UniCredit Bank

PILLAR III DISCLOSURE REPORT

Report reference date: 31 March, 2022

CONTENT

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 and amending Regulation (UE) no.648/2012 and with subsequent amendments, and connected regulatory requirements as National Bank of Romania Regulation no. 11/2020, National Bank of Romania Regulation no. 2/2022, Regulation no. 876/2019 of European Parliament and Council.

The information disclosed is compliant with the COMMISSION IMPLEMENTING REGULATION (EU) 2021/637 of 15 March 2021, laying down implementing technical standards with regard to public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013 of the European Parliament and of the Council and repealing Commission Implementing Regulation (EU) No 1423/2013, Commission Delegated Regulation (EU) 2015/1555, Commission Implementing Regulation (EU) 2016/200 and Commission Delegated Regulation (EU) 2017/2295 and with the dedicated Guidelines issued by European Banking Authority and Basel Committee:

- 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;
- EBA/ITS/2020/04 Technical Standards on Pillar III that implements changes introduced in the CRR2
- 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, 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 provides its users with quarterly frequency the relevant information (Regulation no. 876/2019 of European Parliament and Council, Article 447).

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 with REGULATION (EU) 2021/637 of 15 March 2021 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

Area	Regulation (EU) no 575/2013 article reference	Disclosure template	Reason for not disclosure
	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 March 31, 2022, UniCredit Bank does not have participations in insurance undertakings
Exposure to counterparty credit risk	439	EU CCR8 – Exposures to CCPs	As at March 31, 2022, UniCredit Bank does not have exposures to CCPs
		EU CCR6 – Credit derivatives exposures	As at March 31, 2022, 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 March 31, 2022, 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)
Securitizations		SEC1 – Securitization exposures in the banking book	UniCredit Bank does not perform securitization transactions
		SEC2 – Securitization exposures in the trading book	
		SEC3 – Securitization exposures in the banking book and associated regulatory capital requirements – bank acting as originator or as sponsor	
		SEC4 – Securitization exposures in the banking book and associated capital requirements – bank acting as investor	

2. SCOPE OF APPLICATION

2.1 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. ("DEBO"), 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. Considering that Debo's portfolio contracts expired in May 2021, the company was liquidated during December 2021.
- 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.

2.2 Entities deducted from Own Funds or added to RWA

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

As at 31 March 2022, UniCredit Bank does not hold at individual level significant investments in financial entities to be deducted from own funds according to the Article 48 from CRR.

As at 31 March 2022, 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.

2.3 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:

2.3.1 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.

2.3.2 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).

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

At UniCredit Bank SA level there is no adverse fiscal impact as a result of the potential prompt transfer of funds or debt repayment in advance in accordance with the Fiscal Code provisions in force starting with 1st of January 2017. At subsidiaries level, in hypothethical case of share capital distribution, there is no effect that could generate a fiscal impact.

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

The Budget for 2022 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.

2.3.5 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.

2.3.6 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.

2.3.7 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.

3. OWN FUNDS AND KEY METRICS

3.1 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 with Regulation (EU) 2021/637 of 15 March 2021 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	yes
15	Optional call date, contingent call dates and redemption amount (s. 9b)	yes
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	yes	yes
15	Optional call date, contingent call dates and redemption amount (s. 9b)	27/07/2022	29/12/2022
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	239,910,100	27-Jul-2017	27-Jul-2027	3 months	without anticipated reimbursement	One
2	UniCredit SPA	EUR	120,000,000	593,592,000	29-Dec-2017	29-Dec-2027	3 months	without anticipated reimbursement	One
Total			**168,500,000**	**833,502,100**					

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

The structure of the Own Funds (individual and consolidated) as at 31 March 2022 is presented below:

Reference	Item	Group	Bank	Reference for balance sheet
	Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	1,799,428,752	1,799,428,752	c+d
	of which: Instrument type 1	1,177,748,253	1,177,748,253	c
2	Retained earnings	3,646,496,182	3,145,216,625	i-j-m-n
3	Accumulated other comprehensive income (and other reserves)	219,606,597	219,606,597	k+e+f+g+h-l+n
EU-3a	Funds for general banking risk	111,064,174	111,064,174	l
4	Amount of qualifying items referred to in Article 484 (3) CRR and the related share premium accounts subject to phase out from CET1	-	-	
5	Minority interests (amount allowed in consolidated CET1)	-	-	
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	-	-	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**5,776,595,705**	**5,275,316,148**	
	Total regulatory adjustments to Common Equity Tier 1 (CET1)			
7	Additional value adjustments (negative amount)	14,831,983	14,831,983	
8	Intangible assets (net of related tax liability) (negative amount)	242,262,832	236,087,169	a-b
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	-	-	
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	-23,137,353	-23,137,353	
12	Negative amounts resulting from the calculation of expected loss amounts	-	-	
13	Any increase in equity that results from securitised assets (negative amount)	-	-	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-	-	
15	Defined-benefit pension fund assets (negative amount)	-	-	
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)	-	-	
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	-	
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-	

Reference	Item	Group	Bank	Reference for balance sheet
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-	
EU-25 a	Losses for the current financial year (negative amount)	-	-	
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	10,654,179	10,654,179	
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	-	-	
27a	Other regulatory adjustments	1,853,690	5,027,430	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**246,465,331**	**243,463,408**	
29	**Common Equity Tier 1 (CET1) capital**	**5,530,130,374**	**5,031,852,740**	
	Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	-	-	
33	Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1	-	-	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	-	-	
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)**	**-**	**-**	
	Tier 2 (T2) capital: instruments			
46	Capital instruments and the related share premium accounts	833,502,100	833,502,100	
50	Credit risk adjustments*	97,839,229	101,050,962	
51	**Tier 2 (T2) capital before regulatory adjustments**	**931,341,329**	**934,553,062**	
	Tier 2 (T2) capital: regulatory adjustments			
58	**Tier 2 (T2) capital**	**931,341,329**	**934,553,062**	
59	**Total capital (TC = T1 + T2)**	**6,461,471,703**	**5,966,405,802**	
60	**Total Risk exposure amount**	**31,945,894,845**	**26,540,584,010**	
	Capital ratios and requirements including buffers			
61	Common Equity Tier 1 capital	17.31%	18.96%	
62	Tier 1 capital	17.31%	18.96%	
63	Total capital	20.23%	22.48%	
64	Institution CET1 overall capital requirements	16.82%	15.60%	
65	of which: capital conservation buffer requirement	2.50%	2.50%	
66	of which: countercyclical capital buffer requirement	0.00%	0.00%	
67	of which: systemic risk buffer requirement	1.00%	0.00%	
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement	1.50%	0.00%	
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	0.00%	0.00%	
68	Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements	12.81%	14.82%	

**IRB Excess of provisions over expected losses eligible*

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

RON	Group	Bank	Reference
	31.03.2022	31.03.2022	
Assets			
Cash and cash equivalents	11,756,162,283	11,756,092,029	

RON	Group	Bank	Reference
	31.03.2022	31.03.2022	
Financial assets at fair value through profit or loss	326,169,739	326,169,739	
Derivatives assets designated as hedging instruments	98,990,345	98,990,345	
Loans and advances to banks at amortized cost	520,065,930	520,065,926	
Loans and advances to customers at amortized cost	30,552,066,325	28,629,196,042	
Net Lease receivables	3,683,507,838	-	
Debt securities at amortized cost	9,060,647,373	9,060,647,373	
Placements with banks at amortized cost	-	-	
Other financial assets at amortized cost	166,386,008	141,194,372	
Financial assets at fair value through other comprehensive income	1,696,224,054	1,693,878,093	
Investment in subsidiaries	-	143,115,683	
Property, plant and equipment	189,167,540	181,330,670	
Right of use assets	197,037,878	192,189,023	
Intangible assets	310,383,282	294,183,333	
of which: Subject of Regulation 2020/2176 and Intangible assets in progress	248,668,594	242,492,931	a
Current tax assets	568,092	-	
Deferred tax assets	149,472,319	66,703,000	
of which: Deferred tax regarding Intangible Assets	6,405,762	6,405,762	b
Other assets	123,483,707	81,724,035	
Non-current assets classified as held for sale	-	-	
Total assets	**58,830,332,713**	**53,185,479,663**	
Liabilities	-	-	
Financial liabilities at fair value through profit or loss	65,721,173	65,721,173	
Derivatives liabilities designated as hedging instruments	116,253,741	116,253,741	
Deposits from banks	599,562,401	599,562,401	
Loans from banks and other financial institutions at amortized cost	3,920,228,172	522,821,159	
Deposits from customers	42,082,657,342	42,287,926,497	
Debt securities issued	2,494,355,583	1,012,377,258	
Subordinated liabilities	943,727,474	834,902,274	
Other financial liabilities at amortized cost	1,133,951,673	1,070,155,932	
Lease liabilities	194,516,385	191,025,936	
Current tax liabilities	35,236,578	24,873,461	
Deferred tax liabilities	756	-	
Provisions	204,682,723	201,210,082	
Other liabilities	321,270,837	242,987,189	
Total liabilities	**52,112,164,838**	**47,169,817,103**	
Shareholders' equity	-	-	
Share capital	1,177,748,252	1,177,748,252	c
Share premium	621,680,499	621,680,499	d
Fair value changes of equity instruments measured at fair value through other comprehensive income	2,247,172	2,247,172	k
Cash flow hedging reserve	-23,137,352	-23,137,352	e
Reserve on financial assets at fair value through other comprehensive income	-61,444,073	-61,444,073	f
Revaluation reserve on property, plant and equipment	14,936,740	14,936,740	g
Other reserves	365,616,183	365,616,183	h
Retained earnings	4,462,871,986	3,918,015,140	i
Of which: Profit	199,994,953	156,417,664	j
Of which: Dividends	583,928,747	583,928,747	m
Of which: Reserves	32,452,104	32,452,104	n
Total equity for parent company	**6,560,519,219**	**6,015,662,560**	
Non-controlling interest	157,648,656	-	
Total Equity	**6,718,167,875**	**6,015,662,560**	
Total liabilities and equity	**58,830,332,713**	**53,185,479,663**	

3.2 Summary of Key Prudential Metrics

RON		31.03.2022	31.12.2021	30.09.2021	30.06.2021	31.03.2021
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1) capital	5,530,130,374	5,604,184,008	5,485,745,987	5,549,305,450	5,455,681,821
2	Tier 1 capital	5,530,130,374	5,604,184,008	5,485,745,987	5,549,305,450	5,455,681,821
3	Total capital	6,461,471,703	6,529,842,693	6,408,568,582	6,463,674,777	6,366,443,245
	Risk-weighted exposure amounts					
4	Total risk exposure amount	31,945,894,845	31,099,503,157	29,846,459,292	28,718,977,247	28,194,699,911
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	17.31%	18.02%	18.38%	19.32%	19.35%
6	Tier 1 ratio (%)	17.31%	18.02%	18.38%	19.32%	19.35%
7	Total capital ratio (%)	20.23%	21.00%	21.47%	22.51%	22.58%
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)					
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 7b	of which: to be made up of CET1 capital (percentage points)	6.65%	6.02%	6.02%	6.02%	6.02%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	8.87%	8.03%	8.03%	8.03%	8.03%
EU 7d	Total SREP own funds requirements (%)	11.82%	10.71%	10.71%	10.71%	10.71%
	Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2.50%	2.50%	2.50%	2.50%	2.50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.00%	0.00%	0.00%	0.00%	0.00%
9	Institution specific countercyclical capital buffer (%)	0.00130%	0.00259%	0.00180%	0.00114%	0.00003%
EU 9a	Systemic risk buffer (%)	1.00%	0.00%	0.00%	0.00%	0.00%
10	Global Systemically Important Institution buffer (%)	0	0	0	0	0
EU 10a	Other Systemically Important Institution buffer (%)	1.50%	1.00%	1.00%	1.00%	1.00%
11	Combined buffer requirement (%)	5.00%	3.50%	3.50%	3.50%	3.50%
EU 11a	Overall capital requirements (%)	16.82%	14.21%	14.21%	14.21%	14.21%
12	CET1 available after meeting the total SREP own funds requirements (%)	6.65%	6.02%	6.02%	6.02%	6.02%
	Leverage ratio					
13	Total exposure measure	65,056,957,668	62,159,867,169	59,691,273,488	55,971,849,138	56,552,426,056
14	Leverage ratio (%)	8.50%	9.02%	9.19%	9.91%	9.65%
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 14b	of which: to be made up of CET1 capital (percentage points)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 14c	Total SREP leverage ratio requirements (%)	0.00%	0.00%	0.00%	0.00%	0.00%
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					

RON		31.03.2022	31.12.2021	30.09.2021	30.06.2021	31.03.2021
EU 14d	Leverage ratio buffer requirement (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 14e	Overall leverage ratio requirement (%)	3.00%	3.00%	3.00%	3.00%	0.00%
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	17,508,678,849	17,273,019,538	17,202,930,273	17,149,319,865	17,150,604,397
EU 16 a	Cash outflows - Total weighted value	15,223,340,886	14,919,744,619	14,699,106,329	14,440,729,641	14,213,596,125
EU 16 b	Cash inflows - Total weighted value	4,419,212,563	4,344,836,583	4,362,580,389	4,411,429,304	4,479,434,720
16	Total net cash outflows (adjusted value)	10,804,128,323	10,574,908,036	10,336,525,940	10,029,300,337	9,734,161,406
17	Liquidity coverage ratio (%)	162.06%	163.34%	166.43%	170.99%	176.19%
	Net Stable Funding Ratio					
18	Total available stable funding	41,185,048,487	39,571,899,021	37,655,218,179	36,664,152,339	36,370,162,982
19	Total required stable funding	25,832,208,172	24,829,395,127	23,600,574,613	22,076,223,520	21,988,845,371
20	NSFR ratio (%)	159.43%	159.38%	159.55%	166.08%	165.40%

4. CAPITAL REQUIREMENTS

4.1 General comment

Capital Adequacy Assessment

During March 2022, it was continued the sustained process for enhancing 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 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.

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.

The 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.

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.

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
		31.03.2022	31.12.2021	31.03.2022	31.03.2022	31.12.2021	31.03.2022
1	**Credit risk (excluding CCR)**	**28,752,086,757**	**27,984,162,969**	**2,300,166,941**	**24,080,911,337**	**23,533,478,305**	**1,926,472,907**
2	Of which the standardised approach	12,597,023,808	12,790,333,645	1,007,761,905	7,390,559,476	7,806,606,005	591,244,758
3	Of which the Foundation IRB (F-IRB) approach	16,155,062,950	15,193,829,324	1,292,405,036	16,690,351,861	15,726,872,300	1,335,228,149
4	Of which slotting approach	-	-	-	-	-	-
EU 4a	Of which equities under the simple risk weighted approach	201,187,632	195,518,352	16,095,011	730,715,659	725,046,380	58,457,253
5	Of which the Advanced IRB (A-IRB) approach	-	-	-	-	-	-
6	**Counterparty credit risk - CCR**	**184,456,445**	**161,246,976**	**14,756,516**	**184,456,445**	**161,246,976**	**14,756,516**
7	Of which the standardised approach	-	-	-	-	-	-
8	Of which internal model method (IMM)	1,307,237	-	104,579	1,307,237	-	104,579
EU 8a	Of which exposures to a CCP	-	-	-	-	-	-
EU 8b	Of which credit valuation adjustment - CVA	12,394,671	2,348,824	991,574	12,394,671	2,348,824	991,574
9	Of which other CCR	-	-	-	-	-	-
15	**Settlement risk**	**-**	**-**	**-**	**-**	**-**	**-**
16	Securitisation exposures in the non-trading book (after the cap)	-	-	-	-	-	-
17	Of which SEC-IRBA approach	-	-	-	-	-	-
18	Of which SEC-ERBA (including IAA)	-	-	-	-	-	-
19	Of which SEC-SA approach	-	-	-	-	-	-
EU 19a	Of which 1250% / deduction	-	-	-	-	-	-
20	**Position, foreign exchange and commodities risks (Market risk)**	**136,560,592**	**85,725,956**	**10,924,847**	**136,560,592**	**85,725,956**	**10,924,847**
21	Of which the standardised approach	136,560,592	85,725,956	10,924,847	136,560,592	85,725,956	10,924,847
22	Of which IMA	-	-	-	-	-	-
EU 22a	**Large exposures**	**-**	**-**	**-**	**-**	**-**	**-**
23	**Operational risk**	**2,872,791,050**	**2,868,367,257**	**229,823,284**	**2,138,655,636**	**2,134,231,843**	**171,092,451**
EU 23a	Of which basic indicator approach	734,135,414	734,135,414	58,730,833	-	-	-
EU 23b	Of which standardised approach	-	-	-	-	-	-
EU 23c	Of which advanced measurement approach	2,138,655,636	2,134,231,843	171,092,451	2,138,655,636	2,134,231,843	171,092,451
24	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	**-**	**-**	**-**	**-**	**-**	**-**
29	**Total**	**31,945,894,845**	**31,099,503,157**	**2,555,671,588**	**26,540,584,010**	**25,914,683,080**	**2,123,246,721**

4.2 Capital Planning

Tier 1 capital is the core measure of the Group's 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 March 2022, the Bank did not hold additional Tier 1 instruments, therefore Core Tier 1 ratio was calculated at the level of Tier 1 ratio, with a consolidated level of 17.31%, 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 the total capital ratio (solvency ratio) of 13.10% at individual level and 11.82% at consolidated level.

The total minimum capital requirements (including Pillar I and Pillar II buffers) is 15.60% at individual level and 16.82% at sub-consolidated level.

4.3 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. 8/2018, Order no. 7/2021 and Order no. 33/2022:

Capital requirements - Pillar I	Group	Bank
Capital conservation buffer	2.50%	2.50%
Countercyclical capital buffer	0.0013%	0.0016%
O-SII buffer	1.5%	-
Systemic risk buffer	1%	-
Combined buffer requirement	5.00%	2.50%

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 13.10% at individual level and 11.82% at sub-consolidated level.

Solvency ratio - minimum requirements including Pillar I & II buffers	31.03.2022		
	NBR Supervisory Report – SREP	Capital buffers	TOTAL
- individual level			
CET 1 ratio	7.37%	2.50%	9.87%
Tier 1 ratio	9.83%		12.33%
Total capital ratio	**13.10%**		**15.60%**
-sub-consolidated level			
CET 1 ratio	6.65%	5.00%	11.65%
Tier 1 ratio	8.87%		13.87%
Total capital ratio	**11.82%**		**16.82%**

Other Systemically Important Institutions buffer

As per National Bank of Romania Order no. 7/2021, 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 1.5% of the total risk weighted exposure, calculated as per art. 92(3) of EU Regulation no. 575/2013 on prudential requirements for credit institutions, had to be maintained by the bank at sub-consolidated level, starting with 01.01.2022.

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 the first quarter of 2022 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.

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 2021, 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 01.01.2021, with semi-annual review.

Countercyclical capital buffer

As per National Bank of Romania Order no.12/2015, during the first quarter of 2022, UniCredit Bank applied a countercyclical capital buffer between 0% and 0.0016% of the total risk weighted exposure on Romanian entities, calculated as per art. 92(3) of EU Regulation no. 575/2013 on prudential requirements for credit institutions.

As of 31.03.2022, 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 0.0016% at individual level and of 0.0013% sub-consolidated level, driven by the exposures on non – Romanian entities.

4.4 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. CREDIT RISK

5.1 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, in the Bank implemented rating systems (through consideration of quantitative factors, qualitative factors and payment behavior related factors), for all categories of clients in order to 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.

6. EXPOSURE TO COUNTERPARTY RISK

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

Counterparty credit risk is classified into two categories:

- Pre-settlement risk - counterparty risk in connection with treasury transactions in which the counterparty defaults after entering into the transaction and remains in default until the settlement date and the transaction must be replaced at less favorable market conditions;

- Settlement risk - counterparty risk under treasury transactions in which the Bank performs a transaction (payment) on the settlement day, while the counterparty has not met its obligations yet.

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

The Bank does not hold credit derivatives hedges.

The counterparty credit risk concerns information on exposures subject to counterparty credit risk in application of Chapters 4 and 6 of Title II of Part Three CRR, with amendments.

Regarding SA-CCR methodology (in place since June'21, replacing CEM approach), the Basel Committee's main objectives are:

- application to a wide variety of derivatives transactions (margined and un-margined, as well as bilateral and cleared);
- simple and easy implementation;
- fix known deficiencies of the CEM (Current Exposure Method) and the SM (Standardized Method);
- minimize discretion used by national authorities and banks;
- improve the risk sensitivity of the capital framework without creating undue complexity.

7.

7. MARKET RISK

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, foreign exchange position limits, as well as monitoring risk appetite framework defined according to internal policies and procedures;
- Exposure to market risk is generated only by Markets (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 Financial 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.

Interest Rate Risk - 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.

IRRBB management is performed within Markets and Finance departments.

Financial Risk supports the process by **development of behavioral models for interest rate risk** and **applying hedge accounting techniques**.

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 stress scenarios 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 worst outcome of the Supervisory Outlier Tests - which in the case of UCB Romania is the "parallel up" scenario - is measured against Tier 1 Own funds.

The evolution of the IRRBB RAF KPIs during Q1/2022 at standalone and consolidated level is presented in the table below:

RAF		2022					
Interest Rate Risk in the Banking Book KPIs	**RO Consolidated**	**Target**	**Trigger**	**Limit**	**31-Jan**	**28-Feb**	**31-Mar**
	NII Sensitivity (% of budget)	**> -11.5%**	**-11.5%**	**-15.0%**	-7.47%	-6.57%	-5.95%
	EV Sensitivity (% tier 1 capital)	**> -14.0%**	**-14.0%**	**-15.0%**	-6.58%	-4.97%	-4.41%
	UCB Standalone	**Target**	**Trigger**	**Limit**	**31-Jan**	**28-Feb**	**31-Mar**
	NII Sensitivity (% of budget)	**> -11.5%**	**-11.5%**	**-15.0%**	-9.18%	-8.03%	-7.04%
	EV Sensitivity (% of tier 1 capital)	**> -14.0%**	**-14.0%**	**-15.0%**	-6.98%	-5.23%	-4.65%

Starting with 30-Jun-21 an "add-on" was considered for economic value sensitivity in order to stress the stable part of the non maturing deposits considered insensitive to interest rates and included in the behavioral model.

UCB	worst case scenario of SOT		T1 Own Funds	%	Limit	Trigger
31-Jan-22	-72,000,881	paralel up	1,032,202,999	-6.98%	-15.00%	-14.00%
28-Feb-22	-54,027,414	paralel up	1,032,202,999	-5.23%	-15.00%	-14.00%
31-Mar-22	-47,976,424	paralel up	1,032,202,999	-4.65%	-15.00%	-14.00%

RO	worst case scenario of SOT		T1 Own Funds	%	Limit	Trigger
31-Jan-22	-74,570,929	paralel up	1,132,593,118	-6.58%	-15.00%	-14.00%
28-Feb-22	-56,267,966	paralel up	1,132,593,118	-4.97%	-15.00%	-14.00%
31-Mar-22	-49,953,053	paralel up	1,132,593,118	-4.41%	-15.00%	-14.00%

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 31.03.2022 the value of the granular indicators versus limits is as per tables below:

BP01 Bank Book UCB	*(EUR)*	0-3M	3M-1Y	1Y-3Y	3Y-10Y	10Y+	SUM
	Total ccys	3,356	5,836	56,264	130,480	8,451	68,245
	Limit	**40,000**	**40,000**	**190,000**	**280,000**	**50,000**	**300,000**
	Usage	8.39%	14.59%	29.61%	46.60%	16.90%	22.75%
	(EUR)	**SUM**	**no limit breach**				
	EUR	216,047					
	Limit	**330,000**					
	Usage	65.47%					

VAR	*(EUR mio)*	Exposure	Limit	Usage	Exposure	Limit	Usage
		UCB			RO Group		
	Bank Book	14.33	**21.00**	**68.25%**	14.19	**21.00**	**67.55%**
	IRR	4.47	**12.00**	37.25%	4.55	-	

C) Stress tests for IRRBB – measured on a monthly basis

Several stress scenarios for IRRBB are run monthly 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-Jan-22**		**28-Feb-22**		**31-Mar-22**	
Own Funds Total / T1	**1,206.66**	**1,018.94**	**1,198.14**	**1,010.42**	**1,206.16**	**1,017.23**
Regulatory IR Stress Test (BB)		**% Total OF**		**% Total OF**		**% total OF**
1 parallel shift + 200bps	-12.64	1.05%	2.29	0.19%	13.98	1.16%
2 parallel shift - 200bps	25.87	2.14%	-2.08	0.17%	-14.43	1.20%
IRRBB Basel definition (BB)		**% T1 OF**		**% T1 OF**		**% T1 OF**
1 parallel shift + 200bps	-12.64	1.24%	2.29	0.23%	13.98	1.37%
2 parallel shift - 200bps	25.87	2.54%	-2.08	0.21%	-14.43	1.42%
3 Basel Parallel shock up	-44.42	4.36%	-23.54	2.33%	-8.82	0.87%
4 Basel Parallel shock sown	69.03	6.78%	29.94	2.96%	20.42	2.01%
5 Basel Steepening (sr down, lr up)	8.87	0.87%	13.05	1.29%	18.60	1.83%
6 Basle Flattening (sr up, le down)	-18.96	1.86%	-20.84	2.06%	-21.66	2.13%
7 Basel Short rates up	-37.49	3.68%	-29.58	2.93%	-26.45	2.60%
8 Basel Short rates down	44.72	4.39%	33.62	3.33%	30.22	2.97%
Maximum		**6.78%**		**3.33%**		**2.97%**
Supervisory Outlier Test		**% T1 OF**		**% T1 OF**		**% T1 OF**
1 parallel shift + 200bps	-36.10	3.54%	-24.08	2.38%	-19.31	1.90%
1 parallel shift - 200bps	4.63	0.45%	-11.89	1.18%	-27.82	2.73%
3 Basel Parallel shock up	-72.00	7.07%	-54.03	5.35%	-47.98	4.72%
4 Basel Parallel shock sown	24.01	2.36%	1.96	0.19%	-11.48	1.13%
5 Basel Steepening (sr down, lr up)	5.61	0.55%	7.93	0.78%	4.44	0.44%
6 Basle Flattening (sr up, le down)	-20.01	1.96%	-21.66	2.14%	-25.49	2.51%
7 Basel Short rates up	-47.79	4.69%	-40.98	4.06%	-29.46	2.90%
8 Basel Short rates down	14.38	1.41%	7.53	0.75%	5.34	0.52%
Maximum		**7.07%**		**5.35%**		**4.72%**

RO Group Consolidated	Million EUR					
Period	**31-Jan-22**		**28-Feb-22**		**31-Mar-22**	
Own Funds Total / T1	**1,280.50**	**1,093.36**	**1,280.19**	**1,093.10**	**1,306.25**	**1,117.97**
Regulatory IR Stress Test (BB)		**% Total OF**		**% Total OF**		**% total OF**
1 parallel shift + 200bps	-15.15	1.18%	0.09	0.01%	11.91	0.91%
2 parallel shift - 200bps	28.67	2.24%	0.39	0.03%	-12.08	0.92%
IRRBB Basel definition (BB)		**% T1 OF**		**% T1 OF**		**% T1 OF**
1 parallel shift + 200bps	-15.15	1.39%	0.09	0.01%	11.91	1.07%
2 parallel shift - 200bps	28.67	2.62%	0.39	0.04%	-12.08	1.08%
3 Basel Parallel shock up	-47.70	4.36%	-26.41	2.42%	-11.44	1.02%
4 Basel Parallel shock sown	72.79	6.66%	33.25	3.04%	23.47	2.10%
5 Basel Steepening (sr down, lr up)	9.95	0.91%	13.99	1.28%	19.36	1.73%
6 Basle Flattening (sr up, le down)	-20.62	1.89%	-22.30	2.04%	-22.89	2.05%
7 Basel Short rates up	-40.25	3.68%	-31.99	2.93%	-28.54	2.55%
8 Basel Short rates down	47.59	4.35%	36.15	3.31%	32.42	2.90%
Maximum		**6.66%**		**3.31%**		**2.90%**
Supervisory Outlier Test		**% T1 OF**		**% T1 OF**		**% T1 OF**
1 parallel shift + 200bps	-37.90	3.47%	-25.65	2.35%	-20.74	1.86%
1 parallel shift - 200bps	5.76	0.53%	-10.79	0.99%	-26.49	2.37%
3 Basel Parallel shock up	-74.57	6.82%	-56.27	5.15%	-49.95	4.47%
4 Basel Parallel shock sown	25.61	2.34%	3.48	0.32%	-9.80	0.88%
5 Basel Steepening (sr down, lr up)	6.05	0.55%	8.30	0.76%	4.86	0.44%
6 Basle Flattening (sr up, le down)	-21.35	1.95%	-22.80	2.09%	-26.41	2.36%
7 Basel Short rates up	-50.03	4.58%	-42.90	3.92%	-31.07	2.78%
8 Basel Short rates down	15.66	1.43%	8.77	0.80%	6.55	0.59%
Maximum		**6.82%**		**5.15%**		**4.47%**

8. 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		2022 Q1	2021 Q4
1	Total assets as per published financial statements	58,830,332,713	55,912,868,594
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	-	-
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	-	-
4	(Adjustment for temporary exemption of exposures to central banks (if applicable))	-	-
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) CRR)	-	-
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	-	-
7	Adjustment for eligible cash pooling transactions	8,763,770	5,603,917
8	Adjustment for derivative financial instruments	203,830,293	200,237,966
9	Adjustment for securities financing transactions (SFTs)	-	-
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	6,330,809,190	6,269,396,812
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	-	-
EU-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-	-
EU-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) CRR)	-	-
12	Other adjustments	-316,778,298	-228,240,121
13	**Total exposure measure**	**65,056,957,668**	**62,159,867,169**

LRCom: Leverage Ratio Common Disclosure

The template presents Leverage Ratio as at 31 March 2022 and the split of the main exposures according with CRR Art. 429 and 451.

		CRR leverage ratio exposures	
		2022 Q1	2021 Q4
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	50,909,320,446	50,001,939,018
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-

		CRR leverage ratio exposures	
		2022 Q1	**2021 Q4**
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	-
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	-
5	(General credit risk adjustments to on-balance sheet items)	-	-
6	(Asset amounts deducted in determining Tier 1 capital)	-258,948,505	-232,412,406
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**50,650,371,941**	**49,769,526,612**
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	103,069,769	49,772,982
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	-	-
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	203,830,293	200,237,966
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	-	-
EU-9b	Exposure determined under Original Exposure Method	-	-
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	-	-
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	-	-
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (Original Exposure Method)	-	-
11	Adjusted effective notional amount of written credit derivatives	-	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
13	**Total derivatives exposures**	**306,900,062**	**250,010,948**
SFT Securities Financing Transaction exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	7,768,876,475	5,870,932,797
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	Counterparty credit risk exposure for SFT assets	-	-
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR	-	-
17	Agent transaction exposures	-	-
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	-	-
18	**Total securities financing transaction exposures**	**7,768,876,475**	**5,870,932,797**
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	20,955,342,248	20,386,059,931
20	(Adjustments for conversion to credit equivalent amounts)	-14,444,052,517	-13,918,152,076
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated associated with off-balance sheet exposures)	-180,480,541	-198,511,042
22	**Off-balance sheet exposures**	**6,330,809,190**	**6,269,396,812**
Excluded exposures			
EU-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-	-
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a(1) CRR (on and off balance sheet))	-	-
EU-22c	(Excluded exposures of public development banks (or units) - Public sector investments)	-	-
EU-22d	(Excluded exposures of public development banks (or units) - Promotional loans)	-	-
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units))	-	-
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	-	-
EU-22g	(Excluded excess collateral deposited at triparty agents)	-	-
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	-	-
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)	-	-

		CRR leverage ratio exposures	
		2022 Q1	2021 Q4
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	-	-
EU-22k	**(Total exempted exposures)**	**-**	**-**
Capital and total exposure measure			
23	**Tier 1 capital**	**5,530,130,374**	**5,604,184,008**
24	**Total exposure measure**	**65,056,957,668**	**62,159,867,169**
Leverage ratio			
25	**Leverage ratio (%)**	**8.50%**	**9.02%**
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	0.00%	0.00%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	0.00%	0.00%
26	Regulatory minimum leverage ratio requirement (%)	3.00%	3.00%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%
EU-26b	of which: to be made up of CET1 capital	0.00%	0.00%
27	Leverage ratio buffer requirement (%)	0.00%	0.00%
EU-27 a	Overall leverage ratio requirement (%)	3.00%	3.00%
Choice on transitional arrangements and relevant exposures			
EU-27b	Choice on transitional arrangements for the definition of the capital measure	Fully phased in	Fully phased in
Disclosure of mean values			
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable	6,414,733,922	5,721,775,246
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	7,767,658,312	5,870,932,797
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	-	-
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	-	-
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	-	-
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	-	-

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.

9. LIQUIDITY RISK

9.1 Liquidity

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

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

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

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

Strategic Principles:

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

Strategic Goals:

- Optimization of the liquidity profile in line with liquidity limits in place and local regulatory framework, maximizing cost savings without sacrificing funding diversification;
- Self-sufficiency target fulfillment by achieving a sound commercial funding base and creating a foundation for full compliance with the relevant Risk Appetite Framework metrics;
- Achievement of main KPIs for each year in accordance with the Risk Appetite Framework, designed as quantitative targets defined in the yearly Funding Plan for, among others, the Liquidity Coverage Ratio and the Funding Gap;
- Achievement of the necessary resilience towards stress scenario through building sufficient stock of the Counter Balancing Capacity;

- Exploring the advantage of cheaper sources like Covered Bond or Supranational Funding and evaluating the relevant maturities of medium/long term issuances;
- Keeping the funding dependency on short term wholesale external funding to a reasonable level necessary for reciprocity;
- Efficient management of the trading/investment book financing (mitigating the use of intragroup funding) in compliance with intragroup rules for bond investments, as well as market risk and credit risk limits.

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

Key Principles:

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

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

Roles and Responsibilities

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

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

In particular, 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.

Risk Measurement and Reporting

Techniques for risk measurement

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

Liquidity Framework

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

- **Intraday liquidity management**

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

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

Short term liquidity management and reporting focuses on the Bank's liquidity profile from 1 day up to one year.

The aim of short term liquidity management is to maintain a sustainable equilibrium between cash inflows and cash outflows for the purpose of ensuring the normal operational continuity of the UniCredit bank's commercial business. The main activities for attaining such purpose are:

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

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

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

- **Name Crisis** - defined as a factual or market-hypothesized problem specific to the Bank, expected to cause a substantial reduction in counterparty limits by rating-sensitive costumers and inter-bank markets and possible withdrawal of Sight and Saving Deposits
- **Market Downturn** - defined as a generally negative development in the market's environment (e.g. broad sector, market or economic events) causing an increased stretch on available liquidity
- **Combined** - highlights the interconnections that stem from the happening of both economic turmoil and Bank's specific issues

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

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

Monitoring and Reporting

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

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

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

The 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.

During the first quarter of 2022, the significant currencies for LCR reporting were RON and EUR. From a currency mismatch point of view, during the first quarter of 2022 there were some significant amounts in EUR reverse repo transactions, while the main funding sources are made up of deposits denominated mostly in the national currency from the retail and corporate customers, as well as deposits and credit facilities in EUR received from group entities and supranational institutions. The mentioned reverse repo transactions had short maturities, under 30 days, and were collateralised by high quality level 1 government bonds and interbank deposits

The following table presents, on a consolidated level, the LCR average in RON equiv. for first quarter of 2022. The number of observations for determining the average is 12, with figures coming from monthly reports from September 2021 and the previous months.

LIQ1: Liquidity Coverage Ratio

		Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on (DD Month YYY)	**31.03.2022**	**31.12.2021**	**30.09.2021**	**30.06.2021**	**31.03.2022**	**31.12.2021**	**30.09.2021**	**30.06.2021**
EU 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
	HIGH-QUALITY LIQUID ASSETS								
1	**Total high-quality liquid assets (HQLA)**					**17,508,678,849**	**17,273,019,538**	**17,202,930,273**	**17,149,319,865**
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	16,520,169,434	16,111,745,530	15,817,832,880	15,408,314,246	1,410,508,000	1,375,342,903	1,356,105,354	1,331,034,088
3	Stable deposits	8,920,787,269	8,725,718,596	7,301,726,114	7,537,364,218	446,039,363	436,285,930	428,154,217	407,977,412
4	Less stable deposits	7,554,747,825	7,332,465,727	6,033,051,117	6,428,793,211	964,468,636	939,056,973	932,515,282	923,056,676
5	Unsecured wholesale funding	19,966,124,878	19,512,190,517	16,302,979,788	17,149,305,769	9,184,990,845	9,030,492,223	8,929,097,095	8,587,694,312
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	719,166,467	709,350,232	941,918,401	722,432,872	170,026,743	167,374,640	158,163,471	139,014,398
7	Non-operational deposits (all counterparties)	19,246,413,241	18,802,433,735	15,361,061,387	16,426,872,898	9,014,418,931	8,862,711,033	8,770,933,624	8,448,679,914
8	Unsecured debt	545,171	406,550	-	-	545,171	406,550	-	-
9	Secured wholesale funding					-	-	-	-
10	Additional requirements	5,950,964,886	5,698,897,740	7,775,079,322	6,523,596,071	3,314,709,434	3,248,143,724	3,280,641,026	3,331,570,988
11	Outflows related to derivative exposures and other collateral requirements	3,060,324,912	3,014,075,334	6,230,327,099	4,724,421,605	3,060,324,912	3,014,075,334	3,077,683,687	3,150,340,616
12	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
13	Credit and liquidity facilities	2,890,639,974	2,684,822,406	2,402,098,687	2,184,544,050	254,384,522	234,068,390	202,957,339	181,230,371
14	Other contractual funding obligations	726,925,201	689,506,935	679,623,010	634,068,059	666,031,094	629,485,743	620,898,738	575,923,628
15	Other contingent funding obligations	14,609,391,451	14,390,666,830	14,446,980,234	14,480,113,643	647,101,513	636,280,026	639,558,729	614,506,625
16	**TOTAL CASH OUTFLOWS**					**15,223,340,886**	**14,919,744,619**	**14,699,106,329**	**14,440,729,641**
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	5,508,891,212	5,232,942,882	5,250,955,010	5,268,817,978	-	-	-	-
18	Inflows from fully performing exposures	1,995,831,344	1,974,751,350	1,934,401,745	1,901,271,387	1,227,214,115	1,198,075,847	1,152,873,946	1,141,467,031
19	Other cash inflows	3,284,246,599	3,231,352,565	3,267,707,136	3,305,726,544	3,191,998,447	3,146,760,735	3,209,706,443	3,269,962,274
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					-	-	-	-
EU-19b	(Excess inflows from a related specialized credit institution)					-	-	-	-
20	**TOTAL CASH INFLOWS**	**10,788,969,156**	**10,439,046,796**	**10,453,063,891**	**10,475,815,909**	**4,419,212,563**	**4,344,836,583**	**4,362,580,389**	**4,411,429,304**
EU-20a	Fully exempt inflows	-	-	-	-	-	-	-	-
EU-20b	Inflows subject to 90% cap	-	-	-	-	-	-	-	-
EU-20c	Inflows subject to 75% cap	10,788,969,156	10,439,046,796	10,453,063,891	10,475,815,909	4,419,212,563	4,344,836,583	4,362,580,389	4,411,429,304
TOTAL ADJUSTED VALUE									
EU-21	LIQUIDITY BUFFER					17,508,678,849	17,273,019,538	17,202,930,273	17,149,319,865

		Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on (DD Month YYY)	31.03.2022	31.12.2021	30.09.2021	30.06.2021	31.03.2022	31.12.2021	30.09.2021	30.06.2021
EU 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
22	**TOTAL NET CASH OUTFLOWS**					**10,804,128,323**	**10,574,908,036**	**10,468,284,699**	**10,029,300,337**
23	**LIQUIDITY COVERAGE RATIO**					**162.06%**	**163.34%**	**164.33%**	**170.99%**

During Q1 2022, the LCR level was comfortably above regulatory requirements (100%), as well as exceeding the internally targeted level by the Bank which is above the regulated level. Furthermore, UniCredit Bank calculates on daily basis the LCR and monitors very tightly the evolution of the indicator 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. The bank started in H1 2020 to create a HTC bonds portfolio.

During March 2021 – March 2022, UniCredit Bank maintained an adequate level of the NSFR, with an average for the last 6 quarters over 160%, stable funding covering the medium-long term assets. At consolidated level the average NSFR for the last 4 quarters was 161.11%

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, the bank considers in current business strategy a priority to gather retail deposits.

The evolution of the NSFR indicator during the last 12 quarters at consolidated level is presented in the table below:

Data	Total ASF	Total RSF	Ratio	Exchange Rate
30-Jun-19	34,253,891,727	22,124,678,921	154.82%	4.7351
30-Sep-19	33,088,074,603	22,398,209,660	147.73%	4.7511
31-Dec-19	36,093,851,569	22,630,827,937	159.49%	4.7793
31-Mar-20	36,129,829,067	22,485,120,639	160.68%	4.8254
30-Jun-20	35,658,673,433	20,576,147,125	173.30%	4.8423
30-Sep-20	36,255,277,123	21,151,131,613	171.41%	4.8698
30-Dec-20	37,248,331,575	21,202,491,856	175.68%	4.8694
31-Mar-21	36,370,162,982	21,988,845,371	165.40%	4.9251
30-Jun-21	36,664,152,339	22,076,223,520	166.08%	4.9267
30-Sep-21	37,655,218,179	23,600,574,613	159.55%	4.9471
31-Dec-21	39,571,899,021	24,829,395,127	159.38%	4.9481
31-Mar-22	41,185,048,487	25,832,208,172	159.43%	4.9466

The next table presents the NSFR summary as of March 2022:

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:**	**-**	**-**	**-**	**6,697,282,855**	**6,697,282,855**
2	*Regulatory capital*	-	-	-	6,697,282,855	6,697,282,855
3	*Other capital instruments*	-	-	-	-	-
4	Retail deposits and deposits from small business customers:	-	15,541,309,653	-	3,093,575,153	17,504,164,228
5	*Stable deposits*	-	8,468,207,761	-	1,466,617,844	9,511,415,218
6	*Less stable deposits*	-	7,073,101,892	-	1,626,957,308	7,992,749,011
7	Wholesale funding:	-	24,071,250,644	794,843,368	3,299,210,756	14,808,933,209
8	*Operational deposits*	-	602,135,954	-	-	78,820,978
9	*Other wholesale funding*	-	23,913,608,688	794,843,368	3,299,210,756	2,657,031,622
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	-	1,439,465,281	1,481,978,325	1,433,679,033	2,174,668,195
12	*NSFR derivative liabilities*		168,461,530	-	-	
13	*All other liabilities and equity not included in the above categories*		1,271,003,751	1,481,978,325	1,433,679,033	2,174,668,195
14	**Total ASF**					**41,185,048,487**
Required stable funding (RSF) item						
15	**Total NSFR high-quality liquid assets (HQLA)**					**560,282,160**
16	Assets encumbered for a residual maturity of one year or more in a cover pool		-	-	-	**-**
17	Deposits held at other financial institutions for operational purposes		8,116,590,304	524,408,575	958,645,443	1,255,708,316
18	Performing loans and securities:		7,533,457,299	6,587,910,033	18,901,355,216	21,368,766,119
19	*Performing loans to financial institutions secured by Level 1 HQLA*		-	-	-	-
20	*Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions*		-	-	-	-
21	*Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:*		-	-	-	-
22	*With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk*		-	-	-	-
23	*Performing residential mortgages, of which:*		-	-	-	-
24	*With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk*		-	-	-	-
25	*Securities that are not in default and do not qualify as HQLA, including exchange-traded equities*		-	-	-	-
26	Assets with matching interdependent liabilities		-	-	-	-
27	Other assets:		-	-	1,701,968,671	1,701,968,671
28	*Physical traded commodities, including gold*					-
29	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		-	-	-	-
30	*NSFR derivative assets*		168,461,530	-	-	8,423,077

RON equivalent		Unweighted value by residual maturity				Weighted value
		No maturity	<6 months	6 months to <1 year	≥1 year	
31	*NSFR derivative liabilities before deduction of variation margin posted*		-	-	-	-
32	*All other assets not included in the above categories*		-	-	-	-
33	Off-balance sheet items		709,470,136	264,103,122	8,131,614,191	937,059,828
34	**Total RSF**					**25,832,208,172**
35	**Net Stable Funding Ratio (%)**					**159.43%**

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

Risk Mitigation

The main liquidity mitigation factors for UniCredit Bank are:

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

Funding Plan

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

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

Contingency Liquidity Management

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

- setup of an extraordinary liquidity crisis governance model, linked to a set of early warning indicators, that can be activated in case of a crisis;
- pre-definition of a set of available standby mitigating liquidity actions in order to be able to proceed timely;
- consistent internal and external communication crisis.

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

Early warning indicators

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

Concentration of funding and liquidity sources

At the end of Q1 2022 the customer deposits were ~90% of the total debt (on standalone level). Of the total resources from non-banking customers, ~40% were deposits from retail customers, ~53% from corporate customers, the difference being deposits from PB customers and other financial customers excluding banks.

Is important to be underlined that the share of retail customers continuously increased in total resources from non-banking customers due to the measures taken by the bank to decrease its resources dependency on wholesale customers.

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.

9.2 Liquidity Buffer and Funding strategy

Liquidity Buffer

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

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

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

Liquidity and Funding strategy

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

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

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

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

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

10. COVID-19 OUTBREAK CONTEXT

10.1 COVID- 19 - Overview of the measures taken by ECB, EBA and NBR

During 2020 and 2021 the Board of Directors 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.

These measures are detailed in all transparency report (Pillar 3 report) disclosed during 2020 and in transparency report (Pillar 3 report) disclosed during Q1 2021. All transparency reports are published on the Bank's website in the Financial Reports section.

During 2020, 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) pandemic on households and Romanian companies.

In 2021 the NBR additionally took the following measures:

- After cut the monetary policy rate by one percentage point (pp) in total during 2020 year, the NBR completed the relaxation cycle in January 2021 by a last cut with 0.25 pp to 1.25%;
- As result of decrease of uncertainties regarding economic and financial developments, the NBR Board of Directors announced in March that it approved the calendar of meetings on monetary policy issues for 2021, after it was suspended during the previous year, and monetary policy meetings were held whenever necessary.

The historically low interst rates in 2020 and in the first 9 months of 2021 represented a rather exceptional situation triggered by the unprecedented measures taken by the government to encourage the economic growth in the tough conditions caused by Covid-19.

On the backdrop of the rising inflation starting 4Q 2021 (annual inflation 8.2% in Dec-2021) and especially in HY22, mainly driven by higher prices for energy and food, BNR decided to start the monetary tightening with 25bp in 4Q 2021, than by 50bp in 1Q 2022 and in April and accelerated to 75bp in May, hiking the key rate up to 3.75% (from 1.25%) to fight the record high inflation (13.8% in April).

The rising inflation is driven by higher energy and commodity prices following the Russia's invasion in Ukraine on February 24, 2022 but also the transition to a greener energy production. Higher prices for oil, gas and agricultural commodities could spill over to inflation in CEE countries - Romania being among the most affected due to a higher weight of food prices in the consumer basket (~33%). Therefore, the oil and gas prices continued to increase at a fast pace in Romania, despite the cap imposed by Parliament by end-March 2022, measure prolonged by March 31, 2023.

In the context of increasing macroeconomic imbalances, reflected by the large twin deficits, accelerating inflation and constraints imposed by Excessive Deficit Procedure and PNRR, the Government margin for tax reduction could very limited, not been excluded tax hikes.

Potential higher inflation driven by increased energy prices and disruptions in the production chain adding could result into higher wage pressure as well as it could bring burden on companies and population.

The current macroeconomic context could lead to higher than expected rates increase which will impact the bank revenues and in the mediu-term the credit quality and the loan demand.

However, through the measures taken by NBR starting 2018 (Regulation 6/2018 modifying Regulation 17/2012) there have been introduced restrictions for consumer lending aiming to encourage responsible lending policies and avoid an excessive indebtedness level, protecting the clients against the FX and interest rate risks.

10.2 Measures taken by the Romanian State (updates in 2021, 2022)

Government measures as per GEO 37/2020 regarding the postponement of loan repayments

On 30 March 2020 the Government adopted the Emergency Ordinance 37/2020 which requiring banks to provide moratorium to all customers impacted by Covid-19. Application Norms were entered into force on 6 April 2020 and it covers a maximum period of 9 months of payment postponement, upon request from customers, but not later than 31 December 2020. According to the last Government Emergency Ordinance (GEO 227/2020), the clients can postpone their reimbursements up to 31 March 2021. In order to access this facility, debtors must declare on their own responsibility that they have registered a decrease in income or cash collected by at least 25% in the last 3 months prior to requesting the suspension of payment obligations by reference to the similar period of 2019/2020.

The tables below summarize the Information on loans and advances which were subject to legislative and non-legislative moratoria as of 31 March 2022:

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

			Gross carrying amount						
				Performing			Non-performing		
		Number of obligors			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	16,740	3,609,225,403						
2	Loans and advances to which moratorium was applied	9,148	3,561,237,502	3,015,488,197	110,129,707	1,572,480,623	545,749,305	331,798,536	289,327,093
3	of which: Households	7,191	659,567,528	540,940,508	8,882,543	271,706,928	118,627,020	67,792,576	71,976,436
4	*of which: Collateralised by residential immovable property*		497,056,620	434,681,018	4,063,030	199,033,450	62,375,601	28,032,213	38,131,915
5	of which: Non-financial corporations	1,903	2,662,338,110	2,235,215,824	101,215,164	1,300,741,695	427,122,286	264,005,960	217,350,658
6	*of which: SME*	1,871	1,409,719,133	1,104,656,807	101,215,164	380,349,746	305,062,326	165,184,401	140,036,015
7	*of which: Collateralised by commercial immovable property*		1,913,711,061	1,612,948,742	66,290,909	1,188,926,715	300,762,319	188,323,450	186,706,931

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			Inflows to non-performing exposures
				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								
2	Loans and advances to which moratorium was applied	-521,871,040	-145,834,753	-6,100,941	-114,163,387	-376,036,287	-230,163,379	-226,002,475	14,189,855
3	of which: Households	-91,815,945	-20,996,831	-1,305,538	-19,273,512	-70,819,114	-42,783,014	-52,633,900	9,180,072
4	*of which: Collateralised by residential immovable property*	-40,550,422	-12,051,545	-258,553	-11,583,833	-28,498,877	-13,686,758	-17,692,277	6,197,812
5	of which: Non-financial corporations	-428,588,244	-123,371,071	-4,795,073	-94,889,545	-305,217,173	-187,380,365	-173,368,575	5,009,783
6	*of which: SME*	-259,075,606	-40,455,226	-4,795,073	-14,255,729	-218,620,380	-119,295,760	-115,376,512	5,009,783
7	*of which: Collateralised by commercial immovable property*	-320,658,192	-96,897,368	-2,772,912	-91,697,338	-223,760,824	-140,975,566	-150,642,206	1,446,063

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

		Gross carrying amount						
				Residual duration of moratoria				
			Of which: legislative moratoria	<= 3 months	3 - 6 months	6 - 9 months	9 - 12 months	> 1 year
1	**Loans and advances subject to moratoria**	**3,561,237,502**	-	-	-	-	-	-
2	of which: Households	659,567,528	-	-	-	-	-	-
3	*of which: Collateralised by residential immovable property*	497,056,620	-	-	-	-	-	-
4	of which: Non-financial corporations	2,662,338,110	-	-	-	-	-	-
5	*of which: Small and Medium-sized Enterprises*	1,409,719,133	-	-	-	-	-	-
6	*of which: Collateralised by commercial immovable property*	1,913,711,061	-	-	-	-	-	-

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**	**1,980,455,996**	**6,055,924**	**1,859,084,525**	**-**
2	of which: Households	8,214,060	-	-	-
3	of which: Collateralised by residential immovable property	-	-	-	-
4	of which: Non-financial corporations	1,972,241,936	6,055,924	1,852,323,973	-
5	of which: Small and Medium-sized Enterprises	1,927,897,547	-	-	-
6	of which: Collateralised by commercial immovable property	-	-	-	-

IMM Invest Romania program

IMM Invest program in force by June 30, 2022 was made available to the Romanian entrepreneurs in 2020, aiming to ofsett the Covid-19 restrictions impact in the economy and provided a significant financial support to the local businesses and the local financing banks.

Through the IMM Invest Romania program, the SMEs affected by COVID-19 outbreak can cover their liquidity needs for current operations or investment 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).

For 2022, the total ceiling of guarantees that can be granted is worth 10 billion lei, of which 10 billion lei is allocated for the AGRO IMM INVEST program.

EU Recovery and Resolution Fund (PNRR)

This year, a huge opportunity for further development of the SMEs segment is the EU Recovery and Resolution Fund (PNRR). The EU resources could finance the large-scale green transition, the structural transformation and the development of the economy, Romania benefiting from one of the most generous allocations relative to GDP. Romania is the only country in the CEE to have requested all the available grants (EUR 14.2bn) and loans (EUR 14.9bn) from the RRF. Thus, it should receive approx. € 2 billion in grants and at least € 1 billion in loans every six months, the equivalent of 2% of GDP each year. In January 2022, Romania received EUR 3.8bn (1.6% of GDP) in RRF pre-funding (13% of the loans and grants it applied for).

10.3 Financial impact of Covid-19 outbreak on the financial & prudential position of the Group

After a year 2020 with difficult market conditions in the context of the pandemic, in which the **Bank** had a very prudent risk approach, during 2021 and Q1 2022 the lending accelerated, both in the Companies segment and in the Individuals segment, through newly financed volumes higher than the similar period of last year. Operating income was over the amounts of 2020, supported by commission income and net interest income due to the increase in trade volumes. The cost of credit risk improved due to the quality of the loan portfolio, significant recoveries and the resumption of payments from customers who benefited from their suspension in the context of the pandemic while the non-performing loans ratio decreased gradually.

The Group has analyzed several scenarios on COVID-19 and considers that the assessment of the business continuity principle is appropriate.

Liquidity & solvency position

During Q1 2022 the Group continues regularly to assesses the impact of the Covid-19 outbreak in its business, risk profile and prudential and performance indicators. In this sense, the Group evaluates its performance based on stress testing scenarios on key performance and prudence indicators, strict monitoring of position and liquidity indicators (mainly liquidity coverage rate - “LCR” and liquidity quick ratio), monitoring the evolution of government interest rates due to the high level of market volatility and its impact on the capital base and monitoring the simulations of solvency indicators. The Group 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.

Liquidity indicators, calculated according to Regulation 575/2013, are comfortably above the minimum regulatory requirements, as depicted in the tables below, and the Group estimates that it will remain above 100% also for the future:

Ratio	31 March 2021	30 June 2021	30 September 2021	31 December 2021	31 March 2022
LCR (average)	159.20%	154.68%	166.43%	163.34%	162.06%
NSFR	165.40%	166.08%	159.55%	159.38%	159.43%

Solvency

During Q1 2022 the Group continued to strictly monitor its capital position and implemented the following measures:

- Strict monitoring of capital position;
- Periodic simulations at consolidated level by using stress testing methodologies regarding the increase of the exchange rate, the increase of the interest rate and the increase of the non-repayment probabilities.

ANNEX 3: UniCredit Bank SA Xls Templates

Covered area	Template id	Template Name	Link to
Regulatory capital	CC1	Composition of regulatory capital-Own Funds	Composition of capital'!A1
	CC2	Reconciliation of regulatory capital to Financial Statements	Capital vs FS reconciliation'!A1
	KM1	Key metrics (at consolidated group level)	KM1!A1
Capital requirements	EU OV1	Overview of RWAs	EU OV1'!A1
Counterparty credit risk			
Capital buffers		Capital buffers	Capital buffers'!A1
Credit risk adjustments		Credit quality of exposures by exposure class and instrument	
Exposures subject to measures applied in response to the COVID-19 crisis	Template 1	Information on loans and advances subject to legislative and non-legislative moratoria	Template 1
	Template 2	Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria	Template 2
	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
Leverage	LRSum	Summary comparison of accounting assets vs leverage ratio exposure measure	LRSum!A1
	LRCom	Leverage ratio common disclosure template	LRCom!A1
Liquidity	LIQ1	Liquidity Coverage Ratio (LCR)	LIQ1!A1
	LIQ2	Net Stable Funding Ratio (NSFR)	LIQ2!A1
Market risk		Market risk under the standardized approach	Market Risk