UniCredit Bank

PILLAR III DISCLOSURE REPORT

Report reference date: 31st March, 2019

CONTENT

1. OVERVIEW ON DISCLOSURES 3
2. SCOPE OF APPLICATION 4
2.1 Relevant scope of consolidation 4
3.OWN FUNDS AND KEY METRICS 5
3.1 Regulatory capital - summary reconciliation and changes over time 5
3.2. Entities deducted from Own Funds 6
3.3 Entities added to RWA 6
3.4 Summary of Key Prudential Metrics 8
4. CAPITAL REQUIREMENTS 9
4.1 General comment 9
4.2 Capital Strengthening 10
5.EXPOSURE TO COUNTERPARTY RISK 13
6. EXCESSIVE LEVERAGE RISK 14
7. LIQUIDITY RISK 17
ANNEX 1: UNICREDIT BANK SA XLS TEMPLATES 19

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) 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;

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 under part eight 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
	445 & 455	EU MR2-B – RWA flow statements of market risk exposures under the IMA ((Internal Modal Approach)	UniCredit Bank does not apply an internal model approach for the calculation of market risk capital requirements

2. SCOPE OF APPLICATION

2.1 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 SRL ("DEBO"), 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.

3.OWN FUNDS AND KEY METRICS

3.1 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.

3.2. 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 March 2019, 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.

3.3 Entities added to RWA

As at 31 March 2019, 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.

The structure of the Own Funds (individual and consolidated) as at 31 March 2019 is presented below:

March 31, 2019				
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	
	of which: ordinary shares	1,177,748,253	1,177,748,253	
2	Retained earnings	2,432,618,577	2,241,007,098	
3	Accumulated other comprehensive income (and any other reserves, included unrealised gains and losses)	179,015,916	179,015,916	
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	4,411,063,245	4,219,451,766	
	Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments	11,817,504	11,817,504	
8	Intangible assets (net of related tax liability)	154,713,197	143,000,161	
11	Fair value reserves related to gains or losses on cash flow hedges	(49,428,040)	(49,428,040)	
12	(-) IRB shortfall of credit risk adjustments to expected losses	82,974,911	86,497,660	
25b	Foreseeable tax charges relating to CET1 items	10,654,179	10,654,179	
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	210,731,751	202,541,464	
29	Common Equity Tier 1 (CET1) capital	4,200,331,494	4,016,910,302	
	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)**	**4,200,331,494**	**4,016,910,302**	
	Tier 2 (T2) capital: instruments and provisions	-	-	
46	Capital instruments and the related share premium accounts	802,531,800	802,531,800	
51	Tier 2 (T2) capital before regulatory adjustment	802,531,800	802,531,800	
	Tier 2 (T2) capital: regulatory adjustments	-	-	

March 31, 2019				
Reference Annex IV	**Item**	**Group**	**Bank**	**Reference for reconciliation with balance sheet**
57	Total regulatory adjustments to Tier 2 (T2) capital	-	-	
58	**Tier 2 (T2) capital**	**802,531,800**	**802,531,800**	
59	**Total capital (TC = T1 + T2)**	**5,002,863,294**	**4,819,442,102**	
60	**Total risk-weighted assets**	**28,117,215,504**	**22,098,338,630**	
	Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of total risk exposure amount	14.94%	18.18%	
62	Tier 1 (as a percentage of total risk exposure amount	14.94%	18.18%	
63	Total capital (as a percentage of total risk exposure amount	17.79%	21.81%	
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)	3.50%	2.50%	
65	of which: capital conservation buffer requirement	2.50%	2.50%	
66	of which: countercyclical buffer requirement			
67	of which: systemic risk buffer requirement*			
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	1.00%		

*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).

When IFRS 9 standard "Financial Instruments" was implemented, the Group decided not to apply the transitional treatment of expected credit losses.

3.4 Summary of Key Prudential Metrics

KM1: Key metrics

		31-Mar-19	31-Dec-18	30-Sep-18	30-Jun-18	31-Mar-18
Available capital (amounts)						
1	Common Equity Tier 1 (CET1)	4,200,331,494	4,171,575,004	3,982,709,142	3,910,162,278	4,017,014,833
1a	Fully loaded ECL accounting model	4,200,331,494	4,171,575,004	3,982,709,142	3,910,162,278	4,017,014,833
2	Tier 1	4,200,331,494	4,171,575,004	3,982,709,142	3,910,162,278	4,017,014,833
2a	Fully loaded accounting model Tier 1	4,200,331,494	4,171,575,004	3,982,709,142	3,910,162,278	4,017,014,833
3	Total capital	5,002,863,294	4,957,442,154	4,768,542,592	4,695,557,628	4,801,820,433
3a	Fully loaded ECL accounting model total capital	5,002,863,294	4,957,442,154	4,768,542,592	4,695,557,628	4,801,820,433
Risk-weighted assets (amounts)						
4	Total risk-weighted assets (RWA)	28,117,215,504	28,458,911,738	28,033,862,368	27,328,175,598	28,340,880,032
Risk-based capital ratios as a percentage of RWA						
5	Common Equity Tier 1 ratio (%)	14.94%	14.66%	14.21%	14.31%	14.17%
5a	Fully loaded ECL accounting model CET1 (%)	14.94%	14.66%	14.21%	14.31%	14.17%
6	Tier 1 ratio (%)	14.94%	14.66%	14.21%	14.31%	14.17%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	14.94%	14.66%	14.21%	14.31%	14.17%
7	Total capital ratio (%)	17.79%	17.42%	17.01%	17.18%	16.94%
7a	Fully loaded ECL accounting model total capital ratio (%)	17.79%	17.42%	17.01%	17.18%	16.94%
Additional CET1 buffer requirements as a percentage of RWA						
8	Capital conservation buffer requirement (%)	2.50%	1.875%	1.875%	1.875%	1.875%
9	Countercyclical buffer requirement (%)					
10	Bank O-SIB additional requirements (%)	1.00%	1.000%	1.000%	1.000%	1.000%
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)	3.50%	2.875%	2.875%	2.875%	2.875%
12	CET1 available after meeting the bank's minimum capital requirements (%)	10.44%	10.158%	9.707%	9.808%	9.674%
Basel III Leverage Ratio						
13	Total Basel III leverage ratio measure	50,050,474,726	52,371,283,957	51,202,073,669	50,104,860,672	49,396,422,145
14	Basel III leverage ratio (%) (row 2/row 13)	8.39%	7.97%	7.78%	7.80%	8.13%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2A/row 13)	8.39%	7.97%	7.78%	7.80%	8.13%
Liquidity Coverage Ratio						
15	Total HQLA	14,692,915,049	15,231,462,230	12,925,680,605	6,677,134,879	10,121,174,907
16	Total net cash outflow	9,192,395,856	9,472,995,928	9,278,100,723	4,571,448,746	5,879,385,485
17	LCR ratio (%)	159.84%	160.79%	139.31%	146.06%	172.15%
Net Stable Funding Ratio						
18	Total available stable funding	33,154,282,046	35,289,226,952	33,805,525,436	33,560,999,244	32,294,848,445
19	Total required stable funding	21,820,310,924	23,629,251,629	23,842,931,492	22,896,151,930	22,162,737,461
20	NSFR ratio (%)	151.94%	149.35%	141.78%	146.58%	145.72%

4. CAPITAL REQUIREMENTS

4.1 General comment

Capital Adequacy Assessment

During first quarter of 2019, 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 (UniCredit Bank) 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 (Financial Market Authority Austria) 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

4.2 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.

During the first quarter of 2019, the Group 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 17.79%, significantly higher than the minimum regulatory requirement.

EU OV1 – Overview of RWAs

		Group			Bank		
		RWA		Capital Requirements	RWA		Capital Requirements
		31.03.2019	31.12.2018	31.03.2019	31.03.2019	31.12.2018	31.03.2019
1	Credit risk (excluding CCR)	25,695,927,128	26,024,533,002	2,055,674,170	20,397,270,256	20,827,648,248	1,631,781,621
2	Of which the standardised approach	11,350,168,494	11,187,520,646	908,013,480	5,507,607,390	5,383,862,709	440,608,591
3	Of which the foundation IRB (FIRB) approach	14,345,758,633	14,837,012,356	1,147,660,691	14,889,662,866	15,443,785,539	1,191,173,029
4	Of which the advanced IRB (AIRB) approach	-	-	-	-	-	-
5	Of which equity IRB under the simple risk-weighted approach or the IMA	-	-	-	-	-	-
6	CCR	188,767,951	161,883,541	15,101,436	188,812,449	161,954,172	15,104,996
7	Of which mark to market	134,636,826	108,479,320	10,770,946	134,681,324	108,549,952	10,774,506
8	Of which original exposure	-	-	-	-	-	-
9	Of which the standardised approach	-	-	-	-	-	-
10	Of which internal model method (IMM)	43,775,365	44,981,806	3,502,029	43,775,365	44,981,806	3,502,029
11	Of which risk exposure amount for contributions to the default fund of a CCP	-	-	-	-	-	-
12	Of which CVA	10,355,760	8,422,415	828,461	10,355,760	8,422,415	828,461
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	113,013,556	181,875,574	9,041,084	113,013,556	176,907,416	9,041,084
20	Of which the standardised approach	113,013,556	181,875,574	9,041,084	113,013,556	176,907,416	9,041,084
21	Of which IMA	-	-	-	-	-	-
22	Large exposures	-	-	-	-	-	-
23	Operational risk	2,119,506,870	2,090,619,619	169,560,550	1,399,242,369	1,370,355,118	111,939,390
24	Of which basic indicator approach	720,264,501	720,264,501	57,621,160	0	0	0
25	Of which standardised approach	-	-	-	-	-	-
26	Of which advanced measurement approach	1,399,242,369	1,370,355,118	111,939,390	1,399,242,369	1,370,355,118	111,939,390
27	Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-	-	-	-
28	Floor adjustment	-	-	-	-	-	-
29	**Total**	**28,117,215,504**	**28,458,911,734**	**2,249,377,240**	**22,098,338,630**	**22,536,864,954**	**1,767,867,090**

The row “Of which the foundation IRB approach” does not contains CCR exposures of RON 142,379,867 (presented on the row “Of which market to market” RON 98,604,502 and on the row “Of which internal model method (IMM)” RON 43,775,365).

The row “Of which the standardised approach ” does not contains CCR exposures of RON 36,032,324 (presented on the row “Of which market to market” RON 36,032,324).

The position “Of which the foundation IRB approach “includes RWA for the assets which are not loans amounted RON 864,336,819 for Group and RON 1,399,386,502 for Bank.

5.EXPOSURE TO COUNTERPARTY RISK

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

The template presents the quarterly changes in the CCR (counterparty credit risk) RWAs determined under the IMM for CCR.

During the first quarter of 2019, the exposures regarding the counterparty credit risk decreased with RON 703 million comparing with the previous quarter and generated a RON 1.2 million decrease in RWA presented on the position “Asset size“.

		RWA amounts	Capital requirements
1	**RWAs as at the end of the previous reporting period (31.12.2018)**	**44,981,806**	**3,598,544**
2	Asset size	(1,206,441)	(96,515)
3	Credit quality of counterparties	-	-
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 (31.03.2019)**	**43,775,365**	**3,502,029**

6. 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	31.03.2019	2018
1	Total consolidated assets as per published financial statements	46,265,428,926	48,337,034,271
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	135,885,349	98,700,741
5	Adjustment for securities financing transactions (ie repos and similar secured lending)	214,364	2,139,508
6	(Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance w ith Article 429 (7) of Regulation (EU) No 575/2013)	3,898,451,699	4,176,865,524
EU-6a	(Adjustment for exposures excluded f rom the leverage ratio exposure measure in accordance w ith Article 429 (14) of Regulation (EU) No 575/2013)	-	-
EU-6b	Adjustments for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	-	-
7	Other adjustments	(249,505,612)	(243,456,087)
8	**Leverage ratio exposure measure**	**50,050,474,726**	**52,371,283,957**

LRCom: Leverage Ratio Common Disclosure

The template presents Leverage Ratio as at 31 March 2019 and the split of the main exposures according with CRR (EU Regulation no.575/2013) Art. 429 and 451.

		31.03.2019	2018
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	40,052,682,825	41,421,852,854
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(249,505,612)	(243,456,087)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of row 1 and 2)**	39,803,177,213	41,178,396,767
Derivative exposures			
4	Replacement cost associated with *all* derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	68,213,226	67,205,816
5	Add-on amounts for PFE associated with *all* derivatives transactions	135,885,349	98,700,741
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)**	204,098,575	165,906,557
Securities financing transactions			
12	Gross SFT *assets* (with no recognition of netting), after adjusting for sale accounting transactions	6,144,532,875	6,847,975,601
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
14	CCR exposure for SFT assets	214,364	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)**	6,144,747,240	6,850,115,109
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	12,922,950,913	13,292,233,559
18	(Adjustments for conversion to credit equivalent amounts)	(9,024,499,215)	(9,115,368,035)
19	**Off-balance sheet items (sum of rows 17 and 18)**	3,898,451,699	4,176,865,524
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**	4,200,331,494	4,171,575,004
21	**Total exposures (sum of rows 3, 11, 16 and 19)**	50,050,474,726	52,371,283,957
Leverage ratio			
22	**Basel III leverage ratio**	8.39%	7.97%
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:	40,052,682,825
EU-2	Trading book exposures	263,836,450
EU-3	Banking book exposures, of which:	39,788,846,381
EU-4	Covered bonds	-
EU-5	Exposures treated as sovereigns	9,596,445,564
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	-
EU-7	Institutions	647,481,296
EU-8	Secured by mortgages of immovable properties	4,977,899,048
EU-9	Retail exposures	6,608,440,480
EU-10	Corporate	14,896,801,381
EU-11	Exposures in default	527,508,298
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	2,534,270,314

7. LIQUIDITY RISK

The LCR and NSFR (Net Stable Funding) ratios maintained similar values compared to the last quarter of the previous year.

The following table presents, on a consolidated level, the LCR average in RON equivalent for the first quarter of 2019.

The number of observations for determining the average is 6, with figures coming from monthly reports from March 2019 and the previous 5 months.

LIQ1: Liquidity Coverage Ratio (LCR – consolidated)

		Total unweighted value (average)	Total weighted value (average)
High-quality liquid assets			
1	Total HQLA		14,257,440,995
Cash outflows			
2	**Retail deposits and deposits from small business customers, of which:**	11,313,480,506	1,164,883,943
3	Stable deposits	4,687,730,360	234,386,518
4	Less stable deposits	6,625,750,146	930,497,425
5	**Unsecured wholesale funding, of which:**	17,642,633,914	8,196,466,166
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-
7	Non-operational deposits (all counterparties)	17,642,633,914	8,196,466,166
8	Unsecured debt	-	-
9	**Secured wholesale funding**		-
10	**Additional requirements, of which:**	1,964,281,980	166,606,561
11	Outflows related to derivative exposures and other collateral requirements	10,814,576	10,814,576
12	Outflows related to loss of funding of debt products	-	-
13	Credit and liquidity facilities	1,953,467,404	155,791,985
14	**Other contractual funding obligations**	524,747,944	468,323,408
15	**Other contingent funding obligations**	6,209,388,934	188,560,560
16	**TOTAL CASH OUTFLOWS**		10,184,840,638
Cash inflows			
17	**inflos from central banks and other financial customers**	5,533,069,455	-
18	**Inflows from fully performing exposures**	1,024,265,375	776,796,135
19	**Other cash inflows**	8,723,954,538	57,926,110
20	**TOTAL CASH INFLOWS**	15,281,289,368	834,722,245
			Total adjusted value
21	**Total HQLA**		14,257,440,995
22	**Total net cash outflows**		9,350,118,394
23	**Liquidity coverage ratio (%)**		152.60%

The first quarter recorded an increase in the extremely high quality liquid assets due to an increase in the portfolio of government bonds issued by the Romanian Ministry of Finance. More than 99% of the bank's high quality liquid assets reserve is composed of level 1 assets, including cash, reserves held at the Central Bank, government bonds issued by the Romanian Government, and also bonds received as collateral in reverse repo transactions. UniCredit obtained from the above-mentioned transactions government bonds denominated in EUR, with an average market value over the first quarter of 1.2 billion EUR.

Retail deposits maintained a similar amount as in the previous quarter, with a slight increase being observed in the corporate deposit amounts, in line with the trend of the previous quarter. The average residual maturity figures as of March 2019 was of approximately 38 days for retail deposits and 30 days for corporate ones.

There was an increase in contingent outflows from uncommitted credit lines due to the higher volume of credit facilities offered to customers.

On the asset/inflows side the reverse repo transactions kept a considerable volume. However, being collateralized by level 1 high quality liquid assets, these did not affect the level of the LCR, the explanation for the volatility of the cash inflows being mainly explained by the interbank deposits with a maturity of less than 30 days.

The evolution of the LCR indicator in the last 12 months on a consolidated level is presented in the table below:

Liquidity Coverage Ratio (equiv. RON)				
Date	**Liquid assets**	**Outflows**	**Inflows**	**Ratio**
31-Mar-18	10,121,174,907	8,338,734,429	2,459,348,944	172.15%
30-Apr-18	8,551,935,713	7,390,131,367	4,109,092,775	260.65%
31-May-18	7,556,346,588	10,874,824,954	6,482,208,135	172.02%
30-Jun-18	6,677,134,879	9,878,534,175	5,307,085,429	146.06%
31-Jul-18	8,095,618,242	9,297,486,437	4,385,432,718	164.81%
31-Aug-18	7,761,078,544	9,672,809,495	5,728,217,742	196.75%
30-Sep-18	12,925,680,605	9,889,542,328	611,441,605	139.31%
31-Oct-18	13,086,107,387	9,765,618,398	551,163,882	142.02%
30-Nov-18	13,640,315,089	10,818,560,899	1,242,761,867	142.45%
31-Dec-18	15,231,462,230	10,000,737,630	527,741,702	160.79%
31-Jan-19	14,280,179,609	9,743,312,158	870,214,471	160.94%
28-Feb-19	14,613,666,604	11,098,838,430	1,326,871,088	149.55%
31-Mar-19	14,692,915,049	9,681,976,314	489,580,458	159.84%

ANNEX 1: UniCredit Bank SA Xls Templates

Covered area	Template id	Template Name	Link to
Regulatory capital		Composition of regulatory capital-Own Funds	Composition of capital'!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 CCR7	RWA flow statements of CCR exposures under the IMM	EU CCR7'!A1
Counterparty credit risk	EU CCR7	RWA flow statements of CCR exposures under the IMM	EU CCR7'!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
Liquidity	LIQ1	Liquidity Coverage Ratio (LCR)	LIQ1!A1