUR with +15%
- depreciation RON vs EUR with -10%
- appreciation RON vs EUR with +10%
- depreciation USD vs EUR with -15%
- appreciation USD vs EUR with +15%
- depreciation USD vs EUR with -10%
- appreciation USD vs EUR with +10%

Interest rate risk

In order to quantify the potential modification of economic value as a result of shifts in interest rate curves, the following aspects are taken into account:

a) daily calculation by Market Risk department of the sensitivity of 1 bp on FX Forward *(DV01)

b) daily analysis of the impact of 1 bp shift for bonds portfolio

c) using the following scenarios for quantifying the modification of economic value in extreme conditions (stress tests) –calculation in the market risk system of the impact of the following scenarios:

- scenario 1: parallel shift +100bps, all currencies
- scenario 2: parallel shift -100bps, all currencies
- scenario 3: parallel shift +200bps, all currencies
- scenario 4: parallel shift -200bps, all currencies
- scenario 5: RON O/N to 1Week: -500bps
  RON 1Week and above: +50bps
  all other currencies: unchanged
- scenario 6: RON O/N to 1Week: +500bps
  RON 1Week and above: +50bps
  all other currencies: unchanged
- other stress scenarios

Credit spread risk

- scenario 1: parallel shift +50bps for the bonds portfolio;
- scenario 2: parallel shift +100bps for the bonds portfolio;
- scenario 3: parallel shift +200bps for tghe bonds portfolio.

Economic capital

Scenarios with different probabilities and severities as formalized in internal procedures.

The economic capital for Market Risk is computed based on the Group developed IMOD Model, which is based on the Value at Risk (VaR) methodology.

Liquidity Risk

Scenarios developed by the Group as well as internal developed scenarios which consider several degrees of liquidity crisis, as formalized in internal procedures.

8.4 RWA calculation method and models

For calculating the RWA for market risk, the Bank applies the Standardized Approach, according to Regulation no. 575/ 2013 of European Parliament and Council dated 26.06.2013 regarding prudential requirements for credit institutions and investment companies.

EU MR1 – Market risk under the standardised approach

		RWAs	Capital requirements
	Outright products		
1	Interest rate risk (general and specific)	69,468,563	5,557,485
2	Equity risk (general and specific)	-	-
3	Foreign exchange risk	112,407,011	8,992,561
4	Commodity risk	-	-
	Options		
5	Simplified approach	-	-
6	Delta-plus method	-	-
7	Scenario approach	-	-
8	Securitisation (specific risk)	-	-
9	**Total**	**181,875,574**	**14,550,046**

8.5 Risk Management organization

Generally, a bank's market risks are due to price fluctuations or other market risk factors affecting the value of positions on its own books, both trading book and banking book, i.e. those arising from transactions and strategic investment decisions.

UniCredit Bank produces detailed reports on business trends and related risks on a daily basis, forwarding market risk documentation to local management, local authorities and relevant structures in the Group.

The relevant structures at Group level lay down strategic guidelines for taking on market risks by calculating, depending on risk appetite and objectives of value creation in proportion to risks assumed, capital allocation for the Parent company and its subsidiaries.

The responsible structures at Group level propose limits and investment policies for the Group and its entities in harmony with the capital allocation process when the annual budget is drawn up. Group Asset and Liability Management unit, in coordination with other regional liquidity centers, manages strategic and operational activities, with the objective of ensuring a balanced asset position and the operating and financial sustainability of the Group's growth policies on the loans market, optimizing the exchange rate risk, interest rate risk and liquidity risk.

Market Risk Management activity is performed according to legal regulations in force in Romania, norms and regulations issued by the National Bank of Romania (NBR) and internal regulations of UniCredit Bank, while the application of these regulations is harmonized with the Group Rules of UniCredit.

9. OPERATIONAL RISK

9.1 Framework for organising risk management

The management of operational risk within UniCredit Bank is conducted in line with the internal regulation framework, Group policies and instructions and in compliance with the legal provisions in force.

Operational Risk is considered a significant risk and it is integrated into the Bank's policy and strategy regarding significant risks.

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk includes legal risk, but excludes strategic and reputational risks. Legal risk includes, but is not limited to, exposure to fines, penalties or punitive damages resulting from supervisory actions, as well as from private settlements.

The main roles and responsibilities in managing and controlling operational risk are assigned to the Supervisory Board, the Management Board, the Superior Management (Directors and Heads of Departments), Banks' committees with responsibilities regarding operational risk, Operational and Reputational Risk function.

Operational and Reputational Risk function is an independent structure in charge with operational risk control, within the Risk Division and reporting directly to the Financial Risk, Operational & Reputational Risk Director, who is subordinated to the Chief Risk Officer.

The Management Board and the Supervisory Board of UniCredit Bank have approved the Group Operational Risk Framework.

The framework for operational risk management in UniCredit Bank is well structured and involves relevant factors in promoting a culture favorable to the communication, management and control of operational risk. The framework is supported by the existence of a dedicated independent function for the control of operational risk, by a structure of relevant committees and by a system of reporting operational risk to the Management of the Bank.

The Bank has implemented a formal system for the assessment and management of operational risk with clearly defined roles and responsibilities.

The operational risk management system is integrated into the internal processes defined for the management of significant risks, in line with the internal procedures and regulations regarding the management of significant risks.

The main tools employed in the management and control of operational risk within UniCredit Bank are: collection of operational risk events, scenario analysis, operational risk indicators, mitigation actions and operational risk reporting.

Collection of operational risk events is one of the main sources for the identification and measurement of operational risks. The process of collecting operational risk events /losses is established through well-defined rules for collection, validation and reconciliation of loss data against accounting bookings and other sources of information, in order to ensure completeness, accuracy and timeliness of reported data. The reporting responsibilities in respect of operational risk are included in the operational risk framework and as well in the procedures specific to each area of activity.

The completeness and accuracy of the operational risk database is ensured by the defined data quality processes, periodical reconciliations against multiple sources of information, various types of analyses of carried out in respect of accounts and bookings – processes described within operational risk specific regulations.

Scenario analysis is a core element of the operational risk assessment and control methodology implemented both at local and Group level, as the scenario analysis is aimed at providing a forward looking assessment of the Bank's risk profile for improving the understanding and management of the risk profile by: assessing the impact on the business of hypothetical, yet foreseeable, extreme operational loss events; assessing how bad things could get across a range of stressed conditions; identifying the best responses to serious threats; identifying areas where controls are missing or could be enhanced.

Scenarios are also used as one of the primary inputs to estimate the Bank's overall risk profile and, whether it has adequate amounts of capital to cushion the impact of unexpected operational loss events. The metrics/indicators derived from scenarios are used as input into the model, supporting the assessment of the Group risk profile on an aggregate basis.

In 2018, scenario analysis was performed according to the internal regulations, Group instructions and legal provisions in force.

Operational risk indicators assess the operational risk profile and are in correlation with the changes in the risk environment. The monitoring of the operational risk indicators plays the role of an early warning system for changes in the operational risk exposure.

During 2018 the operational risk indicators system and the monitoring thresholds were revised in order to: identify and set up new indicators relevant for operational risk reporting, align existing thresholds with changing risk levels and remove the indicators which are no longer relevant in terms of operational risk. To increase the efficiency of operational risk monitoring activities, there were defined fixed thresholds for all the indicators relevant for operational risk capital calculation.

At the Bank's level there are implemented **periodical reports** regarding the exposure to and evolution of the operational risk, with a focus on: financial losses (including provisions) detailed on event types/model risk categories and business lines, operational risk losses limit usage, capital requirement for operational risk, cross credit events, mitigation actions regarding operational risk discussed in the Permanent Work Group Committees, Operational Risk Indicators, thresholds breaches and actions taken, scenario analysis.

The reporting system ensures, at least quarterly, that reports regarding operational risk are communicated to the relevant structures and persons.

The reporting system includes quarterly reports to the Risk Management Operative Committee set up at the level of Management Board, at least bi-annually reports to the Supervisory Board and reports to the Operational Risk Committee of the UniCredit Group. The operational risk reports have a consistent structure and present an overall picture of the exposure to operational risk. Apart of the regular reporting, ad hoc information regarding operational risk is submitted to the Bank's management and relevant structures at the Group level.

The **capital requirement for operational risk** for UniCredit Bank is determined using the new Advance Measurement Approach (AMA) model adopted in 2014. New AMA model has higher model granularity & risk sensitivity, increased underlying data and stronger focus on forward-looking risk analyses.

The calculation model was applied to the perimeter composed by the Legal Entities authorized to adopt the Advanced Measurement Approach, including UniCredit Bank.

As risk transfer mechanisms, UniCredit Bank uses a Banker's Blanket Bond policy (part of UniCredit Group BBB Policy) that covers, according with terms and conditions specified in the policy, Financial Organisation Crime, Electronic and Computer Crime, Professional Indemnity. The BBB Policy is complying with the international requirements regarding the use of policies as risk transfer mechanism in order to reduce the capital requirement for operational risk calculated according with AMA.

Starting March 2018 UniCredit Group (UniCredit Bank Romania included) concluded a new cyber insurance policy which provides coverage for cyber risks including damages to digital assets, business interruption impacts, cyber extortion and other types of damages caused by insured risks, liabilities and defense expenses related to security and confidentiality breaches, reputational expenses as a result of cyber risk incidents.

The calculation of economic capital for operational risk is also based on the AMA model.

9.2 Stress testing disclosures

The stress testing exercise in UniCredit Bank Romania consists of calculating the stressed loss / conditional operational risk loss, centrally – at Group level, based on the advanced model for operational risk. The Group Operational and Reputational Risk Function is responsible for the assessment and review of the stress test methodology and approach.

9.3 RWA calculation method and models

The capital calculation within UniCredit Bank Romania is performed according to the AMA model and the figures are as follows:

Operational Risk-RWA 2018 (EUR) – UniCredit Group Consolidated Level	Capital Requirement for Operational Risk (EUR)	
	2018	2017
448,255,670	35,860,454	35,204,792

Operational Risk-RWA 2018 (EUR) – UniCredit Bank Individual Level	Capital Requirement for Operational Risk (EUR)	
	2018	2017
293,821,720	23,505,738	23,664,576

9.4 Other risks - Risk types and risk management

Fraud risk management is a prime responsibility for all employees steaming from the necessity of protecting UniCredit Bank and its assets / activities from being target to fraudulent activities. The internal framework is aimed at creating an appropriate level of awareness to all employees and partners and to ensure an efficient system of controls to prevent this risk in all aspects included in the circuit of fraud: prevention, detection, investigation and settlement of high risk events, recovery of fraud related losses and the implementation of the necessary corrections.

The fraud risk management was set as a top priority for UniCredit Bank and its coordination is ensured by the Antifraud and Fraud Prevention Department and Fraud Management Committee. An ongoing four steps program covering methodology, training, activitie's review from a fraud risk perspective and monitoring was implemented to mitigate the likelihood and impact of this risk.

One of the main topics for the Operational Risk strategy is **cybercrime risk** with an enhanced focus on the area of online banking fraud with the related topics phishing/hacking/malware etc. and how the bank can decrease risks in current and upcoming online banking processes.

The **legal risk management** within UniCredit Bank Romania is ensured by all employees with the appropriate assistance and support of the Legal function. The aim of the legal framework is to ensure the adequacy of legal and corporate fulfilments, the examination of the evolution of laws and their consistent interpretation, as well as the identification, assessment and monitoring of the overall legal risks.

Outsourcing risk is managed by the competent / involved structures coordinated by the Outsourcing Management function and with the appropriate support and oversight of the Risk Management function and dedicated Risk Management Committee. The management of the risks associated with the outsourced activities covers all the outsourcing stages (new initiatives and modifications of existing ones, supplier selection, contract terms and conditions, monitoring of existing outsourced activities, unexpected situations and continuity plans, relation with authorities).

Business continuity management represents a critical factor for UniCredit Bank and it takes a central role in the overall company strategy/goals. The constantly changing potential of threats requires a systematic, flexible, integrated and business oriented treatment of business continuity management in UniCredit Bank

The management of the business continuity risk is an ongoing process being the responsibility of management at all levels and of each employee. It is carried out in line with the local UniCredit Bank policies and procedures compliant with Group policies, local legal framework and internationally accepted best practices and standards (ISO 22301).

9.5 Other risks - Publicly known risk events

During 2018 there were no publicly known significant events which to adversely impact the activity or the reputation of the UniCredit Bank Romania.

10. REPUTATIONAL RISK

Reputational risk is the current or prospective risk to incomes and capital arising from adverse perception of the image of the financial institution on the part of customers, counterparties, shareholders/investors, regulators or employees (stakeholders).

Reputational risk can be triggered by negative publicity, true or not, relating to:

- Bank's reputation, respectively, the Bank's top management or their members
- The practices, tools, Bank liquidity or solvency
  or
- Other risks arising in the Bank's activity, like for example being component of:
  - Operational risk (fraud, inadequate internal processes, failures of IT systems, security incidents, human errors etc);
  - Market risk;
  - Credit risk;
  - Liquidity risk.

Impact of reputational risk can affect the ability of the Bank to operate in accordance with the business plan, to establish new business relationships or continue existing partnerships with customers.

Managing reputational risk

The value system of UniCredit Bank is based on integrity as mechanism for conversion of profits into sustainable value, this implies a greater clarity to forward messages on relevant issues to employees, clients, financial community, regulators, nongovernmental organizations and general public. Thus, communication is a key factor in management of the reputational risk.

Bank's strategy, internal processes, important structural changes require special attention because of complex legal requirements, monitoring carried out by rating institutions and regulatory bodies and media interest.

Since each process/part of the banking activity may influence organization's reputation, the reputational risk management process will take into account:

- Each process / operations banking segment;
- Relationships with clients, especially in sensitive areas (confidentiality of information, respect for contracts, right to inform of clients, crisis management situations, the negative publicity, modalities to setlle / reduce clients' dissatisfaction etc)
- Relationship with shareholders, other counterparties, investors, employees or regulatory authorities ("stakeholders");
- General performance of the decisive instruments for the bank's image (top managers / high level management).

In crisis situation cases with impact in reputational risk occurrence, it is envisaged:

- Establishing communication strategy (defining transmitted and promoted key messages; defining channels for messages transmission)
- Sending messages through timely and brief press releases or other types of communication, updated – if case, when new elements/news appear (success of communication is assured by an adequate flow of information from the Management Board and the concerned business units towards the representatives of the Identity and Communication Department)
- Informing, whenever deemed necessary in crisis situations, by the competent departments in line with the specific internal regulations, of the call center staff members and from other structures with communication related responsibilities, regarding response models / structures which need to be submitted / provided in the respective situations. This information and response models are established and submitted in line with the provisions of the specific internal crisis regulations.Establishment of procedures and the competences for decisions making in case of crisis situations;
- Regularly updating web site or intranet of the Bank to ensure an adequate information flow.

Permanently, the Bank will try to limit the reputational risk by a transparent and efficient communication.

At UniCredit Group level, a set of regulations regarding reputational risk were implemented. The purpose of these regulations is to define a set of rules and principles for the identification, assessment and control of the reputational risk, assessment methodology in relation to reputational risk cases related to sensitive industries, in relation to the new product processes and in relation to relevant transactions, immediat information and escalation flows (where the case might be) including for the situation / event which might have a significant reputational impact („reputational risk material cases"), in order to be able to promptly react in managing potential consequences.

Considering the prevention pillar of reputational risk management framework, the reputational risk governance is completed by other reputational risk specific policies. In force at the bank's level, defining principles and rules to be considered and the process to be applied in the case of counterparties engaged in sensitive sectors / industries related to specific industries like: weapons/defence industry, nuclear energy industry, water infrastructure (dam) sector, mining industry, coal-fired power generation sector.

11. EXCESSIVE LEVERAGE RISK

Description of Excessive Leverage Risk

Risk of excessive leverage represents the risk resulting from the Bank's vulnerability due to leverage or contingent leverage that may require unintended corrective measures to its business plan, including distressed selling of assets which might result in losses or in valuation adjustments to its remaining assets.

The monitoring of risk of excessive leverage is realised based on specific instructions received from the Group and by taking into account the legal provisions in force.

Thus, the Leverage Ratio indicator, calculated according to instructions received from Group is included in the Risk Appetite Framework of the Bank. A system of limits comprising a Target level, a Trigger and a Limit is applied. Monitoring is done on a quarterly basis.

LrSum: Comparison between accounting assets and exposure for Leverage Effect calculation

The template LRSum presents the reconciliation between the total exposure considerated for the computation of the Leverage reporting and the accounting amounts of the assets.

Summary comparison of accounting assets vs leverage ratio exposure measure		2018	2017
1	Total consolidated assets as per published financial statements	48,337,034,271	43,511,668,229
2	Adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-	-
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-	-
4	Adjustments for derivative financial instruments	98,700,741	91,017,055
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	2,139,508	-
6	(Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013)	4,176,865,524	3,916,816,800
EU-6a	(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013)	-	-
EU-6b	Adjustments for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	-	-
7	Other adjustments	(243,456,087)	(200,699,559)
8	**Leverage ratio exposure measure**	**52,371,283,957**	**47,318,802,526**

LRCom: Leverage Ratio Common Disclosure

The template presents Leverage Ratio as at 31 December 2018 and the split of the main exposures according with CRR Art. 429 and 451.

		2018	2017
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	41,421,852,854	43,231,880,701
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(243,456,087)	(200,699,559)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of row 1 and 2)**	41,178,396,767	43,031,181,142
Derivative exposures			
4	Replacement cost associated with *all* derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	67,205,816	73,421,938
5	Add-on amounts for PFE associated with *all* derivatives transactions	98,700,741	91,017,055
EU-5a	Exposure determined under Original Exposure Method	-	-
6	Gross-up for derivatives collateral provide where deducted from the balance sheet assets pursuant to the operative accounting framework	-	-
7	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)	-	-
8	(Exempted CCP leg of client-cleared trade exposures)	-	-
9	Adjusted effective notional amount of written credit derivatives	-	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
11	**Total derivative exposures (sum of rows 4 to 10)**	165,906,557	164,438,993
Securities financing transactions			
12	Gross SFT *assets* (with no recognition of netting), after adjusting for sale accounting transactions	6,847,975,601	206,365,590
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
14	CCR exposure for SFT assets	2,139,508	-
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013	-	-
15	Agent transaction exposures	-	-
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	-	-
16	**Total securities financing transaction exposures (sum of rows 12 to 15)**	6,850,115,109	206,365,590
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	13,292,233,559	12,302,261,966
18	(Adjustments for conversion to credit equivalent amounts)	(9,115,368,035)	(8,385,445,166)
19	**Off-balance sheet items (sum of rows 17 and 18)**	4,176,865,524	3,916,816,800
EU-19a	**(Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))**	-	-
EU-19b	**(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))**	-	-
Capital and total exposures			
20	**Tier 1 capital**	4,171,575,004	3,349,527,289
21	**Total exposures (sum of rows 3, 11, 16 and 19)**	52,371,283,957	47,318,802,525
Leverage ratio			
22	**Basel III leverage ratio**	7.97%	7.08%
EU-23	**Choice on transitional arrangements for the definition of the capital measure**	Fully phased in	Fully phased in
EU-24	**Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO. 575/2013**	-	-

Basel III stipulates the computation, the reporting and the disclosure of the Leverage Ratio and presents a requirement based on risks.

CRR Art. 429 defines the Leverage Ratio as the result of dividing the capital measurement indicator into the institution 's total exposure measurement indicator. The indicator is expressed as a percentage between Tier 1 Own Funds and the total exposure calculated as the sum of the exposure value of all the assets and off-balance sheet items that have not been deducted from the Tier 1 Own Funds calculation.

LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

	Items	CRR leverage ratio exposures
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	41,421,852,854
EU-2	Trading book exposures	202,661,246
EU-3	Banking book exposures, of which:	41,219,191,608
EU-4	Covered bonds	-
EU-5	Exposures treated as sovereigns	9,078,742,590
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	-
EU-7	Institutions	2,647,474,648
EU-8	Secured by mortgages of immovable properties	4,680,504,493
EU-9	Retail exposures	6,482,300,202
EU-10	Corporate	15,184,843,344
EU-11	Exposures in default	510,877,285
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	2,634,449,046

12. LIQUIDITY RISK

12.1 Liquidity

The liquidity risk is defined as the risk that the Bank may not be able to fulfill its expected or unexpected financial obligations, without affecting its daily operations or its financial condition.

Among the main potential generators of liquidity risk, UniCredit Bank distinguishes between:

- Liquidity Mismatch Risk/Refinancing Risk: the risk of a mismatch between either the amounts and/or the timing of cash inflows and outflows;
- Liquidity Contingency Risk: the risk that future events may require a materially larger amount of liquidity than the bank currently requires. This might be due to the loss of liabilities, requirements to fund new assets, difficulty in selling liquid assets or difficulty obtaining needed new liabilities in the case of a liquidity crisis.
- Market liquidity risk: the risk that the institution cannot easily unwind or offset specific exposures, such as investments held as liquidity reserves, without incurring a loss because of inadequate market depth or market disruptions;

The Bank's **liquidity and funding strategy** is centered on the following strategic principles and goals set in coherence with the risk appetite:

Strategic Principles:

- Liquidity and funding management is based on clear and strict risk management principles set according to the Risk Appetite Framework (RAF).
- The definition of the desired liquidity profile is fully integrated within the Risk Appetite Framework, in order to drive the evolution of the lending activity consistently with the desired funding profile.
- The self-sufficiency funding strategy is based on a well-diversified funding base due to its commercial banking model, with priority given on the growth of local funding sources out of customer business with a variety of products (sight, savings, term deposits), as well as capital market transactions (e.g. medium- and long-term placements of own issues).
- The strict principle of self-sufficient funding ensures that the proceeds are used primarily for business development, enabling UCB and the Group to calculate funding costs according to own risk profile.
- All strategic goals must be in compliance with UniCredit Group Strategy and Regulatory requirements.

Strategic Goals

- optimization of the liquidity profile in line with liquidity limits in place and local regulatory framework, maximizing cost savings without sacrificing funding diversification
- self-sufficiency target fulfillment by achieving a sound commercial funding base and creating a foundation for full compliance with the relevant Risk Appetite Framework metrics

- achievement of main KPIs for each year in accordance with the Risk Appetite Framework, designed as quantitative targets defined in the yearly Funding Plan for, among others, the Liquidity Coverage Ratio and the Funding Gap
- achievement of the necessary resilience towards stress scenario through building sufficient stock of the Counter Balancing Capacity
- exploring the advantage of cheaper sources like Covered Bond or Supranational Funding and evaluating the relevant maturities of medium/long term issuances
- keeping the funding dependency on short term wholesale external funding to a reasonable level necessary for reciprocity
- efficient management of the trading/investment book financing (mitigating the use of intragroup funding) in compliance with intragroup rules for bond investments, as well as market risk and credit risk limits.

The main objective of the Funding Strategy is defined with the purpose of covering possible structural funding needs, whilst ensuring compliance on going concern and according to a forward looking perspective with limits and triggers of liquidity and balance sheet metrics, both regulatory and internal as defined in the Banks's liquidity risk framework/ Risk Appetite framework.

Key Principles:

Liquidity management is performed by UniCredit Bank in accordance with local binding laws and regulations and UniCredit Group Liquidity Management Framework. Clear and strict risk management principles are set according to the Bank's Risk Appetite Framework.

The main goal of Unicredit Bank's overall liquidity management is to keep the liquidity exposure at such a level that the Bank is able to honor its payment obligations on an on-going basis, but also during a crisis without jeopardizing its franchise value or its brand's name.

Roles and Responsibilities

A clear separation of duties and responsibilities is implemented in UniCredit Bank for an efficient and effective management of liquidity risk. Accordingly, the Bank keeps two governance layers:

- Managing Bodies acting as strategic decision-taking functions (as the Board of Directors, Supervisory Board, Assets and Liabilities Committee)
- Operational units acting as operative liquidity management functions, each being assigned different roles and responsibilities: Finance/ALM, Markets, Financial Risk.

In particular, ALM provides strategic planning, management and supervision of the Bank's overall liquidity position, whilst Markets ensures operational short-term liquidity management (up to 1 year). Market Risk has the responsibilities of independent controls and reporting of liquidity risk.

Risk Measurement and Reporting

Techniques for risk measurement

Liquidity risk, for its particular nature, is addressed by means of gap analyses, liquidity stress testing, and complementary measures (mainly through a set of indicators: e.g. loan to deposit ratio, liquidity coverage ratio).This tools allow the measurement of liquidity risk over different time horizons and by currencies.

Liquidity Framework

UniCredit Bank's liquidity framework encompasses: short term liquidity risk management (operational liquidity, up to 1Y) and structural liquidity risk management (liquidity position over 1y).

- **Intraday liquidity management**,

The focus of intraday liquidity management is on actively managing the Bank's intraday liquidity obligations by timely meeting payments and keeping a sustainable intraday liquidity buffer.

- **Short-term liquidity risk management (operational liquidity):**

Short term liquidity management and reporting focuses on the Bank's liquidity profile from 1 day up to one year.
The aim of short term liquidity management is to maintain a sustainable equilibrium between cash inflows and cash outflows for the purpose of ensuring the normal operational continuity of the UniCredit bank's commercial business. The main activities for attaining such purpose are:

- managing the access to the payment systems and of the cash payments (operational liquidity management)
- monitoring the level of the liquidity reserves and the extent of their utilization over time, with the objective of maintaining the liquidity reserves at appropriate levels in order to meet potential outflows.

As indicator of the short term liquidity risk, apart from the Liquidity Coverage Ratio, UniCredit Bank adopted the Operative Maturity Ladder (OML) by currency, whose main components are the net contractual cash flows (in/outflows) affecting the cash position of Bank, thus impacting directly the "core liquidity" of the bank over pre-defined time buckets, and the Counterbalacing capacity.

- **Medium and long-term liquidity risk management (structural risk):**

Structural liquidity management (over 1 year) aims at ensuring the financial stability of the balance sheet, with the objective of avoiding excessive and unexpected pressures on the funding requirements over the short term, whilst optimizing the funding sources and related costs. This is achieved maintenance of an adequate balance between the medium- long term and sticky assets and the respective stable sources of funding.
The main metric used to measure medium-long term liquidity risk is the Net Stable Funding Ratio, along with managerial structural liquidity ratios/gaps.

Liquidity Stress Testing

Stress testing is a risk management technique used to evaluate the potential effects on an institution's financial condition of a specific event and/or movement in a set of financial variables.

UniCredit Bank performs regular liquidity stress tests in order to diagnose the Bank's liquidity risk. The main scenarios of potential liquidity crisis identified are:

- Name Crisis - defined as a factual or market-hypothesized problem specific to the Bank, expected to cause a substantial reduction in counterparty limits by rating-sensitive costumers and inter-bank markets and possible withdrawal of Sight and Saving Deposits

- Market Downturn - defined as a generally negative development in the market's environment (e.g. broad sector, market or economic events) causing an increased stretch on available liquidity

- Combined - highlights the interconnections that stem from the happening of both economic turmoil and Bank's specific issues

In particular the results of the stress tests are useful for:

- assessing the adequacy of liquidity limits
- assessing the right size of the counterbalancing capacity/liquidity buffer to withstand a given scenario within a defined timeframe
- providing support to the development of the contingency plan.

Monitoring and Reporting

UniCredit Bank measures and manages liquidity based on monitoring system that envisages different types of restrictions – managerial and regulatory – embedded in risk metrics limits or warning/trigger levels.

In case of limit breach or warning level activation, Financial Risk function investigates the rationale of the events, triggering the proper escalation and reporting them to the relevant committees.

Regulatory reports refer to LCR (liquidity coverage ratio), NSFR (net stable funding ratio) and ALMM (additional liquidity monitoring metrics). In addition are the reports required by the national regulations.

The table below shows the detailed picture of the LCR as of 31 of December 2018 (values in RON mill):

		Standalone			Consolidated		
		Value	Coeff.	Adjusted Value	Value	Coeff.	Adjusted Value
C72							
Liquid Assets - HQLA							
Total	10	15,238	-	15,231	15,238	-	15,231
Level 1 assets	20	15,192	-	15,192	15,192	-	15,192
Cash	40	1,516	1	1,516	1,516	1	1,516
Withdrawable central bank reserves	50	20	1	20	20	1	20
Central government assets	70	13,656	1	13,656	13,656	1	13,656
Level 2 assets	220	47	-	40	47	-	40
Regional government / local authorities or Public Sector Entity assets	240	47	0.85	40	47	0.85	40
C73							
Outflows							
Total	10	37,626	-	10,272	37,587		10,001
Outflows from unsecured transactions / Deposits							
Retail deposits	30	11,328	-	1,166	11,328	-	1,166
Higher outflows	50	3,873	-	661	3,873	-	661
category 1	60	2,268	0.15	340	2,268	0.15	340
category 2	70	1,606	0.2	321	1,606	0.2	321
stable deposits	80	4,810	0.05	240	4,81	0.05	240
other retail deposits	110	2,645	0.1	264	2,645	0.1	264
Operational deposits	120	-	-	-	-	-	-
Non-operational deposits	210	17,899	-	8,489	17,599	-	8,190
deposits by financial customers	230	2,569	1	2,569	2,270	1	2,270
deposits by other customers	240	15,329	-	5,919	15,329	-	5,919
covered by DGS	250	1,061	0.2	212	1,061	0.2	212
not covered by DGS	260	14,268	0.4	5,707	14,268	0.4	5,707
Additional outflows	270	17	-	17	17	-	17
outflows from derivatives	340	17	1	17	17	1	17
Committed facilities	460	1,787	-	141	2,085	-	171

		Standalone			Consolidated		
		Value	Coeff.	Adjusted Value	Value	Coeff.	Adjusted Value
C72							
credit facilities	470	1,787	-	141	2,085	-	171
to retail customers	480	774	0.05	39	774	0.05	39
to non-financial customers other than retail customers	490	1,011	0.1	101	1,309	0.1	131
to credit institutions	500	-	-	-	-	-	-
to regulated institutions other than credit institutions	540	2	0.4	1	2	0.4	1
Other products and services	720	6,267	-	191	6,220	-	190
undrawn loans and advances to wholesale counterparties	740	6,117	0.03	184	6,070	0.03	182
Other liabilities	880	318	-	267	327	-	267
liabilities resulting from operating expenses	890	51	-	-	60	-	-
in the form of debt securities if not treated as retail deposits	900	-	1	-	-	1	-
others	910	267	1	267	267	1	267
Outflows From Secured Lending And Capital Market-Driven Transactions		-	-	-	-	-	-
Counterparty is central bank	930	-	-	-	-	-	-
Counterparty is non-central bank	1020	10	-	-	10	-	-
C74							
Inflows							
Total	10	15,929	-	395	16,193	-	528
Inflows from unsecured transactions/deposits		-	-	-	-	-	-
monies due from non-financial customers	30	172	-	86	435	-	217
monies due from financial customers	100	201	-	201	203	-	203
monies due from assets with an undefined contractual end date	200	8,599	-	-	8,599	-	-
inflows from derivatives	240	6	1	6	6	1	6
other inflows	260	102	1	102	102	1	102
Inflows from secured lending and capital market-driven transactions							
collateral that qualifies as a liquid asset	280	6,848	-	-	6,848	-	-
collateral that does not qualify as a liquid asset	370	-	-	-	-	-	-
Liquidity Coverage Ratio				**154%**			**161%**

The high quality liquid assets reserve consists of coins and banknotes, withdraw able reserves held at the National Bank and securities issued by the Romanian government and local public authorities. In addition, the high quality assets also include securities received as collateral in reverse repo transactions.

Liquidity outflows are influenced mostly by the evolution of non-operational deposits of corporate and sovereign customers, which is also the main source of funding for the bank.

Liquidity inflows are composed mainly of maturing deposits held at financial institutions and of instalments from client loans. Unicredit Bank has a prudent approach regarding assets with an undefined contractual end date, applying a haircut of 0% to these amounts.

In 2018, the significant currencies for LCR reporting were RON and EUR. From a currency mismatch point of view, during last year there were some significant amounts in EUR reverse repo transactions, while the main funding sources are made up of deposits denominated mostly in the national currency from the retail and corporate customers, as well as deposits and credit facilities in EUR received from group entities and supranational institutions. The mentioned reverse repo transactions had short maturities, under 30 days, and were collateralised by high quality level 1 government bonds.

The following table presents, on a consolidated level, the LCR average in RON equiv. for the second semester of 2018. The number of observations for determining the average is 7, with figures coming from monthly reports from December 2018 and the previous months.

LIQ1: Liquidity Coverage Ratio (LCR – consolidated)

		Total unweighted value (average)	Total weighted value (average)
High-quality liquid assets			
1	Total HQLA		11,059,628,139
Cash outflows			
2	**Retail deposits and deposits from small business customers, of which:**	11,093,142,403	1,154,941,052
3	Stable deposits	4,502,967,887	225,148,394
4	Less stable deposits	6,590,174,516	929,792,658
5	**Unsecured wholesale funding, of which:**	17,323,778,141	7,986,969,306
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-
7	Non-operational deposits (all counterparties)	17,322,549,204	7,985,740,369
8	Unsecured debt	1,228,937	1,228,937
9	**Secured wholesale funding**		-
10	**Additional requirements, of which:**	1,967,596,910	165,019,238
11	Outflows related to derivative exposures and other collateral requirements	6,125,537	6,125,537
12	Outflows related to loss of funding of debt products		
13	Credit and liquidity facilities	1,961,471,373	158,893,701
14	**Other contractual funding obligations**	488,500,229	429,870,389
15	**Other contingent funding obligations**	5,621,624,370	166,527,067
16	**TOTAL CASH OUTFLOWS**		9,903,327,052
Cash inflows			
17	**Secured lending (eg reverse repo)**	5,100,655,770	2,043,278,136
18	**Inflows from fully performing exposures**	733,180,633	529,563,605
19	**Other cash inflows**	8,688,430,350	49,136,109
20	**TOTAL CASH INFLOWS**	14,522,266,754	2,621,977,849
			Total adjusted value
21	**Total HQLA**		11,059,628,139
22	**Total net cash outflows**		7,281,349,202
23	**Liquidity coverage ratio (%)**		**151.89%**

The evolution of the LCR indicator in 2018 on standalone level is presented in the table below:

Liquidity Coverage Ratio UCB - standalone (echiv. RON)				
Date	**Liquid assets**	**Outflows**	**Inflows**	**Ratio**
Dec-17	10,624,227,780	7,629,505,268	636,727,272	151.93%
Jan-18	10,643,383,144	6,947,174,106	811,738,237	173.47%
Feb-18	10,642,324,050	7,974,666,683	1,198,780,714	157.06%
Mar-18	10,121,159,067	8,378,099,800	2,399,108,111	169.28%
Apr-18	8,551,921,675	7,363,946,095	4,048,955,691	257.98%
May-18	7,556,326,543	10,467,025,603	6,381,945,855	184.97%
Jun-18	6,677,119,214	10,070,469,886	5,248,279,586	138.47%
Jul-18	8,095,598,045	9,437,922,044	4,325,857,426	158.36%

Liquidity Coverage Ratio UCB - standalone (echiv. RON)				
Date	**Liquid assets**	**Outflows**	**Inflows**	**Ratio**
Aug-18	7,761,062,332	9,428,080,631	5,573,734,932	201.36%
Sep-18	12,925,667,579	10,004,798,534	488,858,505	135.83%
Oct-18	13,086,092,479	9,469,646,011	404,043,163	144.35%
Nov-18	13,640,300,349	10,179,173,471	1,092,826,254	150.12%
Dec-18	15,231,448,698	10,271,614,668	395,344,688	154.22%

In 2018, the LCR level was compliant with the regulatory requirements of a minimum of 100%, as well as exceeding the internally targeted level by the bank which is above the regulated level. Furthermore, Unicredit Bank monitors the evolution of the indicator on a daily basis.

Regarding the evolution of liquid assets, there was a greater volatility of the reserves held at the National Bank compared to the previous year, during the Minimum Requirement Reserve maintenance period. The bank recorded an increase in the portfolio of government issued securities with a very high liquidity quality level, and a slight increase in coins and banknotes, especially towards the end of the year.

Variations in the high quality assets reserve as shown in the LCR is explained mainly due to the alignment in the treatment of reverse repo transactions to the group policy.

UniCredit Bank aimed to improve the liquidity coverage ratio by increasing the residual maturity of funding resources and through obtaining funding with low outflow rates. For achieving this goal, campaigns were launched to attract retail deposits with maturity over 6 months.

The next table presents the NSFR summary as of December 2018. The amounts are in RON equivalent.

LIQ2: Net stable funding ratio (NSFR)

		Unweighted value by residual maturity				Weighted value
		No maturity	<6 months	6 months to <1 year	≥1 year	
Available stable funding (ASF) item						
1	Capital:	-	-	-	4,957,442,154	4,957,442,154
2	*Regulatory capital*	-	-	-	4,957,442,154	4,957,442,154
3	*Other capital instruments*	-	-	-	-	-
4	Retail deposits and deposits from small business customers:	-	11,328,083,251	-	-	10,435,774,386
5	*Stable deposits*	-	4,809,989,213	-	-	4,569,489,752
6	*Less stable deposits*	-	6,518,094,038	-	-	5,866,284,634
7	Wholesale funding:	-	20,710,817,313	2,255,253,090	7,100,364,526	18,583,399,728
8	*Operational deposits*	-	-	-	-	-
9	*Other wholesale funding*	-	20,710,817,313	2,255,253,090	7,100,364,526	18,583,399,728
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	-	16,792,083	3,865,433	1,381,812,218	1,312,610,684
12	*NSFR derivative liabilities*		16,792,083	3,865,433	69,201,534	
13	*All other liabilities and equity not included in the above categories*	-	-	-	1,312,610,684	1,312,610,684
14	**Total ASF**					**35,289,226,952**

		Unweighted value by residual maturity				Weighted value
		No maturity	<6 months	6 months to <1 year	≥1 year	
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)					986,706,928
16	Deposits held at other financial institutions for operational purposes	-	7,879,941,031	437,921,946	1,256,999,015	2,657,951,142
17	Performing loans and securities:		11,210,361,761	1,912,435,802	14,435,730,810	16,972,695,453
18	*Performing loans to financial institutions secured by Level 1 HQLA*	-	-	-	-	-
19	*Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions*	-	-	-	-	-
20	*Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:*	-	-	-	-	-
21	*With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk*	-	-	-	-	-
22	*Performing residential mortgages, of which:*	-	-	-	-	-
23	*With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk*	-	-	-	-	-
24	*Securities that are not in default and do not qualify as HQLA, including exchange-traded equities*	-	-	-	-	-
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other liabilities:	-	1,750,514,366	107,644,478	1,065,681,034	2,900,139,862
27	*Physical traded commodities, including gold*	-				-
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		-	-	-	-
29	*NSFR derivative assets*		17,222,371	6,030,758	446,888	-
30	*NSFR derivative liabilities before deduction of variation margin posted*		-	-	-	-
31	*All other assets not included in the above categories*	-	1,733,291,995	101,613,720	1,065,234,146	2,900,139,862
32	Off-balance sheet items		2,235,164,873	0	0	111,758,244
33	***Total RSF***					**23,629,251,629**
34	***Net Stable Funding Ratio (%)***					**149.35%**

During 2018 UniCredit Bank maintained an adequate level of the NSFR, with an average for the last trimesters of 145%, stable funding covering the duration of long term assets.

The items requiring stable funding consisted of investments in securities, loans and credit lines, while stable funding was provided by items such as capital instruments, retail and corporate deposits, intragroup financing and facilities from supranational entities.

Risk Mitigation

The main liquidity mitigation factors for UniCredit Bank are:

- planning and monitoring of the short-term and medium to long-term liquidity needs;
- an effective Contingency Liquidity Policy (CLP), including a Contingency Action Plan to be executed in case of market crisis
- a liquidity buffer to face unexpected outflows;
- liquidity stress testing performed on a regular basis.
- a system of early warning indicators to anticipate increased risk or vulnerabilities in the liquidity position or potential funding needs.

Funding Plan

The Funding Plan plays a fundamental role in overall liquidity management, influencing both the short term and long term liquidity position. It includes the set of the medium long term instruments (with relevant amount, maturity, timing, cost) to be realized in order to cover the expected funding deriving from the planned evolution of the liquidity uses and, avoiding pressure on the short term and ensuring compliance with regulatory and managerial limits.

The Funding Plan is updated at least on a yearly basis and is aligned with the Financial Planning (Budgeting) process and the Risk Appetite Framework.

Contingency Liquidity Management

Contingency Liqudity Management has the objective of ensuring the availability of an effective organizational model in order to manage effectively the negative effects of a liquidity crisis situation, which is achieved through:

- setup of an extraordinary liquidity crisis governance model, linked to a set of early warning indicators, that can be activated in case of a crisis

- pre-definition of a set of available standby mitigating liquidity actions in order to be able to proceed timely

- consistent internal and external communication crisis.

A relevant part of the contingency liquidity management is the **Contingency Funding Plan**, which describes potential, but concrete actions the Bank can take in order to obtain additional funding in contingency situations and is complementary to the yearly Funding Plan. The measures foreseen are described in terms of a menu of actions together with sizes, instruments, and timing of execution aimed at improving the Bank's liquidity position during times of name or systemic crisis.

Early warning indicators

In order to identify emerging vulnerabilities in its liquidity risk position or potential funding needs, UniCredit Bank employs a set of early warning indicators linked to macroeconomic or market indicators and specific internal metrics. A specific activation mechanism is adopted in order to have sufficient time to inform senior management of a deteriorating situation and allow putting in place adequate actions aimed at restoring the business-as-usual state.

Concentration of funding and liquidity sources

In 2018 the customer deposits were on average 81% of the total debt (on standalone level). Of the total resources from non-banking customers, 38% were deposits from retail customers, 47% from corporate customers, the difference being deposits from sovereign customers and other financial customers excluding banks.

With regard to counterparties, the main fund providers of the bank are other entities from UniCredit Group, totaling approximately 11% of the total debt, consisting of medium and long term deposits and subordinated loans.

2018 marked the maturity of the own issue of corporate bonds, UCT18 (ISIN: ROUCTBDBC014), with a notional value of RON 550 mill.

12.2 Funding (Asset Encumbrance)

In accordance with the EU Regulation no.575/2013 as stipulated in the article 433 and EBA Guideline on disclosure of asset encumbrance (EBA/GL/2014/03), the Romanian UniCredit Group's encumbered and unencumbered assets, at consolidated level, for the year 2018 are disclosed using the EBA templates as stipulated in the above mentioned regulation.

Fair value of encumbered assets for the year ended 2018 (as presented in the Consolidated Financial Statement 31 December 2018) was RON 688.793.829.

The amounts in the templates bellow are median values on quarterly basis for the year 2018.

Template A - Assets

Assets of the credit institution, split by type of assets stood at RON billion 46.60 *(as at 31.12.2017: RON billion* 38.94*).*

In the bellow template HQLA represents high-quality liquid assets and EHQLA extremely high-quality liquid assets.

		Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
			of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
		010	030	040	050	060	080	090	100
010	**Assets of the reporting institution**	**703,762,330**	**703,762,330**			**45,901,449,805**	**5,851,056,576**		
030	Equity instruments					34,407,353			
040	Debt securities	703,762,330	703,762,330	703,762,330	703,762,330	5,892,193,342	5,851,056,576	5,892,193,342	5,851,056,576
050	of which: covered bonds								
060	of which: asset-backed securities								
070	of which: issued by general governments	703,762,330	703,762,330	703,762,330	703,762,330	5,892,193,342	5,851,056,576	5,892,193,342	5,851,056,576
080	of which: issued by financial corporations								
090	of which: issued by non-financial corporations								
120	Other assets			-	-	40,023,409,765		-	-

Template B – Guarantees received

During the year 2018, collateral received by the Romanian UniCredit Group amounted to RON 72,896,772,512 RON and were not available for encumbrance.

Template C - Encumbered assets/collateral received and associated liabilities

- RON -

	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received or own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected liabilities	-	703,762,330

Template D – Narrative information

During 2018, the encumbered assets of the Romanian UniCredit Group were approximate 1.51% of the total assets.

The Romanian UniCredit Group encumbered assets' portfolio and the sources of encumbrance includes:

- Government bonds placed as collateral in the clearing systems;
- Government bonds used by the Bank and its subsidiary UniCredit Leasing as guarantees for financing from the European Investment Bank.
- Government bonds used as collateral for repo transactions with Central Bank

Versus 2017, no significant changes were registered in the value of the encumbered assets.

Bank's liabilities from the financing contract with the European Investment Bank should be covered at any time with eligible assets in the clearing system managed by Clearstream Banking SA Luxembourg. The collateral expressed as net market value of the accrued interest must be at least 103% applied to the maximum between the present value of the financing and the carrying amount of the financing.

12.3 Liquidity Buffer and Funding strategy

Liquidity Buffer

In order to avoid that short-term liquidity crunch or other unexpected events that might lead to potentially serious consequences, the Bank constantly maintains a liquidity reserve. This is a cushion represented by an ample amount of cash and other highly liquid assets to be promptly converted in cash (either through sale or collateralized funding) in case of ordinary or unexpected needs of liquidity, in accordance with regulatory and internal liquidity rules.

Stress testing (regulatory or internal stress scenarios) ensures that there is adequate liquidity both during normal economic cycles, as well as periods of sustained stress and that appropriate excess liquidity buffer is in place.

The major category in the Bank's liquidity buffer is represented by high quality bonds issued by the Government of Romania, eligible at Central Bank.

Liquidity and Funding strategy

UniCredit Bank reviews annualy its liquidity and funding strategy by considering the desired business model, the actual and expected macroeconomic/financial conditions and the funding capacity of the Bank, as well as the overall risk tolerance as reflected by the Risk Appetite Framework. The strategy is implemented in all management stages of liquidity and financing, from financial planning and monitoring to implementation and execution of the process.

The strategic principle of "self-sufficiency" governs the liquidity and funding strategy of the Bank, which targets to achieve a well-diversified funding base, with priority given on the growth of local funding sources out of customer business with a variety of products (sight, savings, term deposits), as well as medium- and long-term placements of own issues.

In accordance with this principle, the main strategic goals the liquidity and funding strategy encompasses are:

- optimization of the liquidity profile in line with liquidity limits in place and local regulatory framework;
- self-sufficiency target fulfillment by achieving a sound commercial funding base and creating a foundation for full compliance with the relevant Risk Appetite Framework metrics;
- achievement of main KPIs for each year in accordance with the Risk Appetite Framework, designed as quantitative targets defined in the yearly Funding Plan for, among others, the Liquidity Coverage Ratio and the Core Banking Book Funding Gap;
- achievement of the necessary resilience towards stress scenario through building sufficient stock of the Counter Balancing Capacity, as targeted in the yearly Funding Plan;
- exploring the advantage of cheaper sources like Covered Bond or Supranational Funding and evaluating the relevant maturities of medium/long term issuances;
- keeping the funding dependency on short term wholesale external funding to a reasonable level necessary for reciprocity.

The main tool through which the Bank implements its liquidity and funding strategy is the Funding Plan. Finance is responsible for the execution of the Funding Plan, accessing the markets for medium and long term funding, in order to increase Bank's self-sufficiency, exploit market opportunities and optimize the cost of funds.

13.Equity exposures

13.1 Description of the bank's participations and description of the method of booking

UniCredit Bank SA has no equity positions in the trading book as of 31 December 2018.

The Bank's strategy is focused on investments in companies which represent for UniCredit Group a long term development potential and with which mutual beneficial partnerships can be concluded, whereby the synergies of the partners can create value added for their shareholders.

The main participations as of 31 December 2018 are:

Participation	Business activity	Participation (%)
UniCredit Leasing Corporation IFN SA	Leasing	99,98%
UniCredit Consumer Financing IFN SA	Financial services	50,10%
Transfond SA	Financial services	8,04%
Biroul de Credit SA	Financial services	6,80%
Fondul Roman de Garantare a Creditelor pentru Intreprinzatorii Privati IFN SA	Financial services	3,10%
Casa de Compensare Bucuresti SA	Financial services	0,91%

The total net book value of the participations as of 31 December 2018 is RON 148,968,206 out of which RON 143,115,683 represent investment in subsidiaries.

13.2 Scenarios used to measure and manage interest rate risk, quantification of the impact on the banking book of an interest rate shock

Indicators to measure this risk are included in the risk profile.

Please see Market Risk chapter – the +/- 200 bp shock is run on the positions of the banking book separately and reported quarterly to the National Bank of Romania.

14. OTHER RISKS

14.1 Real Estate Risk

Real Estate Investment Risk is defined as the potential losses resulting from market value fluctuations of the Bank's own real estate portfolios. This includes the portfolio of UC B, of the property ownership companies and its special purpose companies and shareholding companies. The real estate risk does consider the real estate property for loan collaterals.

The strategy for the management of real estate risk is performed by applying the following basic principles:

- The management of real estate risk is performed though indicators and specific risk models like: total real estate vs total assets, detailed figures within specific reports;
- Specific events will be considered within the stress scenarios.

14.2 Business Risk

Business Risk is defined as representing the adverse, unexpected changes in business volume and/or margins. It can lead to serious losses in earnings, thereby diminishing the market value of a company.

Business risk can result above all from: serious deterioration of the market environment, changes in the competitive situation or customer behavior, as well as changes in the expense structure.

The Bank has implemented internal regulations and specific mechanisms in order to manage the Business Risk, and the capital requirements for this risk are included in the economic capital of the Bank.

14.3 Strategic Risk

The strategic risk is analyzed from the following perspectives:

- Risk of business changes;
- Risk of vicious implementation of the decisions;
- Risk of lack of reactivity;
- Regulatory risk.

The Bank implemented internal regulations and specific mechanisms in order to manage Strategic Risk.

15. REMUNERATION POLICY

15.1 Description of Remuneration Policy

The Bank's remuneration policies are represented by the Human Resources Policy, Compensation Policy and the Rules on Remuneration – Compensation and Benefits.

The Bank's remuneration policies are approved by the Supervisory Board, upon the recommendation of the Remuneration Committee and are accessible to all employees. The Remuneration Committee has a consultative role and is responsible for preparing the decisions on remuneration topics that need to be taken by the management body.

The Remuneration Committee of the Bank was set up by the Supervisory Board and is composed of 3 members chosen from amongst the members of the Supervisory Board. The Chairman of the Remuneration Committee is appointed by the Supervisory Board.

In 2018, the Remuneration Committee had the following composition:

- Corneliu - Dan Pascariu – Chairman
- Heinz Meidlinger – Member
- Luca Pierluigi Rubaga - Member

In the 2018, the Remuneration Committee was convened in seven (7) ordinary and extraordinary sessions.

In accordance with the provisions of NBR Regulation no. 5 / 2013, the remuneration practices for the members of the management body and identified staff are presented in a separate policy – i.e. Policy regarding the structure, composition, assessment of suitability and remuneration of management body and assessment of suitability for key function holders.

UniCredit ensures the alignment between remuneration and risk profile through policies that support risk management, through rigorous governance processes based on informed decisions taken by corporate bodies and by defining compensation plans that include the strategic risk appetite defined by the Risk Appetite Framework, the time horizon and the individual behaviors.

UniCredit uses a compensation mix formed of fixed and variable remuneration.

The performance assessment process is subject to separate regulation setting out the steps of this process, the evaluation criteria and provides for a standardized framework for ongoing assessments.

According to the Rules on Remuneration – Compensation and Benefits:

The performance bonus is approved by the management Board considering the following criteria:

- The financial performance of UniCredit Group;
- The overall outcome of the whole group activity and of the bank considered;
- The performance of the group / department the employee belongs to;
- The sustainable individual performance of the employee;

Variable remuneration can be adjusted and even reduced to zero (*malus* clause) if the Group and Bank benchmark performance criteria are not met. Performance remuneration takes into account both individual and collective performance, setting both individual and collective goals.

General rules for goal setting:

- Part of the goals should contribute to the sustainability of results;
- Business performance criteria is risk adjusted;
- Individual criteria for performance assessment include competency assessment, respecting the values of the Group and the goals set;
- There is at least one indicator pertaining to Risk;
- There is a balance between financial and non-financial goals.

Economic goals must be avoided for Company Control Functions – Internal Audit, Risk Management and Compliance – and individual goals set for employees in these functions shall reflect primarily the performance of their own function and be independent of results of monitored areas.

At individual level, evaluation criteria include qualitative and quantitative elements. Among the qualitative ones, there are included qualifications obtained by employee, compliance with systems and regulatory framework represented by the Bank's internal procedures, involvement in actions or significant projects and contribution to team's performance.

In addition to the above criteria, there are also used prudential criteria for risk adjustment, such as cost of capital and the income obtained after provisioning.

Remuneration package of persons with key management functions includes both fixed and variable elements, in order to achieve a balance and a motivation and retention tool:

- Fixed remuneration component compensates the role of the person and reflects the experience and skills needed for the respective position, as well as the demonstrated excellence level and overall contribution to the objectives of the organization.
- Variable remuneration component is designed to reward results and is correlated with both short-term goals and the long-term goals. Performance measurements consider both the overall performance of the Group and of the Bank, of the Business Area / Competence Line in which the person operates, as well as the individual sustainable results.

In accordance with NBR Regulation 5 / 2013 the variable remuneration offered to an employee will not be higher than 100% of the fixed total remuneration of each employee.

Remuneration policy and structure of compensation packages for persons with executive responsibilities are subject to annual approval of the Supervisory Board, based on the consultative opinion issued by the Remuneration Committee.

Supervisory Board ensures that remuneration policies are compliant to the culture, goals and long-term strategy of the bank and to its control environment, through the following actions:

- Approves remuneration policies;
- Approves, after consultation with the Remuneration Committee constituted for this purpose, the remuneration practice for the Board members;
- Approves the remuneration practices for the coordinators of the risk functions, for the directors of Internal Audit and Compliance departments.

For the Management Board members, the performance measurement used to calculate the variable remuneration component includes an adjustment for all current and potential risk types and also considers the cost of capital and required liquidity.

For Management Board members, at least 50% of variable remuneration consists in non-cash instruments and at least 40% of variable remuneration is deferred for a period of at least 3-5 years.

The Bank applies a performance adjustment practice, which enables the adjustment of the part (up to 100%) from an employee's bonus (Clawback clause) if:

- there is reasonable evidence that the employee participated in or was responsible for conduct which resulted in significant losses to the credit institution;
- there is reasonable evidence that the employee failed to meet appropriate standards of fitness and propriety;
- the Bank or the relevant operational unit suffers a material downturn in its financial performance; or
- the Bank or the relevant operational unit suffers a material failure of risk management.

The remuneration policies and practices of the Group are also implemented at level of the directly controlled entities.

The bank did not have any employee who benefited from a total remuneration of at least 1 million euro / financial year.

Information about the remuneration for the management body and Identified Staff for 2017 are presented in Annex bellow. The variable remuneration for 2017 was paid in April 2018.

The information related to the variable remuneration for 2018 will be available after the payment of the bonuses, estimated to be done in April 2019.

Information about the remuneration for the Bank's staff

	Members of the management body in its Supervisory function	Members of the management Board	Investment banking	Retail banking	Asset management	Support functions	Independent control functions	All others
Number of members of personnel	-	7	-	-	-	-	-	-
Number of Identified Staff, in full time equivalent	-	-	35	2,028	8	664	223	-
Total NET proft - euro	69,805,742							
Total Remuneration - euro	-	2,249,132	1,782,303	32,026,602	249,686	12,629,839	6,011,469	-
Of which total Variable Remuneration - euro	-	878,500	338,618	1,976,632	16,075	618,783	478,730	-

Information related to remuneration of Identified Staff - EUR

	Members of the management body in its Supervisory function	Members of the management Board	Investment banking	Retail banking	Asset management	Support functions	Independent control functions	All others
Number of Identified Staff, in full time equivalent	-	7	2	10	-	6	8	-
Total fixed remuneration (euro), of which:	-	1,424,547	184,132	894,004	-	389,978	654,809	-
- cash	-	1,424,547	184,132	894,004	-	389,978	654,809	-
- shares and other share-linked instruments	-	-	-	-	-	-	-	-
- other type of instruments	-	-	-	-	-	-	-	-
Total variable remuneration (euro), of which:	-	878,500	61,807	193,716	-	56,613	84,196	-
- cash	-	439,250	24,723	87,484	-	25,650	58,121	-
- shares and other share-linked instruments	-	439,250	37,084	106,232	-	30,963	26,075	-
- other type of instruments	-	-	-	-	-	-	-	-
Total variable remuneration (euro) awarded in year N and postponed, of which:	-	663,950	37,084	126,227	-	36,972	26,075	-
- cash	-	224,700	-	19,995	-	6,009	-	-
- shares and other share-linked instruments	-	439,250	37,084	106,232	-	30,963	26,075	-
Total variable remuneration (euro) postponed, due and unpaid, awarding in previous years - art.450 (1) h) from EU Reg.no.575/2013	-	849,393	-	37,655	-	-	-	-

See also Consolidated Financial Statements for December 2018 - Note 12 “PERSONNEL EXPENSES”

15.2 Description of the UniCredit Bank composition in Romania

The management of the entities in the UniCredit Group is governed by a two-tier system, by the Management Board and respectively by the Supervisory Board, in accordance with the prerogatives provided by the Constitutive Deed and within the authority levels given by the General Assembly of Shareholders. The members of the Management Board exercise their responsibilities under the oversight of the Supervisory Board.

UniCredit Bank

Number of mandates held by members of management structure of UniCredit Bank S.A.:

Members of the Management Board on 31 December 2018:

- Catalin Rasvan Radu held 1 executive mandate (Executive President of UniCredit Bank S.A.) and 2 non-executive mandates within the UniCredit Group (counted as 1 mandate as per Emergency Ordinance no 99/2006), 1 non-executive mandate outside the UniCredit Group and 1 mandate within a non-profit organization (countless according to GEO No. 99/2006);
- Marco Cravario held 1 executive mandate (First Executive Vice President of UniCredit Bank S.A.) and 2 non-executive mandates within the UniCredit Group (counted as 1 mandate as per Emergency Ordinance 99/2006) and 1 non-executive mandate outside the UniCredit Group;
- Daniela - Margareta Bodîrcă held 1 executive mandate (Executive Vice President of UniCredit Bank S.A.) and 2 non-executive mandates within the UniCredit Group (counted as 1 mandate according to the Emergency Ordinance no 99/2006);
- Marinela - Alina Drăgan held 1 executive mandate (Executive Vice President of UniCredit Bank S.A.) until 01.05.2018;
- Jakub Dusilek held 1 executive mandate (Executive Vice President of UniCredit Bank S.A.) and 1 non-executive mandate within the UniCredit Group (counted as 1 mandate under the Emergency Ordinance no 99/2006);
- Philipp Gamauf held 1 executive mandate (Executive Vice President of UniCredit Bank S.A.) and 1 non-executive mandate within the UniCredit Group (counted as 1 mandate under the Emergency Ordinance no 99/2006);
- Septimiu Postelnicu held 1 executive mandate (Executive Vice President of UniCredit Bank S.A.) starting with 13.07.2018 and 1 non-executive mandate within the UniCredit Group (counted as 1 mandate under the Emergency Ordinance no 99/2006);
- Nicola Longo Dente held 1 executive mandate (Executive Vice President of UniCredit Bank S.A.) starting with 03.12.2018.

Members of the Supervisory Board on 31 December 2018:

- Corneliu - Dan Pascariu held 4 non-executive mandates (one as Chairman of the Supervisory Board of UniCredit Bank S.A. and 3 mandates outside the UniCredit Group);
- Heinz Meidlinger held 4 non-executive mandates (one as Vice-Chairman of the Supervisory Board of UniCredit Bank S.A., 2 mandates within the UniCredit Group, counted as 1 mandate under Emergency Ordinance no 99/2006) and 1 mandate outside the UniCredit Group;
- Stefano Porro held 1 non-executive mandate (member of the Supervisory Board of UniCredit Bank S.A.) and 1 mandate within the UniCredit Group (countless according to GEO No. 99/2006);
- Jutta Liebenwein Schoffmann held 1 non-executive mandate (member of the Supervisory Board of UniCredit Bank S.A.);
- Luca Pierluigi Rubaga held 3 non-executive mandates (one as member of the Supervisory Board of UniCredit Bank S.A., 2 mandates within the UniCredit Group, counted as 1 mandate under Emergency Ordinance no 99/2006);
- Nazan Somer Ozelgyn Zeynep held 4 non-executive mandates, 2 non-executive within the UniCredit Group (one as a member of the Supervisory Board of UniCredit Bank S.A counted as 1 mandate under Emergency Ordinance no 99/2006) and 2 non-executive mandates outside the UniCredit Group.

Policy regarding the selection and appointment of board members

The Nomination Committee (CN) is a permanent committee established by the Supervisory Board of UniCredit Bank. It is responsible, among others, to identify and recommend to the Supervisory/Management Board, for approval, candidates to occupy the vacant seats within the management body and to assess the balance of knowledge, skills, diversity and experience within the management body.

Once the Nomination Committee has identified a candidate for Supervisory/Management Board position, it assesses the respective candidate according to a "Fit & Proper" internal procedure (Rules for the selection and assessment of Management Board and Supervisory Board members and for assessing the suitability of key function holders) based on at least the following documents: Curriculum Vitae, information about job-specific expertise, personal reliability and good repute, extract from criminal records, and governance criteria: information about availability (time resources), information about relations to the credit institution and about relation with other entities.

A revaluation is done once a year for every member of the Management Body (Management Board and Supervisory Board).

At the end of 2018 the Nomination Committee had 3 members.

The Policy regarding Diversity in the Selection of People in the Management Structures

As of the year end of 2018, there were 3 women in the management of UniCredit Bank (1 out of 7 members of Management Board and 2 out of 6 members of Supervisory Board).

The Group Policy on the structure, composition and remuneration of the Corporate Bodies of Group Companies states that, for the purpose of increasing the number of women on the Corporate Bodies of leading Group Companies and with the aim of reaching at least one third of the members of the Management Board (Supervisory Board and Management Board), the Parent Company has adopted the promotion of women to Corporate Bodies as best practice within the Group.

16. OTHER DISCLOSURE REQUIREMENTS

Disclosure requirements according to article 644 of National Bank of Romania Regulation no.5 / 2013 regarding prudential requirements for credit institutions.

Information related to name, nature of activities by geographical area, turnover, number of employees, profit of the year before taxation, profit tax, are available in Separate/Consolidated Financial Statements for year ended 2018, as follows:

- name, nature of activities by geographical area – NOTE 1 REPORTING ENTITY from Notes to the Financial Statements for the year ended December 2018;
- turnover – chapter 4. RISK MANAGEMENT – item k) Capital Management - from Notes to the Financial Statements for the year ended December 2018;
- number of employees – Note 12 PERSONNEL EXPENSES from Notes to the Financial Statements for the year ended December 2018;
- profit or loss before taxation – CONSOLIDATED AND SEPARATE STATEMENT OF COMPREHENSIVE INCOME;
- public subsidies received - the Bank hasn't received subsidies during the financial year 2018.

Disclosure requirements according to article 645 of National Bank of Romania Regulation no.5/2013 regarding prudential requirements for credit institutions.

Unicredit Bank registered a good profitability with annualized ROA (return of assets) at 1.4% better than previous year.

Disclosure requirements according to article 67 of National Bank of Romania Regulation no.5/2013 regarding prudential requirements for credit institutions.

Bank's Committees are presented in the Management Board's Report for the financial period ended 31 December 2018 on chapter 9 CORPORATE GOVERNANCE.

Disclosure requirements according to article 16 of National Bank of Romania Regulation no.5/2013 regarding prudential requirements for credit institutions.

During 2018, the Supervisory Board's activity was carried out through 12 meetings. The attendance of the Supervisory Board Members at the meetings is reflected in the table below:

Supervisory Board Member	Number of 2018 meetings during mandate	Number of 2018 meetings attended
Dan Pascariu	12	12
Heinz Meidlinger	12	12
Zeynep Nazan Somer Ozelgin	12	9
Stefano Porro	12	8
Jutta Liebenwein Schoffmann	12	9
Luca Pierluigi Rubaga	12	8

In each of the 12 meetings, the Members of the Supervisory Board discussed, controlled and/or assessed periodically information on the following subjects and related activities:

- quarterly presentation of the financial performance, including economic situation, financial market conditions, benchmarking analyses, financial and commercial performance, detailed by business segments;
- report on Bank's performance in the business divisions: Retail and Corporate Investment Banking;
- Risk Management presentation, including detailed assessment of credit, market and operational risks, as well as information on the outsourced activities;
- report on related party transactions;
- proposals related to strategic and non-strategic participations;
- information on pending litigation;
- loan facilities granting;
- approval of internal regulations and policies;
- activity reports of the committees assisting the management structure;
- continuing improvement of the internal control system; Internal Audit, Compliance and Risk Management matters were discussed on regular basis in the Supervisory Board meetings, usually through Audit Committee, as well as Risk Committee.

Apart from the above-mentioned subject depicting a periodically image of the Bank's performance, several other specific topics were discussed, thus being ensured a comprehensive level of information for the Supervisory Board on the most important aspects in the Bank's activity, such as:

- information on topics, discussions and General Shareholders requests or proposals;
- approval of the Bank's overall strategy in 2018 and business risk strategy;
- acknowledgement of the stress test results in UniCredit Bank;
- evolution of the composition of the Bank's Management Board, as follows:
  - In the meeting dated March 30th, 2018, the Supervisory Board acknowledged the cessation of the mandate of Mrs. Marinela-Alina Dragan as Executive Vice-President of UCB Management Board, effective as of May 1st, 2018;
  - In the meeting dated March 30th, 2018, the Supervisory Board approved the appointment of Mr. Nicola Longo Dente (CIB Division Coordinator); approved by NBR in November 27th, 2018;
  - In the meeting dated March 30th, 2018, the Supervisory Board approved the appointment of Mr. Septimiu Postelnicu (Retail Division Coordinator); approved by NBR in July 12th, 2018;
  - In the meeting dated October 18th, 2018, the Supervisory Board acknowledged the cessation of the mandate of Mrs. Daniela-Margareta Bodirca as Executive Vice-President of UCB Management Board and Coordinator of Risk Division (CRO) effective as of January 1st, 2019;
  - In the meeting dated October 18th, 2018, the Supervisory Board approved the appointment of Mr. Andrei Bratu (Coordinator of Risk Division); approved by NBR in December 27th, 2018;

- In the meeting dated November 13th, 2018, the Supervisory Board acknowledged the cessation of the mandate of Mr. Jakub Dusilek as Executive Vice-President of UCB Management Board and Coordinator of GBS Division, effective as of January 1st, 2019;
- In the meeting dated December 5th, 2018, the Supervisory Board approved the appointment of Mr. Carlo Driussi (Coordinator of GBS Division); the NBR approval process is in progress.

In terms of Supervisory Board Members composition in 2018, during the Ordinary General Meeting of Shareholders held on April 11th, 2018, was approved the mandate extension of Mr. Dan Corneliu Pascariu as Chairman of the Supervisory Board of the Bank for two years, respectively from April 14th, 2018 until April 14th, 2020.

The Committees subordinated to the Supervisory Board are:

- Audit Committee
- Remuneration Committee
- Nomination Committee
- Risk Management Committee

ANNEX 1: DISCLOSURE FOR UNICREDIT CONSUMER FINANCING SA

1 GENERAL REQUIREMENTS

1.1 Strategy and general framework of risk management

UniCredit Consumer Financing (UCFIN) defines specific strategies and policies of risk management for the following types of risks, in a non-exhaustive manner:

1. Credit Risk
2. Market Risk
3. Liquidity Risk
4. Operational Risk
5. Reputation Risk

1.2 Structure and organization of the risk management function

The risks control structure is based on several operational and control functions, defined as per the provisions of the Organizational and Functioning Regulation, as well as with the existent Group-level provisions.

Supervisory Board (SB)

The SB is responsible for the set up and keeping of a proper and effective internal control system.

In the context of internal control and significant risks management the Supervisory Board is responsible for the approval of the risk strategy. In connection with the strategic objectives of UCFIN, the Supervisory Board establishes a certain risk profile on an annual basis, the way to determine this profile and the frequency of monitoring.

Management Board (MB)

The Management Board is responsible to implement the strategy for defining the risk profile of the company, drafted by the Risk Division together with the GBS Division and approved by the Supervisory Board.

In this respect, the management implements/ensures: policies for measurement, monitoring and control of risk, reporting system for the measurement of exposures and of other aspects related to risks, in order to be reported to the proper management levels.

For the support of the risk management activities, specialized committees are set-up within the financial institution: Audit Committee, Risk Management Committee and Credit Committee.

Audit Committee, according with the Internal Governance Manual of UCFIN and with its own rules of functioning, as approved by UCFIN, monitors the performance of the internal control system.

Risk Management Committee performs the activity related to risks identification, assessment and management according to the provisions of Organization and Operation Regulation of UCFIN and to the provisions of its own approved regulation.

Risk Management Committee is a permanent organizational structure, constituted according to the legislation in force (NBR Regulation no 20/2009 regarding the non-banking financial institutions), having at least the following responsibilities, according to the NBR Regulation:

- to ensure the informing of Supervisory Board about the issues and the significant evolutions which may influence the non-banking financial institution results and its risk profile;
- to develop adequate procedures for the identification, evaluation, monitoring and control of the significant risks;
- to provide Supervisory Board sufficiently detailed and timely information, which will allow it to know and evaluate the management performance regarding the significant risks control and monitoring, according to the approved procedures, and the overview performance of the non-banking financial institution;
- to regularly inform Supervisory Board about the non-banking financial institution exposure to risks, and immediately if significant modifications are occurring in the current or future exposure of the institution to the identified risks.

Risk and Collection

It operates as a permanent organizational structure, with responsibilities related to the administration of the general framework of credit risk and operational risk management.

The Risk Division offers support to the Risk Management Committee and the company's management through the current monitoring of the credit risk and operational risk.

In order to ensure an optimal credit and operational risk management at portfolio and individual level, at the time of making the loan decision for each loan application, Risk Division is structured in 4 departments for administrating and monitoring risks. Their responsibilities are detailed in the Company's Organization and Functioning Regulation:

- Decision – Risk Management Department
- Underwriting Department
- Collection Department
- Operational Risk&Fraud investigations

Finance and Planning Area

It offers support to the Risk Management Committee and the company's management through the current monitoring of the market and liquidity risk.

Marketing and Product Development Department

Marketing and Product Development Department offers support to Risk Management Committee and the company's management through the current monitoring of the reputation risk.

Operational risk is managed by all the departments whose activities incur operational risks. The monitoring is ensured by regular verification of the limits of operational risk indicators.

Other organizational structures with responsibilities related to risk management

Risk management function is supported at company level through other specialized committees (Discipline Committee, Norms and Procedures Committee, Projects Committee, Product and Pricing Committee, Business Continuity and Crisis Management Committee, etc.).

2 RISK ADJUSTED EQUITY

For the calculation of regulatory equity requirements in 2018, UCFin followed the requirements of Regulation No.20/13.10.2009. According to this Regulation non banking financial institutions must keep own funds at least at the level of minimum required subscribed capital and the aggregated eposure of the institution should not exceed 1500% of the own funds. Within UCFin the tasks related to the calculation and monitoring of needed capital are performed by the specialized departments of Financial and Risk areas.

For complying with capital adequacy requirements established by NBR Regulation No. 20/13.10.2009 and Group rules, UCFin is involved in a permanent evaluation process of capital requirements, for sustaining current and future activity, which implies the following processes:

1) Budgeting
2) Monitoring and analysis
3) Forecasting

3 CREDIT RISK: GENERAL ASPECTS

3.1 Assessment and identification of the credit risk

In determining the risk, the following elements are considered:

a) the current financial situation of the customers and their repayment capacity;
b) the exposures concentration over the counterparts and the economic areas
c) the capacity to apply, from legal point of view, the contractual commitments;
d) the financial commitments with persons having special relationship with the non-banking financial institution;
e) the purpose of the credit and the source of its repayment;
f) the debts service history for counterpart;
g) other specific characteristics of the customer and of the transaction that might affect the collection degree of the principal and the interests.

3.2 Credit risk management

The objective of credit risk management is to maximize profit by maintaining exposure to credit risk within acceptable limits.

The credit risk management is performed taking into consideration the credits both at individual level and at whole portfolio level and includes the consideration of the qualitative and quantitative aspects related to risks.

3.3 Principles and practices used in credit risk management

Credit risk management supposes a set of coherent principles and practices, oriented towards the following main objectives:

a. Establishment of a framework and adequate parameters of credit risk;
b. Promotion and operation of a healthy and solid credit granting process;
c. Promotion and maintenance of an adequate process for credits administration, measurement and monitoring;
d. Permanent control over the quality of the loan portfolio.

Also, the credit risk management is performed depending on the stage of the credit granting process, as well as in the monitoring phase of the loans granted to customers, taking into account the development of the contractual relations.

4. MARKET RISK

Market Risk is defined as the risk of incurring losses due to unfavorable fluctuations of market prices (i.e. prices of shares, interest rates and exchange rates)

In case of UniCredit Consumer Financing, the market risk has the following two components:

- FX risk
- Interest rate risk

The main sources of the interest rate risk are: the poor correlation between maturity (for fix interest rate) and re-pricing date (for variable interest rate) for interest bearing assets and liabilities, negative evolution of the slope and the shape of the yield curve (unparalleled evolution of the interest rate performance of incomes generating assets and interest bearing liabilities), poor correlation regarding the adjustments of collected and paid installments for different financial products having similar characteristics of interest reset.

The market risk management is performed through:

- identification, monitoring, analysis and control of market risks: FX risk, interest rate risk, according to group standards and NBR requirements;
- development and implementation of risk management strategy;
- reporting of market risk issues to the management of the Company.

The department responsible for monitoring market risk is UniCredit Bank's Market Risk Department.

The roles and responsibilities of market risk management are detailed in the Market Risk Rulebook for UCFIN.

5 LIQUIDITY RISK

The liquidity risk is the probability of the Company falling short of its due payments resulting from its contractual relations with costumers and third parties.

In case of UniCredit Consumer Financing, the liquidity risk has the following two components:

- the risk to not respect in time the obligations resulting from its contractual relations with customers and partners, or
- The risk of managing opportunity costs, if the cash available is too high and not invested with high performance (in credit activity).

Liquidity risk management has to be done in conjunction with other significant risks, which may influence the liquidity position: credit risk, operational risk, reputation risk, interest rate risk, foreign exchange risk etc.

6 OPERATIONAL RISK

UniCredit Consumer Financing Operational Risk Management complies with legal and Group regulations in force, and it is performed according to the internal policies and procedures.

Operational Risk is considered a significant risk and is integrated into the UCFIN's policy and strategy regarding significant risks.

Operational risk means the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Operational risk includes legal risk, but excludes strategic and reputational risk. Legal risk includes, but is not limited to, exposure to fines, penalties, or punitive damages resulting from supervisory actions, as well as private settlements.

Operational risk events are those resulting from inadequate or failed internal processes, personnel and systems or from external or systemic events and other external events: internal or external fraud, employment practices and workplace safety, clients' claims, products distribution, fines and penalties due to regulation breaches, damage to Bank's physical assets, business disruption and system failures, process management.

Operational Risk Team is an independent function in charge with operational risk control, within the Risk and Collection Area and reporting directly to Chief Risk Officer (CRO).

The Operational Risk Team promotes the actions related to operational risk area and its responsibilities are:

- Manages the collection and validation of the operational risk events, analyzes the exposure to operational risk, examines scenarios, establishes action plans based on the results of the operational risk indicators;
- Provides training and interact with all UCFin departments in order to achieve the above responsibilities;
- Monitors the UCFin Operational risk exposure in accordance with the standards and policies defined at Group level;
- Controls the quality of operational risk loss data and, periodically, provide data on operational risk (internal losses, risk indicators, scenario analysis, risk mitigation measures, reports to management);
- Provides support on risk appetite, budgeting and capital allocation, including operational risk mitigation costs;
- Proposes operational risk mitigation plans, including insurance, and inform the relevant structures at the institution level;
- Assures, in collaboration with the Organization and Project Management Department, the implementation of mitigation actions proposed in the Permanent Working Group and escalates to the competent bodies, if case;

- Identifies, in cooperation with relevant functions, operational risk indicators and scenario analyses, and ensure the quality of data collected, cooperate in analyzing the impact of operational risk when introducing significant new products and significant changes in activities or organizational structure of UCFin;
- Verifies and assures that the company has plans for business continuity in force and that they are regularly updated and tested.

The main instruments used for the management and control of operational risk in UniCredit Consumer Financing are internal operational risk events collection, monitoring of the operational risk indicators and operational risk reporting.

Collection of operational risk internal events is a main source for identification and quantification of operational risk. The process of collecting loss events is established through well-defined rules for collection and validation of the data and for reconciliation of the loss data against the accounting bookings, in order to ensure completeness, accuracy and timeliness of data. The responsibilities regarding operational risk reporting are included also in the procedures specific to each area of activity.

The completeness and correctness of the operational risk database is ensured through the analysis of internal accounts, according to the process described in the Rules regarding reconciliation of accounting bookings against operational risk events.

At the institution level, there are implemented a number of **operational risk indicators**. The risk indicators are quantitative values that reflect the operational risk profile of a process or product. The value of an indicator should be correlated to changes in the level of risk. The process of monitoring the operational risk using indicators will help the responsible for operational risk management processes and responsibilities with:

- preventive control of the identified risk at the institution level (early signaling system of risk);

- suggestions for risk mitigation and control;

- effective measures to reduce operational risk.

Quarterly reports regarding the exposure to operational risk, which analyses the aspects such as: financial losses detailed on event types, operational risk losses limit usage, capital requirement for operational risk, cross credit events, mitigation actions regarding operational risk are discussed in the Risk Management Committee. The reporting system includes at least bi-annual reports to the Supervisory Board.

The **capital requirement for operational risk** for UniCredit Consumer Financing is determined by the Group using the Basic Indicator Approach (BIA). The minimum capital requirement for operational risk according to BIA approach consists in applying a percent of 15% to the average of the relevant indicators of the last three ended financial years.

7 REPUTATIONAL RISK

7.1. Assessment and identification of reputational risk

Identification and assessment of reputational risk is performed at the overall level of Company and also at all organizational level of the Company and taking into account all the Company's activities, the outsourced activities, and the occurrence of some new activities.

From the point of view of reputational risk potential, a special attention must be granted to the following aspects:

1. Reaching or exceeding the limits established for the significant risks;
2. Reaching or exceeding some limits of the financial indicators (liquidity, solvability, etc);
3. Electronic mail – risk potential due to sending, by error or with intention, of some confidential/wrong information from the inside of Company to outside by e-mail, containing identification data from Company side;
4. External communication through unauthorized staff – risk potential by presenting partial data, personal points of view or breaking the confidentiality norms;
5. Staff fluctuations – pressure from the information confidentiality point of view, and also risk from procedures acquirement point of view regarding the Company's processes and especially of internal and external communication rules;
6. Negative media campaigns – risk potential by unilateral presentation of some aspects from Company's activity;
7. Focusing on specific sites of some opinion exclusive from unsatisfied customers, argued or not, aspects in question and notified to the responsible divisions/departments by the Company's staff;
8. Development of an adequate internal control system for supervising and performing of activities within the Society or for outsourced activities.

7.2. Reputational risk monitoring

The reputational risk monitoring is performed through:

- monitoring of all the publications related to UniCredit Consumer Financing;
- evaluation of articles which may represent a potential reputational risk for UniCredit Consumer Financing; establishment, together with the management of the communication strategy for each case;
- IT system monitoring and establishment of clear and restrictive procedures regarding the using ways of e-mail during the relation with the customers and in the external communication.

7.3. Management of the reputational risk

The general strategy in administrating this category of risk is realized, without being limited to this, at:

1. Applying a proper manner the internal norms regarding know your customer policies and the regulations regarding anti money laundering.
2. Selection, through a rigorous analysis, of the clients that require credit facilities;
3. Elaboration of security politics/plans/measure for certain activities/services of the Company;

4. Adopting an adequate form of presentation/communication of informative materials and of the ones for the promotion of the activity and the products of the Company;
5. Establishing working instructions and competencies for decision taken in case of crisis situation;
6. Other measure for administration of reputational risks that the Society considers necessary;
7. Evaluation of the reputational risk, qualitative or quantitative (to be taken into consideration the losses produced by the negative publicity, litigations, etc.).

7.4. Diminishing the reputational risk

In crisis situations, with impact for the appearance of the reputational risk, the following aspects are to be considered:

- Establishing the communication strategy (definition of the key messages transmitted and promoted; definition of the channels used for communications);
- Transmitting messages through media communicates, briefly and promptly, periodically updated (the success of the communication is assured by an adequate information flow from the Management Board and the business departments involved);
- Trainings with the call center personnel for establishing the methods/structures for answer providing, depending on specific cases;
- Establishing the procedures and competences of decision taking in case of crisis situation.

Usually, the Company will try to limit the reputational risk through procedures, rules and flows specially created in this respect and through a continuous and sustained communication, transparent and efficient.

For the administration and monitoring of the reputational risk all the departments within UCFin are responsible.

8 MINIMUM CAPITAL REQUIREMENTS FOR CREDIT RISK

UniCredit Consumer Financing, as part of UniCredit Group, established as strategic objective the maintenance in 2018 of a moderate risk profile. Even so, having in mind the present characteristics of the market and the financial crisis, it is possible that independently of the adopted measures, the limit set for the risk profile indicators to be exceeded. In this respect, the exceeding of the indicators of moderate risk is taken as trigger point. Thus, from the strategic point of view, the targeted risk profile for 2018 is a moderate risk, but the institution is prepared for a medium risk profile, reaching this limit not being an objective by itself.

Required capital for coverage of unexpected losses

According to the Strategy for management of significant risks in UniCredit Consumer Financing, the institution must calculate the capital requirements for covering the significant risks. Normally, this required capital (economic capital) is different from the minimum capital calculated according to the regulations in force regarding capital adequacy.

For local consolidation purposes, the economic capital for UCFin, calculated through the Financial Investment Risk method is received from the Group twice a year. The method is applied for “small legal entities” and covers all significant risks (credit, operational and market).

9 CREDIT RISK MITIGATION TECHNIQUES

The Company diminishes the credit risk through:

- granting credit exposures towards counterparties with performing rating;
- the customer rating is periodically reviewed, at least annually;
- for concentration risk limitation, thresholds on exposures on certain industries, regions, financing currencies, categories of debtors and rating are set;
- the credit granting and valuation of credit risk process is periodically reviewed with the aim of its adequacy to the size and complexity of the activity, to the development strategy, etc. and, not least, to the legal regulations in force;
- detailed analysis on the entire loan portfolio is periodically performed;
- identification of the credits to be valued in view of calculating provisions on individual basis and segmentation of the credit portfolio on buckets with similar credit risk characteristics for the analysis and valuation on collective basis;
- judgments on the quality of the credit risk of the credit portfolio takes into consideration relevant internal and external factors that might affect the collection level of the credits (such as political, geographical, economical and industrial factors);
- implementing a systemic and logical method of consolidating the estimated losses and ensuring that the registered provisions are aligned with the applicable accountancy environment and with the relevant prudential regulations;

Considering the development of the Company's activity and the modifications registered in the general strategy, the limits regarding credit risk are reviewed and modified whenever necessary, in order for an adequate correlation to be reached between the Company's risk profile and the targeted profitability

A well-structured segregation of duties is considered in order to ensure that responsibilities that might drive to conflicts of interests are to be allocated to different departments/divisions.

The Company has IT systems due to which the credit risk issues are reported on time (for instance: monthly close monitoring of the credit portfolio can help identify certain risk concentrations).

A rating system or scoring is used in credit risk valuation, system that facilitates the analysis of the information and elements presented in the financial documents of the customer (private individual).

With the aim of preventing the losses due to non-payment within a credit transaction, UCFin monitors the fulfilment of the client's obligations through:

- constant monitoring of the turnover through the customer's accounts – this must be relevant in relation with the granted loan amount;
- constant monitoring of the fulfilling of the credit contract stipulations (including the conditions);
- classification and allocation of loan loss provisions;

If deviations from the contractual conditions or deterioration of the customers' financial situation and/or solvency are identified, the Company must come with a written proposal to the customer in order for him to take some specific steps to eliminate the reasons of the deviations.

The Company accepts exposures from the credits granted to private individuals differentiated according to the customer's associated risk and to the type of transaction/product. The correlation of the credit risk classes with rating classes is established through internal specific procedures regarding the provisions calculation and determination. As the credit activity is permanently growing, the credit portfolio structure might suffer modifications, considering the Company's development strategy. The departments responsible for identification, assessment, management and monitoring of the credit risk are the following: departments within the Risk and Collection Division, Operations Department, IT&C Department and Accounting Department.

ANNEX 2: DISCLOSURE FOR UNICREDIT LEASING CORPORATION IFN SA

1. GENERAL REQUIREMENTS

1.1. Strategy and general framework of risk management

UniCredit Leasing Corporation IFN S.A. defines its strategies and general framework for the following risk types, without being restrictive: credit risk, market risk, liquidity risk, real estate risk, operational risk, reputational risk, financial investment risk, business risk.

1.2. Structure and organization of the risk management function

The risk control structure is based on a multitude of operational and control functions, defined in accordance with the Regulation of Organization and Operation of UniCredit Leasing Corporation IFN SA (UCLC), but also with the rules existing at group level.

Some organizational structures are:

- **The Supervisory Board (SB)** is responsible for the set up and keeping of a proper and effective internal control system.
- **The Board of Directors** is responsible for implementing the strategy and the policies on risk management.
- **Risk Management Committee** - is a strategic committee and has the responsibility of identification, evaluation and management of significant risks and has to meet at least quarterly or any time when required. This committee has the following main responsibilities:

• Consultancy and advisory functions,

• Decision functions

• Information and reporting functions (including reports to be presented to the UCLC Supervisory Board)

- **Audit Committee** is responsible to assist the Company's Board in defining and preparing the principles and guidelines governing the entity's entire internal control system, on the basis of a risk-oriented approach, and assessing its effectiveness and efficiency, so that the main risks are properly identified, then measured, managed and monitored, subject to the Board's responsibility for all decisions on this matter.
- **Credit Committee** – has responsibilities of approval of the new transactions and credit reviews as per competences framework in order to assure the required quality of the portfolio and to limit the credit risk as required by the credit policies.
- **Special Credit Committee** - is responsible for approval of restructured cases, IFRS provisioning level for individually assessed clients, according to competencies and specific Regulation.
- **Permanent Workgroup Committee for Operational Risks** is responsible for operational risk identification, mitigation actions proposed and monitoring of the mitigation actions in place.

Credit Operations Division (CRO)
CRO Division works like a permanent organizational structure, with responsibilities related to management of the general framework of risk management. CRO division supports the Risk Management Committee and the Board of Directors through significant risks management monitoring systems.

Significant risks management activity is achieved through dedicated departments within the Credit Operations Division, as follows:

- Financial Analysis & Approval (Underwriting Department)
- Risk Strategies and Control Team
  - Risk Strategies and portfolio management
  - Risk Control
- Collection & Restructuring Department
- Financed Asset Management Department (both, financed and repossessed assets).

2. RISK CAPITAL ADEQUACY

For the calculation of regulatory capital, UCLC applied during 2018 the requirements of Regulation No. 20/13.10.2009 reviewed. In accordance with this Regulation the non-banking financial institutions must keep own funds at least at the level of minimum required subscribed capital and the aggregated exposure of the institution should not exceed 1500% of the own funds. In order to calculate the regulatory capital, UCLC used during the year 2018 the approach imposed by local regulations (NBR) for credit risk.

Within UCLC, the tasks related to the calculation and monitoring of needed capital are performed by the specialized departments of Financial Division and CRO Division.

For complying with capital adequacy requirements established by Regulation No. 20/13.10.2009 and Group rules, UCLC is involved in a permanent evaluation process of capital requirements, for sustaining current and future activity, which implies the following processes:

- Budgeting
- Monitoring and analysis
- Forecasting

For the **budgeting** process:

- The different business segments provide the budgeted volumes for the following year;
- Risk Strategies and Control department estimates the credit risk provisions based on the above volumes;
- Strategic Planning and Control Department calculates the capital requirement and compares it with the existing capital;
- In order to assure an adequate level of capitalization, RWA optimization actions are considered. Starting from the capitalization objectives, UCLC establishes measures for optimizing the structure of its loans and guarantees.

Monitoring and analysis process implies:

- Monthly calculation of capital requirement;

- RWA optimization actions;
- Optimal capital allocation in order to add value to the shareholders.

Forecasting process:

- During the entire year, several forecasting actions are performed in order to have estimations as accurate as possible of the capital requirement evolution.

3. CREDIT RISK: GENERAL ASPECTS

3.1 Assessment, identification and credit risk management

UCLC is exposed mainly to credit risk in financing activities. Credit risk is the most important type of risk the company is facing. Thus, the most important risk generating activity is financing, but any other activity of the company may be generating potential credit risk (extra balance sheet commitments).

The following types of risks are considered components of credit risk in our company:

A. The risk of default;

B. The concentration risk;

C. The residual risk.

Credit risk management involves a set of principles and practices oriented towards the following directions:

1. Establishing an adequate framework and parameters for credit;
2. Promoting and operating a healthy and robust process to grant funding;
3. Promoting and maintaining an adequate management, measurement and monitoring financing process;
4. Providing a permanent control on loan portfolio.

3.2 Specific procedures for credit risk management and mitigation

Policies and procedures related to lending and credit risk are established and implemented according to assigned roles and responsibilities so as to ensure the following:

- maintaining healthy financing standards;
- monitoring and controlling credit risk;
- Identifying and managing non-performing loans.

The entities involved in financing and monitoring activities ensure credit risk management both at each financing level and on an aggregate level across the whole portfolio, credit risk elements are analyzed in correlation with other risk types that are in a close relationship of interdependence, considering the following main coordinates:

- concentration risk;
- default risk.

Measures taken by UCLC in the direction of credit risk mitigation are focused on:

- assessing the debtors' reimbursement capacity at individual level;
- establishing specific credit risk provisions to absorb expected losses;
- avoiding concentration of loans on: sectors, categories of debtors, financing products;
- spreading the credit risk by diversifying customer database and product types financed;
- consulting credit risk information - CRB;
- consulting information regarding payments incidents - CIP, using Unicredit Bank resources;
- monitoring the exposure undertaken by the company from "a single debtor" and / or persons in special relationship, to which UCLC has large exposures;
- monitoring the quality of the database from the company computer system;
- monitoring the performance of the company customers' portfolio;
- periodically reviewing the customer's analysis system (scoring system);

Also, UCLC uses credit risk mitigation techniques through specific activities and procedures that monitor the default risk and the concentration risk.

3.3 Treatment and valuation of credit risk

For a prudential valuation of the credit exposures, there were implemented rating systems based on which the exposures are classified considering the related credit risk assessment for each debtor, through a general scale of default risk assessment.

Internal ratings and default probability plays an essential role in the entire credit risk management process within UCLC.

Rating valuation is an important part of the credit approval process. Credit risk tolerance takes into consideration credit granting limitation based on rating classes. Thus, there will be no credit granting to the clients with a non-performing rating (according to internal classification).

Later on, during the credit tenor, the rating information is an important part of monitoring as well as of restructuring and of the progress of the non-performing credits.

Risk reporting and portfolio management framework is focused on the rating information (coming to complete the information of the debt service).

The ratings and the respective probabilities of default represent the base element of the IFRS provisions methodology for companies.

3.4 Determination of value adjustments/ provisions

Approaches and methods applied for the calculation of NBR value adjustments

In order to cover potential credit and investment losses, the company calculates value adjustments according to the NBR regulations in force.

Consequently, for the determination of the adjustments value level, the credit exposures are classified based on the following elements:

- obligor performance category;

- delinquency (number of overdue days);
- initiation of judicial procedures.

The financial performance reflects the economic potential and financial strengthens of an obligor, determined based on the analysis of a set of qualitative and quantitative factors.

Approaches and methods applied for the calculation of value adjustments - for the credit portfolio under the Standardized Approach

Provisions represent the loss amount estimated by the company based on impairment models. The company uses two approaches for this estimation:

- Individual assessment
- Collective assessment

Through **collective assessment**, the provisions are calculated on a portfolio level basis by dividing it into similar credit risk characteristics buckets. The performing portfolio is subject of collective assessment entirely, no matter if the exposures are considered significant or not.

The non-performing portfolio is subject of collective assessment only in the in case the exposures are not considered significant.

Through **individual assessment**, the provisions are individually calculated for each individually significant exposure. Individual assessment is a process of measurement of exposure impairment for an individual client.

The individual assessment process has been divided into 2 steps:

- Identification of individually significant exposures and/or exposures of clients which may be individually assessed
- Individual loss estimation for provisioning purpose for the respective exposures.

4. MARKET RISK

Market Risk is defined as risk of registering losses or non-achievement of expected profits, which appears at as a consequence of prices, interest rate and exchange rate fluctuations.

In case of UCLC, the market risk has the following two components:

- Foreign exchange risk (FX)
- Interest rate risk

Market risk is monitored through quarterly analysis by the Planning Department together with the Treasury Team. Second level control activity is provided by Risk Strategies and Control Team. The analysis is made on interest type and currency type but also on each maturity in order to find the gaps between assets (portfolio) and liabilities (refinancing) with regards to the above mentioned factors that could influence market risk. All data presented in the quarterly market risk report are verified and reconciled with balance sheet data sent by the Finance Department. The data are being analyzed by Management and by Unicredit Bank and Market Risk measures are proposed and also taken in order to reduce the gaps between financing and refinancing with regards to interest types, currency types and also maturity classes.

The main sources of risk associated with interest rate is poor correlation between the maturity (for fixed interest rates) or the date of re-pricing (for floating interest rate) for interest bearing assets and liabilities, the negative evolution of the slope and shape of the yield curve (evolution of interest rate yields unparalleled income generating assets and interest bearing liabilities).

Market Risk management is achieved through specific procedures and techniques, based on continuous monitoring and analysis of several indicators.

The monitoring of foreign exchange and interest rate positions is conducted by Treasury Team with Risk Strategies and Control Team, and the monitoring has been done by Market Risk department of UniCredit Bank.

5. LIQUIDITY RISK

Liquidity risk reflects the possibility that UCLC can have difficulties in making expected or unexpected cash payments when due, thus affecting daily operations or financial condition of the company.

Liquidity risk is managed by Finance Department, Treasury Team which reports to the Chief Financial Officer (CFO) and is managed on a consolidated basis as defined by Group Policy liquidity. Second level control activity is provided by Risk Strategies and Control Team.

In the liquidity risk, the following risks are taken into account:

- discrepancies in liquidity risk;
- market liquidity risk;
- re-financing risk.

UCLC makes a clear distinction between short-term liquidity management (day-to-day management) and the management of medium and long term financing needs, avoiding the possible liquidity problems.

To manage short term liquidity risk, the company monitors the daily cash flow forecasts compared with the total liquidity position and the position of the exchange rate. UniCredit Group supports the company with necessary funds for refinancing and flexible repayment terms, so the risks of liquidity in all other forms are eliminated.

The company uses as an alternative to the refinancing obtained from UniCredit group, long-term cooperation with several international financial institutions. Monitoring of liquidity limits has been done by Market Risk department of UniCredit Bank.

6. REAL ESTATE RISK

The real estate risk is caused by the potential losses resulting from market value fluctuations for the company's real estate assets: offices / buildings owned directly or recovered, when the collection process is completed.

Reporting process for real estate risk is subject to the UniCredit Group Policy "Pillar II - Methodological Manual on Internal Capital" along with further instructions received from the Group (Risk Integration and Control Team), and is made by Risk Strategies and Control Team, from Credit Operations Department - CRO line.

Real estate risk is monitored quarterly by analyzing the existence or absence of each and every case of real estate risk:

- Directly owned real estate assets (not part of the leasing contract) are checked, along with the Finance Department (CFO line) to see if any new acquisitions of real estate assets have been made during the last quarter;
- Recovered assets (if the contract is closed and the collection and legal proceedings have been concluded) are checked with Collection and Restructuring Department (CRO line) to see if there is any case of repossessed real estate assets during the last quarter.

7. OPERATIONAL RISK

Operational risk exposure of UCLC results from the possibility of occurrence of operational risk events due to inadequate or failed internal processes, personnel and systems or from external or systemic events (which impact the whole financial system): internal or external fraud, employment practices and workplace safety, clients claims, fines and penalties due to regulation breaches, damage to company's physical assets, business disruption and system failures, process management.

Identification and collection of operational risk losses is based on the following categories:

- **Internal frauds** – losses resulting from actions intended to defraud, misappropriate property of goods (in legal way) or circumvent regulations, the law or Company's policy, involving at least one party inside the Company and excluding malicious damage. The internal fraud is originated inside the Company and the internal nature of the event must be definitely ascertained, otherwise it should be considered as external fraud.
- **External frauds** – losses resulting from actions intended to defraud, misappropriate property or circumvent the law committed by a third party, without the assistance of an employee and excluding malicious damage.
- **Employment relationship and safety at work** - losses from violating employment or health or safety laws and agreements, personal injury claims or diversity discrimination events/practices.
- **Clients, products and business practices** - unintentional or negligent failure to meet obligations to clients (including fiduciary and suitability requirements) or from the features of a product. The events where the Company committed an improper business act fall into this category, likewise when it has been the victim of similar practices by other Company.
- **Damage to physical assets** - losses resulting from deterioration of physical assets, caused by natural disaster or other similar event type.
- **Business disruption and system failures** are losses arising from interruptions or inadequate functioning of systems.
- **Execution, delivery and process management** are failed transactions processing or process management, or losses coming from relations with counterparties and vendors. These events are not intentional and involve documenting or completing business transactions.

Scenario analysis has the role to evaluate the company's exposure to operational risk in case of low frequency and high impact events. Scenarios are used in order to evaluate the risk of internal processes taking into account not only the historical losses, but also the potential losses.

Operational risk indicators reflect the operational risk profile and are correlated to changes in the risk level. Monitoring operational risk indicators represents an early warning system for changes in the operational risk exposure and it is conducted on a monthly basis by the Risk Strategies and Control Dep. The indicators and their thresholds are reviewed at least annually or when changes occur in their composition.

The strategic objective in terms of operational risk is to significantly reduce losses due to the production of operational risk, respectively losses due to inadequate internal processes, human error and errors of various automated systems and those due to factors external to the company.

Risk Strategies and Control department in Credit Operations Division interact with all departments in order to collect and validate data, operational risk exposure analysis, for scenario analysis, defining action plans and monitoring operational risk indicators.

8. REPUTATIONAL RISK

Reputational risk refers to the potential risk to profits and capital arising from negative perception of the image of UCLC from customers, third parties, shareholders, investors or regulators. This impact could affect the company's ability to establish new business relationships or continue existing partnerships with customers. Reputational risk is defined by the possibility of negative publicity (media), true or not, regarding company practices could cause a decrease in the customer database, sales revenue and / or costly actions in court.

From the point of view of reputational risk potential, a special attention must be granted to the following aspects:

- Reaching or exceeding the limits established for the significant risks;
- Reaching or exceeding some limits of the financial indicators (liquidity, solvability, etc);
- Electronic mail – risk potential due to sending, by error or with intention, of some confidential/wrong information from the inside of Company to outside by e-mail, containing identification data from Company side;
- External communication through unauthorized staff – risk potential by presenting partial data, personal points of view or breaking the confidentiality norms;
- Staff fluctuations – pressure from the information confidentiality point of view, and also risk from procedures acquirement point of view regarding the Company's processes and especially of internal and external communication rules;
- Negative media campaigns – risk potential by unilateral presentation of some aspects from Company's activity;
- Focusing on specific sites of some opinion exclusive from unsatisfied customers, argued or not, aspects in question and notified to the responsible divisions/departments by the Company's staff;

Reputational risk management is carried out through:

- Appropriate application of KYC (know-your-customer) rules and regulations in force relating to the prevention and combating money laundering
- Selecting customers who request financing, through a rigorous analysis,
- Adequate training of staff in charge with customer relationship management, including topics related to banking secrecy;
- Taking appropriate measures to manage and mitigate the extension of negative consequences by the internal structure within which the reputational risk generating element appears
- Development of appropriate forms of presentation / communication and information materials to promote the company's activities.

- Reputational risk assessment may be qualitative or quantitative (taking into consideration: the number of suspected money laundering cases reported to the authorities, the number of new disputes in a period that can generate losses for the company, the number of customer complaints and resolved customer complaints in favor of the customer in a period etc.).

A specific compliance activity does not eliminate reputational risk, but reduces the frequency and severity of incidents as well as the severity of reactions from regulatory bodies.

9. FINANCIAL INVESTMENT RISK

Financial Investment Risk is defined as the potential losses resulting from market value fluctuations of equity holdings. Financial Investment Risk is defined as follows:

- Market or Book Value of equity holdings;
- Volatilities and correlations of the relevant stock price or market indices.

Financial Investment Risk can be measured under two points of view consistently with different goals:

- retrospective for monitoring purposes;
- forward-looking for capital planning purposes within the budget;

For monitoring purposes, Financial Investment risk is measured on a quarterly basis by CFO line.

10. BUSINESS RISK

Business risk is defined as adverse, unexpected changes in business volume and/or margins. It can lead to serious losses in earnings, thereby diminishing the market value of a company.

Business risk can result above all from:

- serious deterioration of the market environment;
- changes in the competitive situation or customer behavior.

Because of its nature, the business risk cannot be subject to mitigating actions, given that most of the key underlying drivers (e.g. regulatory changes, competitive changes, etc.) could suffer from external impacts with effects that could not be properly or entirely mitigated in advance by managerial actions. Although, the company is continuously trying to diversify the range of products offered, to monitor and reduce if the case, the limits on industries that are facing difficulties.

ANNEX 3: UniCredit Bank SA Xls Templates

Covered area	Template id	Template Name	Link to
Scope of application	EU LI1	Differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories	EU LI1'!A1
	EU LI2	Main sources of differences between regulatory exposure amounts and carrying values in financial statements	EU LI2'!A1
	EU LI3	Outline of the differences in the scopes of consolidation (entity by entity)	EU LI3'!A1
Regulatory capital		Composition of regulatory capital-Own Funds	Composition of capital'!A1
		Reconciliation of regulatory capital to Financial Statements	Capital vs FS reconciliation'!A1
		Main features of regulatory capital instruments	Capital intruments features '!A1
		Features of tier 2 subordinated capital instruments	Tier 2 capital features '!A1
	KM1	Key metrics (at consolidated group level)	KM1!A1
Capital requirements	EU OV1	Overview of RWAs	EU OV1'!A1
	EU CR8	RWA flow statements of credit risk exposures under the IRB approach	EU CR8'!A1
	EU CR10	IRB (specialised lending and equities)	EU CR10'!A1
	EU CCR7	RWA flow statements of CCR exposures under the IMM	EU CCR7'!A1
Counterparty credit risk	EU CCR5-A	Impact of netting and collateral held on exposure values	EU CCR5-A'!A1
	EU CCR5-B	Composition of collateral for exposures to CCR	EU CCR5-B'!A1
	EU CCR1	Analysis of CCR exposure by approach	EU CCR1'!A1
	EU CCR2	CVA capital charge	EU CCR2'!A1
	EU CCR3	Standardised approach – CCR exposures by regulatory portfolio and risk	EU CCR3'!A1
Capital buffers		Capital buffers	Capital buffers'!A1
Credit risk adjustments	EU CR1-A	Credit quality of exposures by exposure class and instrument	EU CR1-A'!A1
	EU CR1-B	Credit quality of exposures by industry or counterparty types	EU CR1-B'!A1
	EU CR1-C	Credit quality of exposures by geography	EU CR1-C'!A1
	EU CR2-A	Changes in the stock of general and specific credit risk adjustments	EU CR2-A'!A1
	EU CR2-B	Changes in the stock of defaulted and impaired loans and debt securities	EU CR2-B'!A1
	EU CRB-B	Total and average net amount of exposures	EU CRB-B'!A1
	EU CRB-C	Geographical breakdown of exposures	EU CRB-C'!A1
	EU CRB-D	Concentration of exposures by industry or counterparty types	EU CRB-D'!A1
	EU CRB-E	Maturity of exposures	EU CRB-E'!A1
	EU CR1-D	Ageing of past-due exposures	EU CR1-D'!A1
	EU CR1-E	Non-performing and forborne exposures	EU CR1-E'!A1
	EU CR5	Standardised approach	EU CR5'!A1

Covered area	Template id	Template Name	Link to
Asset encumbrance	A	Assets	Asset encumbrance'!A1
	B	Encumbered assets/collateral received and associated liabilities	Asset encumbrance'!A1
Remuneration		Information about the remuneration for the Bank's staff	Remuneration 1'!A1
		Information related to remuneration of Identified Staff	Remuneration 3'!A1
Leverage	LRSum	Summary comparison of accounting assets vs leverage ratio exposure measure	LRSum!A1
	LRCom	Leverage ratio common disclosure template	LRCom!A1
	LR SPL	Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)	LRSPL!A1
IRB Approach to credit risk	EU CR9	IRB approach – Back-testing of PD per exposure class	EU CR9'!A1
	EU CR6	IRB approach – Credit risk exposures by exposure class and PD range	EU CR6'!A1
	EU CCR4	IRB approach – CCR exposures by portfolio and PD scale	EU CCR4'!A1
Credit risk mitigation techniques	EU CR3	CRM techniques – Overview	EU CR3'!A1
	EU CR4	Standardised approach – Credit risk exposure and CRM effects	EU CR4'!A1
Liquidity	LIQ1	Liquidity Coverage Ratio (LCR)	LIQ1!A1
	LIQ2	Net Stable Funding Ratio (NSFR)	LIQ2!A1
Prudent valuation adjustments	PV1	Prudent valuation adjustments	PV1!A1
Interest rate risk in the banking book	IRRBB1	Quantitative information on IRRBB	IRRBB1!A1
Market risk	EU MR1	Market risk under the standardised approach	EU MR1'!A1
Operational risk		Operational risk	Operational risk'!A1
Other disclosure requirements		Disclosure requirements according to National Bank of Romania Regulation no.5/2013 regarding prudential requirements for credit institutions.	Art 16 Reg BNR 5_2013'!A1