UniCredit Bank

PILLAR III DISCLOSURE REPORT

Report reference date: 31st December, 2020

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Abbreviations

ALCO	Asset and Liability Management Committee
ALMM	Additional Liquidity Monitoring Metrics
AMA	Advanced Measurement Approach
AT1	Additional Tier 1 capital
AVA	Additional Value Adjustment
BB	Banking Book
BCBS	Basel Committee on Banking Supervision
BPV	Limits Basis Point Value
CCP	Central Counterparty
CCR	Counterparty Credit Risk
CCS	Cross Currency Swaps
CET1	Common Equity Tier 1
CPV	limits Credit Point Value
CRM	Credit Risk Mitigation
CRO	Credit Operations Division
CRR	Capital Requirement Regulation
CVA	Credit Valuation Adjustment
EAD	Exposure At Default
EBA	European Banking Authority
ECAI	External Credit Assessment Institution
EU	European Union
FS	Financial Statements
FV	Fair Value
FuVA	Funding Value Adjustment
FVA	Fair Value Adjustment
FX	Foreign Exchange
GL	Guideline
G-SII	Global Systemically Important Institution
HLA	High Liquidity Assets
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standards
IRB	Internal Rating based Approach

IRRBB	Interest rate risk in the banking book
IRS	Interest Rate Swap
KRI	Key Risk Indicators
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
LR	Leverage Ratio
LWL	Limits Loss Warning Level
MB	Management Board
MDB	Multilateral Development Banks
MR	Market Risk
MtM	Mark to Market
NBR	National Bank of Romania
NII	Net Interest Income
NPL	Non-performing Loans
NSFR	Net Stable Funding Ratio
O-SII	Other Systemically Important Institutions
PD	Probability of Default
PSE	Public Sector Entities
REPO	Reverse Repo
RWA	Risk Weighted Assets
STA	Standardized Approach
SB	Supervisory Board
SFT	Securities Financing Transactions
SME	Small and medium sized enterprises
SREP	Supervisory Review and Evaluation Process
SVaR	Stressed VaR
T2	Tier 2 capital
TB	Trading Book
VaR	Value at Risk

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, with subsequent amendments, and connected regulatory requirements.

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) 2295/2017 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.
- Revisions to leverage ratio disclosure requirements June 2019 - Basel Committee on Banking Supervision
- Pillar 3 disclosure requirements-updated framework December 2019 - Basel Committee on Banking Supervision
- EBA/GL/2018/10 – Guidelines on disclosure of non-performing and forborne exposures
- EBA Guidelines EBA/GL/2020/07 on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis;

The document is available in electronic format at www.unicredit.ro, area Financial Reports, Basel II-Pillar III Disclosure, in the following location:

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, and 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, 2019, UniCredit Bank does not have participations in insurance undertakings
Exposure to counterparty credit risk	439	EU CCR8 – Exposures to CCPs	As at December 31, 2019, UniCredit Bank does not have exposures to CCPs
		EU CCR6 – Credit derivatives exposures	As at December 31, 2019, 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, 2019, UniCredit Bank does not 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)
Securitization		SECA – Qualitative disclosure requirements related to securitization exposures	UniCredit Bank does not perform securitization transactions
		SEC1 – Securitization exposures in the banking book	UniCredit Bank does not perform securitization transactions
		SEC2 – Securitization exposures in the trading book	UniCredit Bank does not perform securitization transactions
		SEC3 – Securitization exposures in the banking book and associated regulatory capital requirements – bank acting as originator or as sponsor	UniCredit Bank does not perform securitization transactions
		SEC4 – Securitization exposures in the banking book and associated capital requirements – bank acting as investor	UniCredit Bank does not perform securitization 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)

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 of risks;
- Specific strategies and techniques for risk measuring, assessing, monitoring, diminishing and reporting.

One of the key risk management tool used by the Bank represents stress testing. The aim of stress testing is to assess the Bank's viability with respect to exceptional but plausible events. The impact of certain macro-or micro-economic scenarios is assessed on the capital position (solvency stress test) and/or the liquidity position (liquidity stress test) of the Bank.

The stress tests have both regulatory and managerial purpose. They are used as a managerial tool to assess the capital and liquidity soundness and set potential action plans or risk mitigation actions.

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 results as a diagnostic tool to set up their risk appetite 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 and real estate 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 2020 stress tests were conducted over a 3-year horizon, based on two 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 in case the adverse scenarios materialize.

2.2 Structure and Risk Management organization

The risks management structure comprises 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 2020, both the Risk Management Committee at Supervisory Board level had 4 ordinary meetings and 3 extraordinary meetings and the Operative Risk Management Committee had 4 ordinary meetings.

Also, Risk Division has an important role in risk management, operating as a permanent organizational structure, with roles and responsibilities related to the administration of the general framework of risk management, together with 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 assess, 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 regards 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 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 through regular assessment of the operational risk indicators and through the assessment and interpretation of the operational risk events. The internal control function has also the mission to strengthen the internal control system by continuous tests and verifications.

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

The Supervisory Board approves the company's credit risk strategy, which is monitored on a periodical basis.

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

Risk Management Committee is a permanent committee and has the authority to make decisions in matters within its competence, in accordance with the Operational and Organizational Regulations, which manage significant risks, risks with significant impact on the patrimonial and/ or reputational situation of the company (credit risk, market risk, operational risk and reputational risk), as well as the risks associated with outsourced activities.

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 financing granted by UCL and according to established levels of competence in the sense of ensuring the quality of the credit portfolio through the mitigation and limitation of credit risk according to credit granting policy and to specific regulation of the Credit Committee.

The Special Credit Committee is responsible for approval of restructuring and workout cases, IFRS provisioning level for individually assessed clients, according to competencies and the specific regulation

Operational Permanent Work Group Committee is primarily responsible for analysing the operational risk losses, Key Risk Indicators (KRIs) and scenarios in order to identify mitigation actions aiming at reducing operational risk in future.

Reputational Risk Committee represents a unique (non-permanent) forum which, when is the case, analyses and assesses all transaction/initiatives/projects related to specific reputational risk industries and all cases related to activity domains with relevant reputational risks from local perspective. It also ensures awareness and attention regarding the assessment and management of reputational risk.

2.5 Scope and type of reporting and risk measurement system

The aim of the Pillar 2 processes is to enhance the link between the institution's risk profile, its risk management and risk mitigation systems as well as its capital planning.

The Pillar 2 framework can be divided into two major components:

- The first is represented by the Internal Capital Adequacy Assessment Process (ICAAP), under which UniCredit and the Legal Entities; belonging to the scope of application, evaluate their strategies and processes used to assess and maintain, on an ongoing basis, the amounts, types and distribution of internal capital commensurate to their risk profiles, as well as the robustness of internal control arrangements, in order to achieve and sustain a capital level that is adequate to the nature of the institution's business and risks;
- The second consists of the Supervisory Review and Evaluation Process (SREP), performed by the competent ultimate Regulatory Authority, whose key purpose is to ensure that institutions have adequate

arrangements, strategies, processes and mechanisms as well as capital and liquidity to ensure a sound management and coverage of their risks to which they are or might be exposed, including those revealed by stress testing and risks institutions may pose to the financial 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 2020 UniCredit Bank S.A. identified the following significant risks, further described throughout this document:

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" or "UCB"); the report includes Bank's information and also information regarding the entities integrated in the consolidated prudential perimeter of UniCredit Bank (further described as "the Group").

Starting 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 ("UCLC"), having its headquarters in Ghetarilor Street no. 23-25, 1st, 2nd and 4th floors, Sector 1, Bucharest, Romania, provides financial leasing services to corporate clients and individuals. UCLC, the former associate, has become the Bank's subsidiary since April 2014 when the Bank gained indirect control of 99.95% (direct control: 99.90%). The Bank's indirect ownership rate as of 31 December 2019 is 99.98% (direct control: 99.96%) as a result of the merger by absorption of UniCredit Leasing Romania SA ("UCLRO") by UCLC finalized in June 2015, the date at which UCLRO was absorbed by UCLC.

- Debo Leasing S.R.L., having its current registered office in 23-25 Ghetarilor Street, 2nd floor, 1st district, Bucharest, Romania, is a real estate finance lease entity, that became a subsidiary of the Bank in April 2014. As of December 31, 2019 the Bank has indirect control interest of 99.970% out of which 99.963% through UCLC and 0.0069% through UCFIN. Debo Leasing S.R.L. is the new name of Debo Lesing IFN S.A. beginning with October 2018, when the company was erased from the General Register of Financial Non-banking Institutions.

- UniCredit Insurance Broker S.R.L. ("UCIB"), 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, and became a subsidiary of the Bank beginning with 31 December 2020. The Bank has an indirect controlling interest of 99.98% through UCLC which owns 100% UCIB.

  As of 31 December 2020 the Group carried out its activity in Romania through its Head Office located in Bucharest and through its network, having 148 branches (31 December 2019: 146) in Bucharest and in the country .

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

This template presents the differences between the accounting and the prudential consolidation perimeter which applies for providing the required information in the eight part of CRR (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 securitization framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets							
Cash and cash equivalents	12,236,806,954	12,236,806,954	6,395,470,915	5,841,336,039	-	-	-
Of which: Reverse Repo*	5,841,336,039	5,841,336,039	-	5,841,336,039	-	-	-
Financial assets at fair value through profit or loss: Derivatives and Debt Securities	512,098,407	512,098,407	-	75,766,925	-	436,331,482	-
Financial assets at fair value through profit or loss: Capital Instruments	43,237,681	43,237,681	43,237,681	-	-	-	-
Loans and advances to banks at amortized cost	212,129,485	212,129,485	212,129,485	-	-	-	-
Loans and advances to customers at amortized cost****	28,745,125,955	28,745,125,955	28,745,125,955	-	-	-	-
Financial assets at fair value through other comprehensive income: Debt Instruments	3,012,373,131	3,012,373,131	3,012,373,131	-	-	-	-
Of which: Financial assets at fair value through other comprehensive income-Debt Instruments pledged in repo transactions	-	24,044,115	-	24,044,115	-	-	-
Financial assets at fair value through other comprehensive income: Capital Instruments	7,999,546	7,999,546	7,999,546	-	-	-	-
Debt Instruments at amortized cost	6,148,137,326	6,148,137,326	6,148,137,326	-	-	-	-
Property, plant and equipment	215,505,383	215,505,383	215,505,383	-	-	-	-
Right of use assets	198,790,133	198,790,133	198,790,133	-	-	-	-
Intangible assets	245,933,853	245,933,853	96,017,769	-	-	-	149,916,084
Current tax assets	857,980	857,980	857,980	-	-	-	-
Deferred tax assets	119,798,128	119,798,128	121,923,181	-	-	-	(2,125,053)
Other assets**	269,746,038	269,746,038	269,746,038	-	-	-	-
Total assets* **	**51,968,540,000**	**51,968,540,000**	**45,467,314,523**	**5,917,102,964**	**-**	**436,331,482**	**147,791,031**

**The accounting value according to the prudential accounting perimeter represents repurchase agreements securities.*
***Caption "Other Assets" contains "Other Assets" and "Other financial assets at amortized cost" from the IFRS Financial Statements.*
****The amounts are rounded to '000 RON in the IFRS Consolidated and Separate Financial Statements, leading to rounding differences as compared to the figures reported above.*
*****Caption "Loans and advances to customers at amortized cost" contains "Loans and advances to customers at amortized cost" and "Net lease receivables" from the IFRS Financial Statements.*

	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 securitization framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Liabilities							
Deposits from banks	595,077,282	595,077,282	-	-	-	-	595,077,282
Loans from banks and other financial institutions at amortized cost	5,564,667,269	5,564,667,269	-	-	-	-	5,564,667,269
Of which: Items in the course of collection due to other banks - repo transactions	24,117,539	24,117,539	-	-	-	-	24,117,539
Deposits from customers	35,772,366,057	35,772,366,057	-	-	-	-	35,772,366,057
Financial liabilities at fair value through profit or loss	73,015,822	73,015,822	-	-	-	-	73,015,822
Derivatives liabilities designated as hedging instruments	81,214,835	81,214,835	-	-	-	-	81,214,835
Debt securities issued	1,922,035,800	1,922,035,800	-	-	-	-	1,922,035,800
Subordinated liabilities	929,592,845	929,592,845	-	-	-	-	929,592,845
Lease liabilities	196,836,567	196,836,567	-	-	-	-	196,836,567
Current tax liabilities	6,801,037	6,801,037	-	-	-	-	6,801,037
Deferred tax liabilities	-	-	-	-	-	-	-
Provisions	223,575,384	223,575,384	-	-	-	-	223,575,384
Other liabilities**	761,408,102	761,408,102	-	-	-	-	761,408,102
Total liabilities	**46,126,591,000**	**46,126,591,000**	**-**	**-**	**-**	**-**	**46,126,591,000**
Total equity	**5,841,949,000**	**5,841,949,000**	**-**	**-**	**-**	**-**	**5,841,949,000**
Total liabilities and equity*	**51,968,540,000**	**46,126,591,000**	**-**	**-**	**-**	**-**	**46,126,591,000**

**The amounts are rounded to '000 RON in the IFRS Consolidated and Separate Financial Statements, leading to rounding differences as compared to the figures reported above.*
***Caption "Other liabilities" contains "Other non-financial liabilities" and "Other financial liabilities at amortized cost" from the IFRS Financial Statements.*

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 for 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 this 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 this document.

Differences due to consideration of provisions disclose the re-integration in the exposure value of specific and general credit risk adjustments (as defined in the Commission Delegated Regulation (EU) No 183/2014) that have been deducted in accordance with the applicable accounting framework. If the carrying amount in the financial statements under the regulatory scope of consolidation has been reduced by elements qualifying as general credit risk adjustments under the aforementioned delegated regulation, these elements have to be re-integrated in the exposure value.

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 risk according to Article 429 (b), point 2.

		Total (a)	Items subject to			
			Credit risk framework (b)	CCR framework (c)	Securitization framework (d)	Market risk framework (e)
1	**Assets carrying value amount under the scope of regulatory consolidation (as per template EU LI1)**	**51,968,540,000**	**45,463,064,417**	**5,917,102,964**	**-**	**436,331,482**
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	51,968,540,000	45,463,064,417	5,917,102,964	-	436,331,482
4	Off-balance-sheet amounts*	16,964,637,559	4,894,559,320	-	-	-
5	*Differences due to different netting rules, other than those already included in row 2*	-	-	-	-	-
6	*Differences due to provisions*	-	-	-	-	-
7	*Differences due to prudential filters*	-	-	-	-	-
8	*Differences due to Derivatives (add on for CCF, on top of accounting value)*	66,021,215	-	66,021,215	-	-
9	*Differences due to SFT*	-	-	-	-	-
10	**Exposure amounts considered for regulatory purposes**	**68,999,198,774**	**50,357,623,737**	**5,983,124,179**	**-**	**436,331,482**

** The amount under column b represents the off balance amounts after application of CCF.*

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				Non-Banking financial institution
UniCredit Leasing Corporation IFN S.A.	Full Consolidation	X				Financial Leasing company
Debo Leasing S.R.L.	Full Consolidation	X				Real Estate Leasing company
UniCredit Insurance Broker S.R.L.	Full Consolidation	X				Insurance Broker

3.2 Prudent valuation

The below table contains the additional evaluation adjustments (AVA). The most significant adjustments are related to early termination risk, 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	Other	Total pre-diversification	Total after diversification	Of which: In the trading book	Of which: In the banking book
1	Market price uncertainty	-	84,089	5,100	4,804	-	15,705	**109,697**	**37,297**	27,795	9,502
2	Mid-market value	-	-	-	-	-	-	**-**	**-**	-	-
3	Closeout cost	-	173,945	18,158	539,670	-	115,616	**847,388**	**288,112**	121,695	166,417
4	Concentration	-	-	-	904,876	-	-	**-**	**904,876**	-	904,876
5	Early termination	-	-	-	-	-	-	**-**	**-**	-	-
6	Model risk	-	-	-	-	-	70,249	**70,249**	**23,884**	21,496	2,388
7	Operational risk	-	-	-	-	-	-	**-**	**-**	-	-
8	of which: Investing and funding costs								137,699	-	-
9	of which: Unearned credit spreads								63,871	-	-
10	Future administrative costs	-	-	-	-	-	-	**-**	**-**	-	-
11	Other	-	-	-	-	-	-	**-**	**-**	-	-
12	**Total adjustment**	**-**	**258,033**	**23,257**	**1,449,350**	**-**	**201,569**	**1,027,334**	**1,254,169**	**170,985**	**1,083,184**

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 2020, UniCredit Bank doesn't hold at individual level significant investments in financial entities to be deducted from own funds according to the Article 48 from CRR.

3.4 Entities added to RWA

As at 31 December 2020, 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 the 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 (99.977%), 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. 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 2021 and the financial plan for the next 3 years of UCB and its subsidiaries outline the intention of ongoing business activity and to support 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 the 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 and changes over time

Starting with January 2014, the 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 (e.g.: 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 recognized 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 (e.g. 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 recognized in regulatory capital (in RON)	48,500,000	120,000,000
	Currency of issue	EUR	EUR
9	Nominal amount of instrument (aggregate) - 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 amortized cost	liabilities at amortized 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) original currency	Amount (principal) RON equivalents	Starting date	Maturity Date	Update interest frequency	Clauses	Payments
1	UniCredit SPA	EUR	48,500,000	236,165,900	27-Jul-2017	27-Jul-2027	3 months	without anticipated reimbursement	one
2	UniCredit SPA	EUR	120,000,000	584,328,000	29-Dec-2017	29-Dec-2027	3 months	without anticipated reimbursement	one
	Total		**168,500,000**	**820,493,900**					

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

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;
- recognizing 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 2020 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	3,521,958,051	3,161,584,785	i
3	Accumulated other comprehensive income (and any other reserves, included unrealized gains and losses)	399,705,683	399,705,683	e+f+g+h+k
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	5,721,092,486	5,360,719,220	
	Common Equity Tier 1 (CET1) capital: regulatory adjustments	-	-	
7	Additional value adjustments **	1,254,171	1,254,171	
8	Intangible assets (net of related tax liability)	143,195,181	137,372,522	a+b
11	Fair value reserves related to gains or losses on cash flow hedges	-46,441,269	-46,441,269	e
12	(-) IRB shortfall of credit risk adjustments to expected losses	1,173,391	4,608,167	
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	-	-	
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	109,895,716	107,447,770	
29	Common Equity Tier 1 (CET1) capital	5,611,256,833	5,253,271,450	
	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)**	**5,611,256,833**	**5,253,271,450**	
	Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments and the related share premium accounts	820,493,900	820,493,900	
50	Credit risk adjustments	78,499,695	82,090,162	
51	Tier 2 (T2) capital before regulatory adjustment	898,993,595	902,584,062	
	Tier 2 (T2) capital: regulatory adjustments	-	-	
57	Total regulatory adjustments to Tier 2 (T2) capital	-	-	
58	**Tier 2 (T2) capital**	**898,993,595**	**902,584,062**	
59	**Total capital (TC = T1 + T2)**	**6,510,250,428**	**6,155,855,512**	
60	**Total risk-weighted assets**	**27,156,043,988**	**21,755,857,832**	
	Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of total risk exposure amount	20.66%	24.15%	
62	Tier 1 (as a percentage of total risk exposure amount	20.66%	24.15%	
63	Total capital (as a percentage of total risk exposure amount	23.97%	28.30%	
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	0.00005%	0.00005%	
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%		

**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. Please see Chapter 5.4 for further details*
*** Please see details in Chapter 3.2. Prudent Valuation*

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

In RON thousands	Group 31.12.2020	Bank 31.12.2020	Reference
Assets:			
Cash and cash equivalents	12,236,806,954	12,229,612,770	
Financial assets at fair value through profit or loss	555,336,088	555,336,088	
Loans and advances to banks at amortized cost	212,129,485	212,129,481	
Loans and advances to customers at amortized cost	25,229,313,166	22,286,537,192	
Net Lease receivables	3,515,812,789	-	
Debt securities at amortized cost	6,148,137,326	6,148,137,326	
Other financial assets at amortized cost	143,439,682	117,695,560	
Financial assets at fair value through other comprehensive income	3,020,372,677	3,018,026,716	
Investment in subsidiaries	-	143,115,683	
Property, plant and equipment	215,505,383	205,101,062	
Right of use assets	198,790,133	189,896,014	
Intangible assets	245,933,853	231,976,016	
of which: Subject of Regulation 2020/2176 and Intangible assets in progress	149,916,084	144,093,425	a
Current tax assets	857,980	-	
Deferred tax assets	119,798,128	41,246,104	
of which: Deferred tax regarding Intangible Assets	(6,720,903)	(6,720,903)	b
Other assets	126,306,356	66,947,988	
Total assets	**51,968,540,000**	**45,445,758,000**	
Liabilities:			
Financial liabilities at fair value through profit or loss	73,015,822	73,015,822	
Derivatives liabilities designated as hedging instruments	81,214,835	81,214,835	
Financial liabilities at amortized cost:	-	-	
Deposits from banks	595,077,282	595,077,282	
Loans from banks and other financial institutions at amortized cost	5,564,667,269	778,202,587	
Deposits from customers	35,772,366,057	36,259,081,369	
Debt securities issued	1,922,035,800	470,746,890	
Subordinated liabilities	929,592,845	822,466,045	
Other financial liabilities at amortized cost	518,043,830	453,359,524	
Lease liabilities	196,836,567	192,716,741	
Current tax liabilities	6,801,037	969,452	
Deferred tax liabilities	-	-	
Provisions	223,575,384	193,874,573	
Other non-financial liabilities	243,364,272	164,314,880	
Total liabilities	**46,126,591,000**	**40,085,040,000**	
Shareholders' equity:			
Share capital	1,177,748,253	1,177,748,253	c
Share premium	621,680,499	621,680,499	d
Fair value changes of equity instruments measured at fair value through other comprehensive income	1,909,037	1,909,037	k
Cash flow hedge reserve	(46,441,269)	(46,441,269)	e
Reserve on financial assets at fair value through other comprehensive income	105,999,078	105,999,078	f
Revaluation reserve on property and equipment	12,721,884	12,721,884	g
Other reserves	325,516,000	325,516,000	h
Retained earnings	3,521,958,518	3,161,584,518	i
of which: Profit	492,974,262	403,662,203	
of which: Dividends	-	-	
Total equity for parent company	**5,721,092,000**	**5,360,718,000**	
Non-controlling interest	120,857,000	-	
Total Equity	**5,841,949,000**	**5,360,718,000**	
Total liabilities and equity	**51,968,540,000**	**45,445,758,000**	

4.2 Summary of Key Prudential Metrics

KM1: Key metrics

		31-Dec-20	30-Sep-20	30-Jun-20	31-Mar-20	31-Dec-19
Available capital (amounts)						
1	Common Equity Tier 1 (CET1)	5,611,256,833	4,953,267,201	4,863,105,622	4,599,614,894	4,889,611,311
1a	Fully loaded ECL accounting model	5,611,256,833	4,953,267,201	4,863,105,622	4,599,614,894	4,889,611,311
2	Tier 1	5,611,256,833	4,953,267,201	4,863,105,622	4,599,614,894	4,889,611,311
2a	Fully loaded accounting model Tier 1	5,611,256,833	4,953,267,201	4,863,105,622	4,599,614,894	4,889,611,311
3	Total capital	6,510,250,428	5,864,276,922	5,771,675,761	5,412,694,794	5,694,923,361
3a	Fully loaded ECL accounting model total capital	6,510,250,428	5,864,276,922	5,771,675,761	5,412,694,794	5,694,923,361
Risk-weighted assets (amounts)						
4	Total risk-weighted assets (RWA)	27,156,043,988	28,605,180,128	29,071,933,672	31,071,694,880	31,082,322,515
Risk-based capital ratios as a percentage of RWA						
5	Common Equity Tier 1 ratio (%)	20.66%	17.32%	16.73%	14.80%	15.73%
5a	Fully loaded ECL accounting model CET1 (%)	20.66%	17.32%	16.73%	14.80%	15.73%
6	Tier 1 ratio (%)	20.66%	17.32%	16.73%	14.80%	15.73%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	20.66%	17.32%	16.73%	14.80%	15.73%
7	Total capital ratio (%)	23.97%	20.50%	19.85%	17.42%	18.32%
7a	Fully loaded ECL accounting model total capital ratio (%)	23.97%	20.50%	19.85%	17.42%	18.32%
Additional CET1 buffer requirements as a percentage of RWA						
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.500%	2.500%	2.500%	2.500%	2.500%
9	Countercyclical buffer requirement (%)	0.00005%	0.00002%	0.00002%	0.00020%	0.00050%
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)	3.500%	3.500%	3.500%	3.500%	3.500%
12	CET1 available after meeting the bank's minimum capital requirements (%)	16.166%	12.816%	12.228%	10.303%	11.231%
Basel III Leverage Ratio						
13	Total Basel III leverage ratio measure	56,860,508,640	55,803,961,367	54,978,720,518	54,422,489,752	56,279,881,553
14	Basel III leverage ratio (%) (row 2/row 13)	9.87%	8.88%	8.85%	8.45%	8.69%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2A/row 13)	9.87%	8.88%	8.85%	8.45%	8.69%
Liquidity Coverage Ratio						
15	Total HQLA	18,895,542,219	17,503,201,695	16,490,787,089	16,023,457,945	17,073,171,038
16	Total net cash outflow	10,421,317,447	9,244,539,793	9,278,309,869	9,122,080,598	10,244,390,684
17	LCR ratio (%)	181.32%	189,34%	177.73%	175.66%	166.66%
Net Stable Funding Ratio						
18	Total available stable funding	37,248,331,575	36,255,277,123	35,658,673,433	36,129,829,067	36,093,851,569
19	Total required stable funding	21,202,491,856	21,151,131,613	20,576,147,125	22,485,120,639	22,630,827,937
20	NSFR ratio (%)	175.68%	171,41%	173.30%	160.68%	159.49%

5. CAPITAL REQUIREMENTS

5.1 General comment

Capital Adequacy Assessment

During 2020, 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. 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, 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 Standardized 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 and forecasting.

EU OV1 – Overview of RWAs

		Group			Bank		
		RWA		Capital Requirements	RWA		Capital Requirements
		31.12.2020	30.09.2020	31.12.2020	31.12.2020	30.09.2020	31.12.2020
1	**Credit risk (excluding CCR)**	**24,240,166,361**	**25,870,586,626**	**1,939,213,309**	**19,592,168,717**	**21,033,406,499**	**1,567,373,497**
2	Of which the standardized approach	11,241,583,316	10,877,224,915	899,326,665	5,995,174,391	5,479,677,642	479,613,951
3	Of which the foundation IRB (FIRB) approach*	12,998,583,045	14,993,361,711	1,039,886,644	13,596,994,326	15,553,728,857	1,087,759,546
4	Of which the advanced IRB (AIRB) approach	-	-	-	-	-	-
5	Of which equity IRB under the simple risk-weighted approach or the IMA	180,897,683	170,475,913	14,471,815	710,425,711	700,003,941	56,834,057
6	**CCR**	**110,969,209**	**136,854,139**	**8,877,537**	**110,981,519**	**136,854,139**	**8,878,522**
7	Of which mark to market	93,933,612	99,092,952	7,514,689	93,945,922	99,092,952	7,515,674
8	Of which original exposure	-	-	-	-	-	-
9	Of which the standardized approach	-	-	-	-	-	-
10	Of which internal model method (IMM)	13,082,627	8,865,595	1,046,610	13,082,627	8,865,595	1,046,610
11	Of which risk exposure amount for contributions to the default fund of a CCP	-	-	-	-	-	-
12	Of which CVA	3,952,970	28,895,592	316,238	3,952,970	28,895,592	316,238
13	**Settlement risk**	**-**	**-**	**-**	**-**	**-**	**-**
14	Securitization 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 standardized approach	-	-	-	-	-	-
19	**Market risk**	**159,815,181**	**37,961,954**	**12,785,214**	**159,815,181**	**37,961,954**	**12,785,214**
20	Of which the standardized approach	159,815,181	37,961,954	12,785,214	159,815,181	37,961,954	12,785,214
21	Of which IMA	-	-	-	-	-	-
22	Large exposures	-	-	-	-	-	-
23	**Operational risk**	**2,645,093,236**	**2,559,777,409**	**211,607,459**	**1,892,892,415**	**1,841,223,938**	**151,431,393**
24	Of which basic indicator approach	752,200,822	718,553,471	60,176,066	-	-	-
25	Of which standardized approach	-	-	-	-	-	-
26	Of which advanced measurement approach	1,892,892,415	1,841,223,938	151,431,393	1,892,892,415	1,841,223,938	151,431,393
27	Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-	-	-	-
28	Floor adjustment	-	-	-	-	-	-
29	**Total**	**27,156,043,987**	**28,605,180,128**	**2,172,483,519**	**21,755,857,832**	**23,049,446,530**	**1,740,468,627**

**The row "Of which the foundation IRB approach" does not contain CCR exposures RON 71,616,758 (presented on the row "Of which mark to market"). The position includes also RWA for assets which are not loans in amount of RON 908,565,909.84 (RON 180,897,683.36 Equity IRB and RON 727,668,226.48 Other non-credit obligation assets).*

5.2 Capital Planning

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 2020, 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 20.66%, significantly higher than the minimum regulatory requirement.

As per Regulation 575/2013, the Minimum Total 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 during 2020 the total capital ratio (solvency ratio) of 11.15% at individual level and 10.10% at consolidated level.

The total minimum capital requirements during 2020 (including Pillar I and Pillar II buffers) is 13.65% at individual level and 13.60% at sub-consolidated level.

5.3 Risk Management and business model - RWA segmentation

One of the Group'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 company-wide views on acceptable relationships between the risks and profitability at a Group's overall level and for each significant activity in order to ensure sustainability of sound and prudent operations.

UniCredit Bank targeted a balanced asset portfolio in order to diminish the exposures that have a high risk associated. Also, the Bank performs various processes for RWA optimization, on a regular basis.

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 10/2019 and Order no 8/2018.

Capital requirements - Pillar I	**31.12.2020**	
Capital conservation buffer	2.5%	
Countercyclical capital buffer	0.00006% 0.00005%	at individual level at sub-consolidated level
O-SII buffer	1%	only at sub-consolidated level
Systemic risk buffer	1%, but supplementary requirement by set at 0%, according to art. 276 and 277 from NBR Reg. no 5/2013	only at sub-consolidated level
Combined buffer requirement	**2.5%**	**at individual level**
	3.5%	**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 total solvency ratio above 11.15% at individual level and 10.10% at sub-consolidated level.

Solvency ratio - minimum requirements including Pillar I & II buffers	**31.12.2020**		
	NBR Supervisory Report - SREP	**Capital buffers**	**TOTAL**
- individual level			
CET 1 ratio	6.27%		8.77%
Tier 1 ratio	8.36%	2.50%	10.86%
Total capital ratio	**11.15%**		**13.65%**
-sub-consolidated level			

Solvency ratio - minimum requirements including Pillar I & II buffers	31.12.2020		
	NBR Supervisory Report - SREP	Capital buffers	TOTAL
CET 1 ratio	5.68%	3.50%	9.18%
Tier 1 ratio	7.58%		11.08%
Total capital ratio	**10.10%**		**13.60%**

Other Systemically Important Institutions buffer

As per National Bank of Romania Order no.10/2019, 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 01.01.2020; this level did not changed as compared to the percentage applied by the Bank throughout 2019.

Capital conservation buffer

As per National Bank of Romania Regulation no.5/ 2013 on prudential requirements for credit institutions, following the fully loaded approach, UniCredit Bank had to maintain during 2020 a capital conservation buffer of 2.5% 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 2020, UniCredit Bank had to maintain a countercyclical capital buffer of 0% of the total risk weighted exposure on Romanian entities, calculated as per art. 92(3) of NBR Regulation no. 575/2013 on prudential requirements for credit institutions.

As of 31.12.2020, UniCredit Bank maintained an overall countercyclical buffer rate, expressed as a percentage of the total risk exposure amount under Article 92 paragraph (3) of Regulation (EU) No 575/2013, of 0.00006% at individual level and of 0.00005% sub-consolidated level, driven by the exposures on non – Romanian entities.

Systemic risk buffer

As per National Bank of Romania Order no. 8/2018 regarding systemic risk capital buffer and the notification of additional constant capital requirements in systemic risk amortization applicable from 1 January 2019, UniCredit Bank maintained, at sub-consolidated level, a systemic risk buffer of 1% of the total risk weighted exposure, calculated as per art. 92(3) of Regulation no. 575/2013 on prudential requirements for credit and investment institutions, and amending Regulation (EU) no. 648/2012.

This buffer is applicable starting 01.12.2019, 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 between buffer value (O-SII) and the systemic risk buffer.

Therefore, in the case of UCB, the maximum combined requirement for the systemic risk buffer and O-SII buffer, is 1% starting with 01.01.2020.

Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer

Breakdown by country	General credit exposures		Trading book exposure		Own funds requirements				Own funds requirement weights recomputed with all decimals	Countercyclical capital buffer rate
	Exposure value for SA	Exposure value IRB	Sum of long and short position of trading book	Value of trading book exposure for internal models	Of which: General credit exposures	Of which: Trading book exposures	Of which: Securitisation exposures	Total		
	010	020	030	040	070	080	090	100	110	120
Argentina	1	-	-	-	0	-	-	0	0.00000	0.00000
Austria	236,896	4,753,927	-	-	260,495	-	-	260,495	0.00015	0.00000
Australia	224	-	-	-	17	-	-	17	0.00000	0.00000
Belgium	114,513	-	-	-	3,208	-	-	3,208	0.00000	0.00000
Bulgaria	2,532,519	-	-	-	161,352	-	-	161,352	0.00009	0.00005
Canada	286,997	-	-	-	12,744	-	-	12,744	0.00001	0.00000
Switzerland	18	178,512	-	-	2,596	-	-	2,596	0.00000	0.00000
Cyprus	1,103	-	-	-	88	-	-	88	0.00000	0.00000
Germany	100,740,251	107	-	-	6,688,095	-	-	6,688,095	0.00379	0.00000
Denmark	31,637	-	-	-	895	-	-	895	0.00000	0.00000
Spain	80,933	-	-	-	4,886	-	-	4,886	0.00000	0.00000
France	20,562,383	217,776	-	-	1,652,398	-	-	1,652,398	0.00094	0.00000
United Kingdom	4,957,872	1,051,956	-	-	332,479	-	-	332,479	0.00019	0.00000
Georgia	-	1,983,000	-	-	178,268	-	-	178,268	0.00010	0.00000
Greece	110	-	-	-	9	-	-	9	0.00000	0.00000
Hungary	1,697	-	-	-	49	-	-	49	0.00000	0.00000
Indonesia	21,331	-	-	-	1,280	-	-	1,280	0.00000	0.00000
Ireland	939	-	-	-	56	-	-	56	0.00000	0.00000
Israel	309,698	3,077,461	-	-	77,616	-	-	77,616	0.00004	0.00000
India	36	-	-	-	2	-	-	2	0.00000	0.00000
British Indian Ocean Territory	5,376	-	-	-	430	-	-	430	0.00000	0.00000
Italy	19,237,228	17,405,851	-	-	1,980,897	-	-	1,980,897	0.00112	0.00000
Kuwait	5	-	-	-	0	-	-	0	0.00000	0.00000
Lebanon	34,429	-	-	-	2,754	-	-	2,754	0.00000	0.00000
Monaco	78,788	-	-	-	5,222	-	-	5,222	0.00000	0.00000
Moldova	106	-	-	-	8	-	-	8	0.00000	0.00000
Malta	0	-	-	-	-	-	-	-	0.00000	0.00000
Nigeria	47,888	-	-	-	4,052	-	-	4,052	0.00000	0.00000
Netherlands	33,271,235	297,450	-	-	2,661,650	-	-	2,661,650	0.00151	0.00000
Norway	0	-	-	-	0	-	-	0	0.00000	0.00000
Poland	396,133	-	-	-	11,457	-	-	11,457	0.00001	0.00000
Reunion	1,564	-	-	-	94	-	-	94	0.00000	0.00000
Romania	16,291,822,666	14,224,069,069	-	-	1,734,711,228	-	-	1,734,711,228	0.98408	0.00000
Russian Federation	-	6,862,642	-	-	380,920	-	-	380,920	0.00022	0.00000
Sweden	9	-	-	-	1	-	-	1	0.00000	0.00000

Breakdown by country	General credit exposures		Trading book exposure		Own funds requirements				Own funds requirement weights recomputed with all decimals	Countercyclical capital buffer rate
	Exposure value for SA	Exposure value IRB	Sum of long and short position of trading book	Value of trading book exposure for internal models	Of which: General credit exposures	Of which: Trading book exposures	Of which: Securitisation exposures	Total		
	010	020	030	040	070	080	090	100	110	120
Slovenia	-	24,322,115	-	-	772,737	-	-	772,737	0.00044	0.00000
Slovakia	19,761	-	-	-	1,189	-	-	1,189	0.00000	0.00000
Thailand	-	107,239	-	-	3,637	-	-	3,637	0.00000	0.00000
Tunisia	-	256,301	-	-	39,458	-	-	39,458	0.00002	0.00000
Turkey	8,318	-	-	-	501	-	-	501	0.00000	0.00000
United States of America	471,446	43,237,680	-	-	12,814,413	-	-	12,814,413	0.00727	0.00000
Vietnam	97	-	-	-	6	-	-	6	0.00000	0.00000
Total	**16,475,274,207**	**14,327,821,088**	**-**	**-**	**1,762,767,186**	**-**	**-**	**1,762,767,186**		

****Securitization exposures are 0 and are not presented in the template***

Countercyclical buffer capital requirements- Synthesis (CCYB2) ‘000 RON

COUNTERCYCLICAL BUFFER CAPITAL REQUIREMENTS	31.12.2020	30.06.2020
Total risk exposure amount	**27,156,044**	**29,071,934**
Institution specific countercyclical capital buffer rate	0.00005%	0.00002%
Institution specific countercyclical capital buffer requirement	13	5

In order to calculate the weighted average, the Bank applied to each amortization rate applicable in a jurisdiction the coefficient in accordance with Part Three, Titles II and IV of Regulation (EU) No. 575/2013, corresponding to the relevant exposures (i.e. exposures other than institutions, central banks and central administrations) from loans located in the respective jurisdiction, to the total own funds requirements for credit risk related to all its exposures from relevant loans.

5.5 RWA calculation method and models

The Bank calculates RWA according to the provisions of EU Regulation 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.

5.6 RWA changes over time

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, central banks and sovereigns and financial investment companies.

According to Joint Decision ECB / NBR received during Q2 2020, the Bank received the permission to implement material changes to the Romanian probability of default model for the Mid-Corporate portfolio of UniCredit Bank SA and to apply the permanent partial use of the standardized approach to the non-banking financial institutions portfolio, real estate companies and foreign clients’ portfolios. This Decision was adopted pursuant to Articles 20(1)(a), 143(3), 149(1)(a), 150(1)(b) and (c) of Regulation (EU) No 575/2013 of the European Parliament and of the Council3, Article 13 of Commission Implementing Regulation (EU) 2016/1004 in conjunction with Article 4(1)(e), Article 9(1) and Article 10(1) of Regulation (EU) No 1024/2013. The approach has been implemented and the impact is to be seen gradually within a period of several months corroborated with the rerating process on all clients within the perimeter.

According to NBR approval received on 22 December 2020 regarding the provisions of the Article 150 of Regulation No 575/2013 of the European Parliament, the Bank started to temporary report the exposures in foreign currency of EU member states of Central Administrations and Central Banks according to standardized approach using a 0% RWA percentage.

Further, for the rest of the loan 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 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 loans 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 realized 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, 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 realize 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 non-performing loans.

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 forborne loans and non-performing loans.
- 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

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

The template presents the total and the average net exposures during 2020 considering the exposure class.

The net amounts regarding the balance sheet and off balance exposures represent the carrying amounts (gross exposure after deduction of impairment and provisions).

The average exposure of the period represents the average exposures observed at the end of each quarter of 2020.

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

The template provides the total and the average amount of net exposures over the period by credit exposure class.

		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	63,224,049	1,521,894,919	63,224,049
2	Institutions	8,181,530,503	8,498,546,944	8,181,530,503
3	Corporates	24,066,359,409	23,975,568,811	24,123,425,104
4	*Of which: Specialized lending*	-	-	-
5	*Of which: SMEs*	11,114,557,801	10,790,091,446	11,167,721,808
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	48,891,266	45,083,895	192,006,949
15	**Total IRB approach**	**32,360,005,227**	**34,041,094,569**	**32,560,186,604**
16	Central governments or central banks	13,778,279,892	11,174,295,014	13,698,124,611
17	Regional governments or local authorities	359,441,656	327,149,431	359,004,601
18	Public sector entities	-	217,747	-
19	Multilateral development banks	-	-	-
20	International organizations	-	-	-
21	Institutions	644,894,084	164,960,467	685,391,626
22	Corporates	5,050,250,102	4,766,839,209	2,969,644,798
23	*Of which: SMEs*	3,186,117,631	3,228,460,808	1,757,193,419
24	Retail	7,381,271,908	7,376,615,894	2,783,381,884
25	*Of which: SMEs*	4,239,850,914	4,184,281,383	1,829,485,138
26	Secured by mortgages on immovable property	5,790,373,830	6,052,898,958	5,538,638,907
27	*Of which: SMEs*	520,858,777	666,601,162	331,797,013
28	Exposures in default	497,813,225	412,678,988	266,094,080
29	Items associated with particularly high risk	89,995,482	118,387,164	89,995,482
30	Covered bonds	-	-	-
31	Claims on institutions and corporates with a short-term credit assessment	91,907	76,367	-
32	Collective investments undertakings	-	-	-
33	Equity exposures	2,345,998	2,345,998	-
34	Other exposures	114,139,454	127,585,382	-
35	**Total standardized approach**	**33,708,897,538**	**30,524,050,619**	**26,390,275,989**
36	**Total**	**66,068,902,764**	**64,565,145,189**	**58,950,462,594**

The variations in Central governments or central banks exposures are due to the reclassifications performed according to the Regulation 873/2020, and following the receipt of approval from National Bank of Romania, as described in Chapter 5.6 above.

EU CRB-C – Geographical breakdown of exposures

		Net value of exposures					
		Austria	Germany	Spain	France	Ireland	Italy
1	Central governments or central banks	-	-	-	-	-	-
2	Institutions	134,413,331	326,780,454	194,248,462	475,592,346	206,958,228	6,055,513,227
3	Corporates	28,898,954	105	-	217,457	-	41,340,414
4	Retail	-	-	-	-	-	-
5	Equity	-	-	-	-	-	-
6	**Total IRB approach**	**163,312,285**	**326,780,559**	**194,248,462**	**475,809,803**	**206,958,228**	**6,096,853,642**
7	Central governments or central banks	-	-	-	-	-	-
8	Regional governments or local authorities	-	-	-	-	-	-
9	Public sector entities	-	-	-	-	-	-
10	Multilateral development banks	-	-	-	-	-	-
11	International organizations	-	-	-	-	-	-
12	Institutions	-	-	-	-	-	-
13	Corporates	-	150,914,759	1,104	55,627,876	-	53,863,256
14	Retail	273,552	218,661	79,432	106	81,887	393,789
15	Secured by mortgages on immovable property	56,962	4,416,594	-	-	-	583,233
16	Exposures in default	5,622	61,929	397	763	-	19,526
17	Items associated with particularly high risk	-	-	-	-	-	-
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	-	-	-	-	-	241,909
23	**Total standardized approach**	**336,135**	**155,611,943**	**80,933**	**55,628,745**	**81,887**	**55,101,713**
24	**Total**	**163,648,420**	**482,392,502**	**194,329,395**	**531,438,549**	**207,040,115**	**6,151,955,355**

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

		Net value of exposures					
		Japan	Nederland	Romania	United States	Other	Total
1	Central governments or central banks	-	-	62,757,969	-	466,079	63,224,049
2	Institutions	127,943,385	36,471,006	125,792,607	266,443,545	231,373,912	8,181,530,503
3	Corporates	-	744,896	23,900,478,766	-	94,678,816	24,066,359,409
4	Retail	-	-	-	-	-	-
5	Equity	-	-	5,653,586	43,237,680	-	48,891,266
6	**Total IRB approach**	**127,943,385**	**37,215,903**	**24,094,682,929**	**309,681,225**	**326,518,807**	**32,360,005,227**
7	Central governments or central banks	-	-	13,778,279,892	-	-	13,778,279,892
8	Regional governments or local authorities	-	-	359,441,656	-	-	359,441,656
9	Public sector entities	-	-	-	-	-	-
10	Multilateral development banks	-	-	-	-	-	-
11	International organizations	-	-	-	-	-	-
12	Institutions	-	-	644,894,084	-	-	644,894,084
13	Corporates	-	94,281,422	4,671,173,351	-	24,388,334	5,050,250,102
14	Retail	-	91,733	7,377,542,750	524,848	2,065,148	7,381,271,908
15	Secured by mortgages on immovable property	-	-	5,781,458,681	382,226	3,476,134	5,790,373,830
16	Exposures in default	-	140	497,557,359	197	167,293	497,813,225
17	Items associated with particularly high risk	-	-	89,995,482	-	-	89,995,482
18	Covered bonds	-	-	-	-	-	-
19	Claims on institutions and corporates with a short-term credit assessment	-	-	91,907	-	-	91,907
20	Collective investments undertakings	-	-	-	-	-	-
21	Equity exposures	-	-	2,345,998	-	-	2,345,998
22	Other exposures	-	-	113,897,545	-	-	114,139,454
23	**Total standardized approach**	**-**	**94,373,295**	**33,316,678,706**	**907,271**	**30,096,908**	**33,708,897,538**
24	**Total**	**127,943,385**	**131,589,198**	**57,411,361,634**	**310,588,496**	**356,615,715**	**66,068,902,764**

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

The template presents the details of the net 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 23,025,829.16, IRB approach 117,018,577.53) and SFT (IRB approach 5,865,916,165.76 RON).

		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	1,341,167,179	106,138,935	7,084,022,117	2,356,926,740	112,068,049	1,677,549,381	7,697,307,462
4	Retail	-	-	-	-	-	-	-
5	Equity	-	-	-	-	-	-	-
6	**Total IRB approach**	**1,341,167,179**	**106,138,935**	**7,084,022,117**	**2,356,926,740**	**112,068,049**	**1,677,549,381**	**7,697,307,462**
7	Central governments or central banks	-	-	-	-	-	-	-
8	Regional governments or local authorities	-	-	-	-	-	-	-
9	Public sector entities	-	-	-	-	-	-	-
10	Multilateral development banks	-	-	-	-	-	-	-
11	International organizations	-	-	-	-	-	-	-
12	Institutions	-	-	-	-	-	-	-
13	Corporates	151,965,331	87,554,443	535,578,500	97,000,623	10,442,952	421,725,487	1,014,766,542
14	Retail	545,624,220	18,894,791	606,992,861	10,258,503	48,654,615	427,758,462	1,258,345,226
15	Secured by mortgages on immovable property	23,416,413	339,799	66,780,218	12,377,471	1,533,861	81,630,424	202,440,272
16	Exposures in default	15,850,766	122,317	53,769,376	116,269	3,957,774	20,131,630	82,641,652
17	Items associated with particularly high risk	-	-	-	-	-	85,239,811	-
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 standardized approach**	**736,856,729**	**106,911,350**	**1,263,120,955**	**119,752,866**	**64,589,202**	**1,036,485,814**	**2,558,193,691**
24	**Total**	**2,078,023,908**	**213,050,285**	**8,347,143,072**	**2,476,679,606**	**176,657,251**	**2,714,035,195**	**10,255,501,153**

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	-	-	-	-	-	-	-
2	Institutions	-	-	-	2,235,698,956	-	-	-
3	Corporates	1,106,259,152	150,131,450	1,134,449,401	71,744,378	465,322,859	434,098,567	224,302,353
4	Retail	-	-	-	-	-	-	-
5	Equity	-	-	-	48,891,266	-	-	-
6	**Total IRB approach**	**1,106,259,152**	**150,131,450**	**1,134,449,401**	**2,356,334,600**	**465,322,859**	**434,098,567**	**224,302,353**
7	Central governments or central banks	-	-	-	4,580,331,707	-	-	-
8	Regional governments or local authorities	-	-	-	-	-	-	-
9	Public sector entities	-	-	-	-	-	-	-
10	Multilateral development banks	-	-	-	-	-	-	-
11	International organizations	-	-	-	-	-	-	-
12	Institutions	-	-	-	644,761,873	-	-	-
13	Corporates	409,456,681	1,692,168	72,723,338	607,679,801	1,354,765,379	18,154,976	141,848,817
14	Retail	522,306,642	101,472,504	94,830,632	11,263,165	49,703,371	246,222,120	83,357,738
15	Secured by mortgages on immovable property	16,540,922	3,121,829	8,624,974	907,634	90,184,995	15,686,594	12,343,312
16	Exposures in default	21,520,226	37,634,385	5,317,161	11,042	9,666,671	27,785,645	8,044,185
17	Items associated with particularly high risk	-	-	-	-	9,267	-	-
18	Covered bonds	-	-	-	-	-	-	-
19	Claims on institutions and corporates with a short-term credit assessment	-	-	-	91,907	-	-	-
20	Collective investments undertakings	-	-	-	-	-	-	-
21	Equity exposures	-	-	-	2,345,998	-	-	-
22	Other exposures	-	-	-	-	-	-	-
23	**Total standardized approach**	**969,824,471**	**143,920,886**	**181,496,106**	**5,847,393,127**	**1,504,329,683**	**307,849,335**	**245,594,052**
24	**Total**	**2,076,083,623**	**294,052,336**	**1,315,945,507**	**8,203,727,727**	**1,969,652,541**	**741,947,902**	**469,896,404**

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	Other	Total
1	Central governments or central banks	63,224,049	-	-	-	-	-	-	63,224,049
2	Institutions	-	-	-	-	-	-	-	2,235,698,956
3	Corporates	-	-	16,407,446	21,763,065	28,751,584	1,382,108	-	24,029,792,225
4	Retail	-	-	-	-	-	-	-	-
5	Equity	-	-	-	-	-	-	-	48,891,266
6	**Total IRB approach**	**63,224,049**	**-**	**16,407,446**	**21,763,065**	**28,751,584**	**1,382,108**	**-**	**26,377,606,495**
7	Central governments or central banks	9,148,059,825	-	-	-	83,040	-	49,805,320	13,778,279,892
8	Regional governments or local authorities	356,501,877	2,844,471	-	-	95,308	-	-	359,441,656
9	Public sector entities	-	-	-	-	-	-	-	-
10	Multilateral development banks	-	-	-	-	-	-	-	-
11	International organizations	-	-	-	-	-	-	-	-
12	Institutions	-	-	-	-	-	-	-	644,761,873
13	Corporates	0	8,668,538	28,561,812	3,464,221	13,737,548	47,569,327	-	5,027,356,483
14	Retail	6,111,898	15,860,914	116,225,478	12,844,373	26,249,399	3,147,657,466	30,637,530	7,381,271,908
15	Secured by mortgages on immovable property	-	1,041,913	3,994,053	343,246	2,016,674	5,093,219,453	153,829,774	5,790,373,830
16	Exposures in default	34,530	553,413	3,386,616	1,134,473	1,152,891	204,600,014	382,192	497,813,225
17	Items associated with particularly high risk	-	-	-	-	-	4,746,404	-	89,995,482
18	Covered bonds	-	-	-	-	-	-	-	-
19	Claims on institutions and corporates with a short- term credit assessment	-	-	-	-	-	-	-	91,907
20	Collective investments undertakings	-	-	-	-	-	-	-	-
21	Equity exposures	-	-	-	-	-	-	-	2,345,998
22	Other exposures	-	-	-	-	-	-	114,139,454	114,139,454
23	**Total standardized approach**	**9,510,708,130**	**28,969,248**	**152,167,959**	**17,786,312**	**43,334,859**	**8,497,792,663**	**348,794,269**	**33,685,871,708**
24	**Total**	**9,573,932,179**	**28,969,248**	**168,575,405**	**39,549,377**	**72,086,443**	**8,499,174,771**	**348,794,269**	**60,063,478,203**

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 RON 23,025,829.16, IRB approach RON 117,018,577.53) and SFT (IRB approach RON 5,865,916,165.76).

		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	222,203,679	466,079	159,445,710	-	-	-	63,224,049
2	Institutions	-	2,235,998,388	299,431.63	-	-	146,387.93	2,235,698,956.22
3	Corporates	1,189,295,291	23,829,812,864	989,315,931	-	606,091,547	506,291,865	24,029,792,225
4	*Of which: Specialized lending*	-	-	-	-	-	-	-
5	*Of which: SMEs*	588,512,745	11,049,123,682	538,490,828	-	567,202,503	242,899,776	11,099,145,599
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	-	48,891,266	-	-	-	-	48,891,266
15	**Total IRB approach**	**1,411,498,970**	**26,115,168,597**	**1,149,061,072**	-	**606,091,547**	**506,438,253**	**26,377,606,495**
16	Central governments or central banks	-	13,788,707,927	10,428,035	-	-	3,343,036	13,778,279,892
17	Regional governments or local authorities	1,327	360,353,525	912,749	-	-	270,248	359,442,102
18	Public sector entities	-	-	-	-	-	-	-
19	Multilateral development banks	-	-	-	-	-	-	-
20	International organizations	-	-	-	-	-	-	-
21	Institutions	-	649,239,291	4,477,418	-	-	2,741,782	644,761,873
22	Corporates	273,750,393	5,261,188,541	400,090,706	-	65,677,215	109,776,288	5,134,848,229
23	*Of which: SMEs*	194,209,128	3,362,946,504	296,869,621	-	17,653,573	95,130,393	3,260,286,010
24	Retail	701,041,588	7,557,234,784	564,932,543	-	448,874,196	28,389,602	7,693,343,829
25	*Of which: SMEs*	291,337,592	4,309,885,932	247,992,481	-	218,528,968	18,656,265	4,353,231,043
26	Secured by mortgages on immovable property	152,556,619	5,851,655,915	135,589,592	-	-	38,977,093	5,868,622,941
27	*Of which: SMEs*	149,894,938	529,300,347	82,265,408	-	-	6,232,798	596,929,877

		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)
28	Exposures in default	1,127,349,926	-	629,536,701	-	172,172,251	109,039,926	497,813,225
29	Items associated with particularly high risk	17,423,321	87,188,319	14,616,157	-	16,309,093	284,091	89,995,482
30	Covered bonds	-	-	-	-	-	-	-
31	Claims on institutions and corporates with a short-term credit assessment	-	91,907	-	-	-	-	91,907
32	Collective investments undertakings	-	-	-	-	-	-	-
33	Equity exposures	-	2,345,998	-	-	-	-	2,345,998
34	Other exposures	-	114,139,454	-	-	-	-	114,139,454
35	**Total standardized approach**	**1,144,773,247**	**33,672,145,663**	**1,131,047,201**	**-**	**703,032,755**	**292,822,066**	**33,685,871,708**
36	**Total**	**2,556,272,217**	**59,787,314,260**	**2,280,108,273**	**-**	**1,309,124,301**	**799,260,319**	**60,063,478,204**
37	Of which: Loans	2,263,487,386	33,527,493,284	2,097,437,205	-	-	731,016,959	33,693,543,466
38	Of which: Debt securities	-	9,166,245,931	5,735,475	-	-	-	9,160,510,456
39	Of which: Off- balance-sheet exposures	292,784,831	16,848,788,322	176,935,594	-	-	68,243,360	16,964,637,559

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 RON 23,025,829.16, IRB approach RON 117,018,577.53) and SFT (IRB approach RON 5,865,916,165.76).

		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	88,007,006	2,086,722,599	83,507,521	-	34,856,849	55,027,328	2,091,222,083
2	Mining and quarrying	10,027,776	224,122,956	11,447,323	-	323,800	1,274,564	222,703,410
3	Manufacturing	802,895,900	8,193,535,295	611,985,979	-	400,713,889	295,963,880	8,384,445,217
4	Electricity, gas, steam and air conditioning supply	39,892,672	2,510,855,073	56,172,516	-	34,226	2,081,497	2,494,575,229
5	Water supply	30,034,441	189,183,788	26,538,837	-	7,322,737	6,600,964	192,679,392
6	Construction	136,028,088	2,794,196,682	128,375,527	-	152,631,319	12,660,427	2,801,849,243
7	Wholesale and retail trade	380,480,296	10,155,992,332	325,586,805	-	276,128,687	167,174,478	10,210,885,823
8	Transport and storage	69,363,425	2,115,159,518	109,594,325	-	19,418,374	9,588,068	2,074,928,618
9	Accommodation and food service activities	98,657,609	248,070,574	51,168,285	-	3,661,587	35,915,024	295,559,898
10	Information and communication	37,895,046	1,312,738,681	33,680,976	-	1,835,736	3,731,280	1,316,952,750
11	Financial services and insurances	757,038	8,246,218,110	10,801,048	-	1,150,521	3,736,109	8,236,174,101
12	Real Estate	43,888,962	2,078,566,761	152,927,457	-	24,403,750	95,472,859	1,969,528,265
13	Professional, scientific and technical activities	99,419,118	722,920,188	70,164,289	-	9,869,470	11,390,596	752,175,017
14	Administrative and support service activities	19,181,327	451,452,245	16,094,330	-	9,011,483	8,041,639	454,539,242
15	Public administration and defense, compulsory social security	222,242,641	9,514,127,559	166,070,617	-	-	2,941,548	9,570,299,583
16	Education	867,135	26,988,095	1,195,419	-	63,548	986,639	26,659,810
17	Human health services and social work activities	11,787,052	170,525,380	11,712,302	-	4,698,239	1,108,115	170,600,130
18	Arts, entertainment and recreation	1,192,542	41,727,802	832,158	-	258,902	265,352	42,088,186
19	Other services	2,825,259	63,913,070	2,789,654	-	103,346,691	795,235	63,948,675
20	Households	460,058,636	8,433,907,626	408,083,081	-	-	83,572,313	8,485,883,181
21	Extraterritorial activities	-	-	-	-	258,629,827	-	-
22	Other activities	770,248	206,389,926	1,379,824	-	764,668	932,456	205,780,350
23	**Total**	**2,556,272,217**	**59,787,314,260**	**2,280,108,273**	-	**1,309,124,301**	**799,260,372**	**60,063,478,204**

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 RON 23,025,829.16, IRB approach RON 117,018,577.53) and SFT (IRB approach RON 5,865,916,165.76).

		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	-	-	-	-	-	53	-
2	Argentina	-	24,347	53	-	-	53	24,294
3	Austria	9,901	153,958,449	75,919	-	1,308,472	23,281	153,892,430
4	Australia	399	68,005	482	-	-	8	67,922
5	Belgium	-	161,415	2,203	-	-	1,967	159,212
6	Bulgaria	-	11,411,759	33,304	-	-	31,411	11,378,455
7	Canada	71,744	2,218,366	31,955	-	-	3,132	2,258,155
8	Switzerland	-	27,977,763	2,230	-	-	64	27,975,533
9	China	-	14,623,594	568	-	-	527	14,623,026
10	Cyprus	2,187,668	1,123	2,187,688	-	98,265,408	11	1,103
11	Czech Republic	-	22,460,489	1,687	-	-	275	22,458,802
12	Germany	107,762	450,972,002	335,571	-	-	236,372	450,744,193
13	Denmark	-	1,529,696	948	-	-	666	1,528,748
14	Spain	868	194,351,367	22,840	-	-	6,327	194,329,395
15	Finland	-	22,234,217	1,498	-	-	142	22,232,719
16	France	1,679	526,171,094	53,417	-	-	6,974	526,119,356
17	United Kingdom	-	28,171,679	14,791	-	-	7,110	28,156,888
18	GE - Georgia	-	3,966,000	4,803	-	-	2,662	3,961,197
19	Greece	261	-	151	-	-	147	110
20	Hungary	-	33,513,508	16,988	-	-	6,678	33,496,520
21	Indonesia	-	23,000	96	-	-	-	22,904
22	Ireland	-	206,229,970	58,396	-	-	33,663	206,171,574
23	Israel	606	6,516,324	2,854	-	-	1,823	6,514,076
24	India	-	2,468,472	470	-	-	81	2,468,002
25	British Indian Ocean Territory	11,763	-	6,387	-	-	-	5,376
26	Italy	42,769	287,368,193	570,000	-	726,620	373,739	286,840,963
27	Japan	-	127,946,797	3,413	-	-	-	127,943,385
28	Kuwait	-	5	0	-	-	-	5
29	Lebanon	92,230	39,660	26,352	-	-	1,209	105,538
30	Luxemburg	-	14,210,635	1,001	-	-	250	14,209,633
31	Monaco	-	1,095,960	13,929	-	-	12,648	1,082,031
32	Moldova Republic	177	34	105	-	-	102	106
33	Malta	-	2,898,900	66,115	-	-	66,115	2,832,785
34	Mexico	-	124,657	4	-	-	-	124,652
35	Nigeria	91,559	-	38,148	-	-	35,782	53,411
36	Nederland	330	104,567,416	7,479	-	-	2,446	104,560,267
37	Norway	-	12,674,680	2,575	-	-	2,566	12,672,105

		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)
38	Poland	-	20,047,305	2,682	-	-	1,153	20,044,624
39	Portugal	-	784,413	114	-	-	-	784,299
40	Reunion	-	2,667	21	-	-	-	2,645
41	Romania	2,553,651,863	57,069,941,188	2,276,436,202	-	1,208,806,699	798,358,667	57,347,156,849
42	Russian Federation	-	3,087,198	647	-	-	223	3,086,551
43	Sweden	-	50,010	2	-	-	1	50,007
44	Slovenia	-	96,365,320	43,162	-	-	21,573	96,322,158
45	Slovakia	-	510,654	84	-	-	9	510,571
46	Thailand	-	214,478	9	-	-	-	214,469
47	Tunisia	-	512,602	513	-	-	513	512,089
48	Turkey	193	25,223,322	32,941	-	16,853	17,876	25,190,573
49	United Stated	445	310,595,527	7,476	-	249	2,018	310,588,496
	Total	**2,556,272,217**	**59,787,314,162**	**2,280,108,272**	**-**	**1,307,619,060**	**799,260,318**	**60,063,478,107**

EU CRB-E–Maturity of exposures

The template presents the credit quality for balance sheet exposures by its maturity.

The template does not contain CCR exposures (standardized approach RON 23,025,829.16, IRB approach RON 117,018,577.53) and SFT (IRB approach RON 5,865,916,165.76).

		Net exposure value					
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1	Central governments or central banks	62,757,969	-	-	-	-	62,757,969
2	Institutions	81,872,426	233,147,556	40,390,338	24,677,424	-	380,087,744
3	Corporates	51,505,741	6,923,259,716	3,026,140,105	1,599,410,799	-	11,600,316,361
4	Retail	-	-	-	-	-	-
5	Equity	-	-	-	-	48,891,266	48,891,266
6	**Total IRB approach**	**196,136,136**	**7,156,407,272**	**3,066,530,443**	**1,624,088,223**	**48,891,266**	**12,092,053,340**
7	Central governments or central banks	4,629,479,393	270,566,990	6,023,079,690	2,855,153,819	-	13,778,279,892
8	Regional governments or local authorities	194	5,717,923	137,691,594	169,008,685	-	312,418,396
9	Public sector entities	-	-	-	-	-	-
10	Multilateral development banks	-	-	-	-	-	-
11	International organizations	-	-	-	-	-	-
12	Institutions	-	161,751,629	389,774,588	23,632,969	-	575,159,186
13	Corporates	35,135,934	805,070,264	1,642,930,865	1,203,553,530	-	3,686,690,593
14	Retail	74,778,721	988,901,897	4,356,821,321	876,556,937	-	6,297,058,876
15	Secured by mortgages on immovable property	5,182,524	117,170,431	294,049,040	5,271,196,037	-	5,687,598,032
16	Exposures in default	67,986,596	29,533,900	173,353,122	192,135,869	-	463,009,487
17	Items associated with particularly high risk	9,408	84,413,329	5,572,745	-	-	89,995,482
18	Covered bonds	-	-	-	-	-	-
19	Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	91,907	91,907
20	Collective investments undertakings	-	-	-	-	-	-
21	Equity exposures	1,243,227	-	-	-	1,102,771	2,345,998
22	Other exposures	114,139,455	-	-	-	-	114,139,455
23	**Total standardized approach**	**4,927,955,451**	**2,463,126,363**	**13,023,272,964**	**10,591,237,848**	**1,194,678**	**31,006,787,305**
24	**Total**	**5,124,091,587**	**9,619,533,635**	**16,089,803,407**	**12,215,326,071**	**50,085,944**	**43,098,840,645**

6.4 Credit risk impairment/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;

(c) unpaid amount/instalments

The Group has carried out an extensive project, under the coordination of the UniCredit SpA Group, in order to implement starting with 2021, the new definition of default (new DoD), in accordance with the requirements of EBA Guide GL/2016/07 on the application of the definition of default and in conjunction with the requirements of the National Bank of Romania Regulation no. 5/2013 on prudential requirements for credit institutions, with subsequent amendments and completions.

As a first step, during 2020 the significance threshold of the obligations from past due loans for retail exposures was aligned, both for the Bank and for UCFIN, at the level set up by Regulation no. 5/2018 amending and supplementing the Regulation of the National Bank of Romania no. 5/2013 regarding prudential requirements for credit institutions.

The significance threshold of the obligations were fully alligned also for non retail segment in January 2021.

The thresholds as per new definition of default (defined at local banking system level) are considered to be:

a) the level of the relative component of the significance threshold is 1%;

b) the level of the absolute component of the significance threshold is 150 RON in case of retail and 1000 RON in case of non retail.

Based on November perimeter results, the Group estimated the effect of portfolio shift from Performing to Non-Performing (NPE) Status according to new definition of default and quantified the total Expected Credit Losses (ECL) increasing amount. The ECL for the New NPE was computed leveraging to the existing Stage 3 provisioning approach as these transactions would have been classified in Stage 3 if the New DoD had been in place at the end of year 2020. The Profit and Loss account impact taken in December figures was of 27 MRON.

Although the Profit and Loss impact coming from additional ECL was taken into 2020 financial statements, in what regards the final step of new definition of default requirements (reclassification in NPE and implementation of new internal model recalibrated with new definition of default), this was applied at the beginning of 2021 in alignment with Joint Supervisory Team (JST) Regulators' approval.

Regarding new definition of default quantification (internal PD models recalibrated with new definition of default), this is also considered within 2020 results with an impact of ECL increase of approx. 55 MRON on Group local subsidiaries (UCLC and UCFIN), with no material impact on the Bank side.

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 favour 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

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 (30.06.2020)**	2,444,027,450
2	Loans and debt securities that have defaulted or impaired since the last reporting period	757,973,668
3	Returned to non-defaulted status	(168,600,981)
4	Amounts written off	(255,154,585)
5	Other changes	(222,613,788)
6	**Closing balance (31.12.2020)**	**2,555,631,763**

EU 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; exposures are presented after CCF and CRM.

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

	Exposure classes	Risk Weight								
		0%	2%	4%	10%	20%	35%	50%	70%	75%
1	Central governments or central banks	14,605,360,171	-	-	-	-	-	80,078	-	-
2	Regional government or local authorities	-	-	-	-	264,096,865	-	-	-	-
3	Public sector entities	-	-	-	-	-	-	-	-	-
4	Multilateral development banks	234,447,359	-	-	-	-	-	-	-	-
5	International organizations	-	-	-	-	-	-	-	-	-
6	Institutions	-	-	-	-	-	-	-	-	-
7	Corporates	-	-	-	-	-	-	26,688,599	-	-
8	Retail	-	-	-	-	-	-	-	-	6,113,453,979
9	Secured by mortgages on immovable property	-	-	-	-	-	5,429,813,014	-	-	-
10	Exposures in default	-	-	-	-	-	-	-	-	-
11	Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-
12	Covered bonds	-	-	-	-	-	-	-	-	-
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	3,832	-	-	-	-
14	Collective investment undertakings	-	-	-	-	-	-	-	-	-
15	Equity	-	-	-	-	-	-	-	-	-
16	Other items	10,290	-	-	-	-	-	-	-	-
17	**Total**	**14,839,817,820**	**-**	**-**	**-**	**264,100,697**	**5,429,813,014**	**26,768,677**	**-**	**6,113,453,979**

UE CR5 – Standardised approach (continued)

	Exposure classes	Risk Weight							Total	Of which unrated
		100%	150%	250%	370%	1250%	Others	Deducted		
1	Central governments or central banks	-	-	78,552,024	-	-	-	-	14,683,992,273	-
2	Regional government or local authorities	76,919,890	-	-	-	-	-	-	341,016,755	-
3	Public sector entities	-	-	-	-	-	-	-	-	-
4	Multilateral development banks	-	-	-	-	-	-	-	234,447,359	-
5	International organizations	-	-	-	-	-	-	-	-	-
6	Institutions	575,747,078	-	-	-	-	-	-	575,747,078	-
7	Corporates	3,898,725,418	59,456,198	-	-	-	-	-	3,984,870,215	-
8	Retail	-	-	-	-	-	-	-	6,113,453,979	-
9	Secured by mortgages on immovable property	267,117,601	-	-	-	-	-	-	5,696,930,615	-
10	Exposures in default	398,045,233	74,636,832	-	-	-	-	-	472,682,065	-
11	Exposures associated with particularly high risk	-	89,901,993	-	-	-	-	-	89,901,993	-
12	Covered bonds	-	-	-	-	-	-	-	-	-
13	Institutions and corporates with a short-term credit assessment	88,075	-	-	-	-	-	-	91,907	-
14	Collective investment undertakings	-	-	-	-	-	-	-	-	-
15	Equity	2,345,998	-	-	-	-	-	-	2,345,998	-
16	Other items	114,129,165	-	-	-	-	-	-	114,139,455	-
17	**Total**	**5,333,118,458**	**223,995,023**	**78,552,024**	**-**	**-**	**-**	**-**	**32,309,619,692**	**-**

Starting 31 December 2019 new Guidelines on disclosure of non-performing and forborne exposures (EBA/GL/2018/10) are in force. The templates 1-10 have been prepared in compliance with the above mentioned Guidelines and aligned with the information presented in the Group's FINREP prepared at consolidated level for December 31, 2020.

According to the UniCredit group approach, the non-performing exposures are equal to defaulted and to the impaired exposures.

The value of collaterals presented in the following tables from this chapter represents the market value capped at individual loan exposure level and furthermore adjusted (haircuts applied) as per internal procedure regarding loan impairment computation.

The loans and advances exposures from this chapter do not include the following types of exposures, considered in the other tables from Chapter 6: CCR for derivatives, participations, other assets & deferred tax of subsidiaries, other assets of the Bank in relationship with the Romanian state, however include other financial assets of the Bank.

Template 1: Credit quality of forborne exposures

		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
				Of which defaulted	Of which impaired				
1	**Loans and advances**	**909,405,945**	**1,130,344,144**	**1,130,344,144**	**1,130,344,144**	**(45,426,908)**	**(776,474,173)**	**1,119,715,679**	**335,636,957**
2	Central banks	-	-	-	-	-	-	-	-
3	General governments	101,369	-	-	-	(6,061)	-	92,527	-
4	Credit institutions	-	-	-	-	-	-	-	-
5	Other financial corporations	86,934	106,386	106,386	106,386	(5,069)	(99,293)	71,176	-
6	Non-financial corporations	871,541,229	922,779,094	922,779,094	922,779,094	(42,891,577)	(668,169,250)	1,012,664,670	252,690,693
7	Households	37,676,413	207,458,664	207,458,664	207,458,664	(2,524,201)	(108,205,630)	106,887,306	82,946,264
8	**Debt Securities**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
9	**Loan commitments given**	**164,517,773**	**65,500,536**	**-**	**-**	**(941,872)**	**(29,205,133)**	**192,172,455**	**34,244,804**
10	**Total**	**1,073,923,718**	**1,195,844,680**	**1,130,344,144**	**1,130,344,144**	**(46,368,780)**	**(805,679,306)**	**1,311,888,134**	**369,881,761**

Template 2: Quality of forbearance

		Gross carrying amount of forborne exposures
1	Loans and advances that have been forborne more than twice	639,516,280
2	Non-performing forborne loans and advances that failed to meet the non-performing exit criteria	93,541,801

Template 3: Credit quality of performing and non-performing exposures by past due days

		Gross carrying amount/nominal amount					
		Performing exposures			Non-performing exposures		
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days
1	**Loans and advances**	**39,507,685,774**	**39,435,766,600**	**71,919,174**	**2,262,862,271**	**1,722,569,340**	**59,062,485**
2	Central banks	4,576,857,381	4,576,857,381	-	-	-	-
3	General governments	265,898,238	265,898,238	-	222,205,006	222,205,006	-
4	Credit institutions	6,259,581,866	6,259,581,866	-	-	-	-
5	Other financial corporations	724,040,042	724,040,042	-	241,134	9,466	-
6	Non-financial corporations	19,359,385,308	19,340,421,700	18,963,608	1,578,743,322	1,298,127,686	24,559,452
7	Of which SMEs	13,492,999,944	13,474,036,340	18,963,604	1,046,719,104	775,075,588	24,413,949
8	Households	8,321,922,939	8,268,967,373	52,955,566	461,672,809	202,227,182	34,503,033
9	**Debt securities**	**9,189,833,582**	**9,189,833,582**	**-**	**-**	**-**	**-**
10	Central banks	-	-	-	-	-	-
11	General governments	9,168,798,006	9,168,798,006	-	-	-	-
12	Credit institutions	-	-	-	-	-	-
13	Other financial corporations	21,035,576	21,035,576	-	-	-	-
14	Non-financial corporations	-	-	-	-	-	-
15	**Off-balance-sheet exposures**	**16,848,803,657**			**292,769,492**		
16	Central banks	-			-		
17	General governments	47,633,285			-		
18	Credit institutions	1,838,129,479			-		
19	Other financial corporations	467,501,124			-		
20	Non-financial corporations	14,039,921,441			290,068,325		
21	Households	455,618,328			2,701,167		
22	**Total**	**65,546,323,013**	**48,625,600,182**	**71,919,174**	**2,555,631,763**	**1,722,569,340**	**59,062,485**

Template 3: Credit quality of performing and non-performing exposures by past due days (continued)

		Gross carrying amount/nominal amount					
		Non-performing exposures					
		Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
1	**Loans and advances**	**139,626,736**	**141,700,630**	**112,265,098**	**41,858,342**	**45,779,640**	**2,262,862,271**
2	Central banks	-	-	-	-	-	-
3	General governments	-	-	-	-	-	222,205,006
4	Credit institutions	-	-	-	-	-	-
5	Other financial corporations	-	26,451	123,169	65,977	16,071	241,134
6	Non-financial corporations	50,336,974	79,902,840	73,110,581	21,730,222	30,975,567	1,578,743,322
7	Of which SMEs	50,057,371	79,800,709	71,321,696	21,730,222	24,319,569	1,046,719,104
8	Households	89,289,762	61,771,339	39,031,348	20,062,143	14,788,002	461,672,809
9	**Debt securities**	**-**	**-**	**-**	**-**	**-**	**-**
10	Central banks	-	-	-	-	-	-
11	General governments	-	-	-	-	-	-
12	Credit institutions	-	-	-	-	-	-
13	Other financial corporations	-	-	-	-	-	-
14	Non-financial corporations	-	-	-	-	-	-
15	**Off-balance-sheet exposures**						**292,769,492**
16	Central banks						-
17	General governments						-
18	Credit institutions						-
19	Other financial corporations						-
20	Non-financial corporations						290,068,325
21	Households						2,701,167
22	**Total**	**139,626,736**	**141,700,630**	**112,265,098**	**41,858,342**	**45,779,640**	**2,555,631,763**

Template 4: Performing and non-performing exposures and related provisions

		Gross carrying amount/nominal amount					
		Performing exposures			Non-performing exposures		
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3
1	**Loans and advances**	**39,507,685,774**	**32,053,691,031**	**7,453,994,743**	**2,262,862,271**	**-**	**2,262,862,271**
2	Central banks	4,576,857,381	4,576,857,381	-	-	-	-
3	General governments	265,898,238	245,790,025	20,108,213	222,205,006	-	222,205,006
4	Credit institutions	6,259,581,866	6,259,581,866	-	-	-	-
5	Other financial corporations	724,040,042	723,946,873	93,169	241,134	-	241,134
6	Non-financial corporations	19,359,385,308	13,738,397,785	5,620,987,523	1,578,743,322	-	1,578,743,322
7	*Of which SMEs*	13,492,999,944	9,232,327,239	4,260,672,705	1,046,719,104	-	1,046,719,104
8	Households	8,321,922,939	6,509,117,101	1,812,805,838	461,672,809	-	461,672,809
9	**Debt securities**	**9,189,833,582**	**9,168,798,006**	**-**	**-**	**-**	**-**
10	Central banks	-	-	-	-	-	-
11	General governments	9,168,798,006	9,168,798,006	-	-	-	-
12	Credit institutions	-	-	-	-	-	-
13	Other financial corporations	21,035,576	-	-	-	-	-
14	Non-financial corporations	-	-	-	-	-	-
15	**Off-balance-sheet exposures**	**16,848,803,657**	**14,367,839,889**	**2,480,963,768**	**292,769,492**	**-**	**292,769,492**
16	Central banks	-	-	-	-	-	-
17	General governments	47,633,285	37,218,181	10,415,104	-	-	-
18	Credit institutions	1,838,129,479	1,791,305,947	46,823,532	-	-	-
19	Other financial corporations	467,501,124	460,104,494	7,396,630	-	-	-
20	Non-financial corporations	14,039,921,441	11,713,083,092	2,326,838,349	290,068,325	-	290,068,325
21	Households	455,618,328	366,128,175	89,490,153	2,701,167	-	2,701,167
22	**Total**	**65,546,323,013**	**55,590,328,926**	**9,934,958,511**	**2,555,631,763**	**-**	**2,555,631,763**

Template 4: Performing and non-performing exposures and related provisions(continued)

		Accumulated impairment accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
		Performing exposures–accumulated impairment			Non-performing exposures–accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		On performing exposures	On non-performing exposures
1	**Loans and advances**	**(637,081,823)**	**(212,275,228)**	**(424,806,595)**	**(1,491,206,057)**	**-**	**(1,491,206,057)**	**-**	**27,760,975,408**	**610,531,711**
2	Central banks	(4,678,057)	(4,678,057)	-	-	-	-	-	-	-
3	General governments	(782,888)	(640,858)	(142,030)	(159,446,590)	-	(159,446,590)	-	1,044,068	-
4	Credit institutions	(634,378)	(634,378)	-	-	-	-	-	5,841,394,052	-
5	Other financial corporations	(4,760,220)	(4,754,860)	(5,360)	(229,804)	-	(229,804)	-	439,066,584	-
6	Non-financial corporations	(467,992,578)	(158,296,095)	(309,696,483)	(1,079,202,556)	-	(1,079,202,556)	-	15,470,072,688	463,248,263
7	*Of which SMEs*	(353,323,096)	(128,805,736)	(224,517,360)	(707,256,660)	-	(707,256,660)	-	11,296,081,462	306,729,848
8	Households	(158,233,702)	(43,270,980)	(114,962,722)	(252,327,107)	-	(252,327,107)	-	6,009,398,016	147,283,448
9	**Debt securities**	**(8,287,550)**	**(8,287,550)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
10	Central banks	-	-	-	-	-	-	-	-	-
11	General governments	(8,287,550)	(8,287,550)	-	-	-	-	-	-	-
12	Credit institutions	-	-	-	-	-	-	-	-	-
13	Other financial corporations	-	-	-	-	-	-	-	-	-
14	Non-financial corporations	-	-	-	-	-	-	-	-	-
15	**Off-balance-sheet exposures**	**(49,334,345)**	**(13,138,828)**	**(33,499,322)**	**(127,601,249)**	**-**	**(127,601,249)**	-	**8,392,148,683**	**102,927,026**
16	Central banks	-	-	-	-	-	-	-	-	-
17	General governments	(143,947)	(1,598)	(142,349)	-	-	-	-	478,225	-
18	Credit institutions	(202,405)	(172,369)	(30,036)	-	-	-	-	1,797,521,911	-
19	Other financial corporations	(232,869)	(100,371)	(132,498)	-	-	-	-	137,940,602	-
20	Non-financial corporations	(45,670,791)	(12,746,313)	(32,924,477)	(127,065,051)	-	(127,065,051)	-	6,419,222,956	101,862,761
21	Households	(3,084,333)	(118,176)	(269,962)	(536,198)	-	(536,198)	-	36,984,989	1,064,265
22	**Total**	**(694,703,718)**	**(233,701,606)**	**(458,305,917)**	**(1,618,807,306)**	**-**	**(1,618,807,306)**	**-**	**36,153,124,091**	**713,458,737**

Template 5: Quality of non-performing exposures by geography

		Gross carrying/nominal amount				Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing		Of which subject to impairment			
				Of which defaulted				
1	**On-balance-sheet exposures**	**41,770,548,045**	**2,262,862,271**	**2,262,862,271**	**41,770,548,045**	**(2,128,287,880)**		**-**
2	ROMANIA	35,655,686,548	2,260,350,894	2,260,350,894	35,655,686,548	(2,125,037,598)		-
3	ITALY	5,888,466,261	42,769	42,769	5,888,466,261	(618,716)		-
4	GERMANY	86,579,636	107,654	107,654	86,579,636	(292,713)		-
5	FRANCE	24,626,522	1,679	1,679	24,626,522	(8,837)		-
6	USA	23,258,020	445	445	23,258,020	(6,260)		-
7	HUNGARY	17,873,630	-	-	17,873,630	(16,714)		-
8	POLAND	17,024,911	729	729	17,024,911	(3,269)		-
9	LUXEMBOURG	14,211,130	-	-	14,211,130	(1,002)		-
10	NORWAY	12,662,680	-	-	12,662,680	(2,566)		-
11	AUSTRIA	9,703,335	-	-	9,703,335	(5,283)		-
12	UNITED KINGDOM	9,383,441	-	-	9,383,441	(13,749)		-
13	BULGARIA	3,238,948	-	-	3,238,948	(3,255)		-
14	NETHERLANDS	1,350,200	330	330	1,350,200	(854)		-
15	JAPAN	1,311,468	-	-	1,311,468	(165)		-
16	CZECH REPUBLIC	549,742	1,314	1,314	549,742	(1,601)		-
17	SWITZERLAND	466,948	-	-	466,948	(282)		-
18	RUSSIA	378,132	-	-	378,132	(253)		-
19	ISRAEL	322,348	606	606	322,348	(1,565)		-
20	CANADA	318,912	71,744	71,744	318,912	(31,915)		-
21	DUBAI	237,267	-	-	237,267	(874)		-
22	Other countries	2,897,966	2,284,107	2,284,107	2,897,966	(2,240,409)		-
23	**Off-balance-sheet exposures**	**17,141,573,149**	**292,769,492**	**292,769,492**			**(176,935,594)**	
24	ROMANIA	14,952,188,558	292,718,787	292,718,787			(176,219,903)	
25	ITALY	704,114,228	-	-			(374,544)	
26	GERMANY	368,954,311	-	-			(43,305)	
27	USA	286,580,017	-	-			(3,205)	
28	SPAIN	195,121,053	-	-			(21,828)	
29	AUSTRIA	143,191,453	-	-			(54,556)	
30	JAPAN	126,635,329	-	-			(3,247)	
31	SLOVENIA	96,365,320	-	-			(43,162)	
32	FRANCE	75,386,967	-	-			(3,684)	
33	SWITZERLAND	36,519,345	-	-			(2,752)	
34	TURKEY	25,074,172	-	-			(31,505)	
35	DENMARK	23,781,605	-	-			(1,777)	
36	CZECH REPUBLIC	21,912,061	-	-			(1,400)	
37	UNITED KINGDOM	19,777,600	-	-			(981)	
38	HUNGARY	16,164,222	-	-			(333)	
39	CHINA	14,447,760	-	-			(527)	

			Gross carrying/nominal amount					
			Of which non-performing		Of which subject to impairment	Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
				Of which defaulted				
40	BULGARIA	8,172,811	-	-			(30,049)	
41	ISRAEL	6,194,582	-	-			(1,289)	
42	GEORGIA	3,966,000	-	-			(4,803)	
43	POLAND	3,023,124	-	-			(142)	
44	MALTA	2,898,900	-	-			(66,115)	
45	RUSSIA	2,709,066	-	-			(394)	
46	INDIA	2,468,435	-	-			(470)	
47	CANADA	1,971,198	-	-			(40)	
48	NETHERLANDS	1,143,220	-	-			(33)	
49	MONACO	1,079,698	-	-			(13,356)	
50	PORTUGAL	784,413	-	-			(114)	
51	TUNISIA	512,602	-	-			(513)	
52	SLOVAKIA	435,099	50,705	50,705			(11,567)	
53	THAILAND	-	-	-			-	
54	Other countries	-	-	-			-	
55	**Total**	**58,912,121,194**	**2,555,631,763**	**2,555,631,763**	**41,770,548,045**	**(2,128,287,880)**	**(176,935,594)**	**-**

Template 6: Credit quality of loans and advances granted to non finacial corporations by industry

		Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing		Of which loans and advances subject to impairment		
				Of which defaulted			
1	Agriculture, forestry and fishing	1,689,591,213	1,689,591,213	82,672,294	82,672,294	(78,414,754)	-
2	Mining and quarrying	213,463,492	213,463,492	8,904,296	8,904,296	(11,243,093)	-
3	Manufacturing	5,699,479,927	5,699,479,927	722,752,626	722,752,626	(600,768,699)	-
4	Electricity, gas, steam and air conditioning supply	428,478,945	428,478,945	31,027,752	31,027,752	(45,805,036)	-
5	Water supply	155,212,127	155,212,127	20,947,306	20,947,306	(20,465,952)	-
6	Construction	1,338,187,512	1,338,187,512	91,335,134	91,335,134	(83,639,561)	-
7	Wholesale and retail trade	5,920,295,744	5,920,295,744	279,244,862	279,244,862	(263,749,286)	-
8	Transport and storage	1,730,360,930	1,730,360,930	69,090,580	69,090,580	(108,347,645)	-
9	Accommodation and food service activities	303,701,269	303,701,269	88,522,761	88,522,761	(50,593,421)	-
10	Information and communication	496,578,187	496,578,187	27,813,355	27,813,355	(26,232,097)	-
11	Financial and insurance activities	32,308,122	32,308,122	8,130	8,130	(180,203)	-
12	Real estate activities	1,955,795,308	1,955,795,308	43,582,505	43,582,505	(140,253,894)	-
13	Professional, scientific and technical activities	381,048,341	381,048,341	80,340,148	80,340,148	(54,591,450)	-
14	Administrative and support service activities	294,111,876	294,111,876	16,687,537	16,687,537	(14,000,453)	-
15	Public administration and defense, compulsory social security	1,440,472	1,440,472	37,635	37,635	(52,081)	-
16	Education	14,213,909	14,213,909	867,134	867,134	(507,024)	-
17	Human health services and social work activities	145,769,351	145,769,351	11,762,371	11,762,371	(10,928,517)	-
18	Arts, entertainment and recreation	18,653,408	18,653,408	1,192,542	1,192,542	(582,569)	-
19	Other services	119,438,497	119,438,497	1,954,354	1,954,354	(36,839,399)	-
20	**Total**	**20,938,128,630**	**20,938,128,630**	**1,578,743,322**	**1,578,743,322**	**(1,547,195,134)**	**-**

Template 7: Collateral valuation-loans and advances

		Loans and advances					
			Performing		Non-performing		
				Of which past due >30 days ≤90 days		Unlikely to pay that are not past due or are past due ≤90 days	Past due >90 days
1	Gross carrying amount	37,110,725,507	34,847,863,236	71,919,174	2,262,862,271	1,722,569,340	540,292,931
2	Of which secured	21,414,106,451	19,644,078,006	50,295,628	1,770,028,445	1,458,539,107	311,489,338
3	Of which secured with immovable property	16,976,011,379	15,665,391,167	36,401,664	1,310,620,212	1,103,459,278	207,160,934
4	Of which instruments with LTV higher than 60% and lower or equal to 80%	4,484,144,204	4,258,773,745		225,370,459	186,989,313	38,381,145
5	Of which instruments with LTV higher than 80% and lower or equal to 100%	2,100,050,924	2,011,895,328		88,155,596	65,812,302	22,343,295
6	Of which instruments with LTV higher than 100%	4,983,169,447	4,311,221,101		671,948,346	577,244,193	94,704,152
7	Accumulated impairment for secured assets	(1,622,196,681)	(484,720,879)	(3,871,862)	(1,137,475,802)	(920,839,361)	(216,636,441)
8	Collateral*						
9	Of which value capped the value of exposure	27,028,567,944	26,429,862,167	40,799,779	598,705,777	514,166,128	84,539,651
10	Of which immovable property	13,527,673,032	13,084,062,335	32,855,443	443,610,697	375,354,898	68,255,800
11	Of which value above the cap	10,082,157,563	8,418,001,069	31,119,395	1,664,156,494	1,208,403,212	455,753,280
12	Of which immovable property	3,448,338,347	2,581,328,832	3,546,221	867,009,515	728,104,380	138,905,134
13	Financial guarantees received	1,342,939,175	1,331,113,240	183,702	11,825,935	9,699,348	2,126,589
14	Accumulated partial write-off	-	-	-	-	-	-

** The value of collaterals presented in the following tables from this chapter represents the market value capped at individual loan exposure level and further more adjusted (haircuts applied) as per internal procedure regarding loan impairment computation. The value of collaterals disclosed in the narrative disclosures under the above mentioned tables represents market value of collaterals before any haircuts applied.*

Template 7: Collateral valuation-loans and advances (continued)

		Loans and advances					
		Non-performing					
		Past due>90days					
		Of which: past due >90 days ≤ 180 days	Of which: past due >180 days ≤ 1 year	Of which: past due >1 year ≤ 2 years	Of which: past due >2 years ≤ 5 years	Of which: past due >5 years ≤ 7 years	Of which: Past due >7 years
1	Gross carrying amount	59,062,485	139,626,736	141,700,630	112,265,098	41,858,342	45,779,640
2	Of which secured	30,196,862	55,904,491	87,199,514	84,825,371	25,917,374	27,445,726
3	Of which secured with immovable property	18,526,810	39,853,445	47,413,219	62,376,478	18,217,547	20,773,435
4	Of which instruments with LTV higher than 60% and lower or equal to 80%						
5	Of which instruments with LTV higher than 80% and lower or equal to 100%						
6	Of which instruments with LTV higher than 100%						
7	Accumulated impairment for secured assets	(14,330,933)	(34,698,469)	(64,306,366)	(63,569,703)	(20,701,154)	(19,029,816)
8	Collateral*						
9	Of which value capped the value of exposure	13,880,224	17,758,241	21,927,198	19,591,875	4,368,804	7,013,309
10	Of which immovable property	6,797,916	13,776,055	18,940,886	17,584,689	4,142,944	7,013,309
11	Of which value above the cap	45,182,261	121,868,495	119,773,432	92,673,223	37,489,538	38,766,331
12	Of which immovable property	11,728,894	26,077,390	28,472,333	44,791,789	14,074,603	13,760,126
13	Financial guarantees received	364,273	151,312	597,740	1,003,639	9,625	-
14	Accumulated partial write-off	-	-	-	-	-	-

** The value of collaterals presented in the following tables from this chapter represents the market value capped at individual loan exposure level and further more adjusted (haircuts applied) as per internal procedure regarding loan impairment computation. The value of collaterals disclosed in the narrative disclosures under the above mentioned tables represents market value of collaterals before any haircuts applied.*

Template 8: Changes in the stock of non-performing loans and advances

		Gross carrying amount	Related net accumulated recoveries
1	**Initial stock of non-performing loans and advances**	**2,203,905,728**	
2	Inflows to non-performing portfolios	1,333,651,288	
3	Outflows from non-performing portfolios	(1,274,694,745)	
4	Outflow to performing portfolio	(102,654,879)	
5	Outflow due to loan repayment, partial or total	(369,015,437)	
6	Outflow due to collateral liquidations	-	-
7	Outflow due to taking possession of collateral	(12,241,918)	-
8	Outflow due to sale of instruments	(154,698,259)	40,057,139
9	Outflow due to risk transfers	-	-
10	Outflows due to write-offs	(246,819,174)	
11	Outflow due to other situations	(343,198,218)	
12	Outflow due to reclassification as held for sale	-	
13	**Final stock of non-performing loans and advances**	**2,262,862,271**	

Template 9: Collateral obtained by taking possession and execution processes

		Collateral obtained by taking possession	
		Value at initial recognition	Accumulated negative changes
1	Property, plant and equipment (PP&E)	-	-
2	Other than PP&E	**55,021,762**	**(32,208,265)**
3	Residential immovable property	328,274	(4,260)
4	Commercial Immovable property	-	-
5	Movable property (auto, shipping, etc.)	54,693,488	(32,204,005)
6	Equity and debt instruments	-	-
7	Other	-	-
8	**Total**	**55,021,762**	**(32,208,265)**

Template 10: Collateral obtained by taking possession and execution processes – vintage breakdown

		Debt balance reduction		Total collateral obtained by taking possession			
						Foreclosed ≤ 2 years	
		Gross carrying amount	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes
1	Collateral obtained by taking possession classified as PP&E	-	-	-	-		
2	Collateral obtained by taking possession other than that classified as PP&E	55,185,748	(32,488,392)	55,021,762	(32,208,265)	18,639,424	(6,819,417)
3	Residential immovable property	492,262	(284,387)	328,274	(4,260)	328,274	(4,260)
4	Commercial immovable property	-	-	-	-	-	-
5	Movable property (auto, shipping, etc.)	54,693,486	(32,204,005)	54,693,488	(32,204,005)	18,311,150	(6,815,157)
6	Equity and debt instruments	-	-	-	-	-	-
7	Other	-	-	-	-	-	-
8	**Total**	**55,185,748**	**(32,488,392)**	**55,021,762**	**(32,208,265)**	**18,639,424**	**(6,819,417)**

Template 10: Collateral obtained by taking possession and execution processes – vintage breakdown (continued)

		Total collateral obtained by taking possession					
		Foreclosed > 2 years ≤ 5 years		Foreclosed > 5 years		Of which non-current assets held-for-sale	
		Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes
1	Collateral obtained by taking possession classified as PP&E						
2	Collateral obtained by taking possession other than that classified as PP&E	33,990,756	(23,273,548)	2,391,582	(2,115,300)	-	-
3	Residential immovable property	-	-	-	-	-	-
4	Commercial immovable property	-	-	-	-	-	-
5	Movable property (auto, shipping, etc.)	33,990,756	(23,273,548)	2,391,582	(2,115,300)	-	-
6	Equity and debt instruments	-	-	-	-	-	-
7	Other	-	-	-	-	-	-
8	**Total**	**33,990,756**	**(23,273,548)**	**2,391,582**	**(2,115,300)**	**-**	**-**

6.5 Exposures subject to measures applied in response to the COVID-19 crisis

Since the outbreak of the COVID-19 crisis, national governments and EU bodies have taken steps to address and mitigate the negative systemic impact of the pandemic on the EU banking sector. In accordance with EBA/GL/2020/07 issued on 2.06.2020, UniCredit Bank reports as follows:

Template 1: Information on loans and advances subject to legislative and non-legislative moratoria

		Number of obligors	Gross carrying amount						
				Performing			Non-performing		
					Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: defaulted
1	Loans and advances for which moratorium was offered	17,570	5,207,641,025						
2	Loans and advances to which moratorium was applied	13,815	5,073,852,503	4,344,080,468	68,744,986	2,140,839,569	729,772,035	444,673,593	552,639,125
3	of which: Households	11,123	936,598,836	835,926,045	15,370,508	392,615,391	100,672,792	74,177,177	77,303,626
4	*of which: Collateralised by residential immovable property*		564,024,982	521,081,722	6,622,062	184,233,943	42,943,260	28,905,842	42,943,260
5	of which: Non-financial corporations	2,587	3,847,856,016	3,218,756,773	53,374,478	1,748,224,179	629,099,243	370,496,418	475,335,498
6	*of which: Small and Medium-sized Enterprises*	2,557	3,218,606,410	2,884,717,682	53,351,280	1,618,797,530	333,888,727	132,285,629	226,927,649
7	*of which: Collateralised by commercial immovable property*		2,492,341,798	2,031,765,567	13,414,855	1,539,804,994	460,576,231	296,701,592	397,595,394

Template 1: Information on loans and advances subject to legislative and non-legislative moratoria (continued)

		Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross carrying amount
			Performing			Non-performing			
				Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: defaulted	Inflows to non-performing exposures
1	Loans and advances for which moratorium was offered								
2	Loans and advances to which moratorium was applied	(643,862,923)	(202,285,203)	(4,989,782)	(159,233,796)	(441,577,720)	(281,458,513)	(372,489,429)	206,825,947
3	of which: Households	(99,133,833)	(40,524,889)	(1,015,998)	(37,627,354)	(58,608,944)	(42,995,745)	(46,400,502)	10,669,117
4	*of which: Collateralised by residential immovable property*	(28,961,693)	(9,343,004)	(278,192)	(8,237,963)	(19,618,688)	(11,666,468)	(19,618,688)	2,932,717
5	of which: Non-financial corporations	(540,981,979)	(158,013,204)	(3,973,784)	(121,606,442)	(382,968,775)	(238,462,768)	(326,088,927)	196,156,830
6	*of which: Small and Medium-sized Enterprises*	(339,291,417)	(147,661,665)	(3,972,708)	(114,507,456)	(191,629,752)	(82,385,241)	(159,856,101)	139,911,056
7	*of which: Collateralised by commercial immovable property*	(404,576,448)	(114,292,939)	(692,218)	(109,408,528)	(290,283,508)	(193,057,411)	(273,458,667)	125,267,754

Template 2: Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria

		Gross carrying amount						
			Of which: legislative moratoria	Residual duration of moratoria				
				<= 3 months	3 - 6 months	6 - 9 months	9 - 12 months	> 1 year
	Loans and advances subject to moratoria	5,073,852,503	-	1,039,822,511	-	-	-	-
2	of which: Households	936,598,836	-	34,758,675	-	-	-	-
3	*of which: Collateralised by residential immovable property*	564,024,982	-	6,522,293	-	-	-	-
4	of which: Non-financial corporations	3,847,856,016	-	1,005,063,836	-	-	-	-
5	*of which: Small and Medium-sized Enterprises*	3,218,606,410	-	749,215,922	-	-	-	-
6	*of which: Collateralised by commercial immovable property*	2,492,341,798	-	841,237,156	-	-	-	-

Template 3: Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis

		Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
			of which: forborne	Public guarantees received	Inflows to non-performing exposures
1	Newly originated loans and advances subject to public guarantee schemes	730,164,138	-	720,668,719	-
2	of which: Households	1,253,560	-	-	-
3	of which: Collateralised by residential immovable property	-	-	-	-
4	of which: Non-financial corporations	728,910,578	-	719,439,193	-
5	of which: Small and Medium-sized Enterprises	722,389,954	-	-	-
6	of which: Collateralised by commercial immovable property	-	-	-	-

6.6 Expected Credit Loss – Approaches and Methods Expected Credit Loss and Forward Looking Information – Approaches and Methods

For Expected Credit Loss (ECL) calculation 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.

In order to meet the requirements of IFRS9 standard, the Group has developed specific models to calculate expected loss based on PD, LGD and EAD parameters corroborated also with a dedicated model for stage allocation. In this context "forward looking" information was included also through the elaboration of specific scenarios.

With reference to lifetime PD, through-the-cycle PD curves obtained by adjusting observed cumulated default rates were calibrated in order to reflect point-in-time and forward-looking forecasts on portfolio default rates.

The recovery rate incorporated in LGD over the cycle has been adjusted to eliminate conservatism and to reflect the current trend in recovery rates as well as expectations of future discounted rates at the effective interest rate or best approximation.

The lifetime EAD has been obtained by extending the 1 year regulatory or managerial model, removing margin of conservatism and including expectation about future drawing levels.

The Stage Allocation model is a key aspect of the IFRS9 model required to calculate expected credit losses. The Stage Allocation model is based on a combination of relative and absolute elements. The main elements are:

- comparison, for each transaction, between PD as measured at the time of origination and PD as at the reporting date, both calculated according to internal models, through thresholds set in such a way as to consider all key variables of each transaction that can affect the bank's expectation of PD changes over time (e.g. age, maturity, PD level at the time of origination);
- absolute elements such as the law requirements (e.g. 30 days past-due);
- additional internal evidence (e.g. Forborne classification).

During 2020 new internal models in respect of Exposure at Default and Loss Given Default (considering also recalibration with new definition of default) have been developed on Bank local models' portfolios and implemented within ECL computation, leading to additional ECL of approx. 55 MRON in Profit and Loss account. The most significant change performed was in respect of Loss Given Default where an LGD overall concept framework has been implemented in case of local models portfolios (which capture the historical recoveries within 2008-2018 period). Regarding the group wide models portfolio (multinationals, banks and sovereign), no methodological updates have been performed during 2020.

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 ; in some particular situations, case by case, the individually analysis can be applied also for exposures over than EUR 50.000; 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.

Thresholds mentioned above refer to current total exposure (considering bank balance sheet) for a client or group of clients, 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.

The expected credit loss deriving from the parameters described above considers macroeconomic forecasts through the application of multiple scenarios to the “forward looking” components in order to compensate the partial non-linearity naturally present in the correlation between macroeconomic changes and credit risk.

Specifically, the non-linearity effect was incorporated through the estimation of an overlay factor directly applied to the portfolio Expected Credit Loss.

The process defined to include macroeconomic multiple scenarios is fully consistent with macroeconomic forecast processes used by the Group for additional risk management objectives (as for example processes adopted to calculate expected credit losses from macroeconomic forecasts based on EBA stress test and ICAAP Framework) and also took advantage of independent UniCredit Research function.

UniCredit Group has selected three macroeconomic scenarios to determine the forward looking component, a baseline scenario, a positive scenario and a negative scenario. The probabilities are set at 55% for the baseline scenario, 40% for the negative (pandemic “mild”) scenario and 5% for the positive scenario.

The Group applies probabilities to the forecast scenarios identified. The table below summarizes the main macroeconomic indicators included in the baseline economic scenarios used at 31 December 2020:

Country	Macroeconomic scenario	2021	2022	2023
Romania	Real GDP, yoy % change	4.0	3.8	3.4
Romania	Inflation (CPI) yoy, eop	3.1	3.0	2.5
Romania	Unemployment rate, %	5.6	5.3	5.0
Romania	Short term rate, eop	1.25	1.20	1.23
Romania	Long-term interest rates 10y (%)	3.6	3.5	3.5
Romania	House Price Index, yoy % change	8.0	5.0	5.3

In order to better capture the peculiarity of Covid-19 scenario and the specific dynamic of each sector, the Bank estimated (based on the November perimeter results) the implementation of an enhanced methodology – Forward Looking Information per industries - that introduced an adjustment factor directly in the Point in Time and Forward-Looking (PIT\FLI) PD curves, thus, automatically affecting not only the ECL result but also staging migration. Portfolios affected by industry view are mid-corporate and small business entities (most impacted industries being wholesale trade and real estate). The impact as of December 2020 was 24.7 MRON on ECL in

Profit and Loss account.

Forward Looking Information concept per industries has been implemented in a similar methodological level within the entire UniCredit SPA Group, leveraging at the end of the year 2020 with priority on the most significant portfolios. At local level, 2020 implementation included Bank portfolio, which is to be followed by an implementation also to Leasing portfolio during 2021 (no further impact on UCFIN considering the peculiarity of the portfolio with only consumer finance retail individuals).

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 (01.01.2020)**	**(1,664,396,740)**	**-**
2	Increases due to amounts set aside for estimated loan losses during the period	(398,995,314)	-
3	Decreases due to amounts reversed for estimated loan losses during the period	237,698,276	-
4	Decreases due to amounts taken against accumulated credit risk adjustments	294,868,854	-
5	Transfers between credit risk adjustments	-	-
6	Impact of exchange rate differences	10,580,000	-
7	Business combinations, including acquisitions and disposals of subsidiaries	-	-
8	Other adjustments	29,038,867	-
9	**Closing balance (31.12.2020)**	**(1,491,206,057)**	**-**
10	Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	55,326,831	-
11	Specific credit risk adjustments directly recorded to the statement of profit or loss	70,201	-

6.7 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;

During 2020 the Bank changed group rating model for sovereign and central banks and currently the exposures for EU member states, in other currency are temporarily reported under standardized approach.

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

Rating Class	Rating Notch	S&P	Moody's	Fitch
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 regulations 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 presumes 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. The table does not include amount classified as other assets (Right of Use, PPE, equity investments, deferred tax, etc.).

Exposure class	PD Scale	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	-	466,079	0.5000	233,040	-	1
	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 (Default)	222,203,679	-	1.0000	222,203,679	1.0000	1
	Subtotal	**222,203,679**	**466,079**	**0.5000**	**222,436,719**	**0.5000**	**2**
Institutions							
	0.00 to <0.15	292,500,120	1,441,736,711	0.7018	1,217,051,056	0.0007	64
	0.15 to <0.25	60,985,986	127,933,699	0.8018	151,483,915	0.0020	13
	0.25 to <0.50	21,550,467	254,881,422	0.5786	159,938,895	0.0037	17
	0.50 to <0.75	5,021,000	6,169,119	0.7243	8,105,560	0.0058	4
	0.75 to <2.50	132,974	24,999,240	0.5026	12,632,594	0.0125	5
	2.50 to <10.00	-	87,649	3.0520	267,507	0.0800	1
	10.00 to <100.00	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-
	Subtotal	**380,190,547**	**1,855,807,841**	**0.6930**	**1,549,479,527**	**0.0174**	**104**
Retail – SME							
	0.00 to <0.15	38,863,496	125,811,367	0.2655	43,714,900	0.0004	16
	0.15 to <0.25	26,087,567	26,739,958	0.4311	22,775,664	0.0019	12
	0.25 to <0.50	436,153,303	806,648,948	0.4279	531,854,763	0.0037	389
	0.50 to <0.75	319,731,938	360,165,630	0.5013	340,802,489	0.0066	235
	0.75 to <2.50	3,021,123,634	2,243,675,365	0.5829	3,068,738,140	0.0155	1,383
	2.50 to <10.00	2,400,403,236	1,035,013,410	0.6885	2,365,412,819	0.0523	1,153
	10.00 to <100.00	182,366,401	26,339,431	0.8080	168,625,501	0.1561	72
	100.00 (Default)	470,703,569	117,809,175	0.8276	487,031,187	1.0000	260
	Subtotal	**6,895,433,143**	**4,742,203,283**	**0.6040**	**7,028,955,462**	**0.1546**	**3,520**
Corporate-Other							
	0.00 to <0.15	348,666,701	2,131,485,503	0.3817	946,583,837	0.0007	99
	0.15 to <0.25	232,706,288	1,163,248,454	0.3677	513,261,297	0.0018	32
	0.25 to <0.50	660,204,520	2,022,514,170	0.3397	911,236,154	0.0035	187
	0.50 to <0.75	213,726,455	347,153,159	0.4685	262,778,755	0.0065	50
	0.75 to <2.50	2,629,302,543	1,641,135,932	0.7023	2,999,258,660	0.0156	253
	2.50 to <10.00	800,798,667	356,118,379	0.7319	846,728,862	0.0523	178
	10.00 to <100.00	195,160,254	38,468,157	0.9212	215,210,814	0.1562	16
	100.00 (Default)	466,922,677	133,859,870	0.8628	518,348,796	1.0000	47
	Subtotal	**5,547,488,104**	**7,833,983,624**	**0.5391**	**7,213,407,175**	**0.1546**	**862**
Total (all portfolio)		**13,045,315,474**	**14,432,460,828**	**0.5828**	**16,014,278,883**	**0.2066**	**4,488**

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

Exposure class	PD Scale	Average LGD	Average maturity	RWAs	RWA density	EL	Value adjustments and provisions
Central Governments or Central Bank							
	0.00 to <0.15	0.4500	912.50	-	-	0	-
	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 (Default)	0.4500	912.50	-	-	99,991,656	(159,445,710)
	Subtotal	**0.4500**	**912.50**	**-**	**-**	**99,991,656**	**(159,445,710)**
Institutions							
	0.00 to <0.15	0.2409	681.98	448,868,295	0.3688	525,430	(167,144)
	0.15 to <0.25	0.4480	912.50	70,586,889	0.4660	135,150	(29,928)
	0.25 to <0.50	0.3650	912.50	75,601,789	0.4727	177,294	(68,181)
	0.50 to <0.75	0.4155	912.50	5,912,752	0.7295	19,640	(1,508)
	0.75 to <2.50	0.1854	684.38	13,510,413	1.0695	85,549	(32,609)
	2.50 to <10.00	0.0925	228.13	575,125	2.1499	9,316	(62)
	10.00 to <100.00	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-
	Subtotal	**0.3310**	**722.00**	**615,055,263**	**0.3969**	**952,379**	**(299,432)**
Retail - SME							
	0.00 to <0.15	0.1276	391.07	11,903,649	0.2723	22,571	(42,327)
	0.15 to <0.25	0.4500	912.50	6,150,030	0.2700	16,782	(51,081)
	0.25 to <0.50	0.4428	912.50	234,665,135	0.4412	944,016	(1,646,787)
	0.50 to <0.75	0.4407	912.50	181,331,381	0.5321	991,372	(1,172,509)
	0.75 to <2.50	0.4330	912.50	2,256,109,673	0.7352	21,483,065	(23,722,856)
	2.50 to <10.00	0.4182	912.50	2,321,534,347	0.9814	49,665,928	(63,142,218)
	10.00 to <100.00	0.4331	912.50	242,311,090	1.4370	10,343,798	(10,572,487)
	100.00 (Default)	0.4369	912.50	-	-	211,456,423	(438,140,564)
	Subtotal	**0.3978**	**847.32**	**5,254,005,306**	**0.7475**	**294,923,953**	**(538,490,828)**
Corporate-Other							
	0.00 to <0.15	0.3854	782.14	263,018,369	0.2779	362,572	(1,989,235)
	0.15 to <0.25	0.4499	912.50	233,997,823	0.4559	446,137	(4,969,955)
	0.25 to <0.50	0.4275	912.50	593,801,228	0.6516	1,634,031	(2,970,435)
	0.50 to <0.75	0.4324	912.50	205,327,098	0.7814	717,906	(1,010,267)
	0.75 to <2.50	0.4379	912.50	3,227,170,355	1.0760	19,565,555	(34,033,270)
	2.50 to <10.00	0.4223	912.50	1,244,282,271	1.4695	16,899,310	(20,018,603)
	10.00 to <100.00	0.1500	912.50	453,359,423	2.1066	11,751,225	(6,794,190)
	100.00 (Default)	0.4470	912.50	-	-	226,930,483	(379,039,149)
	Subtotal	**0.3941**	**896.21**	**6,220,956,567**	**0.8624**	**278,307,219**	**(450,825,103)**
Total (all portfolio)		**0.3932**	**912.50**	**12,090,017,135**	**0.7550**	**674,175,207**	**(1,149,061,072)**

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
Retail								
	0.00 to <0.15	-	-	-	-	-	-	-
	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 (Default)	-	-	-	-	-	-	-
	Subtotal	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Corporate-Other								
	0.00 to <0.15	21,154,982	0.0221	41	0.4500	912.50	20,476,957	0.9679
	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 (Default)	-	-	-	-	-	-	-
	Subtotal	**21,154,982**	**0.0221**	**41**	**0.4500**	**912.50**	**20,476,957**	**0.9679**
Corporate-SME								
	0.00 to <0.15	14,941,519	0.0227	80	-	-	11,520,869	0.7711
	0.15 to <0.25	-	-	-	-	-	-	-
	0.25 to <0.50	-	-	-	-	-	-	-
	0.50 to <0.75	-	-	-	-	-	-	-
	0.75 to <2.50	470,683	1.0000	5	0.4500	912.50	-	-
	2.50 to <10.00	-	-	-	-	-	-	-
	10.00 to <100.00	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-
	Subtotal	**15,412,202**	**1.0227**	**85**	**0.4500**	**912.50**	**11,520,869**	**0.7711**
Institutions								
	0.00 to <0.15	80,451,393	0.0014	14	0.4500	912.50	39,618,931	0.4925
	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 (Default)	-	-	-	-	-	-	-
	Subtotal	**80,451,393**	**0.0014**	**14**	**0.4500**	**912.50**	**39,618,931**	**0.4925**
Total (all portfolio)		**117,018,578**	**0.3487**	**140**	**0.4500**	**912.50**	**71,616,758**	**0.6120**

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

Consolidated

		RWA amounts	Capital requirements
1	**RWAs as at the end of the previous reporting period 30.09.2020**	**14,149,326,161**	**1,131,946,093**
2	Asset size	(337,481,823)	(26,998,546)
3	Asset quality	(66,942,877)	(5,355,430)
4	Model updates	(4,012,059)	(320,965)
5	Methodology and policy*	(1,678,268,817)	(134,261,505)
6	Acquisitions and disposals	-	-
7	Foreign exchange movements	8,860,879	708,870
8	Other	18,535,672	1,482,854
9	**RWAs as at the end of the reporting period 31.12.2020**	**12,090,017,135**	**967,201,371**

*Of which the most significant part is due to the shift from IRB approach to standardized approach, for Central Administration and Central Bank exposures in other currencies for EU states, as described in section 5.6

EU CR10 – IRB (specialized lending and equities)

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

Specialized lending							
Regulatory categories	**Remaining maturity**	**On-balance-sheet amount**	**Off-balance-sheet amount**	**Risk weight**	**Exposure amount**	**RWAs**	**Expected losses**
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	48,891,266	-	370%	48,891,266	180,897,683	14,471,815
Total	**48,891,266**	-		**48,891,266**	**180,897,683**	**14,471,815**

6.8 Risk Weighted Assets - Back-testing 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 – Back-testing of PD per exposure class

Exposure Class	PD Range	External Rating Equivalent	Weighted Average PD	Arithmetic Average PD by Obligator	Number of obligors		Defaulted Obligators in the Year	Of Which New Obligators	Average Historical Default Rate
					Last Year	Current Year			
Central governments or central banks	Class 03	From A+ to A-	0.000257	-	-	-	-	-	-
Central governments or central banks	Class 04	From BBB+ to BBB-	0.002521	0.002551	2	2	-	-	-
Central governments or central banks	Class 10	Class 10	1.000000	-	-	-	-	-	
Corporates - Other	Class 03	From A+ to A-	0.000724	0.000690	38	54	-	-	-
Corporates - Other	Class 04	From BBB+ to BBB-	0.002781	0.002317	88	89	1	-	0.002320
Corporates - Other	Class 05	From BB+ to BB-	0.009216	0.009401	102	100	1	-	0.014006
Corporates - Other	Class 06	B+	0.022697	0.023841	124	161	3	-	0.014644
Corporates - Other	Class 07	B	0.049578	0.046256	49	55		-	0.018265
Corporates - Other	Class 08	B-	0.085498	0.088772	19	15	2	-	0.038462
Corporates - Other	Class 09	From CCC to C	0.216561	0.216561	1	1	-	-	0.125000
Corporates - Other	Class 10	Class 10	1.000000	1.000000	16	21	-	-	-
Corporates - SME	Class 03	From A+ to A-	0.000658	0.000751	10	14	-	-	-
Corporates - SME	Class 04	From BBB+ to BBB-	0.004246	0.004068	60	63	1	-	0.008032
Corporates - SME	Class 05	From BB+ to BB-	0.010964	0.010657	400	424	4	-	0.007255
Corporates - SME	Class 06	B+	0.024035	0.024278	785	840	14	1	0.016748
Corporates - SME	Class 07	B	0.046770	0.046199	343	348	6	-	0.030414
Corporates - SME	Class 08	B-	0.086941	0.093245	151	126	13	-	0.077098
Corporates - SME	Class 09	From CCC to C	0.216561	0.216561	7	4	-	-	0.250000
Corporates - SME	Class 10	Class 10	1.000000	1.000000	177	185	8	8	
Institutions	Class 03	From A+ to A-	0.000868	0.000864	33	44	1	-	0.012195
Institutions	Class 04	From BBB+ to BBB-	0.002132	0.002794	25	23	-	-	-
Institutions	Class 05	From BB+ to BB-	0.008058	0.007611	12	9	-	-	-
Institutions	Class 06	B+	0.016656	0.017205	5	3	-	-	-
Institutions	Class 08	B-	0.078268	0.080698	2	-	-	-	-
Institutions	Class 10	Class 10	1.000000	1.000000	1	1	-	-	-

6.9 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 and FIRB approach Basel III, are presented below:

<table>
<tr><th colspan="2">Collateral Category</th><th>Type of collateral</th></tr>
<tr><td colspan="2" rowspan="4">Direct Personal Guarantees</td><td>Guarantee / Surety</td></tr>
<tr><td>Bill of exchange from third party</td></tr>
<tr><td>Letter of comfort</td></tr>
<tr><td>Risk sharing</td></tr>
<tr><td colspan="2">Credit Derivatives</td><td>Credit Derivatives Instruments</td></tr>
<tr><td colspan="2">Life Insurance</td><td>Pledge on life insurance with non-reducible surrender value</td></tr>
<tr><td rowspan="4">Financial collateral</td><td rowspan="3">Own</td><td>Pledge on securities deposits</td></tr>
<tr><td>Pledge on cash collateral</td></tr>
<tr><td>Pledge on gold</td></tr>
<tr><td>Third Party</td><td>Pledge on third party cash collateral</td></tr>
<tr><td colspan="2" rowspan="2">Real Estate</td><td>First Rank Mortgage on Residential Real Estate occupied or rented by owner</td></tr>
<tr><td>First rank mortgage on commercial real estate – offices and other commercial spaces</td></tr>
<tr><td colspan="2">On Balance Sheet Netting</td><td>Not used in the Bank as credit risk mitigation technique</td></tr>
</table>

The tables provide information about collateralization of on and off balance credit exposure with the indication of the amount of the Collateral/Guarantees eligible for Credit Risk Mitigation purpose.

In detail, the table on Collaterals is broken down by collateral type, type of security with the indication of the rating (related to the client who is covered by the guarantee) and maturity (calculated as average of residual contractual maturities of payments, each weighted by the relative amount). The table on Guarantees is broken down by type of guarantee (Credit Derivatives and Personal Guarantees) and type of issuer.

Distribution of guarantees on credit exposures to banks and customers

	Type	Issuer with indication of the country where the collateral is booked	Rating	Stock 2020_12			
				With banks		With customers	
				Fair value	o.w. eligible for CRM purposes	Fair value	o.w. eligible for CRM purposes
Guarantees	Credit Derivatives	CLN		-	-	-	-
		Government and Central Banks	Investment grade	-	-	-	-
			Non-Investment grade	-	-	-	-
			Unrated / not available	-	-	-	-
		Other Public Entities	Investment grade	-	-	-	-
			Non-Investment grade	-	-	-	-
			Unrated / not available	-	-	-	-
		Banks	Investment grade	-	-	-	-
			Non-Investment grade	-	-	-	-
			Unrated / not available	-	-	-	-
		Other Entities	Investment grade	-	-	-	-
			Non-Investment grade	-	-	-	-
			Unrated / not available	-	-	-	-
	Personal Guarantees	Government and Central Banks	Investment grade	-	-	-	-
			Non-Investment grade	-	-	-	-
			Unrated / not available	-	-	-	-
		Other Public Entities	Investment grade	-	-	-	-
			Non-Investment grade	-	-	-	-
			Unrated / not available	-	-	-	-
		Banks	Investment grade	1,757,157,891	1,415,951,883	-	-
			Non-Investment grade	35,185,254	28,836,192	-	-
			Unrated / not available	-	-	-	-
		Corporate / SMEs	Investment grade	-	-	1,137,807,813	203,105,435
			Non-Investment grade	-	-	2,180,956,294	1,355,747,829
			Unrated / not available	-	-	75,705,980	16,578,847
		Physical persons		-	-	164,409,081	164,409,081

Distribution of collaterals on credit exposures to banks and customers

	Type of collateral	Type of security with indication of the country where the collateral is booked	Rating	Maturity	Stock 2020_12			
					With banks		With customers	
					Fair value	o.w. eligible for CRM purposes	Fair value	o.w. eligible for CRM purposes
Collaterals	Pledge on Securities	Governments Bonds (Central Banks, MDB and International Organizations included)	Investment grade	Short term (<5 years)	5,841,336,039	5,795,860,504	-	-
				(>= 5 years)	-	-	-	-
			Non-Investment grade	Short term (<5 years)	-	-	-	-
				(>= 5 years)	-	-	-	-
			Unrated / not available	Short term (<5 years)	-	-	-	-
				(>= 5 years)	-	-	-	-
		Supervised Financial institution Bonds	Investment grade	Short term (<5 years)	-	-	-	-
				(>= 5 years)	-	-	-	-
			Non-Investment grade	Short term (<5 years)	-	-	-	-
				(>= 5 years)	-	-	-	-
			Unrated / not available	Short term (<5 years)	-	-	-	-
				(>= 5 years)	-	-	-	-
		Corporate Bonds	Investment grade	Short term (<5 years)	-	-	-	-
				(>= 5 years)	-	-	-	-
			Non-Investment grade	Short term (<5 years)	-	-	-	-
				(>= 5 years)	-	-	-	-
			Unrated / not available	Short term (<5 years)	-	-	-	-
				(>= 5 years)	-	-	-	-
		Other securities	Investment grade	Short term (<5 years)	-	-	6,370,009	5,112,342
				(>= 5 years)	-	-	-	-
			Non-Investment grade	Short term (<5 years)	-	-	9,534,985	7,652,439
				(>= 5 years)	-	-	-	-
			Unrated / not available	Short term (<5 years)	-	-	-	-
				(>= 5 years)	-	-	-	-
	Pledge on Cash deposits				4,869,400	4,869,400	489,917,516	467,558,941
	Other pledges				-	-	4,395,143,452	3,936,751,724
	Properties				-	-	11,532,238,678	10,638,281,303
	Other assets				-	-	1,723,058,608	1,186,643,439

Credit risk mitigation techniques: standardized approach collaterals

	Amounts as at 31-Dec-2020			Amounts as at 31-Dec-2019		
	Financial collaterals	Other guarantees	Guarantees and credit derivatives	Financial collaterals	Other guarantees	Guarantees and credit derivatives
Exposures to or secured by central governments or central banks	-	-	-	-	-	-
Exposures to or secured by regional governments or local authorities	12,145	-	-	12,159	-	-
Exposures to or secured by public-sector bodies	-	-	-	-	-	-
Exposures to or secured by multilateral development banks	-	-	-	-	-	-
Exposures to or secured by international organizations	-	-	-	-	-	-
Exposures to or secured by authorities	-	-	-	-	-	-
Exposures to or secured by corporates and other parties	115,525,007	97,455,512	-	162,191,589	106,379,000	-
Retail exposures	45,670,840	558,018,164	-	57,486,264	226,037,632	-
Exposures secured by real estate collateral	-	-	-	-	-	-
Defaulted exposures	2,427,393	3,762,124	-	3,473,732	3,254,835	-
High-risk exposures	-	93,489	-	-	-	-
Exposures in the form of guaranteed bank bonds (covered bonds)	-	-	-	-	-	-
Short-term exposures to corporates and other parties or authorities	-	-	-	-	-	-
Exposures to Undertakings for Collective Investment (UCI)	-	-	-	-	-	-
Equity exposures	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-
Total	**163,635,384**	**659,329,289**	**-**	**223,163,743**	**335,671,466**	**-**

Risk mitigation techniques – IRB Approach

	Amounts as at 31-Dec-2020				Amounts as at 31-Dec-2019			
	Financial collaterals	Other eligible collaterals	Other guarantees	Guarantees and credit derivatives	Financial collaterals	Other eligible collaterals	Other guarantees	Guarantees and credit derivatives
IRB approach - foundation								
Exposures to or secured by central governments or central banks	-	-	-	-	-	-	-	-
Exposures to or secured by institutions, public and territorial entities and other entities	5,826,006,355	1,041,838,625	-	-	5,746,476,845	1,027,567,395	-	-
Exposures to or secured by corporate - SME	143,828,396	990,586,623	909,478,262	-	200,569,191	998,071,989	273,082,494	-
Exposures to or secured by corporate - Specialised lending	-	-	-	-	-	-	-	-
Exposures to or secured by corporate - Others	168,917,938	318,895,439	118,139,268	-	198,604,261	463,986,325	237,323,562	-
IRB approach – advanced								
Exposures to or secured by central governments or central banks	-	-	-	-	-	-	-	-
Exposures to or secured by institutions, public and territorial entities and other entities	-	-	-	-	-	-	-	-
Exposures to or secured by corporate - SME	-	-	-	-	-	-	-	-
Exposures to or secured by corporate - Specialised lending	-	-	-	-	-	-	-	-
Exposures to or secured by corporate - Others	-	-	-	-	-	-	-	-
Exposures secured with residential real estate property: SME	-	-	-	-	-	-	-	-
Exposures secured with residential real estate property: Individual	-	-	-	-	-	-	-	-
Qualified revolving retail exposures	-	-	-	-	-	-	-	-
Other retail exposures	-	-	-	-	-	-	-	-
Other retail exposures: Individual	-	-	-	-	-	-	-	-
Total	**6,138,752,690**	**2,351,320,687**	**1,027,617,531**	**-**	**6,145,650,296**	**2,489,625,708**	**510,406,056**	**-**

Policies and processes applied for evaluating and administrating real collaterals

The internal valuation of collaterals 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 lifetime, 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.

In case of on-performing exposure, the revaluation of the collateral is done on classification date as NPE, or in maximum 3 months if the current evaluation report is still valid, not older than one year.

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 – Standardized 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	13,778,279,892	-	14,591,259,708	92,732,564	196,420,099	1.34%
2	Regional government or local authorities	312,418,396	47,023,260	312,418,396	28,598,359	129,739,263	38.04%
3	Public sector entities	-	-	-	-	-	0.00%
4	Multilateral development banks	-	-	208,922,236	25,525,123	-	0.00%
5	International organizations	-	-	-	-	-	0.00%
6	Institutions	575,159,186	69,602,687	575,614,615	252	575,614,867	100.00%
7	Corporates	3,686,690,593	1,340,665,890	3,655,320,012	306,656,584	3,465,467,031	87.47%
8	Retail	6,297,058,876	1,084,213,032	5,831,881,176	281,572,803	3,999,101,518	65.41%
9	Secured by mortgages on immovable property	5,687,598,032	102,775,797	5,687,598,032	9,332,583	2,113,823,063	37.10%
10	Exposures in default	463,009,487	34,803,738	457,889,041	14,793,024	510,000,481	107.90%
11	Exposures associated with particularly high risk	89,995,482	-	89,901,993	-	134,852,989	150.00%
12	Covered bonds	-	-	-	-	-	0.00%
13	Institutions and corporates with a short-term credit assessment	91,907	-	91,907	-	88,842	96.67%
14	Collective investment undertakings	-	-	-	-	-	0.00%
15	Equity	2,345,998	-	2,345,998	-	2,345,998	100.00%
16	Other items	114,139,454	-	114,139,454	-	114,129,165	99.99%
17	**Total**	**31,006,787,303**	**2,679,084,404**	**31,527,382,568**	**759,211,292**	**11,241,583,316**	**34.82%**

** The table does not include derivative exposures, in amount of 23,025,829.16 RON.*

EU CR3 – CRM techniques – Overview

The template presents the breakdown of the Group's carrying amount exposures by type of collateral held.

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

	Instruments	Total exposures - Carrying amount, of which:	Unsecured exposures – Carrying Amount	Secured Exposures - Carrying amount, of which:	Secured Exposures by collateral	Secured Exposures by financial guarantees	Secured exposures by credit derivatives
1	Total loans	39,642,260,165	15,696,619,056	28,371,507,119	20,301,259,548	1,530,453,999	-
2	Total debt securities	9,181,546,032	9,181,546,032	-	-	-	-
3	**Total exposures**	**48,823,806,197**	**24,878,165,088**	**28,371,507,119**	**20,301,259,548**	**1,530,453,999**	**-**
4	Of which defaulted	771,656,214	492,833,826	610,531,711	173,202,964	308,599,558	-

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 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		74,379,324	65,726,617			140,105,941	93,933,612
2	Original exposure	-					-	-
3	Standardized approach		-			-	-	-
4	IMM (for derivatives and SFTs)				-	-	5,865,916,166	13,082,627
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**							**107,016,239**

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	51,230,264	3,952,970
EU4	Based on the original exposure method	-	-
5	**Total subject to the CVA capital charge**	**51,230,264**	**3,952,970**

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	140,044,407	-	-	-	140,044,407
2	SFTs	5,865,380,154	-	-	5,821,136,955	44,243,199
3	Cross-product netting	-	-	-	-	-
4	**Total**	6,005,424,561	-	-	5,821,136,955	184,287,606

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	-	-	-	-	5,821,136,955	-
Total	-	-	-	-	**5,821,136,955**	-

EU CCR3 - Standardized 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 organizations	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	-	-	-	-	-	-	-	132,210	-	-	132,210	-
7	Corporates	-	-	-	-	-	-	-	-	22,184,643	-	-	22,184,643	-
8	Retail	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Other items	-	-	-	-	-	-	-	-	-	-	-	-	-
11	**Total**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-	**22,316,854**	**-**	**-**	**22,316,854**	**-**

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.

		RWA amounts	Capital requirements
1	**RWAs as at the end of the previous reporting period (30.09.2020)**	**8,865,595**	**709,248**
2	Asset size	4,217,032	337,363
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 (31.12.2020)**	**13,082,627**	**1,046,610**

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 prepared and implemented 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 Finance (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 2020 is presented in the table below:

EUR million	Total VaR 99%	VaR FVtOCI	VaR FVtPL
Limit	**28.00**	**15.00**	**1.50**
End 2020	22.43	7.28	1.39
Average	15.95	8.74	0.78
Maximum	23.20	13.48	1.39
Minimum	4.27	3.38	0.22

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

The trading book contains all positions on financial instruments and commodities which are held by a bank with the intention either for trading, or for economically hedging other elements from the trading book and which are either free of any restrictive clauses regarding trading or may be hedged.

Trading positions are those positions held in order to be resold in the short run and / or to benefit from short term differences between prices or changes in prices or interest rates. The term “positions” includes own positions and clients’ positions, as well as from operations as market maker

The **trading book** of UniCredit Bank contains the following financial products, which 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, Forwards
  - 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.

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).

Exposures to interest rate risk on positions in the banking book

UniCredit Bank measures and monitors this risk according to the UniCredit Group methodology within the framework of a Banking Book interest rate risk policy that establishes consistent methodologies and models and limits or thresholds to focus on, with regard to the sensitivity of net interest income and the Bank's economic value.

The main sources of banking book interest rate risk can be classified as follows:

1) **Gap risk**: arises from the term structure of banking book instruments, and describes the risk arising from the timing of instrument rate changes. Gap risk also encompasses: Repricing risk, defined as the risk of changes in interest rate earned at the time a financial contract's rate is reset. Repricing risk also refers to the yield curve risk, occurring when a shift in the yield curve affects the values of interest rate sensitive assets and interest rate bearing liabilities;

2) **Basis risk** can be broken down in:

    - **Tenor risk**: resulting from the imperfect correlation in the adjustment of the rates earned and paid on different instruments with otherwise similar rate change characteristics;

    - **Currency risk**: defined as the risk of potentially offsetting interest rate sensitivities arising from interest rate exposures in several currencies;

3) **Option risk**: risk resulting from option derivative positions or from the optional elements embedded in many bank positions.

Interest rate risk measurement includes:

a) Net Interest Income analysis

This may involve a constant analysis of the balance sheet, the impact on interest income may be maintained or simulated, assuming that positions remain constant over the period.

The simulation analysis includes the analysis of the impact on income from different shocks for the interest rates. Reference shock for a rate rise scenario is an instantaneous and parallel shock of +100bp. The shocks for the rate fall scenario are applied in an asymmetric way. The currencies to which a shock of -30bp is applied are: EUR, BGN, JPY, CHF and BAM. For HUF, whose rates are only marginally negative, a shock of -60bp is be applied. For other currencies the shock is -100bp. Additional scenarios are performed to take into account basis risk and non-parallel shifts.

b) Economic Value analysis

This includes the calculation of duration measures, value sensitivities of the balance sheet for different points on the curve, as well as the impact on the Economic Value from larger shocks, e.g. a 200bp parallel shift and other parallel and non-parallels shocks, including the one required by the EBA guidelines (EBA/GL/2018/02).

In these analyses **behavioral assumptions** are included in order to cover **optional risk**, such as: **maturity profile for sight items** taking into account the stability of the volumes and the partial reaction of the customers to movements in market interest rates respect to the possibility to withdraw the volume of the current account – in the case of UCB the behavioral model refers to sight accounts in RON replicated for liquidity and interest rate risk. The assumptions are based on statistical techniques and analyses of historical observations of customer behavior.

IRRBB management is performed within Markets Risk and Finance departments.

UCB adopted Fair Value Hedge (FVH) and Cash Flow Hedge (CFH) procedures for the hedge of the interest rate risk run in its banking book.

Under FVH a micro hedge is intended and the exposure to interest rate risk to be hedged could be generated by loans and deposits with banks or customers and bonds classified as available for sale with a residual maturity above 1 year as of the hedge inception date and bearing fixed interest rates.

The hedged interest rate risk could also be generated by transactions with floating rate (linked to money market interest rate) and variable rates, as well as transactions with fixed interest rates and residual maturity less than 1 year expected to be rolled over with the same rate conditions. In this case, UCB performs macro-cash flow hedge.

Interest rate risk measurement includes the following indicators:

A) RAF KPIs – measured on a monthly basis

A.1) Net Interest Income sensitivity

The outcome of the 2 scenarios as described above is measured as a percentage versus the Net Interest Income budget. The negative outcome is considered as the RAF KPI.

A.2) Economic Value sensitivity

The outcome of the +/-200 bp regulatory shock parallel shift is measured against Tier 1 Own funds.

The negative outcome is considered as the RAF KPI.

The RAF KPIs are monitored monthly by Financial Risk and reported to the relevant committees: ALCO, Risk Management Committee and Supervisory Board, as well as to the relevant Holding function.

The evolution of the IRRBB RAF KPIs during Q4 at standalone and consolidated level is presented in the table below:

RAF		2020					
Interest Rate Risk in the Banking Book KPIs	**RO Consolidated**	**Target**	**Trigger**	**Limit**	**31-Oct**	**30-Nov**	**31-Dec**
	NII Sensitivity (% of budget)	**>-9.5%**	**>-9.5%**	**-12%**	-4.62%	-4.97%	-4.33%
	EV Sensitivity (% tier 1 c/ap)	**>-11%**	**-11%**	**-15%**	-6.86%	-8.76%	-8.42%
	UCB Standalone	**Target**	**Trigger**	**Limit**	**31-Oct**	**30-Nov**	**31-Dec**
	NII Sensitivity (% of budget)	**>-9.5%**	**>-9.5%**	**-12%**	-5.78%	-6.14%	-5.29%
	EV Sensitivity (% of tier 1 cap)	**>-11%**	**-11%**	**-15%**	-6.93%	-8.76%	-8.79%

B) Granular indicators – measured on a daily basis

B.1) BP01 sensitivity for the Banking book positions per maturity buckets

This measures the changes in economic value due to a parallel shock of +/-1 bp of the interest rate term structure. The result is monitored daily by Financial Risk and reported to the Management and to the relevant Committees.

B.2) VaR for IRRBB

This indicator is monitored daily by Financial Risk and reported to the Management and to the relevant Committees.

As of 31.12.2020 the value of the granular indicators vs limits is as per tables below:

	(EUR)	0-3M	3M-1Y	1Y-3Y	3Y-10Y	10Y+	SUM
BP01 Bank Book UCB	**Total ccys**	3,567	11,322	119,201	44,339	5,176	160,961
	Limit	25,000	50,000	190,000	190,000	60,000	310,000
	Usage	14.27%	22.64%	62.74%	23.34%	8.63%	51.92%
		SUM	**no limit breach**				
	EUR	189,344					
	Limit	250,000					
	Usage	75.74%					

VaR for Banking Book and IRRBB

(EUR mio)	Exposure	Limit	Usage	Exposure	Limit	Usage
	UCB			RO Group		
Bank Book	20.99	27.00	77.73%	21.09	27.00	78.11%
IRR	3.92	10.00	39.24%	4.10	-	-

B. Price Risk

Price risk results from the activity of capital markets 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 for calculating RWA, the capital requirement for position risk (MKR SA TDI form) and for foreign exchange (MKR SA FX form) is calculated based on open currency positions at the end of each month.

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.

Currency Risk Stress testing includes:

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%

8.2 IRRBB

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).

Stress tests for IRRBB – measured on a monthly basis

The table below presents the outcome of the interest rate stress tests run on the Banking Book positions – according to Basel and to EBA requirements including supervisory outlier tests for UCB standalone and Romania Consolidated.

UCB - Standalone	Million EUR					
Period	31-Oct-20		30-Nov-20		31-Dec-20	
Own Funds Total / T1	**1,157.80**	**970.06**	**1,157.99**	**970.25**	**1,264.19**	**1,078.83**
Regulatory IR Stress Test (BB)		**% Total OF**		**% Total OF**		**% total OF**
1 parallel shift + 200bps	(14.70)	1.27%	(25.66)	2.22%	(29.56)	2.34%
2 parallel shift - 200bps	34.15	2.95%	45.08	3.89%	47.32	3.74%
IRRBB Basel definition (BB)		**% T1 OF**		**% T1 OF**		**% T1 OF**
1 parallel shift + 200bps	(14.70)	1.52%	(25.66)	2.64%	(29.56)	2.74%
2 parallel shift - 200bps	34.15	3.52%	45.08	4.65%	47.32	4.39%
3 Basel Parallel shock up	(49.21)	5.07%	(66.79)	6.88%	(76.10)	7.05%
4 Basel Parallel shock sown	98.39	10.14%	117.71	12.13%	121.48	11.26%
5 Basel Steepening (sr down, lr up)	(1.62)	0.17%	(6.34)	0.65%	(0.31)	0.03%
6 Basle Flattening (sr up, le down)	(6.42)	0.66%	(5.75)	0.59%	(15.50)	1.44%
7 Basel Short rates up	(33.38)	3.44%	(39.99)	4.12%	(50.68)	4.70%
8 Basel Short rates down	39.62	4.08%	46.26	4.77%	58.14	5.39%
Maximum		**10.14%**		**12.13%**		**11.26%**
Supervisory Outlier Test		**% T1 OF**		**% T1 OF**		**% T1 OF**
1 parallel shift + 200bps	(32.67)	3.37%	(43.65)	4.50%	(48.24)	4.47%
1 parallel shift - 200bps	26.64	2.75%	32.20	3.32%	33.50	3.11%
3 Basel Parallel shock up	(67.18)	6.93%	(85.00)	8.76%	(94.79)	8.79%
4 Basel Parallel shock sown	35.77	3.69%	41.21	4.25%	43.74	4.05%
5 Basel Steepening (sr down, lr up)	(5.39)	0.56%	(10.32)	1.06%	(3.55)	0.33%
6 Basle Flattening (sr up, le down)	(6.24)	0.64%	(6.30)	0.65%	(15.56)	1.44%
7 Basel Short rates up	(38.19)	3.94%	(45.03)	4.64%	(56.07)	5.20%
8 Basel Short rates down	20.49	2.11%	23.30	2.40%	28.62	2.65%
Maximum		**6.93%**		**8.76%**		**8.79%**

RO Group Consolidated	Million EUR					
Period	31-Oct-20		30-Nov-20		31-Dec-20	
Own Funds Total / T1	**1,203.10**	**1,016.03**	**1,203.30**	**1,016.23**	**1,336.97**	**1,152.35**

RO Group Consolidated	Million EUR					
Period	31-Oct-20		30-Nov-20		31-Dec-20	
Regulatory IR Stress Test (BB)		**% Total OF**		**% Total OF**		**% total OF**
1 parallel shift + 200bps	(13.90)	1.16%	(26.14)	2.17%	(28.77)	2.15%
2 parallel shift - 200bps	41.58	3.46%	53.43	4.44%	54.52	4.08%
IRRBB Basel definition (BB)		**% T1 OF**		**% T1 OF**		**% T1 OF**
1 parallel shift + 200bps	(13.90)	1.37%	(26.14)	2.57%	(28.77)	2.50%
2 parallel shift - 200bps	41.58	4.09%	53.43	5.26%	54.52	4.73%
3 Basel Parallel shock up	(49.95)	4.92%	(68.80)	6.77%	(76.67)	6.65%
4 Basel Parallel shock sown	109.52	10.78%	129.76	12.77%	132.18	11.47%
5 Basel Steepening (sr down, lr up)	(7.68)	0.76%	(12.06)	1.19%	(7.15)	0.62%
6 Basle Flattening (sr up, le down)	0.30	0.03%	0.35	0.03%	(7.92)	0.69%
7 Basel Short rates up	(28.86)	2.84%	(36.31)	3.57%	(45.00)	3.91%
8 Basel Short rates down	37.40	3.68%	44.85	4.41%	55.09	4.78%
Maximum		**10.78%**		**12.77%**		**11.47%**
Supervisory Outlier Test		**% T1 OF**		**% T1 OF**		**% T1 OF**
1 parallel shift + 200bps	(33.64)	3.31%	(46.10)	4.54%	(49.09)	4.26%
1 parallel shift - 200bps	28.32	2.79%	34.45	3.39%	35.02	3.04%
3 Basel Parallel shock up	(69.70)	6.86%	(89.04)	8.76%	(96.99)	8.42%
4 Basel Parallel shock sown	37.68	3.71%	43.60	4.29%	45.47	3.95%
5 Basel Steepening (sr down, lr up)	(10.28)	1.01%	(14.96)	1.47%	(8.90)	0.77%
6 Basle Flattening (sr up, le down)	(1.06)	0.10%	(1.82)	0.18%	(9.68)	0.84%
7 Basel Short rates up	(35.46)	3.49%	(43.69)	4.30%	(52.38)	4.55%
8 Basel Short rates down	19.76	1.94%	23.19	2.28%	27.83	2.42%
Maximum		**6.86%**		**8.76%**		**8.42%**

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.

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.

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.

8.3 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.

During 2020 the following components were relevant – trading debt instruments (interest rate general risk) and foreign exchange risk.

EU MR1 – Market risk under the standardized approach

		RWAs	Capital requirements
	Outright products		
1	Interest rate risk (general and specific)	159,815,181	12,785,214
2	Equity risk (general and specific)	-	-
3	Foreign exchange risk	-	-
4	Commodity risk	-	-
	Options		
5	Simplified approach	-	-
6	Delta-plus method	-	-
7	Scenario approach	-	-
8	Securitization (specific risk)	-	-
9	**Total**	**159,815,181**	**12,785,214**

8.4 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.

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

9. OPERATIONAL RISK

9.1 Framework for organizing 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, risk indicators monitoring, scenario analysis, Permanent Workgroup analyses, mitigation actions definition (independently or as part of the previously mentioned tools), validation of operational risk management system, assessment of operational risk associated to ICT & Cyber risk, operational risk 2nd level controls of outsourcing arrangements, risk and control self-assessment, management and Group 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 2020, 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 2020 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 and ELOR indicator, 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 Advance Measurement Approach (AMA) model adopted in 2014. The 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 Organization 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.

In addition, UniCredit Group (UniCredit Bank Romania included) concluded a 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 2020 (EUR) – UniCredit Bank Consolidated Level	Capital Requirement for Operational Risk (EUR)	
	2020	2019
543.207.220	43.456.578	41,566,613

Operational Risk-RWA 2020 (EUR) – UniCredit Bank Individual Level	Capital Requirement for Operational Risk (EUR)	
	2020	2019
388.732.167	31.098.573	29,538,852

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 represents 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, activities 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.

The responsibility for the proper management of the **risks associated with outsourcing** or outsourced activities rests with the RTO (Division/Department coordinating the outsourced activity). The final responsibility for the proper management of the risks associated with outsourcing and outsourced activities rests with, the Supervisory Board and the Management Board based on their assigned responsibilities, and also with the outsourced activities coordinators, according with the delegation of the functional responsibilities within the Bank. Regular information to ensure the proper monitoring and evaluation of the outsourced activities is carried out by the RTO / Division / Department coordinating the outsourced activity.

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).

Information and communication technology (ICT) and security risk is subcategory of operational risk relating to the risk of loss due to breach of confidentiality, loss of systems and data integrity, inadequacy or unavailability of systems and data or inability to change information technology (IT) in a reasonable period of time and at reasonable costs, when environmental or business requirements change (agility). This includes security risks arising either from inadequate internal processes or which did not perform their function properly, or from external events, including cyber-attacks or inadequate physical security.

Conduct risk is the current or prospective risk of losses to a credit institution arising from inappropriate supply of financial services including cases of willful or negligent misconduct.

Model risk is a potential loss an institution may incur, as a consequence of decisions that could be principally based on the output of internal models, due to errors in the development, implementation or use of such models.

Operational risk with all its subcategories are managed according to the operational risk management framework which includes risk identification, assessment, mitigation, reporting and control.

9.5 Other risks - Publicly known risk events

During 2020, the case related to approximately 3,000 UniCredit SpA data on employees uploaded on cybercrime forums, with the purpose of sale, following a hackers' attack who targeted a recruitment platform in Romania, represents a public event with negative impact on the reputation of UniCredit Bank Romania, in terms of negative media coverage generated.

10. REPUTATIONAL RISK

Reputational risk is the current or prospective risk of adverse outcome on profits, own funds or liquidity arising from damage to the credit institution's reputation.

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;
  - Legal / Regulatory topics: reputational risk can derive from breaches of law/regulations disclosed to stakeholders (e.g. breaches of laws or regulations which become public being mentioned in media);
  - ICT & Business Continuity: reputational risk can derive from a discontinuity of services provided by the Bank which may have impacts (loss, problem, etc.) on the customers/ counterparties side, the escalation and information process is performed according to the specific regulations in place.

Reputational risk trigerred by business relationships with clients / partners or transactions connected with reputational risk senzitive sectors.

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 system of values of UniCredit Bank is based on integrity, ethics and repect as the mechanism for conversion of profits into sustainable value; this implies clarity and transparency of the 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.

The 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 mass media interest.

Since each process/part of the banking activity may influence the 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, compliance with concluded contracts, clients' right to be informed, crisis management situations, the negative publicity, etc);
- Relationship with shareholders, other counterparties, investors, employees or regulatory authorities ("stakeholders");
- General performance of the relevant representatives for the bank's image (top managers / high level management).

In crisis situations, 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, 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.
- 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.

The new reputational risk governance guidelines developed by the Group and in force at the Bank's level aim at defining a general set of principles and rules for the identification, assessment and control of the reputational risk, the methodology for assessing the reputational risk topics in sensitive sectors, related to the process regarding new products and other relevant transactions.

Considering the prevention pillar of reputational risk management, the reputational risk governance is completed with other Reputational Risk Special Policies which are in force at Bank's level. These special polities aim at defining principles and rules to be considered and the process to be followed in case of business relationships with counterparties engaged in sensitive sectors without limiting to weapons/defence industry, nuclear energy, water infrastructure (dam), mining and coal-fired power generation.

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 realized 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 carrying amounts of assets and exposures for Leverage Effect calculation

The template LRSum presents the reconciliation between the total exposure considered for the computation of the Leverage report and the carrying amounts of the assets.

	Summary comparison of accounting assets vs leverage ratio exposure measure	2020 Q4	2019 Q4
1	Total consolidated assets as per published financial statements	51,968,540,000	51,526,609,911
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 recognized on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-	-
4	Adjustments for derivative financial instruments	66,021,215	102,331,909
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	-	33,811
6	Adjustment for off balance sheet items (ie conversion to credit equivalent amounts of off balance sheet exposures)	4,970,809,682	4,929,850,177
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	(144,862,257)	(278,944,255)
8	**Leverage ratio exposure measure**	**56,860,508,640**	**56,279,881,553**

LRCom: Leverage Ratio Common Disclosure

The template presents Leverage Ratio as at 31 December 2020 and the split of the main exposures according with CRR Art. 429 and 451.

	LR2: Leverage ratio presentation	2020 Q4	2019 Q4
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	46,051,431,617	45,723,167,496
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(145.622.743)	(280,467,142)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of row 1 and 2)**	**45.905.808.874**	**45,442,700,354**
Derivative exposures			
4	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	76,532,830	68,193,359
5	Add-on amounts for PFE associated with all derivatives transactions	66,021,215	102,331,909
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)	-	-

LR2: Leverage ratio presentation		2020 Q4	2019 Q4
11	**Total derivative exposures (sum of rows 4 to 10)**	**142,554,045**	**170,525,268**
Securities Financing Transaction exposures			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	5,841,336,039	5,736,771,943
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
14	CCR exposure for SFT assets	-	33,811
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)**	**5,841,336,039**	**5,736,805,754**
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	17,141,573,153	15,880,602,299
18	(Adjustments for conversion to credit equivalent amounts)	(12,170,763,471)	(10,950,752,122)
19	**Off-balance sheet items (sum of rows 17 and 18)**	**4,970,809,682**	**4,929,850,177**
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**	**5,611,256,834**	**4,889,611,311**
21	**Total exposures (sum of rows 3, 11, 16 and 19)**	**56,860,508,640**	**56,279,881,553**
Leverage ratio			
22	**Basel III leverage ratio**	**9.87%**	**8.69%**
EU-23	Choice on transitional arrangements for the definition of the capital measure	Fully phased in	Fully phased in
EU-24	Amount of derecognized 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 and SFTs)

	Items	CRR leverage ratio exposures
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs), of which:**	**46,051,431,617**
EU-2	Trading book exposures	436,331,482
EU-3	Banking book exposures, of which:	45,615,100,135
EU-4	Covered bonds	-
EU-5	Exposures treated as sovereigns	14,090,698,288
EU-6	Exposures to regional governments, MDB, international organizations and PSE not treated as sovereigns	-
EU-7	Institutions	955,246,930
EU-8	Secured by mortgages of immovable properties	5,687,598,032
EU-9	Retail exposures	6,297,058,876
EU-10	Corporate	15,045,271,221
EU-11	Exposures in default	767,503,190
EU-12	Other exposures (e.g. equity, securitizations, and other non-credit obligation assets)	2,771,723,598

12. LIQUIDITY RISK

12.1 Liquidity

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 sources 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 has defined and implemented a bank-wide **Risk Strategy** which is approved by the Management Board and Supervisory Board. The Risk Strategy defines, inter alia, the risk appetite for liquidity and funding risk as part of the Bank's Risk Appetite Framework ("RAF").

In line with the Bank's RAF, key strategic principles are defined to ensure that processes are in place to manage the liquidity and funding risk exposure.

The Bank has also defined and implemented a dedicated **Liquidity and Funding Strategy** that is centered on the following strategic principles and goals set in coherence with the defined 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 Counterbalancing 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.

12.2 Internal Liquidity Adequacy Assessment Process (ILAAP) framework

The Bank has implemented an Internal Liquidity Adequacy Assessment Process in accordance with regulatory requirements and guidelines as set out by the European Banking Authority, National Bank of Romania and Basel Committee on Banking Supervision ("BCBS")

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.

Governance

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, Finance/ 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). Financial Risk has the responsibilities of independent controls and reporting of liquidity risk.

The governance framework also covers the responsibilities of other units (e.g. model validation and internal audit function – the third line of defense) ensuring independent review of the liquidity and funding risk management framework.

Liquidity management framework

The Bank has established a comprehensive liquidity management framework covering the main ILAAP components such as:

- Liquidity Risk Management Policy – outlines the general principles and the liquidity management internal set-up and provides a detailed description of the liquidity management process under going-concern and contingency scenarios;

- Regulation regarding liquidity risk metrics and limits – provides details regarding the computation methodology and the internal limits of the liquidity and funding risk indicators;
- Regulation regarding the funding plan and contingency funding plan – describes the principles established for the set-up of the funding plan and contingency funding plan (CFP) in the context of the financial planning process, internal approval requirements and communication between involved units;
- Liquidity policy in crisis situations, alternative funding plans – provides a detailed description of the CFP governance, activation mechanism, liquidity management procedures and actions are detailed in the liquidity policy in crisis situations, alternative funding plans;
- Funds transfer pricing policy (FTP) – covers aspects related to FTP governance, mechanism, components and principles are covered within the following internal regulations;
- Working instructions regarding the set-up of regulatory reports (e.g. LCR, NSFR, ALMM) and managerial reporting process – internal workflow established with regards to the preparation and submission of regulatory reports to the NBR.

Risk Assessment

Liquidity risk is assessed as part of the annual risk materiality assessment process carried out within the Bank.

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). These tools allow the measurement of liquidity risk over different time horizons and by currencies.

Liquidity management process

UniCredit Bank's liquidity management process 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 Counterbalancing 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 through the 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 variables.

UniCredit Bank performs regular liquidity stress tests in order to diagnose the Bank's liquidity risk. The 3 main type of scenarios of potential liquidity crisis employed are:

- Idyosincratic stress scenario - 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-wide stress scenario - 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 stress scenario - 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 a monitoring system that envisages different types of restrictions – managerial and regulatory – embedded in risk metrics limits or warning/trigger levels. In case of a limit breach or warning level activation, Financial Risk 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, the Bank regularly prepares the reports required by the NBR (e.g. Quick liquidity ratio, Asset Encumbrance).

The table below shows the detailed picture of the LCR as of 31 of December 2020:

Amounts in RON Million		Individual			Consolidated		
		Value	Coeff.	Adjusted value	Value	Coeff.	Adjusted value
C72							
Liquid Assets - HQLA							
Total	**010**	**18,903**	**-**	**18,896**	**18,903**	**-**	**18,896**
Level 1 assets	020	18,855	-	18,855	18,855	-	18,855
Cash	040	1,695	1.00	1,695	1,695	1.00	1,695
Withdrawable central bank reserves	050	2,050	1.00	2,050	2,050	1.00	2,050
Central government assets	070	15,110	1.00	15,110	15,110	1.00	15,110
Level 2 assets	220	48	-	41	48	-	41
Regional government / local authorities or Public Sector Entity assets	240	48	0.85	41	48	0.85	41
C73							
Outflows							
Total	**010**	**55,491**	**-**	**14,734**	**55,371**	**-**	**14,374**
Outflows from unsecured transactions / Deposits	020	55,467	-	14,734	55,347	-	14,374
Retail deposits	030	15,666	-	1,388	15,666	-	1,388
Higher outflows	050	5,259	-	772	5,259	-	772
category 1	060	2,974	0.15	372	2,974	0.15	372
category 2	070	2,285	0.20	400	2,285	0.20	400
stable deposits	080	8,284	0.05	414	8,284	0.05	414
other retail deposits	110	2,023	0.10	202	2,023	0.10	202
Operational deposits	120	816	-	194	816	-	194
Non-operational deposits	210	19,059	-	9,106	18,678	-	8,724
deposits by financial customers	230	2,610	1.00	2,610	2,229	1.00	2,229
deposits by other customers	240	16,449	-	6,495	16,449	-	6,495
covered by DGS	250	421	0.20	84	421	0.20	84
not covered by DGS	260	16,027	0.40	6,411	16,027	0.40	6,411
Additional outflows	270	2,979	-	2,979	2,979	-	2,979
outflows from derivatives	340	2,979	1.00	2,979	2,979	1.00	2,979
Committed facilities	460	1,795	-	136	2,112	-	167
credit facilities	470	1,795	-	136	2,112	-	167
to retail customers	480	879	0.05	44	879	0.05	44
to non-financial customers other than retail customers	490	917	0.10	92	1,233	0.10	123
to credit institutions	500	0	-	0	-	-	-
to regulated institutions other than credit institutions	540	-	0.40	-	-	0.40	-
Other products and services	720	14,744	-	592	14,695		589
Uncommitted funding facilities	731	3,021	0.07	211	2,978	0.07	208
undrawn loans and advances to wholesale counterparties	740	31	0.07	4	31	0.07	4
mortgages that have been agreed but not yet drawn down	750	-	-	-	-	-	-
credit cards	760	44	-	-	44	-	-
overdrafts	770	5,658	0.03	170	5,657	-	170
trade finance off-balance sheet related products	860	4,141	0.05	207	4,135	-	207
others	870	1,848	-	-	1,848	-	-
Other liabilities	885	408	0.12	340	401	0.12	333
liabilities resulting from operating expenses	890	68	-	-	68	-	-
in the form of debt securities if not treated as retail deposits	900	7	-	7	-	-	-
others	918	333	0.03	333	333	0.03	333
Outflows From Secured Lending And Capital Market-Driven Transactions	920	24	0.05	-	24	0.05	-
Counterparty is central bank	930	-	-	-	-	-	-
Counterparty is non-central bank	1020	24	-	-	24	-	-
C74							
Inflows							

Amounts in RON Million		Individual			Consolidated		
		Value	Coeff.	Adjusted value	Value	Coeff.	Adjusted value
Total	**010**	**10,301**	**-**	**3,850**	**10,492**	**-**	**3,953**
Inflows from unsecured transactions/deposits	020	4,460	-	3,850	4,651	-	3,953
monies due from non-financial customers	030	1,200	-	612	1,377	-	700
monies due from financial customers	100	173	-	173	189	-	189
monies due from assets with an undefined contractual end date	201	26	0.20	5	26	0.20	5
inflows from derivatives	240	2,974	1.00	2,974	2,974	1.00	2,974
other inflows	260	86	1.00	86	86	1.00	86
Inflows from secured lending and capital market-driven transactions	263	5,841	-	-	5,841	-	-
collateral that qualifies as a liquid asset	309	5,841	-	-	5,841	-	-
collateral that does not qualify as a liquid asset	317	-	-	-	-	-	-
Liquidity Coverage Ratio				**173.60%**			**181.32%**

The high-quality liquid assets reserve consists of coins and banknotes, withdrawable 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 clients' loans.

In 2020, 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 (significantly decreased comparing to 2019) 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 year 2020. The number of observations for determining the average is 12, with figures coming from monthly reports from December 2020 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**		**16,627,762,005**
Cash outflows			
2	**Retail deposits and deposits from small business customers, of which:**	**14,223,634,950**	**1,258,225,531**
3	Stable deposits	7,323,439,529	366,171,976
4	Less stable deposits	6,561,884,540	892,053,554
5	**Unsecured wholesale funding, of which:**	**18,183,581,323**	**8,180,889,579**
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	515,499,166	119,557,010
7	Non-operational deposits (all counterparties)	17,654,867,741	8,048,118,152
8	Unsecured debt	13,214,417	13,214,417
9	**Secured wholesale funding**		**-**
10	**Additional requirements, of which:**	**5,010,404,143**	**3,201,674,131**
11	Outflows related to derivative exposures and other collateral requirements	3,040,321,286	3,040,321,286
12	Outflows related to loss of funding of debt products	-	-
13	Credit and liquidity facilities	1,970,082,856	161,352,845

		Total unweighted value (average)	Total weighted value (average)
14	**Other contractual funding obligations**	**573,431,319**	**516,444,170**
15	**Other contingent funding obligations**	**13,984,767,311**	**573,121,694**
16	**TOTAL CASH OUTFLOWS**		**13,730,355,104**
Cash inflows			
17	Inflows from central banks and other financial customers	5,637,897,781	-
18	Inflows from fully performing exposures	1,983,496,248	1,180,501,835
19	Other cash inflows	3,166,209,588	3,129,490,853
20	**TOTAL CASH INFLOWS**	**10,787,603,617**	**4,309,992,687**
			Total adjusted value
21	**Total HQLA**		**16,627,762,005**
22	**Total net cash outflows**		**9,420,362,417**
23	**Liquidity coverage ratio (%)**		**176.83%**

The evolution of the LCR indicator in 2020 at consolidated level is presented in the table below:

Liquidity Coverage Ratio UCB - consolidated (equivalent. RON)					
Date	**Liquid assets**	**Outflows**	**Inflows**	**Net outflows**	**Ratio**
31-Jan-20	15,742,729,916	12,598,692,762	3,291,937,017	9,306,755,745	169.15%
29-Feb-20	14,212,819,414	13,193,250,179	3,883,350,168	9,309,900,011	152.66%
31-Mar-20	16,023,457,945	13,685,460,190	4,563,379,592	9,122,080,598	175.66%
30-Apr-20	15,259,739,070	14,183,525,153	5,011,853,781	9,171,671,372	166.38%
31-May-20	17,579,892,597	12,972,889,065	3,351,656,490	9,621,232,575	182.72%
30-Jun-20	16,490,787,089	13,801,778,242	4,523,468,373	9,278,309,869	177.73%
31-Jul-20	16,503,663,916	12,724,667,135	3,667,683,722	9,056,983,412	182.22%
31-Aug-20	16,951,112,260	14,276,711,803	4,695,421,883	9,581,289,920	176.92%
30-Sep-20	17,503,201,695	14,028,933,143	4,784,393,350	9,244,539,793	189.34%
31-Oct-20	16,703,929,218	13,427,802,388	5,172,578,528	8,255,223,860	202.34%
30-Nov-20	17,666,268,719	15,496,306,436	4,821,262,035	10,675,044,402	165.49%
31-Dec-20	18,895,542,219	14,374,244,758	3,952,927,312	10,421,317,447	181.32%

In 2020, 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 has access to the calculation tool of the indicator on a daily basis and analyses and reports LCR main drivers to management and Group on a weekly 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.

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 2020.

LIQ2: Net stable funding ratio (NSFR)

RON equivalent		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:**	**-**	**-**	**-**	**6,510,250,429**	**6,510,250,429**
2	*Regulatory capital*	-	-	-	6,510,250,429	6,510,250,429
3	*Other capital instruments*	-	-	-	-	-
4	Retail deposits and deposits from small business customers:	-	15,806,145,247	21,434,296	48,203,018	14,707,233,860
5	*Stable deposits*	-	8,284,185,062	-	-	7,869,975,809
6	*Less stable deposits*	-	7,521,960,185	21,434,296	48,203,018	6,837,258,051
7	Wholesale funding:	-	21,074,388,721	1,070,232,893	3,887,588,893	13,369,748,762
8	*Operational deposits*	-	41,693,527	-	-	20,846,764
9	*Other wholesale funding*	-	21,032,695,194	1,070,232,893	3,887,588,893	13,348,901,999
10	Liabilities with matching interdependent assets	-	24,117,540	-	-	-
11	Other liabilities:	-	434,014,374	77,403,667	2,746,743,333	2,661,098,523
12	*NSFR derivative liabilities*		22,806,156	14,155,716	117,268,786	
13	*All other liabilities and equity not included in the above categories*		411,208,218	63,247,951	2,629,474,547	2,661,098,523
14	**Total ASF**					**37,248,331,575**
Required stable funding (RSF) item						
15	**Total NSFR high-quality liquid assets (HQLA)**					**1,045,788,615**
16	Deposits held at other financial institutions for operational purposes	-	-	-	-	1,469,370,257
17	Performing loans and securities:	-	3,905,964,652	2,955,903,080	5,914,389,996	17,140,816,051
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 standardized 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 standardized 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 assets:	-	-	-	1,440,908,235	1,440,908,235
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*		29,256,868	15,789,269	30,720,790	-
30	*NSFR derivative liabilities before deduction of variation margin posted*		-	-	-	-
31	*All other assets not included in the above categories*	-	-	-	-	-
32	Off-balance sheet items		2,112,173,967	-	-	105,608,698
33	**Total RSF**					**21,202,491,856**
34	**Net Stable Funding Ratio (%)**					**175.68%**

During 2020 UniCredit Bank maintained an adequate level of the NSFR, with an average for the last trimester of 172.38%, 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 has 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.

Funds transfer pricing (FTP)

The liquidity cost benefit allocation is an important component of the liquidity management framework of the Bank.

As regards the liquidity risk components, the FTP system is implemented based on the following principles:

- the allocation of a specific price for each product considering the funding needs / contributions;
- the pricing of liquidity components based on the short-term or medium-long-term funding curve, taking into account the market principle;
- the correct allocation of costs/ benefits in order to avoid excessive risk-taking behaviors by business units / legal entities and to avoid different pricing procedures for equivalent liquidity exposures;
- alignment with the regulatory, legal and fiscal requirements related to this topic.

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.

The Bank's resilience in crisis situations is regularly tested as part of the liquidity stress testing process.

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 2020 the customer deposits were on 90.96% of the total debt (on standalone level). Of the total resources from non-banking customers, 37.87% were deposits from retail customers, 54.87% from corporate customers, the difference being deposits from PB customers and other financial customers excluding banks. With regards to counterparties, the main fund providers of the bank are other entities from UniCredit Group, sovereign and non-financial corporate customers and supranational.

Regulatory reporting on Internal liquidity adequacy assessment process (ILAAP)

The regulatory reporting on ILAAP conducted for 2020 was performed according to the requirements set out by NBR Regulation no.11/2020 (Annex 10 – ICAAP/ILAAP Reader's Manual).

12.3 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 2020 are disclosed using the EBA templates as stipulated in the above mentioned regulation. Fair value of encumbered assets as at 31.12.2020 was RON 604,430,314.00, of which debts securities RON 577,560,485.00 and other financial assets RON 26,869,829.00.

Template A-Assets

The amounts in the templates below are median values on quarterly basis for the year 2020.

Total Assets of the credit institution, split by type of assets stood at RON billion 51.97 as at 31 December 2020 *(31 December 2019: RON billion 51.53).*

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

RON equivalents Median Values (2020, quarterly basis)		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**	**660,943,707**				**50,715,441,433**	-		
030	Equity instruments					47,405,017	-		
040	Debt securities	585,593,539	585,593,539	594,456,886	594,456,886	8,560,586,112	8,560,586,112	8,596,124,553	8,596,124,553
050	of which: covered bonds			-	-	-	-	-	-
060	of which: asset-backed securities			-	-	-	-	-	-
070	of which: issued by general governments	585,593,539	585,593,539	594,456,886	594,456,886	8,560,586,112	8,560,586,112	8,596,124,553	8,596,124,553
080	of which: issued by financial corporations			-	-	-	-	-	-
090	of which: issued by non-financial corporations			-	-	-	-	-	-
120	Other assets	75,350,168				41,947,622,993	-		

Template B – Guarantees received

During the year 2020, collateral received by UniCredit Bank at consolidated level amounted to RON 80,701,287,020 RON and were not available for encumbrance.

	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	-	80,701,287,020

Template C - Encumbered assets/collateral received and associated liabilities

	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 (Median value, 2020, quarterly basis)	-	660,943,707

Template D – Narrative information

During 2020, the encumbered assets of the Romanian UniCredit Group were approximately 1.30% 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.

During 2020 , the value of the encumbered assets (computed as median values on quarterly basis) was in amount of RON 660,943,707, compared to RON 536,268,851 during 2019.

The 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 Clear stream. 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.

12.4 Liquidity Buffer and Funding strategy

Liquidity Buffer

In order to avoid that short-term liquidity crunch or other unexpected events 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 (ALM) 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 equity participations and description of the method of accounting booking

UniCredit Bank Group has no equity positions in the trading book as of 31 December 2020.

The Group's strategy is focused on investments in companies which represent 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 table below presents the equity exposures of the Group, including the accounting classification and the prudential treatment applied.

Participation*	Accounting Method	Business activity	Prudential approach	Participation (%)	Amount (RON)
UniCredit Leasing Corporation IFN SA	Investments in subsidiaries	Financial Leasing	IRB	99.96%	78,349
UniCredit Consumer Financing IFN SA	Investments in subsidiaries	Financial services	IRB	50.10%	64,767
UniCredit Leasing Fleet Management	Financial assets at fair value through other comprehensive income	Operational Leasing	Standard	9.99%	2,346
Transfond SA	Financial assets at fair value through other comprehensive income	Financial services	IRB	8.04%	3,882
Biroul de Credit SA	Financial assets at fair value through other comprehensive income	Financial services	IRB	6.80%	1,105
Fondul Roman de Garantare a Creditelor pentru Intreprinzatorii Privati IFN SA	Financial assets at fair value through other comprehensive income	Financial services	IRB	3.10%	667
Visa Inc	Financial assets at fair value through other profit and loss	Financial services	IRB	n/a	43,238
Total equity exposures					**194,354**

**UCIB became a subsidiary of the Bank beginning with 31 December 2020 (please see more details in Chapter 3.1. Relevant scope of consolidation). The Bank has an indirect controlling interest of 99.98% through UCLC which owns 100% UCIB. Thus, UCIB is nor presented per se as a participation in the consolidated financial statements.*

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 UCB, 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 2020, the Remuneration Committee had the following composition:

Nr. Crt.	Remuneration Committee	Position	Evolution in 2020
1	CORNELIU – DAN PASCARIU	President	01.01.2020 –> 07.01.2020
	OZELGIN ZEYNEP NAZAN SOMER	Member	
	LUCA PIERLUIGI RUBAGA	Member	
2	PASQUALE GIAMBOI	President	08.01.2020 –> 26.03.2020
	OZELGIN ZEYNEP NAZAN SOMER	Member	
	STEFANO PORRO	Member (until 20.02.2020)	
3	PASQUALE GIAMBOI	President	27.03.2020 –> 31.12.2020
	HÜSEYIN FAIK AÇIKALIN	Member	
	LUBOSLAVA URAM	Member	

In the 2020, 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 (Claw back 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.

The estimated data about variable remuneration for the management body and Identified Staf for 2020 are presented below. These estimates can be changed, the variable remuneration will be discussed on the Supervisory Board meeting on 29.04.2021. Variable remuneration for 2020 will be paid in April 2021.

Information about the remuneration for the Bank's identified staff and its consolidated subsidiaries' 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	7	-	-	-	-	-	-
Number of Identified Staff, in full time equivalent	-	-	2	9	-	10	9	2
Total NET profit – RON	**503,932,935**							
Total Remuneration – RON	270,554	9,457,095	1,336,303	4,319,583	-	3,960,760	4,323,641	1,746,012
Of which Total Variable Remuneration – RON	-	2,346,954	292,000	331,400	-	330,000	426,000	220,634

*information related to remuneration of the members of the management body in its Supervisory function and members of the Management Board relates to UniCredit Bank.

Information related to remuneration of Identified Staff

RON equivalent	Senior management	Other material risk takers
Number of Identified Staff, in full time equivalent	14	32
Total fixed remuneration (lei), of which:	7,380,695	14,086,265
- cash	7,380,695	14,086,265
- shares and other share-linked instruments	-	-
- other type of instruments	-	-
Total variable remuneration (lei), of which:	2,346,954	1,600,034
- cash	1,056,129	800,017
- shares and other share-linked instruments	1,290,824	800,017
- other type of instruments	-	-
Total variable remuneration (lei) awarded in year N and postponed, of which:	1,760,215	1,075,854
- cash	469,391	308,757
- shares and other share-linked instruments	1,290,824	767,097
Total variable remuneration (lei) postponed, due and unpaid, awarding in previous years - art.450 (1) h) from EU Reg.no.575/2013, of which:	7,445,801	941,262
- cash	2,963,728	438,746
- shares and other share-linked instruments	4,482,073	502,516

See also Consolidated and Separate Financial Statements for December 2020 - Note 11 "PERSONNEL EXPENSES"

15.2 Description of the UniCredit Bank management 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.

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The number of mandates held by the members of management structures of UniCredit Bank S.A. is detailed below.

Members of the Management Board on 31 December 2020:

- 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 2 mandates within a non-profit organization (countless according to GEO No. 99/2006);
- Philipp Gamauf 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 under the Emergency Ordinance no. 99/2006);
- Nicola Longo Dente 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);
- Andrei Bratu 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 under the Emergency Ordinance no. 99/2006);
- Carlo Driussi held 1 executive mandate (Executive Vice President of UniCredit Bank S.A.);
- Tsvetanka Gueorguieva Mintcheva held 1 executive mandate (First Executive Vice President of UniCredit Bank S.A.) and 2 non- executive mandates within the UniCreditGroup (counted as 1 mandate under the Emergency Ordinance no. 99/2006)
- Antoaneta Curteanu 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) .

Members of the Supervisory Board on 31 December 2020:

- Pasquale Giamboi held 4 non-executive mandates within the UniCredit Group one as President of the Supervisory Board of UniCredit Bank S.A, (counted as 1 mandate under Emergency Ordinance no. 99/2006);
- Luboslava Uram held 2 non-executive mandates, one as Vice-Chairman of the Supervisory Board of UniCredit Bank S.A., and 1 mandate within the UniCredit Group (counted as 1 mandate under Emergency Ordinance no. 99/2006);
- Faik Huseyin Acikalin held 2 non-executive mandates within the UniCredit Group (member of the Supervisory Board of UniCredit Bank S.A. and member of Supervisory Board in UniCredit Russia counted as 1 mandate under Emergency Ordinance 99/2006) and 3 mandates outside of UniCredit Group;

- 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 and one as Supervisory Board member in UniCredit Croatia, counted as 1 mandate under Emergency Ordinance no. 99/2006) and 2 non-executive mandates outside the UniCredit Group;
- Grazziana Mazzone held 1 non-executive mandate (member of the Supervisory Board of UniCredit Bank S.A.);
- Niccolo Ubertalli held 5 non-executive mandates within the UniCredit Group one as a member of the Supervisory Board of UniCredit Bank S.A and 3 mandates in UniCredit Group, counted as 1 mandate under Emergency Ordinance no. 99/2006) and one mandate outside UniCredit Group;
- Riccardo Roscini hel 1 non-executive mandate (member of the Supervisory Board of UniCredit Bank S.A.).

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 2020 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 2020, there were 5 women in the management of UniCredit Bank (2 of 7 members of Management and 3 out of 7 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.

Size: the number of members of the Management body must be adequate to the Bank's/its subsidiaries' size and organizational complexity in order to ensure effective oversight of all their operations as concerns management and control.

Educational and professional background: the competent bodies within the Bank and its subsidiaries assess the adequacy and suitability of their Management body members based on criteria provided by local applicable legislation and also based on internal/group rules of procedure, where applicable. In terms of professional qualifications, the members of the governing bodies must have a good reputation and knowledge, abilities and experience adequate to the operational complexity and size of the Bank/its subsidiary and they must devote sufficient time and resources to discharging their duties and must act the company's interest and consistently with the objectives of sound and prudent management. The Management body's members are selected according to technical competence, adequate seniority, with the observance of the representativeness and independence requirements, to be able to ensure a constructive dialog within the body of the management body to which they belong; the composition of the Management body reflects in its entirety a wide range of professional experience.

Age: the Management body of the Bank and of its subsidiaries contains a balanced gender mix of people with various ages, from people in their 40s to people in their 60s.

Code of conduct: the Management body of the Bank/its subsidiaries promotes high professional and ethical standard. The Management body's members are required by internal relevant policies to avoid conflicts of interests and to abstain from participating in the taking of a decision related to which they are in a situation of conflict of interests.

Gender balance: for the purpose of increasing the number of women on the management body and with the aim of reaching at least one third of the members of the boards, the Bank and its subsidiaries adopted the promotion of women in the management body as best practice within their companies, in line with the 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 Consolidated and Separate Financial Statements for year ended 2020, as follows:

- name, nature of activities by geographical area – Note 1 REPORTING ENTITY from Notes to the Consolidated and Separate Financial Statements for the year ended 31 December 2020;
- turnover – Note 4. RISK MANAGEMENT – item k) Turnover - from Notes to the in Consolidated and Separate Financial Statements for the year ended 31 December 2020;
- number of employees – Note 11 PERSONNEL EXPENSES from Notes to the in Consolidated and Separate Financial Statements for the year ended 31 December 2020;
- profit or loss before taxation – CONSOLIDATED AND SEPARATE STATEMENT OF COMPREHENSIVE INCOME;
- public subsidies received - the Bank did not receive subsidies during the financial year 2020.

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 0.90%. Information on the key indicators is presented in Chapter 2 " 2020 Activity Overview" from the Management Board's consolidated and separate report for the financial period ended 31 December 2020.

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 consolidated and separate report for the financial period ended 31 December 2020 on chapter 8 CORPORATE GOVERNANCE.

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

During 2020, the Supervisory Board's activity was carried out through 11 meetings, of which 4 were Ordinary and 7 were Extraordinary. The attendance of the Supervisory Board Members at the meetings is reflected in the table below:

Supervisory Board Member	Number of 2020 meetings during mandate	Number of 2020 meetings attended	Begining of exercising responsabilities during 2020	Termination of mandate during 2020
Corneliu Dan Pascariu	4	4	-	03.04.2020
Heinz Meidlinger	-	-	-	08.01.2020
Zeynep Nazan Somer Ozelgin	11	10	-	-
Stefano Porro	1	0	-	21.02.2020
Jutta Liebenwein Schöffmann	1	1	-	21.02.2020
Pasquale Giamboi	11	11	-	-
Huseyin Faik Acikalin	11	11	07.01.2020	-
Ľuboslava Uram	8	8	27.03.2020	-
Riccardo Roscini	2	2	16.10.2020	-
Niccolo Ubertalli	1	1	03.11.2020	-

Supervisory Board Member	Number of 2020 meetings during mandate	Number of 2020 meetings attended	Begining of exercising responsabilities during 2020	Termination of mandate during 2020
Graziana Mazzone	1	1	11.12.2020	-

During the 11 meetings, the supervisory members discussed, critically analyzed, took decisions and / or evaluated in periodic information on the following topics and related activities:

- quarterly presentation of the financial performance, including economic situation, financial market conditions, benchmarking analyses, commercial performance of the Bank, detailed by business segments and lines of activity at the level of the Group in Romania;
- 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, both at the individual level of the bank and at the consolidated level of the Romanian Group;
- continuous improvement of the internal control system; Internal Audit, Compliance and Risk Management matters, including findings, measures and recommendations from the regulatory and supervision authorities were discussed on regular basis in the Supervisory Board meetings, including also within the meetings of the Audit Committee, Risk Committee and Remuneration Committee;
- activity reports of the committees assisting the activity of the Supervisory Board;
- aspects related to outsourced activities, including externalization of new activities and regular reviews of outsourced activities;
- report on related parties transactions;
- granting of loan facilities;
- approval of internal regulations and policies;
- information on pending litigation;

In addition to the above topics, having in view: (i) the impact of the Covid-19 pandemic breakout at the beginning of 2020, (ii) the declaration of a state of emergency at the national level and the related effects generated at the Bank level, and (iii) the imperative of a prudent, effective and efficient risk management in the new reality, the members of the Supervisory Board and the consultative Committees set up at the level of the Supervisory Board have taken decisions and constantly assessed the situation regarding:

- the lending strategies;
- the evolution of the Covid-19 pandemic in Romania;
- the suspension of the payment obligations related to the loans of the Bank's clients affected by the situation generated by Covid-19, according to GEO no. 37/30.03.2020 regarding the granting of some facilities for the loans granted by credit institutions and non-banking financial institutions to certain categories of debtors;
- accessing by the Bank's clients of the guarantee and the State aid schemes within the IMM INVEST Program;
- the evolution of the number of illnesses at the level of the Bank;
- the strategy regarding the way of carrying out the activity by the employees through telework.

Apart from those above-mentioned and in the context of the information periodically presented by the Management Board regarding the Bank's performance and major developments at the level of the Bank, several other specific topics were discussed, thus being ensured a comprehensive level of information for the Supervisory Board on the most important aspects of the Bank's activity, such as:

- information on General Shareholders Meetings' topics, discussions and Shareholders requests or proposals;
- approval of the Bank's overall 2020 strategy and business risk strategy;
- acknowledgement of the results of the stress testing in UCB;
- evolution of the Bank's Board of Directors, as follows:
    - Supervisory Board held on 26.02.2020 decided upon:
        - appointment of Mrs. Tzvetanka Gueorguieva Mintcheva as member of Management Board, Deputy CEO – approved by NBR on 19.06.2020
    - Supervisory Board held on 02.03.2020 decided upon:
        - Prolongation of Management Board mandate, from 17.04.2020 until 17.04.2023
    - Supervisory Board held on 02.11.2020 decided upon:
        - appointment of Mrs. Diana Ciubotariu as member of Management Board, Executive Vice-President, from 01.01.2021 until 17.04.2023

Regarding the composition of the Supervisory Board, in 2020 the following changes took place:

- General Shareholders Meeting held on 20.02.2020 adopted:
    - Acknowledgement of the termination of the mandate of Mr. Stefano Porro as member of Supervisory Board, effective as of February 21, 2020
    - Acknowledgement of the termination of the mandate of Mrs. Jutta Liebernwein Schoeffmann as member of Supervisory Board, effective as of February 21, 2020
    - Appointment of Mr. Niccolo Ubertalli as member of Supervisory Board for a mandate of 3 (three) years starting with February 21, 2020 until February 21, 2023 – approved on 02.11.2020
    - Appointment of Ms. Graziana Mazzone as Member of Supervisory Board for a period of 3 (three) years starting with February 21, 2020 until February 21, 2023- approved on 10.12.2020
    - Appointment of Mr. Riccardo Roscini as Member of Supervisory Board for a period of 3 (three) years starting with February 21, 2020 until February 21, 2023 – approved on 14.10.2020
    - Prolongation of Mr. Corneliu-Dan Pascariu mandate as member of the Supervisory Board for a period starting with April 15, 2020 until December 31, 2020
    - Prolongation of Mr. Zeynep Nazan Somer Ozelgin mandate as member of the Supervisory Board for a period of 3 (three) years starting with February 21, 2020 until February 21, 2023
- Supervisory Board held on 02.03.2020 decided upon:
    - Appointment of Mrs. Luboslava Uram as SB Vice-Chairman, starting with her NBR approval date, respectively 27.03.2020
- Supervisory Board held on 02.04.2020 acknowledged:
    - Resignation from the position of Chairman of Supervisory Board of Mr. Corneliu Dan Pascariu as of 03.04.2020

- Supervisory Board held on 30.04.2020 decided upon:
    - Appointment of Mr. Pasquale Giamboi as Chairman of Supervisory Board, as of 30.04.2020

The advisory committees subordinated to the Supervisory Board are the following:

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

The composition of the consultative committees subordinated to the Supervisory Board has been updated during the Supervisory Board meeting dated 02.03.2020 in order to ensure the most adequate structure of such, given the specialization requirements, expertise and independence of certain members.

17. COVID-19

17.1 Overview of the measures from European Central Bank and European Banking Authority

During the year 2020, the **Governing Council of the European Central Bank** (ECB) has decided a number of measures to ensure that its directly supervised banks can continue to fulfil their role in funding the real economy given the economic effects of the Covid-19.

As well, the **European Banking Authority** (EBA) issued several statements to explain a number of interpretative aspects on the functioning of the prudential framework in relation to the classification of loans in default, the identification of forborne exposures, and their accounting treatment. These clarifications help ensure consistency and comparability in risk metrics across the whole EU banking sector, which are crucial to monitor the effects of the current crisis.

Among the measures above outlined, the following ones can be mentioned:

- **ECB measures issued on 12 March 2020:**
  - **Capital & Liquidity buffers**: banks can fully use capital and liquidity buffers; specifically, banks can operate temporarily below:
    - Pillar 2 Guidance requirements,
    - Capital conservation buffer (however National authorities might revise the Countercyclical Buffer rates)
    - Liquidity Coverage Ratio (LCR) threshold
  - **Pillar 2 requirement:** banks are allowed to partially use capital instruments that do not qualify as CET1 capital (e.g. Additional Tier 1 or Tier 2 instruments) to meet the Pillar 2 Requirements (P2R); this brings forward a measure initially scheduled to come into effect in January 2021, as part of the revision of the Capital Requirements Directive (CRD V)
  - **Other relief measures**: discussion with banks on individual measures, such as adjusting timetables, processes and deadlines (e.g., the ECB will consider rescheduling on-site inspections and extending deadlines for the remediation actions stemming from recent on-site inspections and internal model investigations). Later, ECB also communicated the postponement, by six months, of the issuance of TRIM[1] decisions, On-Site follow up letters and internal model decisions not yet communicated to institutions, unless the bank explicitly asks for a decision.
- **EBA measures issued on 12 March 2020:**
  - **Flexibility embedded in the regulatory framework to support the banking sector**: coordination between EBA and national competent authorities for a joint effort to alleviate the immediate operational burden for banks at this challenging juncture
  - **EBA Stress Test**: the EBA has decided to postpone the EU-wide stress test exercise to 2021; this will allow banks to focus on and ensure continuity of their core operations, including support for their customers.
- **ECB measures issued on 20 March 2020**:
  - **Pro-cyclicality in Expected Credit Loss (IFRS9):** within the international accounting standards framework, ECB recommended institutions to give a greater weight to long-term stable outlook evidenced by past experience when estimating long-term expected credit losses for the purposes of

[1] Targeted review of internal models

IFRS9 provisioning policies; this appears particularly important where banks face uncertainty in generating reasonable and supportable forecasts

- **Moratorium and public guarantee:** flexibility (within the ECB Guidance on NPL[2] and the Addendum[3]) regarding the classification of obligors as unlikely to pay, when institutions call on the Covid-19 related public guarantees; the ECB also extended flexibility to the unlikely-to-pay classification of exposures covered by legally imposed payment moratoriums related to Covid-19 in regard to timing and scope of the assessment. With regards to public guarantees, the FAQs indicate that ECB will apply a 0% minimum coverage expectation on new non-performing exposures that have public guarantees, for the first seven years of the NPE vintage count
- **Transitional IFRS9:** ECB recommended that institutions that had not already done, to implement the transitional IFRS 9 arrangements foreseen in the European Regulation No.575/2013 - Capital Requirements Regulation (CRR). As of first-time adoption, UniCredit Group decided not to apply the transitional arrangements for IFRS9, and for the time being - as of 1Q2020 - such decision was not revised. Therefore, UniCredit Group is still in the position to benefit from the possibility allowed by the Regulation to reverse - once during the transitional period - the choice made at the inception

- **EBA measures issued on 25 March 2020** (on this topic, refer also to the EBA measures issued on 2 April 2020):
  - **Flexibility in prudential framework**: the EBA called for flexibility and pragmatism in the application of the prudential framework and clarified that, in case of debt moratoria, there is no automatic classification in default, *forborne*, stage 3 IFRS9
  - **Risk measurement:** the EBA, nonetheless, insisted on the importance of adequate risk measurement and expected institutions to prioritise individual assessments of obligors' likeliness to pay when possible
- **ECB measures issued on 27 March 2020**:
  - **ECB asked banks not to pay dividends until at least October 2020**: the ECB updated its recommendation to banks on dividend distributions. To boost the capacity to absorb losses and support lending to households, small businesses and corporates, the banks should not pay dividends for the financial years 2019 and 2020 until at least 1 October 2020. Banks should also refrain from share buy-backs aimed at remunerating shareholders
- **EBA measures issued on 31 March 2020**:
  - **Sound capital base**: the EBA supported all the measures taken so far to ensure banks maintain a sound capital base and provide the needed support to the economy; in this respect, the EBA reiterated and expanded its call to institutions to refrain from the distribution of dividends or share buybacks for the purpose of remunerating shareholders and assess their remuneration policies in line with the risks stemming from the economic situation
- **ECB measures issued on 1 April 2020**:
  - **Guidance on and references to the use of forecasts**: avoid excessively procyclical assumptions in expected credit loss (ECL) estimations during the COVID-19 pandemic; in particular, the guidance covered: i) the collective assessment of the significant increase in credit risk (SICR); ii) the use of long-term macroeconomic forecasts; iii) the use of macroeconomic forecasts for specific years.

[2] European Central Bank: "*Guidance to banks on non-performing loans*", issued in March 2017

[3] European Central Bank: "*Addendum to the ECB Guidance to banks on non-performing loans: supervisory expectations for prudential provisioning of non-performing exposures*", issued in March 2018

The statements issued by IASB and ECB were interpreted by UniCredit Group (UniCredit SPA) in the sense of executing an update of the macro-economic scenarios, especially considering: (I) the usage of data coming from institutions' macroeconomic research and reliable external sources; (II) the application of post-model overlays or adjustments when changes cannot be reflected in models.

Thus, UniCredit SPA executed further analyses, including the update of macroeconomic forecasts by its internal Research Unit. As a result, UniCredit SPA decided to review the macroeconomic ratios for all the regions.

The outlook, which was basically negative for 2020 with a recovery in economic growth in 2021, led to recognise - with reference to the 1Q 2020 - an amount of Loan Loss Provisions related to credit positions for approx. 99 million RON (gross of tax) at Group level (of which 43mn RON in the Bank's books).

- **EBA guidelines issued on 2 April 2020**:
  - **Guidelines on the treatment of legislative and non-legislative moratoria applied before 30 June 2020**: clarified which legislative and non-legislative payment moratoria could trigger forbearance classification; in particular, the guidelines supplemented the EBA Guidelines on the application of the definition of default as regards the treatment of distressed restructuring (in particular, they clarified that the payment moratoria do not trigger forbearance classification and the assessment of distressed restructuring if they are based on the applicable national law or on an industry- or sector-wide private initiative agreed and applied broadly by relevant credit institutions)
- **ECB statement issued on 14 April 2020**:
  - **ECB supported the action taken by Euro area macro prudential authorities to address the financial sector impact of the coronavirus outbreak by releasing or reducing capital buffers**: the ECB has assessed the notifications submitted by national macro prudential authorities for each proposed measure provided for in the CRR and CRD, and has issued a non-objection decision, thereby endorsing the measures taken to reduce capital requirements, including the countercyclical capital buffer
- **ECB press release issued on 16 April 2020**:
  - **ECB Banking Supervision announced a temporary relief for capital requirements for market risk**, by allowing banks to reduce the market risk multiplier by its qualitative component, if any; the market risk multiplier is used to compensate the possible underestimation by banks of their capital requirements for market risk. The reduction of the market risk multiplier by its qualitative component aims at compensating for the quantitative multiplier which can rise when market volatility has been higher than predicted by the bank's internal model. This measure does not impact UniCredit Romania as we apply standardised approach.
- **EBA statements issued on 22 April 2020** on further measures and guidance on the use of flexibility in relation to Covid-19:
  - Market Risk - Prudent Valuation: draft regulatory standards to mitigate the excessive procyclical effect of the current framework (effects should materialize not before second quarter 2020, and transitorily applicable until 31 December 2020);
  - Market Risk - VaR: clarification of the existing flexibility in the CRR regarding back-testing multipliers and indication that the review of the stressed VaR window could be postponed to the end of 2020;
  - Market Risk - Fundamental Review of the Trading Book (FRTB) - Standardised Approach (SA): postponement to 30 September 2021 (as reference date) of the first reporting related to FRTB-SA figures under CRR2;

  - Supervisory Review and Evaluation Process 2020: clarification that this year's supervisory assessment is focused on material risks and vulnerabilities driven by the current crisis, and the banks' ability to respond;

- **EBA press release issued on 18 June 2020:** EBA extends the deadline for the application of its Guidelines on payment moratoria to 30 September 2020.

  - Acknowledging the crucial role played by banks in providing financing to European businesses and citizens during the ongoing COVID-19 pandemic, the EBA has decided to extend the application date of its Guidelines on payment moratoria (legislative and non-legislative) by 3 months, thus till 30 September 2020 (ref."EBA guidelines issued on 2 April 2020").

- **ECB press release issued on 28 July 2020:** ECB extends recommendation not to pay dividends until January 2021 and clarifies timeline to restore buffers.

  - The ECB extended its recommendation to banks on dividend distributions and share buy-backs until 1 January 2021, and asked banks to be extremely moderate with regard to variable remuneration. It also clarified that it will give enough time for banks to replenish their capital and liquidity buffers in order not to act pro-cyclically.
  - This updated recommendation on dividend distributions remains temporary and exceptional and is aimed at preserving banks' capacity to absorb losses and support the economy in this environment of exceptional uncertainty.
  - The ECB will review whether this stance remains necessary in the fourth quarter of 2020, taking into account the economic environment, the stability of the financial system and the reliability of capital planning.
  - For the same purpose, i.e. preserving banks' capacity to absorb losses and support lending to the real economy, the ECB also issued a letter to banks asking them to be extremely moderate with regard to variable remuneration payments, for example by reducing the overall amount of variable pay, deferring a larger part of the variable remuneration and consider payments in instruments, e.g. own shares.
  - The same applies for replenishing the liquidity coverage ratio (LCR), which will be assessed by the ECB considering both bank-specific (e.g. access to funding markets) and market-specific factors (e.g. demand for liquidity from households, corporates and other market participants).
  - In any case, the ECB commits to allow banks to operate below the P2G and the combined buffer requirement until at least end-2022, and below the LCR until at least end-2021, without automatically triggering supervisory actions

- **On 26 June 2020 was published in the Official Journal of the EU the Regulation (EU) 2020/873 (CRR "Quick fix") making targeted amendments to the Capital Requirements Regulation (EU) 575/2013 (CRR) and the revised Capital Requirements Regulation (EU) 2019/876 (CRR2) and entered into force and was applicable starting from 27 June 2020.** Starting from the 2Q 2020 reporting date, the following changes were applied:

  - application of the SME supporting factor according to the art. 501 of CRR2, concerning the adjustment of own funds requirements for non-defaulted SME exposures. The impact in RWA as at 30 June when the new methodology was first applied was -1,3bn RON at consolidated level;
  - application of a more favorable prudential treatment of loans to pensioners or employees with a permanent contract that are backed by the borrower's pension or salary according to the art. 123 of the CRR2 (not applied by UniCredit Romania);
  - application of a temporary treatment of public debt issued in the currency of another Member State

according to the new art. 500a of the CRR2. Until 31 December 2022 the risk weight applied to the exposure values evaluated according to the Standardized methodology shall be 0 % of the risk weight assigned to these exposures in accordance with paragraph 2 of Article 114;

- extension by 2 years of transitional arrangements for mitigating the impact on Own Funds from the introduction of IFRS 9 (Article 473a (8) of Regulation (EU) No.575/2013) (not applied by UniCredit Romania);
- introduction of temporary prudential filter for unrealized gains and losses measured at fair value through other comprehensive income, corresponding to exposures to central governments, to regional governments or to local authorities referred, during the period from 1 January 2020 to 31 December 2022 (not applied by UniCredit Romania).

- **ECB press release issued on 17 September 2020:**
  - **ECB allows temporary relief in banks' leverage ratio after declaring exceptional circumstances due to pandemic (Decision (EU) 2020/1306).**

    The ECB announced the decision on the temporary exclusion of certain exposures to central banks from the total exposure measure in view of the Covid-19 pandemic in order to facilitate the implementation of monetary policies, and confirmed that there are exceptional circumstances due to the Covid-19 pandemic (for the purposes of Article 500b(2) of the Regulation (EU) 2020/873 – "CRR Quick Fix" amending Regulations (EU) No.575/2013 and (EU) No.2019/876). Banks will benefit from the relief measure until 27 June 2021.

- **EBA press release issued on 21 September 2020:**
  - **EBA phases out its Guidelines on legislative and non-legislative loan repayments moratoria.**

    EBA will phase out its Guidelines on legislative and non-legislative payment moratoria in accordance with its end of September deadline (ref. "EBA guidelines issued on 2 April 2020" and "EBA press release issued on 18 June 2020"). The regulatory treatment set out in the Guidelines will continue to apply to all payment holidays granted under eligible payment moratoria prior to 30 September 2020. Banks can continue supporting their customers with extended payment moratoria also after 30 September 2020; such loans should be classified on a case-by-case basis according to the usual prudential framework.

- **EBA press release issued on 2 December 2020:**
  - **EBA has decided to reactivate its Guidelines on legislative and non-legislative moratoria.**

    This reactivation ensures that loans, which had previously not benefitted from payment moratoria, can now also benefit from them. With the reactivation of these Guidelines, the EBA recognises the exceptional circumstances of the second COVID-19 wave. The revised Guidelines, which applies until 31 March 2021, include additional safeguards against the risk of an undue increase in unrecognised losses on banks' balance sheet (ref. "EBA guidelines issued on 2 April 2020"; "EBA press release issued on 18 June 2020"and "EBA press release issued on 21 September 2020").

- **ECB press release issued on 15 December 2020:**
  - **ECB asks banks to refrain from or limit dividends until September 2021.**

    The ECB recommended that banks exercise extreme prudence on dividends and share buy-backs. To this end, the ECB asked all banks to consider not distributing any cash dividends or conducting share buy-backs, or to limit such distributions, until 30 September 2021. The recommendation also reflects an assessment of the stability of the financial system and was made in close cooperation with the European Systemic Risk Board.

Given the persisting uncertainty over the economic impact of the Covid-19 pandemic, the ECB expects dividends and share buy-backs to remain below 15% of the cumulated profit for 2019-20 and not higher than 20 basis points of the Common Equity Tier 1 (CET1) ratio, whichever is lower.

Banks that intend to pay dividends or buy back shares need to be profitable and have robust capital trajectories. Banks should refrain from distributing interim dividends out of their 2021 profits. The previous recommendation for a temporary suspension of all cash dividends and share buy-backs of 27 March 2020 (and its subsequent extension on 28 July) reflected the exceptional and challenging circumstances which the European economy faced in 2020. The revised recommendation aims to safeguard banks' capacity to absorb losses and lend to support the economy.

The recommendation is related to the current exceptional circumstances and will remain valid until the end of September 2021. At that time, in the absence of materially adverse developments, the ECB intends to repeal the recommendation and return to assessing banks' capital and distribution plans based on the outcome of the normal supervisory cycle. Banks should continue to use their capital and liquidity buffers for lending purposes and loss absorption. The ECB will not require banks to start replenishing their capital buffers before the peak in capital depletion is reached.

In a letter to banks, the ECB also reiterated its expectations that banks adopt extreme moderation on variable remuneration following the same timeline foreseen for dividends and share buy-backs (30 September 2021). The supervisor will closely assess banks' remuneration policies, with a specific focus on their impact on banks' ability to maintain a sound capital base.

- **Basel Committee on Banking Supervision guidance on the measures introduced by Governments and Authorities:**

  For the sake of completeness, it is worth mentioning that the Basel Committee on Banking Supervision (BCBS), through the document issued on 3 April 2020, reported its guidance about the measures introduced by Governments and Authorities to reflect the impact of Covid-19; specifically, the Committee agreed that the risk-reducing effects of the various extraordinary support measures taken in its member jurisdictions should be fully recognised in risk-based capital requirements. As well, the Committee agreed that the extraordinary support measures should be taken into account by banks when they calculate their Expected Credit Losses.

17.2 Measures taken by the National Bank of Romania and by the Romanian State

The National Bank of Romania (NBR) adopted a package of measures aimed at mitigating the negative effects of the crisis generated by the coronavirus (COVID-19) epidemic on households and Romanian companies, including the following (as at the date of preparing this report i.e. 26.02.2021):

- monetary policy measures: (1) to cut the monetary policy rate in four steps (as of 23 March, 2 June and 6 August in 2020 and 18 January in 2021), by a cumulated 1.25 percentage points, from 2.5% in mid-March to 1.25% on 18 January 2021; (2) to narrow the symmetrical corridor defined by interest rates on standing facilities around the monetary policy rate to ±0.5 percentage points from ±1.0 percentage points as of 23 March 2020. Thus, the deposit facility rate was lowered to 0.75%, while the lending (Lombard) facility rate was lowered to 1.75% from 3.50%. As a result, the effect was a decline of the interest rates on loans to companies and households; (3) to provide liquidity to credit institutions via repo transactions; (4) to purchase RON-denominated government securities on the secondary market to ensure the smooth financing of real economy and the public sector. At the same time, due to the elevated uncertainty surrounding economic and financial developments, the NBR Board also suspended the previously announced calendar of monetary policy meetings and held monetary policy meetings whenever was necessary.
- measures to increase the flexibility of the legislative framework so that banks and non-bank financial institutions could help individuals and companies with outstanding loans. Lenders were allowed to delay

payments of the loans of any individual or company affected by the COVID-19 pandemic, without applying the conditions related to the level of indebtedness, the loan-to-value limit and the maximum maturity of consumer credit.

- on 24 March 2020, NBR decided to allow banks to temporarily use the capital buffer previously set up, while also keeping in place the legal requirements for such flexibilities. Adapting capital buffers to the new conditions helps banks preserve their support role for the real economy. Furthermore, according to the regulatory framework, banks built and maintained liquidity reserves that may be used to deal with an increased demand for liquidity during times of crisis. Thus, in line with the actions taken to this end at European level, the NBR allows banks not to comply with the minimum liquidity ratio, for the purpose of using these reserves to contribute to the smooth functioning of the banking sector and to help banks ensure sufficient liquidity to firms and households.
- measures regarding the bank resolution: to postpone the deadline for collecting the annual contributions to the bank resolution fund for 2020 by 3 months, with the possibility of extension to up to 6 months; to delay the reporting deadlines of some information on resolution planning in order to correlate the terms and conditions on the minimum requirements for own funds and eligible liabilities (MREL) with the decisions adopted by the Supervisory Committee in the meeting of 20 March 2020.
- operational measures: to ensure the smooth functioning of payment and settlement systems underlying payments in the domestic currency, so that commercial and financial transactions can be performed under normal conditions; the NBR committed to provide banks with continuous cash flows for all operations, including liquidity for ATMs, in case of increased household demand.

Government measures as per OUG 37/2020 and OUG 216/2020 regarding the postponement of loan repayments

The Emergency Governmental Ordinance 37/2020 requiring banks to provide moratorium to all customers impacted by COVID-19 was passed on 30 March 2020, while its Application Norms were passed on 6 April 2020; the grace period covered a maximum period of 9 months of payment postponement, but not later than 31 December 2020, upon request from customers. Later, the moratorium was extended beyond the end of 2020 through the Governmental Ordinance 216/2020 by keeping the initial provisions ruled by the European Banking Authority – a maximum period of 9 months for loans postponement.

Interest accruing during the moratorium for all loans except mortgage loans to private individuals is capitalized and its payment is spread over the duration of the loan. For private individuals' mortgage loans, the interest deemed during the suspension period will be treated as an individual claim, to be recovered in maximum 5 years after the suspension ends with no interest applied to it, having 100% guarantee from Ministry of Finance, while the principal will be spread over the extended duration of the loan.

Accounting wise, the COVID-19 related moratorium did not determine the derecognition of the credit exposures, due to the fact that the net present value of the loan is not materially impact by this restructuring. Furthermore, considering that interests will accrue on the payment delayed, no modification loss is generally expected, with the exception of mortgage loans for individuals due to the different rules related to accrual of interest.

In accordance with ESMA and EBA statements and guidelines, the application of the moratorium has not determined an automatic reclassification of the customer from Stage 1 to Stage 2. However, appropriate credit processes have been activated by the Group in all the processes of credit risk assessment considering both qualitative and quantitative triggers in order to evaluate the classification of credit exposure in order to grant the proper classification in Stage 2 or Stage 3 (default) of those credit exposures for which the increase in credit risk is unrelated to COVID-19 outbreak.

IMM Invest Romania program

UniCredit Bank applied for the state guarantee under **IMM Invest Romania program,** where the legislation has been updated in 2020 in order to allow the SMEs affected by COVID-19 outbreak to cover their liquidity needs for current operations or investments needs by accessing financing solutions (both working capital or investment loans) from the banks under FNGCIMM guarantee scheme (on behalf of Ministry of Public Finance). The initial amount approved was RON 15 billion, amount which was increased to RON 20 billion after the approval from the European Commission at the beginning of August 2020. Later, on 18 December, 2020, the availability of the aid scheme was prolonged up to 30 June, 2021, including an increase of the budget from RON 4.5bn to RON 7.19bn. At the same time, the program was changed in order to include IMM Factor and AGRO IMM Invest.

The maximum loan exposure toward a single beneficiary is RON 10mn with a maximum tenor of 72 months for investment loans and RON 5mn with a maximum tenor of 36 months for working capital loans.

EximBank Guarantees under the Covid-19 state aid scheme

The guarantee's main traits are as follows:

- the guarantee is to be addressed to Corporate segment, i.e. Large Companies & SMEs (according to EU definition) with 2019 turnover exceeding RON 20 mn and requesting Working Capital Lines of more than RON 5 mn or Investment Loans of more than RON 10 mn (otherwise they will be routed to IMM Invest described above, for zero interest rate for 8 months and no guarantee fee);
- Eligible facilities: investment loans and working capital term loans (revolving & non-cash not allowed); applicable for new loans and/or existing facilities;
- Guarantee rate (covering only loan principal, excluding interest): up to 90% for new loans, 50% for existing facilities.

17.3 COVID 19 measures taken by UniCredit Group in Romania

The main actions taken by UniCredit Group in the context of COVID-19 pandemic are described below:

- All Group Business Continuity Management scenarios have been fully implemented (all critical processes with BCM alternatives are now in place, with a special focus on work from home for most head office employees), materials for employee's protection were ordered and sent to branches, weekly sanitization takes place in all branches and head office with special antiviral materials (gas, liquid);
- The Group preserved Customer Experience during the emergency state, by ensuring basic services continuity (e.g.: ATMs real time status and availability with prompt intervention, constant communication with the external providers) and accelerated the digital onboarding (e.g.: Digital signature for SME deployment, daily Mobile Banking activation campaign in Contact Center, Mobile Banking sales campaign in Contact Center);
- Tight tracking of liquidity & solvency evolution covering strict monitoring of capital position and isolation of potential elements with high volatility or impact, while actively observing market and liquidity developments, as well as clients' behavior;
- Other than the public moratorium measures (classified as non – forbearance, as described above), UniCredit Group decided to support its clients also by means of other dedicated loan restructurings, in line with the clients' specific necessities; such restructurings are classified as forbearance.

17.4 Impact of COVID 19 outbreak on the financial & prudential position of the Group

The Bank had a strong start of the year, however beginning with March, we witnessed a slowdown due to Covid-19 which impacted the entire economy. Due to the resilient business and to the results obtained during the past years, the Bank managed to maintain a good position even in this context with strong levels of capital and liquidity ratios.

During 2020, the Bank embedded in the Loan Loss Provisions the effect of the new macroeconomic scenarios into the forward looking information indicator, while NPE ratio remained relatively flat. In terms of Revenues, Net Interest Income was negatively impacted by the ROBOR evolution, while non-net interest income positions were affected by the lockdown period. Customer loan volumes remained flat Y/Y, while Customer deposit increased versus. previous year. Strict cost discipline adds to the factors that led to our bank's solid financial results in 2020, with additional costs related to Covid-19 being fully absorbed.

Regarding UCLC, Covid-19 impact materialised in lower new financed volumes compared to previous year, however the requests for rescheduling /suspension partially mitigated the reduction of new financed volumes so that the loan portfolio registered a slight increase compared to previous year. Interest income was below previous year due to higher funding costs however compensated by higher non-interest income results. The general administrative costs registered an important saving compared to previous year, contributing to on overall Gross Operating Profit higher than the previous year and the budgetary estimates.

In the context of Covid-19, UCFIN has taken a series of measures to protect its net assets and ensure the continuity of the lending activity in the future period. These measures implied new business calibration with credit risk policies assumed during the Covid-19 outbreak, leverage on UCB banking products (i.e. approving new customers only if their monthly income is cashed in the accounts opened with the UCB) and increased attention to debt collection area. A monitoring process was developed in order to keep close contact with the clients, in order to be able to identify if their financial difficulties were overcome or if it would be necessary to offer in addition a standard restructuring method. On pre-collection phase, with 30 days before the due date, automatic timelines which included SMS's, IVR's (interactive voice recorder) and phone calls were performed on the Moratoria portfolio. Also, a monitoring process was developed for customers with monthly installments delay, involving a strategy based on identifying payment solutions tailored to their needs, including the framework for applying a standard restructuring facility if necessary.

UniCredit Group is assessing the impact of COVID-19 outbreak within its business, risk profile and its prudential and performance parameters/ratios on a regular basis. In this respect, the Bank assesses its performance based on stress tests scenarios on key performance and prudential indicators, strict monitoring of liquidity position and ratios (mainly LCR ratio and immediate liquidity ratio), monitoring of market evolution of debt securities interest rates due to high market volatility and its impact in capital base, and monitoring of solvency ratio simulations. The stress test results are comfortable; both in terms of solvency and in terms of liquidity UniCredit Romania Group expects to maintain a sound position as compared to regulatory minimum ratios.

The Group has comfortable levels on both liquidity and solvency positions, the evolutions in 2020 showing a stable trend, not impacted by a high volatility. Also, the Bank performed static and dynamic simulation for 2021, the results showing a good position, the levels of the related KPIs (LCR, NSFR, total capital solvency ratio) being above the NBR minimum requirements.

Liquidity position

During 2020, the following actions were put in place:

- Liquidity related meetings were held on a weekly basis, with the involvement of local Board members (with main focus on actively observing market developments and clients' behavior, monitoring closely the evolution of liquidity and its drivers, assessing the adequacy of the liquidity buffers through various static and dynamic liquidity simulations); these meetings were held until September;
- Strict monitoring of the evolution of commercial volumes (deposits, loans, undrawn facilities);
- Strict monitoring of the liquidity indicators (actual and forecasts) under various static and dynamic scenarios);
- Managing funding initiatives in order to address liquidity needs of the clients affected by the virus outbreak;

- Keeping sufficient stock of liquid assets in order to offset potential liquidity outflows in case of stress.

Capital position

The Bank adopted measures for capital preservation due to the unanticipated COVID outbreak such as:

- Strict monitoring of capital position and isolation of potential elements with high volatility;
- 2020 Dividend distribution currently fully retained in equity base (363.7 RON mn), integrated in Own Funds
- Regular simulations by using stress test methodologies for increasing exchange rate, increase in interest rate and of the PD.

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. Reputational Risk
6. Currency risk
7. Real Estate 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 Divsion

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:

- Credit Risk Management Department
- Underwriting Department
- Recovery Department
- Internal Control, Operational and Reputational Risk & Fraud Prevention Department

Finance and Planning Area

This area sustains Risk Management Committee and the company's management through support offered within current monitoring process of the market and liquidity risk, process performed by relevant departments within UniCredit Bank.

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 reputational 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 2020, 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: Budgeting, Monitoring and analysis and 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 capacity to apply, from legal point of view, the contractual commitments;

c) the financial commitments with persons having special relationship with the non-banking financial institution;

d) the purpose of the credit and the source of its repayment;

e) the debts service history for counterpart;

f) 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 implies 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 relationships.

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 Financial 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.

UniCredit Bank is the principal bank for liquidity risk monitoring of UniCredit Consumer Financing. UCB monitors the liquidity position of UCFin and ensures that liquidity level is sufficient in order to cover the payment obligations which become due:

- UCB coordinates financing strategy and placement of the liquidity excess
- UCFin needs to address directly and exclusively to UCB any liquidity gap (foreign or local currency) and ultimately to Holding, if the liquidity gap is in foreign currency or if the legal or regulatory limits related to funds transfer are already met.

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 in 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 2020 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 2020 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;
- 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 established a comprehensive and independent risk management function under direct supervision of the management body, having personnel with relevant experience, adequate to the company's risk profile, and able to play a significant role in the processes of identification, measurement and assessment of risks.

Risk management function ensured that all significant risks were adequately identified, measured and reported. The company identified the following significant risks:

1. Credit risk
2. Market risk
3. Liquidity risk
4. Operational risk
5. Reputational risk
6. Business risk
7. Financial investment risk
8. Real estate risk
9. Management of the risk associated to outsourced services
10. AML&FS Risk

The risk management function had an important role within the company, ensuring the existence of effective risk management processes. Risk management function was realized within the company by entities from CRO Area and CFO Area:

- Underwriting Department:
- Risk Strategies and Control including Operational and Reputational Risk
- Restructuring and Workout, incl. Restructuring, Collection, Monitoring and Workout
- Asset Management
- Planning and Control
- Strategy, Data Governance and Cash Management

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.

At company level, **the following committees with risk management responsibilities are established:**

Risk Management Committee

<u>Risk Management Committee</u> is a permanent advisory committee subordinated to the Supervisory Board, that manages significant risks, risks with significant impact on the patrimonial and / or reputational situation of

the company (credit risk, market risk, operational risk and reputational risk), as well as the risks associated with outsourced activities.

Audit Committee

Audit Committee is standing, advisory committee that assist the Company's Supervisory Board in defining the principles and regulations that govern the Company's internal control system, based on a risk-oriented approach in assessing its effectiveness and efficiency, so that the main risks are properly identified, then measured, managed and monitored. The Audit Committee is also responsible for assessing the adequacy of the accounting principles used to prepare the financial statements and for supervising the efficiency of the external audit process and the activity of the external auditor

Credit Committee

The Credit Committee is a permanent, deliberative committee, constituted under the subordination of the Management Board, which meets periodically, once a week or whenever it is considered opportune and has the competence to exercise decisions regarding the activity that generates the credit risk.

Special Credit Committee

Special Credits Committee is a permanent, deliberative committee, subordinated to the Directorate, responsible for defining strategies related to the portfolio of clients under the monitoring of the Restructuring and Debt Recovery Department (e.g. decisions on debt recovery and asset restructuring, approving restructurings within delegated powers, granting new financing for clients managed within the department).

Operational Permanent Work Group Committee

Operational Permanent Work Group Committee is a permanent, consultative working group, subordinated to the Management Board, which aims to identify, classify and evaluate the operational risk in the company, as well as to propose measures to reduce the operational risk and to monitor their implementation.

Reputational Risk Committee

Reputational Risk Committee is a non-permanent, deliberative committee subordinated to the Directorate, which meets whenever necessary, representing: a single body dedicated to discussions and decisions on transaction/initiatives/projects related to sectors sensitive to reputational risks- according to policy regulations dedicated, but also for all other cases coming from the sales area (for example, other relevant sectors or relevant customers) as well as a body that ensures awareness and attention regarding the assessment and management of reputational risk.

Leased Asset Management and Remarketing Committee is a permanent, deliberative committee, subordinated to the Directorate, which ensures the resale flow of repossessed assets, monitors the flow and approves the sale of assets, and at the strategic level approves periodic updates of the components of the resale strategy. in the possession / patrimony of UCL as a result of the termination of the leasing contracts or as a result of the execution of the financing contracts or of the guarantees ("the goods taken back in possession"), as well as of the monitoring and evaluation strategy regarding the assets to be financed. It also approves and proposes for approval to the representatives of the parent company the deviations and adjustments from the Policy for monitoring, evaluation and resale of the financed assets.

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 2020 the requirements of Regulation No. 20/2009 with its further changes and updates. 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 2020 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. 20/2009 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

The credit activity in UniCredit Leasing was performed according to the legal regulations in Romania, the rules and regulations issued by the National Bank of Romania. Also the credit activity took into consideration the internal regulations of UniCredit Leasing, aligned with the UniCredit Group standards.

The Supervisory Board approved the company's credit risk strategy, which was monitored on a periodical basis.

The company established steps and disposed of instruments both for identifying, measuring, monitoring and controlling the credit risk.

The mission of credit risk management function was to:

- Provide a qualitative and quantitative view on credit risk management by providing an operative and efficient framework for credit risk management, an essential element in supporting credit decision-making;
- Implementing policies and strategic guidelines for the identification, measurement, assessment, monitoring, reporting and control or diminishing of credit risk;
- Implementing strategies and risk appetite;
- Continuous analysis of clients' repayment capacity and willingness to repay the debts at due date, monitoring of documentation, contractual clauses, collaterals or other risk mitigations techniques;
- Drafting of credit risk reports and internal reports to the Group and other counterparties;
- Permanent monitoring of various credit risk portfolios, for the purpose of identification and proper management of problem and for applying the adequate adjustments and provisions;
- Recovering and restructuring of UCL exposures in default; enhancing collections actions in order to reduce UCL costs triggered by loan loss provisions.

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

- Evaluation of the clients' repayment capacity, on individual level;
- Improving the monitoring system and automatic classification of portfolio on monitoring classes

- Applying the rules relating to social and environmental standards that must be fulfilled by the financed projects designed to support an investment, in case of corporate clients and business customers;
- Calculation of credit risk specific provisions in order to absorb anticipated losses;
- Avoidance of credit concentration on: economic sectors and asset classes (difficult to sell in case of repossession).
- Dispersion of credit risk through the diversification of the client database
- Consultation of credit risk information - CRC
- Consultation of information regarding payment incidents – CIP;
- Monitoring of the exposure undertaken by the company towards a large exposures and affiliated parties;
- Enhancement of the Watch list process having as main goal the identification and follow up (close monitoring) of the loan exposures with high degree of risk and proposal of necessary measures for decreasing or limiting the potential losses;
- Carrying out sustained activities for the debt collection;
- Revised clauses for the contracts with external parties have been signed during 2020;
- Periodical review (calibration) of the client analysis systems used for loan granting (scoring and rating systems);
- Periodical reports over all type of flexibility (scoring)
- DOD project implemented, for compliance with new EBA Guideline on the application of definition of default: analysis regarding the changes that will be made to the IT systems, initiation of recalibration activities for the internal rating models.

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

Management of the Credit Risk was achieved through all the departments from CRO area having the following responsibilities:

- Underwriting Department:
  - Analyses the financing files and issues a recommendation or a final decision depending on the competence level. Ensures compliance with Group lending policies, both through developing new internal regulations and amending existing ones according to the Group policies;
  - Endorses the new product proposals or changes of the existing products;
  - Monitors and reviews the scoring system;
  - Monitors and reviews periodically the company's non-retail customers' portfolio performance;
  - Implementing of group policies;
  - Portfolio Monitoring;
  - Periodical reports;
- Risk Strategies and Control Department:
  - Monitors the Company customers' portfolio based on specific indicators and reports;
  - Monitors quarterly the credit risk strategy;

  - Regularly prepares reports for Risk Management Committee, Supervisory Board and Management Board regarding significant risks of the Company;
  - Monitors the indicators established in accordance with the Company risk profile;
  - Establishes the provisioning process by preparing and reviewing the specific internal regulations (for provisions calculated in accordance with the IFRS requirements);
  - Monitors the customers' portfolio evolution (on customer segments, default types, industries, types of financed assets, sales channels, etc.);
- Restructuring & Workout Department:
  - Achieve soft collection activity for clients with higher exposure and monitors and support the external partners in the collection activity;
  - Define strategy and identify solutions for the cases which are in the competence of Special Credits Committee or of the Group;
  - Manages the repossession activity (externalized);
  - Manages the relation with the lawyers on insolvencies cases, criminal charges and legal execution files;
  - Defines the restructuring strategies, negotiates, approves, implements and monitors the restructuring cases;
  - Monitors the clients with risk of default and takes pro-active measures;
  - Implements public and private moratoria for clients affected by Covid-19 pandemic;
  - Pro-active approach in collection activity for clients benefiting from public or private moratoria;
  - Prevention actions in collection area in light of new DoD regulations; Defines the restructuring strategies, negotiates, approves, implements and monitors the restructuring cases.

Asset Management Department:

- Performs the Initial Valuation of financed assets, during this process assesses the remarketing quality of the financed assets, issues opinions initial valuation, classifies assets and recommends financing structures according to the depreciation curve of each asset being financed and the possibilities for recovery and remarketing in case of repossession
- Is responsible for Asset Portfolio monitoring, statistical appraisal for mobile asset portfolio, inspections on the field for assets with acquisition value above established threshold - Performs assets appraisal, monitors and validates external appraisals for the second hand financed assets or real estate financing

Reporting and controlling tools on credit risk management line:

- Group Reporting
  - Risk Report - monthly - provides different analysis to monitor the credit quality of the portfolio (evolution of defaulted loans, divided by kind of leased asset, industries, analysis on LLP and Coverage, Expected loss);
  - Strategy Monitoring Report – quarterly – helps in monitoring the credit risk strategy on industries; FINREP – quarterly – provides detailed information regarding the non performing portfolio and its evolution.
  - Annual Stress Test exercises regarding IFRS9 calculation

- COREP Reporting, including full alignment with FINREP reporting

- Reporting to the management
  - Quarterly monitoring the company's risk profile through relevant indicators for the business;

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 play 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).

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.

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, while the application of these regulations is harmonized with the Group Rules of UniCredit.

Market Risk aspects are supervised by Market Risk unit from UniCredit Bank and performed in cooperation with UniCredit Leasing CFO area

Market Risk management during 2020 was achieved through:

- Identifying, monitoring, analysis and market risks control: currency risk and interest rate risk, according to group guidelines and requirements of the National Bank of Romania;
- Reporting of market risk issues to Risk Management Committee and Management Board;
- Analyzing the evolution of UCL balance sheet considering the evolution of economic variables / market;
- Analysis of foreign exchange position in each currency (RON, EUR, USD);
- Analysis of interest rate position on each type of interest (fixed, variable) and on each maturity;
- Quarterly reporting to Supervisory Board regarding market risk;

In order to mitigate market risk, the Company, during 2020:

- applied the general principle of financing, the Company applies maturity match principle both in terms of interest, currency and tenor complying with the liquidity and marker risk indicators;
- transferred the currency risk for the period between invoicing and cash in, to the client, by re invoicing these exchange rate differences (contractual conditions are adjusted accordingly);

During 2020 Basis point Value indicator (“BPV”) was below the limit of 150,000 and the Value at risk (“VAR”) exposure was below the limit of 1,000,000.

The 2020 Market Risk assessment exercise evaluated the Control system as Adequate.

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.

UniCredit Leasing managed the liquidity risk according to legal regulations in force in Romania, norms and regulations issued by the National Bank of Romania (NBR) and internal regulations, while the application of these regulations is harmonized with the Group Rules of UniCredit.

Liquidity risk is managed by Finance Division.

Liquidity Risk management during 2020 was achieved through:

- Ensuring liquidity in EUR and RON;
- Liquidity analysis separately for each maturity (short, long);
- Reporting of liquidity risk issues to UCL management board and Risk Management Committee;
- Quarterly reporting to Supervisory Board regarding liquidity risk.

To manage short term liquidity risk, the Company monitored the daily cash flow forecasts compared with the total liquidity position and the position of the exchange rate.

In order to identify, quantify and report the liquidity risk, in 2020 were taken into consideration the following:

- The Board of Directors of UCL was notified monthly about the situation of liquidity and its evolution over time;
- Department responsible for managing liquidity risk prepared reports for:
  - size / amount and structure of future operations;
  - volume and maturity of assets and liabilities.

To manage and monitor liquidity risk, in 2020 UCL had a set of limits and trigger levels established with Market Risk Management Department within UCB. Also specific reports were used, as follows:

1. In order to manage short term liquidity, the following reports were analyzed:
   - Monthly liquidity ratio (cash position) which contains all the available cash in bank accounts owned by UCL;
   - A quarterly report on liquidity by maturities which presents the situation of assets (leasing portfolio) and liabilities (refinancing lines) split by maturities.
2. Structural liquidity management and financing needs:

In order to manage and monitor liquidity risk, UCL has monthly calculated the Structural Liquidity Ratio (SLR) and the values registered were in the limit of 90%. According to Risk Management Strategy, the Structural Liquidity Ratio should not fall under the limit of 90% (warning signal at 95%), for LCR indicator the limit is 70% with warning signal at 100% and the Net Stable Funding Ratio (NSFR- no threshold included, but only monitoring). These ratios are monthly monitored and in case is registered an overflow of the limits, will be taken measures to bring back the indicators within the normal limits.

In 2020 there were no deviations of the ratios.

The 2020 Liquidity Risk assessment exercise evaluated the Control system as Adequate.

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, directly owned offices or repossessed assets.

Reporting process for real estate risk is subject to the UniCredit Group Policy "Pillar II - System for the estimation of the Internal Capital" based on the information received from the Asset Management and CFO area. The output of the calculation is presented at consolidated level by the local bank.

7. OPERATIONAL RISK

Operational risk management in UCL is done in accordance with the rules and regulations issued by National

Bank of Romania, Group recommendations and instructions transpose in internal procedures.

For an efficient operational risk management, the framework implemented within UniCredit Leasing includes clearly defined responsibilities for the identification, measurement, monitoring, mitigation and reporting of operational risk. Also, Operational and Reputational Risk Management function part of the Risk Division has the role of coordinating the operational risk management, performing independent analyses, monitoring and controlling this risk, detailed responsibilities being listed below:

- Issuing, amending and proposing for approval to the competent bodies the general policies regarding operational and reputational risk management, in compliance with the National Bank of Romania regulations and Group instructions and recommendations;
- Ensuring the coordination of operational risk data collection and validation in Group operational risk database;
- Setting and monitoring risk indicators for operational and reputational risks;
- Weekly and monthly reporting to the Group of the relevant operational risk events and economic manifestations;
- Quarterly reporting to the Group of the relevant reputational risk events
- Regular reporting of operational risk information to the relevant Committees according to the internal regulations in force;
- Implementation of risk controlling processes, methods and systems, necessary risk mitigation tools;
- Providing support to other departments regarding operational and reputational risk topics;
- Providing opinions in respect of operational and reputational risks impact in case of new products and significant changes to the existing ones, in line with the legal and internal regulations;
- Providing support in the process of issuance/amendment of internal regulations from an operational and reputational risks perspective, proposing policies, processes, tools and models for controlling operational and reputational risks;
- Monitoring the exposure to operational risks, in accordance to the standards and policies in force;
- Setting-up, organizing and monitoring of mitigation actions defined following the operational risk analyses in relation to operational risk losses, indicators, meetings of the Permanent Working Group, scenario analyses etc;

Delivering trainings to all employees related to operational and reputational risk policies implemented at local level and other operational and reputational risk topics. Main measures taken in 2020 for the management of operational and reputational risk are listed below:

- Implementation and monitoring of the Group operational and reputational risk Strategy at local level;
- Consolidation of operational risk culture across the company in order to have in place an efficient operational risk management process in accordance with the regulations in force;
- Increasing visibility and the level of awareness related to operational risk across the company through trainings, presentations and materials available for all employees and also by organizing an online training followed by a testing for all employees
- Performance of operational risk assessments for relevant transactions and ICT Risk assessments according to Group requirements;

- Collaboration with all departments for collecting operational risk data, assessing operational risks and potential losses and mitigating operational risk exposures;
- Reconciliation of losses recorded in the operational risk database against accounting bookings;
- Annual review of operational risk indicators system and constant monitoring of critical thresholds;
- Improvement of existing reports by including additional information; details regarding analyses and measures agreed in the Permanent Work Group;
- Providing operational and reputational risk opinions regarding new/renewed internal regulations and initiated projects;
- Periodical reporting of operational and reputational risk data to the Risk Management Committee.

8. REPUTATIONAL RISK

Taking into account that each process /aspect of the company's activity may influence the reputation, the management of reputational risk takes into consideration the following:

- each process of the company's operations;
- relationships with clients, especially in sensitive areas (confidentiality of information, observation of contracts, clients' right to information, crisis management situations, negative publicity, ways of solving / reduce customers complaints, etc);
- relationship with shareholders, other counterparties, investors, employees or regulatory authorities ("stakeholders");

Each department is responsible for every event / situation / incident that might occur as a reputational risk in its area of expertise. In such cases, it proceeds to prompt and complete information of the direct coordinator/hierarchical superior, Identity & Communications and reputational risk function as well as any situations or incidents that could negatively affect the company's reputation.

During 2020, no activity/ situation that might have had an impact on the UniCredit Leasing's reputation occurred, therefore no specific measures needed to be taken.

The reputational risk monitoring activities are performed by:

- Daily assessment of written articles and news which might represent a potential reputational risk for the company. For articles which might present a potential reputational risk an assessment is performed and set up, together with designated departments and corporate bodies, the communication strategy for each case;
- Monitoring of the IT system and establishment of clear and restrictive procedures and rules regarding the ways to use e-mails when communicating with clients and in external communication;
- The daily monitoring of all media (written, audio-visual and online press) related to - a list of key words related to leasing perimeter;
- Specific risk indicators.
- Appropriate application of KYC (know-your-customers) rules and regulations in force related to the prevention and combating of money laundering;
- Analysis of implementation of specific Group policies that assure a rigorous evaluation of the financing projects with potential reputational risk

- Proper training of the personnel regarding the KYC AML and FS;

A special attention was paid to the potential reputational risk (and any other relevant risk) arising from the investigation carried out by the Romanian Competition Council on the financial leasing and consumer credit market (one of the investigated parties being UCL).

UCL dedicated resources and deployed intense efforts to duly respond to the Competition Council's inquiries and to provide detailed explanations regarding financial leasing, price formation and industry's specifics.

Moreover, UCL played an important role in the process of providing valuable information to an independent economic consultant (commissioned by the industry's professional association) in order to allow the consultant to issue an economic report regarding the financial leasing price formation and conclusions regarding the former exchange of information which took place until 2016 between the members of the industry's professional association.

At the end of December 2020, the plenum of the Competition Council deliberated and thereby decided to fine the investigated parties (for an alleged breach by object regarding the investigated exchange of information which took place for a limited period of time during 2014 in the industry professional association.

At internal level, UCL intensified its focus on the compliance with antitrust rules program and fostering the awareness of the antitrust rules. Starting with 2019, UCL's Compliance team delivered to the employees a dedicated classroom training on antitrust and competition rules.

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.

The 2020 Financial Investment Risk assessment exercise evaluated the Control system as Adequate.

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.

Following the global pandemic event, serious deterioration of the market environment and changes in customer behavior was predicted and registered.

The company has high focus in secure the business activities and the healthiness of the employees and customers. Crisis and continuity management strategy was activated and major actions have been implemented:

- extended the smart working and work from home feasibilities and infrastructure (96% in Head Quarter and 84.6% in Network are working remote);
- redesign of internal flows & processes in order to support remote work;
- enrolment of the essential staff in electronically signing flow and launch a dedicate electronically signing flow in relationship with customers and partners;
- creating a task force team to accommodate the changing in customer behavior, especially due to public moratoria.

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	Own funds structure'!A1
		Reconciliation of regulatory capital to Financial Statements	Reconciliation Own Funds'!A1
		Main features of regulatory capital instruments	Cap. Instr. - Characteristics'!A1
		Features of tier 2 subordinated capital instruments	Terms and conditions'!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 (specialized lending and equities)	EU CR 10'!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	Standardized 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 CR5	Standardized approach	EU CR5'!A1
Asset encumbrance	A	Assets	Asset encumbrance'!A1
	B	Guarantees received	Asset encumbrance'!A1
	C	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 2'!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)	LR SPL'!A1

Covered area	Template id	Template Name	Link to
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	Standardized 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 standardized approach	EU MR1'!A1
Operational risk		Operational Risk	Operational risk'!A1
Other disclosure requirements		Disclosure requirements according to article 16 of National Bank of Romania Regulation no.5/2013 regarding prudential requirements for credit institutions.	Art 16 Reg BNR 5_2013'!A1
NPL	Template 1	Credit quality of forborne exposures	Template 1'!A1
	Template 2	Quality of forbearance	Template 2'!A1
	Template 3	Credit quality of performing and non-performing exposures by past due days	Template 3'!A1
	Template 4	Performing and non-performing exposures and related provisions	Template 4'!A1
	Template 5	Quality of non-performing exposures by geography	Template 5'!A1
	Template 6	Credit quality of loans and advances by industry	Template 6'!A1
	Template 7	Collateral valuation - loans and advances	Template 7'!A1
	Template 8	Changes in the stock of non-performing loans and advances	Template 8'!A1
	Template 9	Collateral obtained by taking possession and execution processes	Template 9'!A1
	Template 10	Collateral obtained by taking possession and execution processes – vintage breakdown	Template 10'!A1
CRM Techniques (art 453 f si g)	CRM-SA	Credit risk mitigation techniques: standardised approach	CRM-SA'!A1
	CRM-IRB	Risk mitigation techniques - IRB Approach	CRM-IRB'!A1
Guarantees and collaterals		Distribution of guarantees on credit exposures to banks and customers	Garantees RON'!A1
		Distribution of collaterals on credit exposures to banks and customers	Collaterals RON'!A1
COVID-19 templates	Template 1 Covid	Template 1: Information on loans and advances subject to legislative and non-legislative moratoria	Template 1 Covid
	Template 2 Covid	Template 2: Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria	Template 2 Covid
	Template 3 Covid	Template 3: Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis	Template 3 Covid

Declaration of the Management Body of UniCredit Bank

related to

adequacy of risk management system

dated on 29.04.2021

With respect to the requirements of National Bank of Romania Regulation no. 5/20.12.2013 on prudential requirements for credit institutions and, in particular, to the requirements stipulated in Article 435 letter e) of Regulation no. 575/2013 of the European Parliament and of the Council dated 26 June 2013 on prudential requirements for credit institutions and investment firms, by this statement, UniCredit Bank's Management Body guarantees that the existing risk management systems are adequate, given the risk profile and strategy of the institution.

Risk management framework is one of the core components of the Bank's business management, being adapted to the structure and activity of the institution, to the nature and complexity of the risks inherent to the business model. It assures effective and prudent management of the Bank's activity, including the separation of responsibilities within the organization, prevention of conflicts of interest and, at the same time, the fulfillment of strategic risk objectives and of the targeted risk profile of the Bank.

Catalin Rasvan Radu

Executive President

Andrei Florin Bratu

Executive Vice-President

Declaration of the Management Body of the credit institution UniCredit Bank

on 2020 year's overall risk profile of the Bank,

according to the requirements stipulated in Article 435 letter f) of Regulation no. 575/2013 of the European Parliament and of the Council dated 26 June 2013

Developing a strong risk management culture is one of the main strategic objectives of UniCredit Bank. Risk management culture is promoted within departments directly responsible with risk management, but also within operational structures and to each employee of the institution.

Risk management includes determining, for overall performed activity and for each significant activity, the risk tolerance, while ensuring business continuity on sound and prudent basis. The set-up of targeted risk profile is done on an yearly basis, by considering market and macroeconomic conditions, past performance (historical) and UniCredit Bank' strategy in the immediately timeframe following (12 months). In 2020, a moderate risk profile was assumed in UniCredit Bank.

In order to meet the strategic objectives regarding the Bank's risk appetite, its limits have been translated into operative limits regarding general and specific significant risks management related indicators, as well regarding limits on the distribution of the loan portfolio by zones/ geographical areas, sectors of activity, counterparty categories, type of products, residence, country and currency.

These general and specific indicators have been periodically monitored during 2020 - year, the bank fitting in the assumed risk profile.

For example, we present the following key indicators on consolidated level as of 31.12.2020:

Capital Adequacy (Regulation no. 575/2013 of the European Parliament and of the Council dated 26 June 2013):

- Core Tier 1 ratio (Tier1 Capital/ Risk Weighted Assets)	20.66%
- Total capital ratio (Own funds/ Risk Weighted Assets)	23.97%
- Leverage ratio	9.87%

Profitability & Risk

- Net Operating Profit/ Risk Weighted Assets	4.32%

Financing & Liquidity

- Liquidity Coverage Ratio	181.32%
- Net Stable Funding Ratio	175.68%

Catalin Rasvan Radu	Philipp Gamauf	Andrei Florin Bratu
Executive President	Executive Vice-President	Executive Vice-President