UniCredit Bank

PILLAR III DISCLOSURE REPORT

Report reference date: 30 June, 2020

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.

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

- Regulation (EU) No 1423/2013 laying down implementing technical standards with regard to disclosure of own funds requirements for institutions according to Regulation (EU) No 575/2013 of the European Parliament and of the Council Text;
- Regulation (EU) 2295/2017 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for disclosure of encumbered and unencumbered assets;
- Regulation (EU) 200/2016, laying down implementing technical standards with regard to disclosure of the leverage ratio for institutions, according to Regulation (EU) No 575/2013 of the European Parliament and of the Council;
- EBA /GL/2014/14 Guideline on materiality, proprietary and confidentiality and on disclosure frequency under Articles 432(1), 432(2) and 433 of Regulation (EU) No 575/2013;
- Regulation (EU) 2015/1555 of 28 May 2015 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for the disclosure of information in relation to the compliance of institutions with the requirement for a countercyclical capital buffer in accordance with Article 440;
- Basel Committee Pillar 3. Requirements Disclosures- Consolidated and Updated March 2017;
- EBA/GL/2015/22 Guideline on sound remuneration policies;
- EBA/GL/2017/01 Guideline on LCR disclosure to complement the disclosure of liquidity risk management under Article 435 of Regulation (EU) No 575/2013.
- Revisions to leverage ratio disclosure requirements June 2019 - Basel Committee on Banking Supervision
- Pillar 3 disclosure requirements-updated framework December 2019 - Basel Committee on Banking Supervision
- EBA/GL/2018/10 – Guidelines on disclosure of non-performing and forborne exposures;
- EBA Guidelines EBA/GL/2020/07 on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis;

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

https://www.unicredit.ro/en/institutional/the-bank/financial-reports.html#baseliipillariiidisclosure

The quantitative data are presented on consolidated basis, except those flagged at individual level, 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.

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

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

Area	Regulation (EU) no 575/2013 article reference	Disclosure template	Reason for not disclosure
Use of Internal Market Risk Models	455	EU MR2-A – Market risk under the IMA (Internal Modal Approach)	UniCredit Bank does not apply an internal model approach for the calculation of market risk capital requirements
	445 & 455	EU MR2-B – RWA flow statements of market risk exposures under the IMA	UniCredit Bank does not apply an internal model approach for the calculation of market risk capital requirements
	445 & 455	EU MRB – Qualitative disclosure requirements for institutions using the IMA	UniCredit Bank does not apply an internal model approach for the calculation of market risk capital requirements
	445 & 455	EU MR3 – IMA values for trading portfolios	UniCredit Bank does not apply an internal model approach for the calculation of market risk capital requirements
	445 & 455	EU MR4 – Comparison of VaR estimates with gains/losses	UniCredit Bank does not apply an internal model approach for the calculation of market risk capital requirements
Capital requirements	438	EU INS1 – Non-deducted participations in insurance undertakings	As at June 30, 2019, UniCredit Bank does not have participations in insurance undertakings
Exposure to counterparty credit risk	439	EU CCR8 – Exposures to CCPs	As at June 30, 2019, UniCredit Bank does not have exposures to CCPs
		EU CCR6 – Credit derivatives exposures	As at June 30, 2019, UniCredit Bank does not have credit derivatives exposures
Use of credit risk mitigation techniques	453	EU CR7 – IRB approach – Effect on the RWAs of credit derivatives used as CRM techniques	As at June 30, 2019, UniCredit Bank does not use credit derivatives used as CRM techniques
Indicators of global systemic importance	441		UniCredit Bank has not been identified as global systemically important institutions (G-SIIs)
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., 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.

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 30 June 2020, 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 30 June 2020, the significant investments in financial entities are shown at the individual level with a risk weight of 370% as they are not deducted from own funds, but are included in the consolidated perimeter.

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 hypothetical 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 2020 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 Commission Implementing Regulation (EU) No 1423/2013 of 20 December 2013 laying down implementing technical standards with regard to the disclosure of own funds requirements for institutions according to Regulation (EU) No 575/2013 of the European Parliament and of the Council.

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

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

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

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

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

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

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

	Tier 2 - Capital Instruments features		
1	Issuer	UniCredit SPA	UniCredit SPA
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	n/a	n/a
3	Governing law(s) of the instrument	Government Emergency Ordinance no.99/2006	Government Emergency Ordinance no.99/2006
	Regulatory treatment		
4	Transitional CRR rules	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	solo and consolidated	solo and consolidated
7	Instrument type (types to be specified by each jurisdiction)	subordinated loan	subordinated loan
8	Amount recognized in regulatory capital (in RON)	48,500,000	120,000,000
	Currency of issue	EUR	EUR
9	Nominal amount of instrument (aggregate) - in currency of issue	48,500,000	120,000,000
9a	Issue price	48,500,000	120,000,000

Tier 2 - Capital Instruments features			
9b	Redemption price - in currency of issue	48,500,000	120,000,000
10	Accounting classification	liabilities at amortized cost	liabilities at amortized cost
11	Original date of issuance	27/07/2017	29/12/2017
12	Perpetual or dated	dated	dated
13	Original maturity date	27/07/2027	29/12/2027
14	Issuer call subject to prior supervisory approval	no	no
15	Optional call date, contingent call dates and redemption amount (s. 9b)	-	-
16	Subsequent call dates, if applicable	n/a	n/a
	Coupons / dividends		
17	Fixed or floating dividend/coupon	floating	floating
18	Coupon rate and any related index	4.5%+3M EURIBOR	3.88%+3M EURIBOR
19	Existence of a dividend stopper	n/a	n/a
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	n/a	n/a
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	n/a	n/a
21	Existence of step up or other incentive to redeem	n/a	n/a
22	Noncumulative or cumulative	n/a	n/a
23	Convertible or non-convertible	no	no
24	If convertible, conversion trigger(s)	n/a	n/a
25	If convertible, fully or partially	n/a	n/a
26	If convertible, conversion rate	n/a	n/a
27	If convertible, mandatory or optional conversion	n/a	n/a
28	If convertible, specify instrument type convertible into	n/a	n/a
29	If convertible, specify issuer of instrument it converts into	n/a	n/a
30	Write-down features	no	no
31	If write-down, write-down trigger(s)		
32	If write-down, full or partial		
33	If write-down, permanent or temporary		
34	If temporary write-down, description of write-up mechanism		
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	to all other non-subordinated liabilities	to all other non-subordinated liabilities
36	Non-compliant transitioned features	no	no
37	If yes, specify non-compliant features	-	-

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

No. cr.	Counterparty	Currency	Amount (principal) original currency	Amount (principal) RON equivalents	Starting date	Maturity Date	Update interest frequency	Clauses	Payments
1	UniCredit SPA	EUR	48,500,000	234,851,550	27-Jul-2017	27-Jul-2027	3 months	without anticipated reimbursement	one
2	UniCredit SPA	EUR	120,000,000	581,076,000	29-Dec-2017	29-Dec-2027	3 months	without anticipated reimbursement	one
Total			**168,500,000**	**815,927,550**					

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 30 June 2020 is presented below:

Reference Annex IV	Item	Group	Bank	Reference for reconciliation with balance sheet
	Own Funds			
1	Capital instruments and the related share premium accounts	1,799,428,753	1,799,428,753	c+d
	of which: ordinary shares	1,177,748,253	1,177,748,253	c
2	Retained earnings	3,022,085,796	2,758,214,830	i-j
3	Accumulated other comprehensive income (and any other reserves, included unrealized gains and losses)	264,216,279	264,216,279	e+f+g+h
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	5,085,730,827	4,821,859,861	
	Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments	5,415,563	5,415,563	
8	Intangible assets (net of related tax liability)	208,750,545	197,039,032	a+b
11	Fair value reserves related to gains or losses on cash flow hedges	-49,691,636	-49,691,636	e
12	(-) IRB shortfall of credit risk adjustments to expected losses	47,496,554	41,607,867	
25b	Foreseeable tax charges relating to CET1 items	10,654,179	10,654,179	
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	222,625,205	205,025,005	
29	**Common Equity Tier 1 (CET1) capital**	**4,863,105,622**	**4,616,834,856**	
	Additional Tier 1 (AT1) capital: instruments	-	-	
36	Additional Tier 1 (AT1) capital before regulatory adjustments	-	-	
	Additional Tier 1 (AT1) capital: regulatory adjustments	-	-	
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	-	-	
44	Additional Tier 1 (AT1) capital	-	-	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**4,863,105,622**	**4,616,834,856**	
	Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments and the related share premium accounts	-	-	
50	Credit risk adjustments**	92,642,589	96,101,971	
51	Tier 2 (T2) capital before regulatory adjustment	815,927,550	815,927,550	
	Tier 2 (T2) capital: regulatory adjustments			
57	Total regulatory adjustments to Tier 2 (T2) capital	-	-	
58	**Tier 2 (T2) capital**	**908,570,139**	**912,029,521**	
59	**Total capital (TC = T1 + T2)**	**5,771,675,761**	**5,528,864,377**	
60	**Total risk-weighted assets**	**29,071,933,672**	**23,470,138,513**	
	Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of total risk exposure amount	16.73%	19.67%	
62	Tier 1 (as a percentage of total risk exposure amount	16.73%	19.67%	
63	Total capital (as a percentage of total risk exposure amount	19.85%	23.56%	
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements plus a systemic risk buffer, plus systemically important institution buffer expressed as a percentage of total risk exposure amount)	3,50%	2,50%	
65	of which: capital conservation buffer requirement	2,50%	2,50%	
66	of which: countercyclical buffer requirement	0.0002%	0.0002%	
67	of which: systemic risk buffer requirement	1,00%	-	
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer *	-	-	

**Art.277- If a credit institution at individual or sub -consolidated level makes the object of O-SII buffer and systemic risk buffer, according to the Art.288, the buffer with the highest value is used. Please see Chapter 4.4 for further details*

***IRB Excess of provisions over expected losses eligible*

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

In RON thousands	Group 30.06.2020	Bank 30.06.2020	Reference
Assets			
Cash and cash equivalents	10,989,903,289	10,989,835,416	
Financial assets at fair value through profit or loss	519,808,722	519,808,722	
Derivatives assets designated as hedging instruments	-	-	
Loans and advances to customers at amortized cost	25,544,329,871	22,284,399,558	
Net Lease receivables	3,460,569,855	-	
Debt securities at amortized cost	4,093,694,276	4,093,694,276	
Placements with banks at amortized cost	429,249,227	429,249,223	
Other financial assets at amortized cost	114,203,454	90,862,438	
Financial assets at fair value through other comprehensive income	4,406,387,798	4,404,041,800	
Investment in subsidiaries	-	143,115,683	
Property, plant and equipment	203,524,239	192,136,191	
Right of use assets	204,540,178	193,149,402	
Intangible assets	215,266,911	203,555,398	a
Current tax assets	-	-	
Deferred tax assets	153,411,005	75,900,386	
of which: Deferred tax regarding Intangible Assets	-6,516,366	-6,516,366	b
Other assets	133,952,031	76,680,098	
Non-current assets classified as held for sale	-	-	
Total assets	**50,468,840,856**	**43,696,428,591**	
Liabilities	-	-	
Financial liabilities at fair value through profit or loss	90,572,687	90,572,687	
Derivatives liabilities designated as hedging instruments	119,959,804	119,959,804	
Deposits from banks	1,333,921,412	1,333,921,412	
Loans from banks and other financial institutions at amortized cost	5,924,164,211	831,542,157	
Deposits from customers	32,982,657,192	33,424,227,084	
Debt securities issued	2,071,740,223	621,482,417	
Subordinated liabilities	924,611,465	818,080,865	
Other financial liabilities at amortized cost	730,527,947	658,873,497	
Lease liabilities	197,642,031	193,087,535	
Current tax liabilities	38,008,036	32,296,123	
Deferred tax liabilities	-	-	
Provisions	263,501,777	241,703,064	
Other liabilities	289,243,021	210,354,078	
Total liabilities	**44,966,549,806**	**38,576,100,723**	
Shareholders' equity	-	-	
Share capital	1,177,748,253	1,177,748,253	c
Share premium	621,680,499	621,680,499	d
Cash flow hedging reserve	(49,691,636)	(49,691,636)	e
Reserve on financial assets at fair value through other comprehensive income	(24,579,671)	(24,579,671)	f
Revaluation reserve on property, plant and equipment	12,017,947	12,017,947	g
Other reserves	326,469,639	326,469,639	h
Retained earnings	3,341,962,225	3,056,682,837	i
Of which: Profit	319,876,429	298,468,007	j
of which: Dividends	-	-	
Total equity for parent company	**5,405,607,256**	**5,120,327,868**	
Non-controlling interest	96,683,794	-	
Total Equity	**5,502,291,050**	**5,120,327,868**	
Total liabilities and equity	**50,468,840,856**	**43,696,428,591**	

3.2 Summary of Key Prudential Metrics

KM1: Key metrics		30-Jun-20	30-Mar-20	31-Dec-19	30-Sep-19	30-Jun-19
Available capital (amounts)						
1	Common Equity Tier 1 (CET1)	4,863,105,622	4,599,614,894	4,889,611,311	4,283,560,000	4,232,688,025
1a	Fully loaded ECL accounting model	4,863,105,622	4,599,614,894	4,889,611,311	4,283,560,000	4,232,688,025
2	Tier 1	4,863,105,622	4,599,614,894	4,889,611,311	4,283,560,000	4,232,688,025
2a	Fully loaded accounting model Tier 1	4,863,105,622	4,599,614,894	4,889,611,311	4,283,560,000	4,232,688,025
3	Total capital	5,771,675,761	5,412,694,794	5,694,923,361	5,084,120,350	5,030,552,375
3a	Fully loaded ECL accounting model total capital	5,771,675,761	5,412,694,794	5,694,923,361	5,084,120,350	5,030,552,375
4	Total risk-weighted assets (RWA)	29,071,933,672	31,071,694,880	31,082,322,515	29,883,747,182	28,737,579,925
5	Common Equity Tier 1 ratio (%)	16.73%	14.80%	15.73%	14.33%	14.73%
5a	Fully loaded ECL accounting model CET1 (%)	16.73%	14.80%	15.73%	14.33%	14.73%
6	Tier 1 ratio (%)	16.73%	14.80%	15.73%	14.33%	14.33%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	16.73%	14.80%	15.73%	14.33%	14.33%
7	Total capital ratio (%)	19.85%	17.42%	18.32%	17.01%	17.01%
7a	Fully loaded ECL accounting model total capital ratio (%)	19.85%	17.42%	18.32%	17.01%	17.01%
Additional CET1 buffer requirements as a percentage of RWA						
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.500%	2.500%	2.500%	2.500%	2.500%
9	Countercyclical buffer requirement (%)	0.0002%	0.0002%	0.0005%	0.0000%	0.0000%
10	Bank O-SIB additional requirements (%)	1.000%	1.000%	1.000%	1.000%	1.000%
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)	3.500%	3.500%	3.500%	3.500%	3.500%
12	CET1 available after meeting the bank's minimum capital requirements (%)	12.228%	10.303%	11.231%	9.830%	10.229%
Basel III Leverage Ratio						
13	Total Basel III leverage ratio measure	54,978,720,518	54,422,489,752	56,279,881,553	51,958,705,486	50,252,623,825
14	Basel III leverage ratio (%) (row 2/row 13)	8.85%	8.45%	8.69%	8.24%	8.42%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2A/row 13)	8.85%	8.45%	8.69%	8.24%	8.42%
Liquidity Coverage Ratio						
15	Total HQLA	16,490,787,089	16,023,457,945	17,073,171,038	13,709,908,320	13,850,650,346
16	Total net cash outflow	9,278,309,869	9,122,080,598	10,244,390,684	9,598,338,028	9,140,475,462
17	LCR ratio (%)	177.73%	175.66%	166.66%	142.84%	151.53%
Net Stable Funding Ratio						
18	Total available stable funding	35,658,673,433	36,129,829,067	36,093,851,569	33,088,074,603	34,253,891,727
19	Total required stable funding	20,576,147,125	22,485,120,639	22,630,827,937	22,398,209,660	22,124,678,921
20	NSFR ratio (%)	173.30%	160.68%	159.49%	147.73%	154.82%

4. CAPITAL REQUIREMENTS

4.1 General comment

Capital Adequacy Assessment

During 2020, it was continued the sustained process for completing the internal methodological framework with specific regulations, mainly as regards to ICAAP general framework, stress tests, setting and monitoring of risk appetite, capital management rules, rules regarding the new risks identified by the Bank as significant.

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

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

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

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

Necessary regulated own funds requirements at consolidated level

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

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

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

EU OV1 – Overview of RWAs

		Group			Bank	
		RWA		Capital Requirements	RWA	Capital Requirements
		30.06.2020	31.03.2020	30.06.2020	30.06.2020	30.06.2020
1	**Credit risk (excluding CCR)**	**26,275,388,279**	**28,367,108,482**	**2,102,031,062**	**21,392,146,590**	**1,711,371,727**
2	Of which the standardized approach	10,919,856,377	11,768,447,505	873,588,510	5,460,051,022	436,804,082
3	Of which the foundation IRB (FIRB) approach*	15,355,531,902	16,598,660,977	1,228,442,552	15,932,095,568	1,274,567,645
4	Of which the advanced IRB (AIRB) approach	-	-	-	-	-
5	Of which equity IRB under the simple risk-weighted approach or the IMA**	166,453,857	149,414,197	13,316,309	695,981,885	55,678,551
6	**CCR**	**135,485,314**	**150,234,741**	**10,838,825**	**135,485,314**	**10,838,825**
7	Of which mark to market	106,203,547	105,006,765	8,496,284	106,203,547	8,496,284
8	Of which original exposure	-	-	-	-	-
9	Of which the standardized approach	-	-	-	-	-
10	Of which internal model method (IMM)	7,057,578	20,283,676	564,606	7,057,578	564,606
11	Of which risk exposure amount for contributions to the default fund of a CCP	-	-	-	-	-
12	Of which CVA	22,224,189	24,944,299	1,777,935	22,224,189	1,777,935
13	**Settlement risk**	-	-	-	-	-
14	Securitization exposures in the banking book (after the cap)	-	-	-	-	-
15	Of which IRB approach	-	-	-	-	-
16	Of which IRB supervisory formula approach (SFA)	-	-	-	-	-
17	Of which internal assessment approach (IAA)	-	-	-	-	-
18	Of which standardized approach	-	-	-	-	-
19	**Market risk**	**105,047,277**	**51,045,810**	**8,403,782**	**105,047,277**	**8,403,782**
20	Of which the standardized approach	105,047,277	51,045,810	8,403,782	105,047,277	8,403,782
21	Of which IMA	-	-	-	-	-
22	Large exposures	-	-	-	-	-
23	**Operational risk**	**2,556,012,802**	**2,503,305,848**	**204,481,024**	**1,837,459,331**	**146,996,746**
24	Of which basic indicator approach	718,553,471	718,553,471	57,484,278	-	-
25	Of which standardized approach	-	-	-	-	-
26	Of which advanced measurement approach	1,837,459,331	1,784,752,377	146,996,746	1,837,459,331	146,996,746
27	Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-	-	-
28	Floor adjustment	-	-	-	-	-
29	**Total**	**29,071,933,672**	**31,071,694,881**	**2,325,754,694**	**23,470,138,512**	**1,877,611,081**

The row "Of which the foundation IRB approach" does not contain CCR exposures 7,057,578 RON (presented on the row "Of which mark to market"). The position includes also RWA for assets which are not loans in amount of 868,831,028.64 RON (166,453,856.95 Equity IRB and 702,377,171.69 Other non-credit obligation assets).*

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 June 2020, the Bank did not hold additional Tier 1 instruments, therefore Core Tier 1 ratio was calculated at the level of Tier 1 ratio, with a consolidated level of 16.73%, 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 11.15% at individual level and 10.10% at consolidated level.

The total minimum capital requirements (including Pillar I and Pillar II buffers) is 13.65% at individual level and 13.60% 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, Ordinul no. 10/2019 si Ordinul no. 8/2018:

Capital requirements - Pillar I	30.06.2020	
Capital conservation buffer	2.50%	
Countercyclical capital buffer	0.0002% 0.0002%	at individual level at sub-consolidated level
O-SII buffer	1%	only at sub-consolidated level
Systemic risk buffer	1%, but supplementary requirement set at 0%, according to art. 276 and 277 from NBR Reg. no 5/2013	only at sub-consolidated level,
Combined buffer requirement	**2.5%**	**at individual level**
	3.5%	**at sub-consolidated level**

Additionally, College of Supervisors of European Central Bank (ECB), in line with the local Supervisory Review and Evaluation Process (SREP) assessment carried out by the National Bank of Romania, decided that UniCredit Bank S.A. shall maintain a total solvency ratio above 11.15% at individual level and 10.10% at sub-consolidated level.

Solvency ratio - minimum requirements including Pillar I & II buffers	30.06.2020		
	NBR Supervisory Report - SREP	Capital buffers	TOTAL
- individual level			
CET 1 ratio	6.27%	2.50%	8.77%
Tier 1 ratio	8.36%		10.86%
Total capital ratio	**11.15%**		**13.65%**
-sub-consolidated level			
CET 1 ratio	5.68%	3.50%	9.18%
Tier 1 ratio	7.58%		11.08%
Total capital ratio	**10.10%**		**13.60%**

Other Systemically Important Institutions buffer

As per National Bank of Romania Order no. 10/2019, UniCredit Bank was identified as O-SII (Other Systemically Important Institutions) by the NBR (National Bank of Romania) and consequently, an O-SII buffer of 1% of the total risk weighted exposure, calculated as per art. 92(3) of EU Regulation no. 575/ 2013 on prudential requirements for credit institutions, had to be maintained by the bank at sub-consolidated level, starting with 01.01.2019; this level this do change as compared to the percentage applied by the Bank throughout 2019.

Capital conservation buffer

As per National Bank of Romania Regulation no. 5/2013 on prudential requirements for credit institutions, following the fully loaded approach, UniCredit Bank had to maintain during the first semester of 2020 a capital conservation buffer of 2.5% of the total risk weighted exposure, calculated in accordance with Article 92(3) of Regulation (EU) No 575/2013, at both individual and sub-consolidated level.

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 2020, 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 01.01.2020, with semi-annual review.

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

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

Countercyclical capital buffer

As per National Bank of Romania Order no.12/2015, during the first semester of 2020, UniCredit Bank applied a countercyclical capital buffer of 0% 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 30.06.2020, UniCredit Bank maintained an overall countercyclical buffer rate, expressed as a percentage of the total risk exposure amount under Article 92 paragraph (3) of Regulation (EU) No 575/2013, of 0.0002% at individual level and of 0.0002% sub-consolidated level, driven by the exposures on non – Romanian entities.

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

Breakdown by country*	General credit exposures		Trading book exposure		Own funds requirements				Own funds requirement weights	Countercyclical capital buffer rate
	Exposure value for SA	Exposure value IRB	Sum of long and short position of trading book	Value of trading book exposure for internal models	Of which: General credit exposures	Of which: Trading book exposures	Of which: Securitisation exposures	Total		
	010	020	030	040	070	080	090	100	110	120
Austria	61,605	4,753,927	-	-	253,297	-	-	253,297	0.0001	0.0000
Australia	35	-	-	-	3	-	-	3	0.0000	0.0000
Belgium	118,976	-	-	-	3,338	-	-	3,338	0.0000	0.0000
Bulgaria	807,682	1,073,625	-	-	64,277	-	-	64,277	0.0000	0.5000
Canada	302,316	-	-	-	11,333	-	-	11,333	0.0000	0.0000
Congo	44	-	-	-	3	-	-	3	0.0000	0.0000
Switzerland	54	177,519	-	-	2,207	-	-	2,207	0.0000	0.0000
Cyprus	746,081	-	-	-	59,686	-	-	59,686	0.0000	0.0000
Czech Republic	-	8,233	-	-	-	-	-	-	0.0000	1.0000
Germany	60,506,743	96,659,845	-	-	7,002,897	-	-	7,002,897	0.0028	0.0000
Denmark	40,082	-	-	-	1,136	-	-	1,136	0.0000	0.0000
Spain	89,857	-	-	-	5,407	-	-	5,407	0.0000	0.0000
France	236	13,484,676	-	-	951,546	-	-	951,546	0.0005	0.0000
United Kingdom	2,484,744	3,245,212	-	-	352,296	-	-	352,296	0.0002	0.0000
Georgia	-	2,161,650	-	-	151,212	-	-	151,212	0.0001	0.0000
Greece	211	-	-	-	25	-	-	25	0.0000	0.0000
Hungary	4,119	-	-	-	117	-	-	117	0.0000	0.0000
Indonesia	21,209	-	-	-	1,273	-	-	1,273	0.0000	0.0000
Ireland	372	-	-	-	22	-	-	22	0.0000	0.0000
Israel	312,182	3,060,334	-	-	80,331	-	-	80,331	0.0000	0.0000
India	5	-	-	-	-	-	-	-	0.0000	0.0000
Italy	1,100,468	39,098,167	-	-	2,398,178	-	-	2,398,178	0.0015	0.0000
Kuwait	13	-	-	-	1	-	-	1	0.0000	0.0000
Lebanon	13,518	-	-	-	1,081	-	-	1,081	0.0000	0.0000
Monaco	84,980	-	-	-	6,594	-	-	6,594	0.0000	0.0000
Moldova	405	-	-	-	24	-	-	24	0.0000	0.0000
Mongolia	26	-	-	-	2	-	-	2	0.0000	0.0000
Malta	2,720	-	-	-	218	-	-	218	0.0000	0.0000
Nigeria	110,242	-	-	-	3,929	-	-	3,929	0.0000	0.0000
Netherlands	1,926	27,037,193	-	-	788,995	-	-	788,995	0.0004	0.0000
Pakistan	474	-	-	-	28	-	-	28	0.0000	0.0000
Poland	396,124	-	-	-	11,455	-	-	11,455	0.0000	0.0000

Portugal	71,591	-	-	-	4,295	-	-	4,295	0.0000	0.0000
Reunion	1,770	-	-	-	106	-	-	106	0.0000	0.0000
Romania	16,907,178,569	14,432,967,454	-	-	1,814,017,435	-	-	1,814,017,435	0.9865	0.0000
Serbia	10	-	-	-	1	-	-	1	0.0000	0.0000
Russian Federation	149	13,626,319	-	-	752,808	-	-	752,808	0.0001	0.0000
Sweden	8	-	-	-	1	-	-	1	0.0000	0.0000
Slovenia	-	25,910,278	-	-	825,474	-	-	825,474	0.0004	0.0000
Slovakia	11,992	-	-	-	720	-	-	720	0.0000	1.5000
Thailand	-	106,642	-	-	3,617	-	-	3,617	0.0000	0.0000
Tunisia	97,508	-	-	-	7,801	-	-	7,801	0.0000	0.0000
Turkey	8,128	1,096,585	-	-	666	-	-	666	0.0000	0.0000
United States of America	457,215	40,376,589	-	-	11,966,437	-	-	11,966,437	0.0065	0.0000
Uzbekistan	-	8,620,931	-	-	1,150,621	-	-	1,150,621	0.0006	0.0000
Total	**16,975,034,389**	**14,713,465,181**	-	-	**1,840,880,893**	-	-	**1,840,880,893**		

Securitization exposures are 0 and are not presented in the template

Countercyclical buffer capital requirements- Synthesis (CCYB2)

RON 000

Countercyclical buffer capital requirements	**30.06.2020**	**31.03.2020**
Total risk exposure amount	**29,071,934**	**31,071,695**
Institution specific countercyclical capital buffer rate	0.00002%	0.00002%
Institution specific countercyclical capital buffer requirement	5	68

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.

4.5 RWA changes over time

In July 2012, the Bank has obtained the joint approval of Bank of Italy, Financial Market Authority and National Bank of Romania to use the Foundation – Internal Rating Based approach for the calculation of minimum capital requirements for the following client segments: corporate clients (except for real estate clients and specialized financing), multinational companies, banks, central banks and sovereigns and financial investment companies.

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

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).

5.2 Credit risk profile and concentrations

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

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

The template does not contain CCR exposures (standardized approach 30,096,536.82, IRB approach 153,423,134.23) and SFT (IRB approach 4,479,520,582.43 RON).

		Gross carrying values		Specific credit risk adjustment (c)	General credit risk adjustment (d)	Accumulated write-offs (e)	Credit risk adjustment charges of the period (f)	Net values
		Defaulted exposures (a)	Non-defaulted exposures (b)					(a+b-c-d)
1	Central governments or central banks	304,486,769	2,035,378,245	285,287,424	-	-	22,909,495	2,054,577,590
2	Institutions	-	3,053,184,062	2,538,521	-	-	1,860,899	3,050,645,541
3	Corporates	1,016,255,358	23,436,802,349	817,204,436	-	468,941,118	200,402,531	23,635,853,271
4	*Of which: Specialized lending*	-	-	-	-	-	-	-
5	*Of which: SMEs*	683,508,691	10,250,101,981	590,646,724	-	444,350,566	150,021,182	10,342,963,947
6	Retail	-	-	-	-	-	-	-
7	*Secured by real estate property*	-	-	-	-	-	-	-
8	*SMEs*	-	-	-	-	-	-	-
9	*Non-SMEs*	-	-	-	-	-	-	-
10	*Qualifying revolving*	-	-	-	-	-	-	-
11	*Other retail*	-	-	-	-	-	-	-
12	*SMEs*	-	-	-	-	-	-	-
13	*Non-SMEs*	-	-	-	-	-	-	-
14	Equity	-	44,987,529	-	-	-	-	44,987,529
15	**Total IRB approach**	**1,320,742,127**	**28,570,352,185**	**1,105,030,381**	-	**468,941,118**	**225,172,925**	**28,786,063,931**
16	Central governments or central banks	-	11,316,332,320	6,308,545	-	-	3,339,113	11,310,023,775
17	Regional governments or local authorities	-	290,492,307	935,783	-	-	113,148	289,556,524
18	Public sector entities	-	-	-	-	-	-	-
19	Multilateral development banks	-	-	-	-	-	-	-
20	International organizations	-	-	-	-	-	-	-
21	Institutions	5,162	4,242,079	16,331	-	-	130	4,230,910
22	Corporates	296,934,088	4,802,769,778	316,573,919	-	40,936,490	37,376,246	4,783,129,947
23	*Of which: SMEs*	279,237,418	3,453,396,977	264,184,034	-	24,492,540	15,394,483	3,468,450,362
24	Retail	621,751,972	7,426,140,108	644,782,269	-	90,104,521	21,574,737	7,403,109,811
25	*Of which: SMEs*	266,574,812	4,101,961,312	254,927,436	-	65,489,853	11,551,319	4,113,608,689

		Gross carrying values		Specific credit risk adjustment (c)	General credit risk adjustment (d)	Accumulated write-offs (e)	Credit risk adjustment charges of the period (f)	Net values
		Defaulted exposures (a)	Non-defaulted exposures (b)					(a+b-c-d)
26	Secured by mortgages on immovable property	187,391,062	6,138,223,891	95,431,010	-	800	20,548,450	6,230,183,943
27	*Of which: SMEs*	79,447,531	665,567,778	61,247,675	-	-	2,810,637	683,767,635
28	Exposures in default	1,106,082,284	-	714,751,270	-	500,552,892	52,543,472	391,331,014
29	Items associated with particularly high risk	17,203,038	131,470,296	16,534,470	-	19,282,905	3,781,652	132,138,863
30	Covered bonds	-	-	-	-	-	-	-
31	Claims on institutions and corporates with a short-term credit assessment	-	67,878	-	-	-	-	67,878
32	Collective investments undertakings	-	-	-	-	-	-	-
33	Equity exposures	-	2,345,998	-	-	-	-	2,345,998
34	Other exposures	-	105,885,021	-	-	-	-	105,885,021
35	**Total standardized approach**	**1,123,285,322**	**30,217,969,676**	**1,080,582,328**	-	**650,877,607**	**139,276,946**	**30,260,672,670**
36	**Total**	**2,444,027,448**	**58,788,321,861**	**2,185,612,709**	-	**1,119,818,725**	**364,449,872**	**59,046,736,601**
37	Of which: Loans	2,243,969,525	34,222,846,541	2,006,692,638	-	-	286,741,564	34,460,123,428
38	Of which: Debt securities	-	8,496,107,509	2,982,372	-	-	-	8,493,125,138
39	Of which: Off- balance-sheet exposures	200,057,923	15,838,638,645	175,937,699	-	-	77,711,227	15,862,758,869

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

The template presents the credit quality for balance sheet and for off balance sheet by industry or counterparty types.

The template does not contain CCR exposures (standardized approach 30,096,536.82, IRB approach 153,423,134.23) and SFT (IRB approach 4,479,520,582.43 RON).

		Gross carrying values of		Specific credit risk adjustment (c)	General credit risk adjustment (d)	Accumulated write-offs (e)	Credit risk adjustment charges of the period (f)	Net values
		Defaulted exposures (a)	Non-defaulted exposures (b)					(a+b-c-d)
1	Agriculture, forestry and fishing	47,797,936	2,102,897,284	43,726,525	-	26,618,035	11,571,807	2,106,968,695
2	Mining and quarrying	10,310,855	232,549,812	11,175,361	-	342,753	465,489	231,685,305
3	Manufacturing	671,159,107	8,325,771,213	465,178,643	-	231,275,496	90,952,146	8,531,751,677
4	Electricity, gas, steam and air conditioning supply	111,784,752	2,234,303,102	85,299,487	-	34,226	3,450,915	2,260,788,368
5	Water supply	33,258,558	227,247,046	24,649,167	-	7,159,975	1,051,866	235,856,436
6	Construction	254,374,738	2,601,071,661	265,488,520	-	88,727,249	40,521,804	2,589,957,879
7	Wholesale and retail trade	212,403,135	9,662,222,789	208,712,074	-	277,185,365	56,326,934	9,665,913,850
8	Transport and storage	58,744,456	1,993,855,464	92,015,077	-	16,722,632	9,486,223	1,960,584,843
9	Accommodation and food service activities	14,075,783	311,312,616	15,533,746	-	3,046,283	5,972,334	309,854,653
10	Information and communication	34,835,995	1,212,134,296	34,449,945	-	1,639,806	8,443,491	1,212,520,346
11	Financial services and insurances	343,167	8,580,913,418	8,568,438	-	1,033,476	3,103,401	8,572,688,147
12	Real Estate	46,708,633	2,031,682,579	62,136,167	-	24,040,423	29,607,138	2,016,255,044
13	Professional, scientific and technical activities	69,636,113	750,486,673	61,313,285	-	9,491,582	21,175,544	758,809,501
14	Administrative and support service activities	11,185,232	456,552,617	7,272,523	-	10,274,257	1,146,926	460,465,326
15	Public administration and defense, compulsory social security	304,520,734	8,772,767,512	288,419,030	-	-	25,975,105	8,788,869,216
16	Education	585,540	21,773,673	287,736	-	32,230	45,222	22,071,477
17	Human health services and social work activities	11,906,931	162,774,698	11,021,558	-	4,582,861	156,145	163,660,071
18	Arts, entertainment and recreation	942,861	41,018,097	1,016,806	-	202,471	60,711	40,944,153
19	Other services	3,838,718	70,215,770	3,010,940	-	99,716,039	747,610	71,043,548
20	Households	544,900,185	8,803,583,588	494,819,238	-	212,606,241	53,174,381	8,853,664,534
21	Extraterritorial activities	-	-	-	-	-	-	-
22	Other activities	714,020	193,187,954	1,518,441	-	105,087,327	1,014,680	192,383,534
23	**Total**	**2,444,027,448**	**58,788,321,861**	**2,185,612,709**	**-**	**1,119,818,725**	**364,449,872**	**59,046,736,601**

EU CR1-C – Credit quality of exposures by geography

The template presents the credit quality for balance sheet and for off balance sheet by geography. The template does not contain CCR exposures (standardized approach 30,096,536.82, IRB approach 153,423,134.23) and SFT (IRB approach 4,479,520,582.43 RON).

		Gross carrying values of		Specific credit risk adjustment (c)	General credit risk adjustment (d)	Accumulated write-offs (e)	Credit risk adjustment charges (f)	Net values
		Defaulted exposures (a)	Non-defaulted exposures (b)					(a+ b -c-d)
1	Argentina	-	24,211	-	-	-	-	24,211
2	Austria	13,057	175,077,681	93,569	-	1,297,554	43,993	174,997,170
3	Australia	284	68,005	952	-	-	667	67,336
4	Belgium	-	21,178,775	2,602	-	-	846	21,176,173
5	Bulgaria	2,075	11,219,418	7,766	-	-	6,680	11,213,726
6	Canada	817	970,068	2,230	-	-	1,340	968,654
7	Congo	-	45	1	-	-	0	44
8	Switzerland	-	56,549,301	2,810	-	-	897	56,546,490
9	China	-	172,950	81	-	-	-	172,869
10	Cyprus	2,175,492	1,092	2,175,507	-	97,739,064	9	1,077
11	Czech	8,233	15,995,542	2,677	-	-	2,325	16,001,098
12	Germany	124,623	414,923,435	224,892	-	-	69,468	414,823,165
13	Denmark	-	1,440,093	426	-	-	310	1,439,667
14	Spain	710	156,137,180	60,437	-	-	43,932	156,077,453
15	Finland	-	20,935,901	3,296	-	-	1,949	20,932,605
16	France	1,749	660,505,247	239,770	-	-	79,943	660,267,225
17	United Kingdom	-	209,934,830	87,059	-	-	61,841	209,847,771
18	Georgia	-	4,323,300	2,141	-	-	2,141	4,321,159
19	Greece	216	-	4	-	-	3	211
20	Hungary	-	22,518,883	17,401	-	-	9,842	22,501,482
21	Indonesia	-	23,010	590	-	-	329	22,421
22	Ireland	-	16,438,533	2,962	-	-	526	16,435,571
23	Israel	481	6,476,645	1,369	-	-	430	6,475,757
24	India	-	2,158,838	739	-	-	739	2,158,099
25	British Indian Ocean Territory	10,575	-	10,575	-	-	1,098	-
26	Italy	48,049	334,124,694	484,498	-	714,337	681,312	333,688,246
27	Japan	-	127,353,739	6,285	-	-	134	127,347,454
28	Kuwait	-	14	0	-	-	0	13
29	Lebanon	50,380	45,926	23,557	-	-	446	72,749
30	Luxemburg	-	82,086,609	7,547	-	-	6,989	82,079,062
31	Monaco	-	1,136,387	3,081	-	-	1,788	1,133,306
32	Moldova Republic	-	417	12	-	-	8	405
33	Mongolia	-	27	1	-	-	0	26
34	Malta	-	2,868,900	-	-	-	-	2,868,900
35	Mexico	-	1,186,307	588	-	-	588	1,185,719
36	Nigeria	-	120,438	2,484	-	-	1,940	117,955
37	Nederland	195	86,058,815	7,099	-	-	4,604	86,051,911

		Gross carrying values of		Specific credit risk adjustment (c)	General credit risk adjustment (d)	Accumulated write-offs (e)	Credit risk adjustment charges (f)	Net values
		Defaulted exposures (a)	Non-defaulted exposures (b)					(a+ b -c-d)
38	Norway	-	12,000	110	-	-	67	11,890
39	Pakistan	-	479	4	-	-	-	474
40	Poland	-	2,893,875	3,235	-	-	2,495	2,890,640
41	Portugal	-	852,396	963	-	-	-	851,433
42	Reunion	-	2,651	39	-	-	26	2,611
43	Romania	2,441,574,211	55,888,509,628	2,181,997,046	-	1,020,067,488	363,370,490	56,148,086,794
44	Serbia	-	10	-	-	-	-	10
45	Russian Federation	-	6,401,090	5,177	-	-	4,674	6,395,913
46	Sweden	-	50,010	2	-	-	1	50,008
47	Slovenia	-	96,484,897	55,741	-	-	29,352	96,429,156
48	Slovakia	-	507,780	180	-	-	78	507,600
49	Thailand	-	213,284	22	-	-	11	213,262
50	Tunisia	-	195,017	-	-	-	-	195,017
51	Turkey	15,744	26,667,705	42,679	-	282	5,288	26,640,770
52	United Stated	558	324,854,853	19,167	-	-	10,272	324,836,245
53	Uzbekistan	-	8,620,931	13,331	-	-	-	8,607,600
	Total	**2,444,027,448**	**58,788,321,861**	**2,185,612,709**	**-**	**1,119,818,725**	**364,449,872**	**59,046,736,601**

CR10 – IRB (specialized lending and equities)

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

Specialized lending							
Categories	**Remaining maturity**	**On- balance- sheet amount**	**Off-balance- sheet amount**	**Risk weight**	**Exposure amount**	**RWAs**	**Expected losses**
Category 1	Less than 2.5 years			50%			
	Equal to or more than 2.5 years			70%			
Category 2	Less than 2.5 years			70%			
	Equal to or more than 2.5 years			90%			
Category 3	Less than 2.5 years			115%			
	Equal to or more than 2.5 years			115%			
Category 4	Less than 2.5 years			250%			
	Equal to or more than 2.5 years			250%			
Category 5	Less than 2.5 years			-			
	Equal to or more than 2.5 years			-			
Total	Less than 2.5 years						
	Equal to or more than 2.5 years						

Equities under the simple risk-weighted approach						
Categories	**On- balance- sheet amount**	**Off-balance- sheet amount**	**Risk weight**	**Exposure amount**	**RWAs**	**Capital requirements**
Private equity exposures			190%			
Exchange-traded equity exposures			290%			
Other equity exposures	44,987,529		370%	44,987,529	166,453,857	13,316,309
Total	**44,987,529**			**44,987,529**	**166,453,857**	**13,316,309**

5.3 Credit risk impairment/NPLs (non-performing loans) policies

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

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

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

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

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

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

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

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

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

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

		Gross carrying value defaulted exposures
1	**Opening balance (01.01.2020)**	**2,395,700,479**
2	Loans and debt securities that have defaulted or impaired since the last reporting period	353,768,046
3	Returned to non-defaulted status	-25,272,395
4	Amounts written off	-186,198,526
5	Other changes	-93,970,156
6	**Closing balance (30.06.2020)**	**2,444,027,448**

UE CR5 – Standardised approach

The template presents the split of the balance sheet and of the off balance sheet elements by asset class and by risk weighetd assets according to the standardised approach; exposures are presented after CCF and CRM.

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

		Risk Weight								
	Exposure classes	0%	2%	4%	10%	20%	35%	50%	70%	75%
1	Central governments or central banks	11,417,736,947	-	-	-	-	-	-	-	-
2	Regional government or local authorities	-	-	-	-	222,082,253	-	-	-	-
3	Public sector entities	-	-	-	-	-	-	-	-	-
4	Multilateral development banks	160,280,086	-	-	-	-	-	-	-	-
5	International organizations	-	-	-	-	-	-	-	-	-
6	Institutions	-	-	-	-	120,993	-	-	-	-
7	Corporates	-	-	-	-	-	-	46,788,092	-	-
8	Retail	-	-	-	-	-	-	-	-	6,295,897,909
9	Secured by mortgages on immovable property	-	-	-	-	-	5,666,574,617	-	-	-
10	Exposures in default	-	-	-	-	-	-	-	-	-
11	Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-
12	Covered bonds	-	-	-	-	-	-	-	-	-
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	67,878	-	-	-	-
14	Collective investment undertakings	-	-	-	-	-	-	-	-	-
15	Equity	-	-	-	-	-	-	-	-	-
16	Other items	3,541	-	-	-	-	-	-	-	-
17	**Total**	**11,578,020,574**	**-**	**-**	**-**	**222,271,124**	**5,666,574,617**	**49,693,103**	**-**	**6,295,897,909**

UE CR5 – Standardised approach (continued)

	Exposure classes	Risk Weight							Total	Of which unrated
		100%	150%	250%	370%	1250%	Others	Deducted		
1	Central governments or central banks	-	-	77,510,619	-	-	-	-	11,495,247,566	-
2	Regional government or local authorities	63,963,572	-	-	-	-	-	-	286,045,825	-
3	Public sector entities	-	-	-	-	-	-	-	-	-
4	Multilateral development banks	-	-	-	-	-	-	-	160,280,086	-
5	International organizations	-	-	-	-	-	-	-	-	-
6	Institutions	1,535,720	-	-	-	-	-	-	4,561,724	-
7	Corporates	3,991,012,777	14,141,902	-	-	-	-	-	4,051,942,771	-
8	Retail	-	-	-	-	-	-	-	6,295,897,909	-
9	Secured by mortgages on immovable property	340,809,245	-	-	-	-	-	-	6,007,383,862	-
10	Exposures in default	328,326,888	51,045,198	-	-	-	-	-	379,372,086	-
11	Exposures associated with particularly high risk	-	132,138,863	-	-	-	-	-	132,138,863	-
12	Covered bonds	-	-	-	-	-	-	-	-	-
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	67,878	-
14	Collective investment undertakings	-	-	-	-	-	-	-	-	-
15	Equity	2,345,998	-	-	-	-	-	-	2,345,998	-
16	Other items	105,881,481	-	-	-	-	-	-	105,885,022	-
17	**Total**	**4,833,875,681**	**197,325,963**	**77,510,619**	**-**	**-**	**-**	**-**	**28,921,169,590**	**-**

Starting 31 December 2019 new Guidelines on disclosure of non-performing and forborne exposures (EBA/GL/2018/10) are in force. The templates 1, 3, 4, 9 have been prepared in compliance with the above mentioned Guidelines and aligned with the information presented in the Group's FINREP prepared at consolidated level for June 30, 2020.

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

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

The loans and advances exposures from this chapter do not include the following types of exposures, considered in the other tables from Chapter 5: CCR for derivatives, participations, other assets & deferred tax of subsidiaries, other assets of the Bank in relationship with the Romanian state, however include other financial assets of the Bank.

Template 1: Credit quality of forborne exposures

		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
				Of which defaulted	Of which impaired				
1	**Loans and advances**	**914,002,878**	**1,211,146,744**	**1,211,146,744**	**1,211,146,744**	**(21,165,500)**	**(827,321,574)**	**921,964,005**	**231,888,429**
2	Central banks	-	-	-	-	-	-	-	-
3	General governments	114,098	-	-	-	(2,291)	-	105,998	-
4	Credit institutions	-	-	-	-	-	-	-	-
5	Other financial corporations	99,218	11,610	11,610	11,610	(1,850)	(11,182)	85,163	-
6	Non-financial corporations	869,167,248	996,548,347	996,548,347	996,548,347	(16,628,147)	(701,324,191)	823,173,035	152,403,689
7	Households	44,622,314	214,586,787	214,586,787	214,586,787	(4,533,212)	(125,986,201)	98,599,809	79,484,740
8	**Debt Securities**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
9	**Loan commitments given**	**122,568,046**	**55,622,884**	**-**	**-**	**(2,091,353)**	**(28,259,856)**	**74,058,245**	**10,736,870**
10	**Total**	**1,036,570,924**	**1,266,769,628**	**1,211,146,744**	**1,211,146,744**	**(23,256,853)**	**(855,581,430)**	**996,022,250**	**242,625,299**

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

	Gross carrying amount/nominal amount					
	Performing exposures			Non-performing exposures		
		Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days
Loans and advances	**38,815,078,982**	**38,286,857,650**	**528,221,332**	**2,244,663,831**	**1,163,678,890**	**113,992,119**
Central banks	4,770,687,452	4,770,687,452	-	-	-	-
General governments	227,064,988	225,740,254	1,324,734	304,486,769	92,485	-
Credit institutions	5,188,897,333	5,188,897,333	-	-	-	-
Other financial corporations	635,551,469	349,503,087	286,048,382	324,614	51,056	-
Non-financial corporations	19,433,062,251	19,261,434,630	171,627,621	1,392,020,076	955,776,639	38,470,707
Of which SMEs	13,377,816,010	13,294,661,044	83,154,966	1,056,314,524	629,360,272	38,203,852
Households	8,559,815,489	8,490,594,894	69,220,595	547,832,372	207,758,710	75,521,412
Debt securities	**8,499,064,489**	**8,499,064,489**	**-**	**-**	**-**	**-**
General governments	8,499,064,489	8,499,064,489	-	-	-	-
Off-balance-sheet exposures	**15,838,705,849**			**199,990,315**		
General governments	41,221,584			-		
Credit institutions	1,747,324,707			-		
Other financial corporations	515,205,879			-		
Non-financial corporations	13,055,579,425			196,813,148		
Households	479,374,254			3,177,167		
Total	**63,152,849,320**	**46,785,922,139**	**528,221,332**	**2,444,654,146**	**1,163,678,890**	**113,992,119**

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

	Gross carrying amount/nominal amount					
	Non-performing exposures					
	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
Loans and advances	**230,351,064**	**106,881,453**	**513,924,145**	**74,492,784**	**41,343,376**	**2,244,663,831**
Central banks	-	-	-	-	-	-
General governments	-	-	304,394,284	-	-	304,486,769
Credit institutions	-	-	-	-	-	-
Other financial corporations	49	16,071	257,438	-	-	324,614
Non-financial corporations	107,883,192	65,349,090	147,477,122	47,707,221	29,356,105	1,392,020,076
Of which SMEs	107,784,355	65,096,014	145,560,461	47,707,221	22,602,349	1,056,314,524
Households	122,467,823	41,516,292	61,795,301	26,785,563	11,987,271	547,832,372
Debt securities	**-**	**-**	**-**	**-**	**-**	**-**
General governments	-	-	-	-	-	-
Off-balance-sheet exposures						**199,990,315**
General governments						-
Credit institutions						-
Other financial corporations						-
Non-financial corporations						196,813,148
Households						3,177,167
Total	**230,351,064**	**106,881,453**	**513,924,145**	**74,492,784**	**41,343,376**	**2,444,654,146**

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

	Gross carrying amount/nominal amount					
	Performing exposures			Non-performing exposures		
		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3
Loans and advances	**38,815,078,982**	**33,391,453,223**	**5,423,623,746**	**2,244,663,831**		**2,244,663,831**
Central banks	4,770,687,452	4,770,687,452	-	-		-
General governments	227,064,988	204,840,805	22,224,183	304,486,769		304,486,769
Credit institutions	5,188,897,333	5,188,897,333	-	-		-
Other financial corporations	635,551,469	610,025,722	25,525,747	324,614		324,614
Non-financial corporations	19,433,062,251	15,731,706,386	3,701,355,865	1,392,020,076		1,392,020,076
Of which SMEs	13,377,816,010	10,828,865,258	2,548,950,752	1,056,314,524		1,056,314,524
Households	8,559,815,489	6,885,295,525	1,674,517,951	547,832,372		547,832,372
Debt securities	**8,499,064,489**	**8,499,064,489**	**-**	**-**	**-**	**-**
Central banks	-	-	-	-	-	-
General governments	8,499,064,489	8,499,064,489	-	-	-	-
Off-balance-sheet exposures	**15,838,705,849**	**13,667,096,656**	**2,171,609,193**	**199,990,315**	**-**	**199,990,315**
General governments	41,221,584	29,057,393	12,164,191	-	-	-
Credit institutions	1,747,324,707	1,697,572,988	49,751,719	-	-	-
Other financial corporations	515,205,879	514,725,879	480,000	-	-	-
Non-financial corporations	13,055,579,425	11,038,547,667	2,017,031,758	196,813,148	-	**196,813,148**
Households	479,374,254	387,192,729	92,181,525	3,177,167	-	**3,177,167**
Total	**63,152,849,320**	**55,557,614,368**	**7,595,232,939**	**2,444,654,146**	**-**	**2,444,654,146**

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

	Accumulated impairment accumulated negative changes in fair value due to credit risk and provisions					
	Performing exposures–accumulated impairment			Non-performing exposures–accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3
Loans and advances	**(416,042,913)**	**(256,163,487)**	**(159,879,426)**	**(1,620,961,219)**	-	**(1,620,961,219)**
Central banks	(4,096,191)	(4,096,191)	-	-	-	-
General governments	(641,076)	(393,062)	(248,014)	(284,454,239)	-	(284,454,239)
Credit institutions	(1,222,430)	(1,222,430)	-	-	-	-
Other financial corporations	(2,670,175)	(1,959,255)	(710,920)	(324,105)	-	(324,105)
Non-financial corporations	(238,070,671)	(125,670,352)	(112,400,319)	(1,011,857,003)	-	(1,011,857,003)
Of which SMEs	(161,455,486)	(96,052,776)	(65,402,710)	(798,871,999)	-	(798,871,999)
Households	(169,342,370)	(122,822,197)	(46,520,173)	(324,325,872)	-	(324,325,872)
Debt securities	**(5,939,352)**	**(5,939,352)**	**-**	**-**	**-**	**-**
Central banks	-	-	-	-	-	-
General governments	(5,939,352)	(5,939,352)	-	-	-	-
Off-balance-sheet exposures	**(53,692,084)**	**(18,401,952)**	**(35,290,131)**	**(122,245,616)**	-	**(122,245,616)**
General governments	(357,872)	(47,065)	(310,807)	-	-	-
Credit institutions	(296,548)	(278,419)	(18,129)	-	-	-
Other financial corporations	(650,381)	(650,381)	-	-	-	-
Non-financial corporations	(47,768,189)	(13,077,391)	(34,690,797)	(121,908,445)	-	(121,908,445)
Households	(4,619,094)	(4,348,696)	(270,398)	(337,171)	-	(337,171)
Total	**(475,674,349)**	**(280,504,791)**	**(195,169,557)**	**(1,743,206,835)**	-	**(1,743,206,835)**

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

	Accumulated partial write-off	Collateral and financial guarantees received	
		On performing exposures	On non-performing exposures
Loans and advances	**-**	**21,743,985,420**	**397,686,850**
Central banks	-	-	-
General governments	-	1,459,658	-
Credit institutions	-	4,478,752,156	-
Other financial corporations	-	258,054,793	-
Non-financial corporations	-	11,855,607,904	234,502,916
Of which SMEs	-	9,055,169,669	204,823,274
Households	-	5,150,110,909	163,183,934
Debt securities	**-**	**-**	**-**
Central banks	-	-	-
General governments	-	-	-
Off-balance-sheet exposures	**-**	**4,387,417,296**	**40,252,890**
General governments	-	466,221	-
Credit institutions	-	1,316,481,370	-
Other financial corporations	-	97,007,793	-
Non-financial corporations	-	2,947,818,752	39,362,630
Households	-	25,643,160	890,260
Total	**-**	**26,131,402,716**	**437,939,740**

Template 9: Collateral obtained by taking possession and execution processes

		Collateral obtained by taking possession	
		Value at initial recognition	Accumulated negative changes
1	Property, plant and equipment (PP&E)	-	-
2	Other than PP&E	54,990,555	(31,619,037)
3	Residential immovable property	328,274	(64)
4	Commercial Immovable property	-	-
5	Movable property (auto, shipping, etc.)	54,662,281	(31,618,973)
6	Equity and debt instruments	-	-
7	Other	-	-
8	**Total**	**54,990,555**	**(31,619,037)**

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

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

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

		Number of obligors	Gross carrying amount						
				Performing			Non performing		
					Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: defaulted
1	Loans and advances for which moratorium was offered	17,708	5,712,552,919						
2	Loans and advances to which moratorium was applied	14,427	5,599,944,874	5,088,276,205	98,500,985	1,159,973,202	511,668,669	401,941,078	431,892,941
3	of which: Households	11,663	986,046,977	881,952,567	15,796,310	265,578,738	104,094,410	66,171,536	84,312,590
4	*of which: Collateralised by residential immovable property*		603,474,805	549,246,704	9,469,855	252,882,446	54,228,101	35,614,199	54,228,101
5	of which: Non-financial corporations	2,757	4,310,531,349	3,902,957,090	82,704,674	878,819,179	407,574,259	335,769,543	347,580,351
6	*of which: SME*	2,723	3,588,188,080	3,413,201,230	82,704,674	673,837,129	174,986,850	103,910,949	146,933,786
7	*of which: Collateralised by commercial immovable property*		2,229,838,288	2,135,270,551	22,398,064	334,183,794	94,567,737	84,263,805	93,606,052

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	(373,534,838)	(101,110,916)	(6,172,489)	(33,350,664)	(272,423,923)	(213,365,707)	(232,229,236)	(2,359,647)
3	of which: Households	(100,043,099)	(40,907,139)	(1,993,443)	(11,045,396)	(59,135,961)	(41,912,103)	(47,521,709)	(2,359,647)
4	*of which: Collateralised by residential immovable property*	(33,954,146)	(9,786,363)	(960,367)	(8,780,874)	(24,167,782)	(18,781,604)	(24,167,782)	(2,190,186)
5	of which: Non-financial corporations	(271,778,481)	(58,490,519)	(4,179,047)	(21,925,257)	(213,287,962)	(171,453,604)	(184,707,527)	-
6	*of which: SME*	(158,096,247)	(52,503,745)	(4,179,047)	(18,856,453)	(105,592,502)	(64,276,906)	(94,022,519)	-
7	*of which: Collateralised by commercial immovable property*	(78,372,624)	(19,320,416)	(119,909)	(7,017,587)	(59,052,208)	(54,974,775)	(59,000,972)	-

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**	**5,599,944,874**	**-**	**5,502,363,590**	**20,220,566**	**-**	**-**	**-**
2	of which: Households	986,046,977	-	906,883,335	20,220,566	-	-	-
3	*of which: Collateralised by residential immovable property*	603,474,805	-	564,063,179	-	-	-	-
4	of which: Non-financial corporations	4,310,531,349	-	4,292,113,709	-	-	-	-
5	*of which: Small and Medium-sized Enterprises*	3,588,188,080	-	3,569,770,439	-	-	-	-
6	*of which: Collateralised by commercial immovable property*	2,229,838,288	-	2,229,838,288	-	-	-	-

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**	**549,165**	**-**	**493,918**	**-**
2	of which: Households	-	-	-	-
3	of which: Collateralised by residential immovable property	-	-	-	-
4	of which: Non-financial corporations	549,165	-	493,918	-
5	of which: Small and Medium-sized Enterprises	549,165	-	-	-
6	of which: Collateralised by commercial immovable property	-	-	-	-

5.5 Expected Credit Loss – Approaches and Methods

For Expected Credit Loss (ECL) calculation there are applicable two different approaches: “collective” approach and “individual” approach.

The approach generic named “collective” (ECL calculated at the level of group financial assets), represents depreciation adjustments expected for impairments calculated at the level of financial asset groups, represented further by expected credit losses for the next 12 months or / and expected losses for lifetime.

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

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

The individual assessment process has been divided into 2 steps:

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

Individually significant exposures are considered to be the following:

- all exposures to banks, countries and sovereigns;
- all exposures to corporate defaulted clients (clients with rating 8-, 9, 10) which exceed the amount of EUR 1.000.000;
- all exposures to SME defaulted clients (rating 8-, 9, 10), and which exceed cumulatively the amount of EUR 250.000;
- all loans granted to private individuals & private banking defaulted clients (rating 8-, 9, 10) with exposures exceeding the amount of EUR 250.000, for which at least one default event has been identified; in some particular situations, case by case, the individually analysis can be applied also for exposures over than EUR 50.000;
- all clients/transactions whose risk profile cannot be assessed based on statistical parameters at the portfolio level or for the cases that the individual assessment is necessary.

The thresholds mentioned above refer to current total exposure (considering bank balance sheet) for a client, including also off-balance exposure.

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

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

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

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

		Accumulated specific credit risk adjustment	Accumulated general credit risk adjustment
1	**Opening balance (01.01.2020)**	**(1,664,396,740)**	**-**
2	Increases due to amounts set aside for estimated loan losses during the period	(65,404,987)	-
3	Decreases due to amounts reversed for estimated loan losses during the period	64,033,285	-
4	Decreases due to amounts taken against accumulated credit risk adjustments	74,500,743	-
5	Transfers between credit risk adjustments	(16,786,201)	-
6	Impact of exchange rate differences	(11,213,000)	-
7	Business combinations, including acquisitions and disposals of subsidiaries	-	-
8	Other adjustments	(1,694,319)	-
9	**Closing balance (30.06.2020)**	**(1,620,961,219)**	**-**
10	Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	16,881,439	-
11	Specific credit risk adjustments directly recorded to the statement of profit or loss	21,836	-

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

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

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

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

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

Rating Scale – relationship between internal and external ratings

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

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

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

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

Any rating model presumes the following stages:

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

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

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

The below template presents the exposure classes according to PD grades. Equity instruments are not included.

Exposure class	PD Scale	Original on-balance- sheet gross exposures	Off- balance-sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors
Central Governments or Central Bank							
	0.00 to <0.15	-	454,062	0.50	227,031	0.00	1
	0.15 to <0.25	-	-	0.00	-	0.00	-
	0.25 to <0.50	2,033,924,183	-	1.00	2,033,924,183	0.00	2
	0.50 to <0.75	-	1,000,000	0.00	-	0.00	1
	0.75 to <2.50	-	-	0.00	-	0.00	-
	2.50 to <10.00	-	-	0.00	-	0.00	-
	10.00 to <100.00	-	-	0.00	-	0.00	-
	100.00 (Default)	304,486,769	-	1.00	304,486,769	1.00	1
	Subtotal	**2,338,410,951**	**1,454,062**	**0.83**	**2,338,637,983**	**0.50**	**5**
Institutions							
	0.00 to <0.15	593,827,968	1,538,037,302	0.73	1,565,132,509	0.00	70
	0.15 to <0.25	7,661,157	69,655,014	1.12	86,697,865	0.00	6
	0.25 to <0.50	71,496,111	125,717,594	0.67	132,613,937	0.00	17
	0.50 to <0.75	109,381,704	120,482,431	0.50	115,171,170	0.01	4
	0.75 to <2.50	378,406,670	38,518,112	0.95	394,188,065	0.01	13
	2.50 to <10.00	-	-	0.00	213,484	0.08	0
	10.00 to <100.00	-	-	0.00	0	0.00	0
	100.00 (Default)	-	-	0.00	0	0.00	0
	Subtotal	**1,160,773,610**	**1,892,410,452**	**0.75**	**2,294,017,030**	**0.02**	**110**
Retail - SME							
	0.00 to <0.15	40,363,890	36,644,312	0.61	46,861,114	0.00	11
	0.15 to <0.25	4,996,916	12,510,342	0.49	8,566,513	0.00	5
	0.25 to <0.50	221,359,330	372,169,710	0.51	305,262,225	0.00	126
	0.50 to <0.75	225,744,448	196,943,878	0.64	270,441,159	0.01	121
	0.75 to <2.50	3,130,621,864	2,116,295,665	0.66	3,453,179,746	0.02	1,651
	2.50 to <10.00	2,502,697,605	1,241,537,747	0.71	2,654,575,999	0.05	1,300
	10.00 to <100.00	110,437,492	37,778,782	0.63	93,394,116	0.16	47
	100.00 (Default)	540,859,028	142,649,663	0.81	551,051,197	1.00	255
	Subtotal	**6,777,080,573**	**4,156,530,099**	**0.68**	**7,383,332,068**	**0.15**	**3,516**
Corporate-Other							
	0.00 to <0.15	285,697,439	2,643,907,585	0.35	1,027,561,116	0.00	105
	0.15 to <0.25	217,419,651	678,317,230	0.42	378,359,470	0.00	30
	0.25 to <0.50	915,362,102	1,171,071,886	0.57	1,187,070,383	0.00	128
	0.50 to <0.75	442,763,899	708,886,062	0.46	535,453,093	0.01	81
	0.75 to <2.50	2,481,142,490	1,987,606,452	0.61	2,716,605,588	0.02	327
	2.50 to <10.00	920,019,338	578,516,962	0.64	962,793,586	0.05	199
	10.00 to <100.00	122,244,456	33,744,815	0.90	140,852,886	0.16	5
	100.00 (Default)	286,281,429	46,465,239	0.90	300,207,200	1.00	33
	Subtotal	5,670,930,805	7,848,516,231	0.54	7,248,903,322	0.15	908
Total (all portfolio)		**15,947,195,939**	**13,898,910,844**	**0.65**	**19,264,890,402**	**0.21**	**4,539**

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

The table below does not include amounts classified as other assets (Right of Use, PPE, equity investments, deferred tax, etc.).

Exposure class	PD Scale	Average LGD	Average maturity	RWAs	RWA density	EL	Value adjustments and provisions
Central Governments or Central Bank							
	0.00 to <0.15	0.45	912.50	-	0.000	-	-
	0.15 to <0.25	0.00	-	-	0.000	-	-
	0.25 to <0.50	0.45	912.50	1,078,025,580	0.530	2,335,026	-831,651
	0.50 to <0.75	0.00	-	-	0.000	-	-1,534
	0.75 to <2.50	0.00	-	-	0.000	-	-
	2.50 to <10.00	0.00	-	-	0.000	-	-
	10.00 to <100.00	0.00	-	-	0.000	-	-
	100.00 (Default)	0.45	912.50	-	0.000	137,019,046	-284,454,239
	Subtotal	**0.45**	**912.50**	**1,078,025,580**	**0.461**	**139,354,072**	**-285,287,424**
Institutions							
	0.00 to <0.15	0.34	912.50	535,378,936	0.342	599,765	-637,836
	0.15 to <0.25	0.45	912.50	40,466,884	0.467	79,061	-29,437
	0.25 to <0.50	0.41	912.50	80,304,332	0.606	214,681	-36,348
	0.50 to <0.75	0.45	912.50	92,067,299	0.799	314,297	-161,445
	0.75 to <2.50	0.32	912.50	485,427,129	1.231	3,592,654	-1,673,454
	2.50 to <10.00	0.00	912.50	481,310	2.255	7,502	-
	10.00 to <100.00	0.00	-	-	0.000	-	-
	100.00 (Default)	0.00	-	-	0.000	-	-
	Subtotal	**0.39**	**912.50**	**1,234,125,889**	**0.538**	**4,807,960**	**-2,538,521**
Retail - SME							
	0.00 to <0.15	0.30	912.50	9,883,267	0.211	16,674	-29,262
	0.15 to <0.25	0.45	912.50	2,482,122	0.290	7,456	-8,896
	0.25 to <0.50	0.44	912.50	139,216,655	0.456	564,725	-887,404
	0.50 to <0.75	0.44	912.50	158,747,978	0.587	787,411	-631,351
	0.75 to <2.50	0.43	912.50	2,623,051,387	0.760	26,510,397	-16,003,623
	2.50 to <10.00	0.42	912.50	2,513,905,395	0.947	46,726,126	-27,587,749
	10.00 to <100.00	0.43	912.50	128,836,152	1.379	5,056,978	-3,158,804
	100.00 (Default)	0.44	912.50	-	0.000	240,771,311	-542,339,635
	Subtotal	**0.42**	**912.50**	**5,576,122,956**	**0.755**	**320,441,077**	**-590,646,724**
Corporate-Other							
	0.00 to <0.15	0.45	912.50	311,671,392	0.303	453,320	-2,320,160
	0.15 to <0.25	0.45	912.50	167,140,373	0.442	310,021	-3,433,400
	0.25 to <0.50	0.43	912.50	819,489,458	0.690	2,281,114	-3,916,163
	0.50 to <0.75	0.43	912.50	427,372,848	0.798	1,495,422	-1,749,803
	0.75 to <2.50	0.44	912.50	3,183,153,105	1.172	20,892,038	-14,006,223
	2.50 to <10.00	0.42	912.50	1,385,189,787	1.439	16,248,519	-9,120,917
	10.00 to <100.00	0.15	912.50	304,409,485	2.161	8,490,959	-4,123,865
	100.00 (Default)	0.45	912.50	-	0.000	134,188,564	-187,887,182
	Subtotal	0.40	912.50	6,598,426,448	0.910	184,359,957	-226,557,712
Total (all portfolio)		**0.42**	**912.50**	**14,486,700,874**	**0.752**	**648,963,066**	**-1,105,030,381**

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

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

	PD scale	EAD post CRM	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density
Retail								
	0.00 to <0.15							
	0.15 to <0.25							
	0.25 to <0.50							
	0.50 to <0.75							
	0.75 to <2.50							
	2.50 to <10.00							
	10.00 to <100.00							
	100.00 (Default)							
	Subtotal							
Corporate-Other								
	0.00 to <0.15	21,734,040	0.011	40	0.4500	912.50	16,013,600	0.7368
	0.15 to <0.25	-	-	-	-	-	-	-
	0.25 to <0.50	-	-	-	-	-	-	-
	0.50 to <0.75	-	-	-	-	-	-	-
	0.75 to <2.50	-	-	-	-	-	-	-
	2.50 to <10.00	-	-	-	-	-	-	-
	10.00 to <100.00	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-
	Subtotal	**21,734,040**	**0.011**	**40**	**0.4500**	**912.50**	**16,013,600**	**0.7368**
Corporate-SME								
	0.00 to <0.15	13,921,011	0.021	75	0.0000	0.00	10,926,598	0.7849
	0.15 to <0.25	-	-	-	-	-	-	-
	0.25 to <0.50	-	-	-	-	-	-	-
	0.50 to <0.75	-	-	-	-	-	-	-
	0.75 to <2.50	587,211	0.873	8	0.4500	912.50	18,821	0.0321
	2.50 to <10.00	-	-	-	-	-	-	-
	10.00 to <100.00	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-
	Subtotal	**14,508,222**	**0.894**	**83**	**0.4500**	**912.50**	**10,945,419**	**0.8170**
Institutions								
	0.00 to <0.15	117,180,872	0.001	15	0.4500	912.50	50,883,028	0.4342
	0.15 to <0.25	-	-	-	-	-	-	-
	0.25 to <0.50	-	-	-	-	-	-	-
	0.50 to <0.75	-	-	-	-	-	-	-
	0.75 to <2.50	-	-	-	-	-	-	-
	2.50 to <10.00	-	-	-	-	-	-	-
	10.00 to <100.00	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-
	Subtotal	**117,180,872**	**0.001**	**15**	**0.4500**	**912.50**	**50,883,028**	**0.4342**
Total (all portfolio)		**153,423,134**	**0.302**	**138**	**0.4500**	**912.50**	**77,842,048**	**0.5074**

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

The template presents a flow statement explaining variations in the credit RWAs of exposures for which the risk-weighted amount is determined in accordance with IRB approach. The table does not contain RWA for CCR exposures (77,842,047.86 RON), RWA for SFT (7,057,578 RON), RWA for Other Assets (702,377,172 RON) and RWA for Equity investments (166,453,857 RON).

		RWA amounts	Capital requirements
1	**RWAs as at the end of the previous reporting period 31.03.2020**	**15,783,518,751**	**1,262,681,500**
2	Asset size	-134,485,639	-12,793,974
3	Asset quality	30,584,253	2,446,740
4	Model updates	-59,076,060	-4,726,085
5	Methodology and policy *	-1,144,010,339	-89,485,704
6	Acquisitions and disposals	-	-
7	Foreign exchange movements	10,169,908	813,593
8	Other	-	-
9	**RWAs as at the end of the reporting period 30.06.2020**	**14,486,700,874**	**1,158,936,070**

** UniCredit Bank applied the provisions of the REGULATION (EU) 2020/873 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 24 June 2020 amending Regulations (EU) No 575/2013 and (EU) 2019/876 as regards certain adjustments in response to the COVID-19 pandemic in relation to SME factor and in relation to the application of a temporary treatment of public debt issued in the currency of another Member State (25,439,039 RON) generating the above mentioned impact.*

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

Exposure classes*		Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
		On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWAs	RWA density
1	Central governments or central banks	11,288,476,749	21,547,026	11,484,004,751	11,242,815	193,776,547	0.02
2	Regional government or local authorities	271,692,367	17,864,158	271,692,367	14,353,458	108,380,023	0.38
3	Public sector entities	-	-	-	-	-	0.00
4	Multilateral development banks	-	-	152,465,243	7,814,842	-	0.00
5	International organizations	-	-	-	-	-	0,00
6	Institutions	3,988,925	241,985	4,440,731	120,993	3,012,424	0.66
7	Corporates	3,709,676,116	990,365,524	3,689,813,878	332,106,834	3,477,463,771	0.86
8	Retail	6,257,429,995	965,110,032	6,020,646,892	275,176,540	4,175,233,319	0.66
9	Secured by mortgages on immovable property	5,997,738,506	104,772,513	5,997,738,506	9,645,357	2,250,646,259	0.37
10	Exposures in default	383,553,300	7,777,714	377,818,934	1,553,152	404,894,685	1.07
11	Exposures associated with particularly high risk	132,138,863	-	132,138,863	-	198,208,295	1.50
12	Covered bonds	-	-	-	-	-	0,00
13	Institutions and corporates with a short-term credit assessment	67,878	-	67,878	-	13,576	0.20
14	Collective investment undertakings	-	-	-	-	-	0,00
15	Equity	2,345,998	-	2,345,998	-	2,345,998	1.00
16	Other items	105,885,021	-	105,885,021	-	105,881,481	1.00
17	**Total**	**28,152,993,718**	**2,107,678,952**	**28,239,059,062**	**652,013,991**	**10,919,856,378**	**0.38**

** The table does not include derivative exposures, in amount of 30,096,536.82 RON.*

EU CR3 – CRM techniques – Overview

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

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

	Instruments	Total exposures - Carrying amount, of which:	Unsecured exposures – Carrying Amount	Secured Exposures – Carrying amount, of which:	Secured Exposures by collateral	Secured Exposures by financial guarantees	Secured exposures by credit derivatives
1	Total loans	39,022,738,681	17,011,869,303	22,010,869,378	21,170,883,727	839,985,659	-
2	Total debt securities	8,493,125,137	8,493,125,137	-	-	-	-
3	**Total exposures**	**47,515,863,818**	**25,504,994,440**	**22,010,869,378**	**21,170,883,727**	**839,985,659**	**-**
4	Of which defaulted	623,702,612	203,890,090	419,812,522	368,618,500	51,194,022	-

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.

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

EU CCR1 – Analysis of CCR exposure by approach

		Notional	Replacement cost/current market value	Potential future credit exposure	EEPE	Multiplier	EAD post CRM	RWA
1	Mark to market		85,574,947	97,944,694			183,519,641	106,203,547
2	Original exposure							-
3	Standardized approach							-
4	IMM (for derivatives and SFTs)							7,057,578
5	Of which securities financing transactions							-
6	Of which derivatives and long settlement transactions							-
7	Of which from contractual cross-product netting							-
8	Financial collateral simple method (for SFTs)							-
9	Financial collateral comprehensive method (for SFTs)							-
10	VaR for SFTs							-
11	**Total**							**113,261,125**

EU CCR2 – CVA capital charge

		Exposure value	RWAs
1	Total portfolios subject to the advanced method	-	-
2	(i) VaR component (including the 3× multiplier)		-
3	(ii) SVaR component (including the 3× multiplier)		-
4	All portfolios subject to the standardised method	113,415,539	22,224,189
EU4	Based on the original exposure method	-	-
5	**Total subject to the CVA capital charge**	113,415,539	22,224,189

The own funds requirements for the risk of credit valuation adjustment (CVA) for derivative financial instruments is calculated according to Art. 382, pct. 1. Intragroup transactions are excluded from own funds requirements application for CVA risk according to Art. 382, pct. 4, lt. b.

In the calculation of the credit valuation adjustment, UniCredit Bank applies Art.384, which describes the standardized method, thus the own funds requirement is determined on portfolio level for each counterpart.

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

		Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
1	Derivatives	-	-	-	-	-
2	SFTs	4,478,752,156	-	-	4,451,172,229	27,579,927
3	Cross-product netting	-	-	-	-	-
4	**Total**	4,478,752,156	-	-	4,451,172,229	27,579,927

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

	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
SFT	-	-	-	-	4,451,172,229	-
Total	-	-	-	-	**4,451,172,229**	-

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

		RWA											Total	Of which unrated
	Exposure classes	**0%**	**2%**	**4%**	**10%**	**20%**	**50%**	**70%**	**75%**	**100%**	**150%**	**Others**		
1	Central governments or central banks	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Regional government or local authorities	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-
5	International organizations	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Corporates	-	-	-	-	-	-	-	-	28,361,500	-	-	28,361,500	-
8	Retail	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Other items	-	-	-	-	-	-	-	-	-	-	-	-	-
11	**Total**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-	**28,361,500**	**-**	**-**	**28,361,500**	**-**

EU CCR7 – RWA flow statements of CCR exposures under the IMM (internal models method)

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

		RWA amounts	Capital requirements
1	**RWAs as at the end of the previous reporting period (31.03.2020)**	20,283,676	1,622,694
2	Asset size	-13,226,099	-1,058,088
3	Credit quality of counterparties	-	-
4	Model updates (IMM only)	-	-
5	Methodology and policy (IMM only)	-	-
6	Acquisitions and disposals	-	-
7	Foreign exchange movements	-	-
8	Other	-	-
9	**RWAs as at the end of the current reporting period (30.06.2020)**	**7,057,577**	**564,606**

7. MARKET RISK

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

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

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

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

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

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

The market risk management strategy is prepared and implemented by applying the following **basic principles**:

- Market risk management is done through specific risk indicators and models: Value at risk (VaR) limits, Basis Point Value and Credit Point Value limits, 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.

The evolution of the main market risk indicators for VaR (Value at Risk) in Q2 2020 is presented in the table below:

EUR million	Total Var 99%	VaR Trading Book
Limit	**22.00**	**1.50**
End Q2 2020	16..80	0.97
Average Q2 2020	13.72	0.97
Maximum Q2 2020	17.04	1.18
Minimum Q2 2020	11.77	0.71

7.1 Price risk, Interest rate risk, exchange rate risk and credit spread

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

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

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

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

All other products are part of the Banking Book.

Derivatives are recorded at market value through the daily mark-to-market revaluation. The Bank considers also the following adjustments for the balance sheet positions of derivatives:

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

- on a quarterly basis: FVA (Fair Value Adjustment).

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

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

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.

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

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

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

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

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

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

Interest rate risk measurement includes:

a) Net Interest Income analysis

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

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

b) Economic Value analysis

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

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

IRRBB management is performed within Markets Risk and Finance departments.

UCB applies **hedge accounting** as follows:

- Fair value hedge in order to hedge fixed rate exposure from AFS government EUR denominated bonds investments
- Cash flow hedge in order to hedge the variability of cash flows from deposits

Interest rate risk measurement includes the following indicators:

A) RAF KPIs – measured on a monthly basis

A.1) Net Interest Income sensitivity

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

A.2) Economic Value sensitivity

The 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 RAF KPIs are monitored monthly by Financial Risk and reported to the relevant committees: ALCO, Risk Management Operative Committee and Supervisory Board, as well as to the relevant Holding function. The evolution of the IRRBB RAF KPIs during Q2/2020 at standalone and consolidated level is presented in the table below:

RAF		2020					
Interest Rate Risk in the Banking Book KPIs	RO Consolidated	Target	Trigger	Limit	30-Apr	31-May	30-Jun
	NII Sensitivity (% of budget)	>-9.5%	>-9.5%	-12%	-6.50%	-7.00%	-7.39%
	EV Sensitivity (% tier 1 capital)	>-11%	-11%	-15%	-3.64%	-4.78%	-5.26%
	UCB Standalone	Target	Trigger	Limit			
	NII Sensitivity (% of budget)	>-9.5%	>-9.5%	-12%	-8.37%	-8.97%	-9.33%
	EV Sensitivity (% of tier 1 capital)	>-11%	-11%	-15%	-3.98%	-4.93%	-5.56%

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 30.06.2020 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	5,166	2,667	72,670	37,391	50,431	162,992
	Limit	25,000	50,000	140,000	240,000	60,000	310,000
	Usage	20.67%	5.33%	51.91%	15.58%	84.05%	52.58%
	(EUR)	SUM	no limit breach				
	EUR	10,517					
	Limit	100,000					
	Usage	10.52%					

VaR IRRBB

value: EUR 2,265,322 versus limit: EUR 10,000,000

Stress tests for IRRBB – measured on a monthly basis

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

UCB - Standalone	**Million EUR**					
Period	**30-Apr-20**		**31-May-20**		**30-Jun-20**	
Own Funds Total / T1	**1,117.84**	**949.34**	**1,117.72**	**927.82**	**1,191.93**	**1,004.30**
Regulatory IR Stress Test (BB)		**% Total OF**		**% Total OF**		**% total OF**
1 parallel shift + 200bps	(14.94)	1.34%	(19.88)	1.78%	(24.26)	2.04%
2 parallel shift - 200bps	36.67	3.28%	45.19	4.04%	52.77	4.43%
IRRBB Basel definition (BB)		**% T1 OF**		**% T1 OF**		**% T1 OF**
1 parallel shift + 200bps	(14.94)	1.57%	(19.88)	2.14%	(24.26)	2.42%
2 parallel shift - 200bps	36.67	3.86%	45.19	4.87%	52.77	5.25%
3 Basel Parallel shock up	(29.34)	3.09%	(37.95)	4.09%	(45.74)	4.55%
4 Basel Parallel shock down	67.63	7.12%	82.80	8.92%	95.45	9.50%
5 Basel Steepening (sr down, lr up)	7.72	0.81%	0.96	0.10%	(1.07)	0.11%
6 Basle Flattening (sr up, le down)	(10.55)	1.11%	(5.31)	0.57%	(4.71)	0.47%
7 Basel Short rates up	(24.81)	2.61%	(24.36)	2.63%	(26.70)	2.66%
8 Basel Short rates down	30.89	3.25%	32.20	3.47%	36.48	3.63%
Maximum		**7.12%**		**8.92%**		**9.50%**
Supervisory Outlier Test		**% T1 OF**		**% T1 OF**		**% T1 OF**
1 parallel shift + 200bps	(17.93)	1.89%	(23.32)	2.51%	(27.96)	2.78%
1 parallel shift - 200bps	13.19	1.39%	16.87	1.82%	19.44	1.94%
3 Basel Parallel shock up	(34.59)	3.64%	(44.39)	4.78%	(52.83)	5.26%
4 Basel Parallel shock down	25.80	2.72%	30.59	3.30%	33.04	3.29%
5 Basel Steepening (sr down, lr up)	2.84	0.30%	(0.97)	0.10%	(1.28)	0.13%
6 Basle Flattening (sr up, le down)	(10.72)	1.13%	(5.73)	0.62%	(6.59)	0.66%
7 Basel Short rates up	(24.97)	2.63%	(25.05)	2.70%	(30.26)	3.01%
8 Basel Short rates down	14.94	1.57%	15.49	1.67%	19.28	1.92%
Maximum		**3.64%**		**4.78%**		**5.26%**

RO Group Consolidated	**Million EUR**					
Period	**30-Apr-20**		**31-May-20**		**30-Jun-20**	
Own Funds Total / T1	**1,085.75**	**917.25**	**1,118.92**	**929.01**	**1,141.78**	**953.44**
Regulatory IR Stress Test (BB)		**% Total OF**		**% Total OF**		**% Total OF**
1 parallel shift + 200bps	(20.09)	1.85%	(25.15)	2.25%	(28.66)	2.51%
2 parallel shift - 200bps	36.04	3.32%	44.50	3.98%	50.50	4.42%

IRRBB Basel definition (BB)		% T1 OF		% T1 OF		% T1 OF
1 parallel shift + 200bps	(20.09)	2.19%	(25.15)	2.71%	(28.66)	3.01%
2 parallel shift - 200bps	36.04	3.93%	44.50	4.79%	50.50	5.30%
3 Basel Parallel shock up	(35.41)	3.86%	(44.29)	4.77%	(50.93)	5.34%
4 Basel Parallel shock down	67.96	7.41%	83.20	8.96%	93.91	9.85%
5 Basel Steepening (sr down, lr up)	9.89	1.08%	2.58	0.28%	0.79	0.08%
6 Basle Flattening (sr up, le down)	(14.33)	1.56%	(8.64)	0.93%	(8.07)	0.85%
7 Basel Short rates up	(29.90)	3.26%	(29.36)	3.16%	(31.43)	3.30%
8 Basel Short rates down	34.36	3.75%	35.23	3.79%	39.04	4.09%
Maximum		**7.41%**		**8.96%**		**9.85%**
Supervisory Outlier Test		**% T1 OF**		**% T1 OF**		**% T1 OF**
1 parallel shift + 200bps	(21.13)	2.30%	(26.68)	2.87%	(30.69)	3.22%
1 parallel shift - 200bps	14.18	1.55%	17.91	1.93%	20.20	2.12%
3 Basel Parallel shock up	(36.46)	3.98%	(45.81)	4.93%	(52.97)	5.56%
4 Basel Parallel shock sown	24.49	2.67%	28.81	3.10%	30.53	3.20%
5 Basel Steepening (sr down, lr up)	4.72	0.51%	0.74	0.08%	0.06	0.01%
6 Basle Flattening (sr up, le down)	(14.02)	1.53%	(8.43)	0.91%	(8.83)	0.93%
7 Basel Short rates up	(30.19)	3.29%	(29.69)	3.20%	(31.91)	3.35%
8 Basel Short rates down	16.59	1.81%	16.69	1.80%	19.03	2.00%
Maximum		**3.98%**		**4.93%**		**5.56%**

7.2 RWA calculation method and models

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

EU MR1 – Market risk under the standardized approach

		RWAs	Capital requirements
	Outright products		
1	Interest rate risk (general and specific)	44,354,022	3,548,322
2	Equity risk (general and specific)	-	-
3	Foreign exchange risk	-	-
4	Commodity risk	-	-
	Options		
5	Simplified approach	-	-
6	Delta-plus method	-	-
7	Scenario approach	-	-
8	Securitization (specific risk)	-	-
9	**Total**	**44,354,022**	**3,548,322**

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		2020 Q2	2020 Q1
1	Total consolidated assets as per published financial statements	**50,468,840,856**	**49,784,565,478**
2	Adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-	-
3	Adjustment for fiduciary assets recognized on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-	-
4	Adjustments for derivative financial instruments	99,518,787	101,979,158
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	-	192,548
6	Adjustment for off balance sheet items (ie conversion to credit equivalent amounts of off balance sheet exposures)	4,670,346,844	4,790,128,518
EU-6a	(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013)	-	-
EU-6b	Adjustments for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	-	-
7	Other adjustments	-259,985,969	-254,375,949
8	**Leverage ratio exposure measure**	**54,978,720,518**	**54,422,489,752**

LRCom: Leverage Ratio Common Disclosure

The template presents Leverage Ratio as at 30 June 2020 and the split of the main exposures according with CRR Art. 429 and 451.

LR2: Leverage ratio presentation		2020 Q2	2020 Q1
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	45,903,207,703	42,892,843,780
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(261,662,662)	(256,191,793)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of row 1 and 2)**	**45,641,545,041**	**42,636,651,987**
Derivative exposures			
4	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	88,557,690	65,028,765
5	Add-on amounts for PFE associated with all derivatives transactions	99,518,787	101,979,158
EU-5a	Exposure determined under Original Exposure Method	-	-
6	Gross-up for derivatives collateral provide where deducted from the balance sheet assets pursuant to the operative accounting framework	-	-

7	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)	-	-
8	(Exempted CCP leg of client-cleared trade exposures)	-	-
9	Adjusted effective notional amount of written credit derivatives	-	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
11	**Total derivative exposures (sum of rows 4 to 10)**	**188,076,478**	**167,007,923**
Securities Financing Transaction exposures			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	4,478,752,156	6,828,508,777
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
14	CCR exposure for SFT assets	-	192,548
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013	-	-
15	Agent transaction exposures	-	-
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	-	-
16	**Total securities financing transaction exposures (sum of rows 12 to 15)**	**4,478,752,156**	**6,828,701,324**
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	16,038,696,568	15,759,749,005
18	(Adjustments for conversion to credit equivalent amounts)	(11,368,349,724)	(10,969,620,487)
19	**Off-balance sheet items (sum of rows 17 and 18)**	**4,670,346,844**	**4,790,128,518**
EU-19a	(Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	-	-
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	-	-
Capital and total exposures			
20	**Tier 1 capital**	**4,863,105,622**	**4,599,614,894**
21	**Total exposures (sum of rows 3, 11, 16 and 19)**	**54,978,720,518**	**54,422,489,752**
Leverage ratio			
22	**Basel III leverage ratio**	**8.85%**	**8.45%**
EU-23	Choice on transitional arrangements for the definition of the capital measure	Fully applied	Fully applied
EU-24	Amount of derecognized fiduciary items in accordance with Article 429(11) of Regulation (EU) NO. 575/2013	-	-

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

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

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

	Items	CRR leverage ratio exposures
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**45,903,207,703**
EU-2	Trading book exposures	392,551,136
EU-3	Banking book exposures, of which:	45,510,656,508
EU-4	Covered bonds	-
EU-5	Exposures treated as sovereigns	13,593,261,647
EU-6	Exposures to regional governments, MDB, international organizations and PSE not treated as sovereigns	-
EU-7	Institutions	1,162,516,522
EU-8	Secured by mortgages of immovable properties	5,997,738,506
EU-9	Retail exposures	6,257,429,995

EU-10	Corporate	15,268,025,813
EU-11	Exposures in default	619,579,960
EU-12	Other exposures (e.g. equity, securitizations, and other non-credit obligation assets)	2,612,104,065

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 table below shows the detailed picture of the LCR as of 30 of June 2020:

Values in RON Million		Individual			Consolidated		
		Value	Coeff.	Adjusted Value	Value	Coeff.	Adjusted Value
C72							
Liquid Assets - HQLA							
Total	**10**	**16,498**	**-**	**16,491**	**16,498**		**16,491**
Level 1 assets	20	16,451	-	16,451	16,451	-	16,451
Cash	40	1,516	1.0000	1,516	1,516	1.0000	1,516
Withdrawable central bank reserves	50	2,111	1.0000	2,111	2,111	1.0000	2,111
Central government assets	70	12,825	1.0000	12,825	12,825	1.0000	12,825
Level 2 assets	220	46	-	39	46	-	39
Regional government / local authorities or Public Sector Entity assets	240	46	0.8500	39	46	0.8500	39
C73							
Outflows							
Total	**10**	**52,062**	**-**	**14,117**	**52,024**	**-**	**13,802**
Outflows from unsecured transactions / Deposits	-	-	-	-	-	-	-
Retail deposits	30	14,314	-	1,226	14,314	-	1,226
Higher outflows	50	4,587	-	690	4,587	-	690
category 1	60	2,263	0.1250	283	2,263	0.1250	283
category 2	70	2,324	0.1750	407	2,324	0.1750	407
stable deposits	80	7,255	0.0500	363	7,255	0.0500	363
other retail deposits	110	1,742	0.1000	174	1,742	0.1000	174
Operational deposits	120	599	-	141	599	-	141
Non-operational deposits	210	17,869	-	8,222	17,521	-	7,874
deposits by financial customers	230	1,921	1.0000	1,921	1,574	1.0000	1,574
deposits by other customers	240	15,948	-	6,301	-	-	-
covered by DGS	250	391	0.2000	78	-	0.2000	-
not covered by DGS	260	15,557	0.4000	6,223	-	0.4000	-
Additional outflows	270	3,157	-	3,157	-	-	-
outflows from derivatives	340	3,157	1.0000	3,157	3,157	1.0000	3,157
Committed facilities	460	1,545	-	123	-	-	-
credit facilities	470	1,545	-	123	-	-	-
to retail customers	480	634	0.0500	32	-	0.0500	-
to non-financial customers other than retail customers	490	911	0.1000	91	-	0.1000	-
to credit institutions	500	-	-	-	-	-	-
to regulated institutions other than credit institutions	540	-	0.4000	-	-	0.4000	-
Other products and services	720	13,856	-	574	13,807	-	571
undrawn loans and advances to wholesale counterparties	740	37	0.1200	4	37	0.1200	4
Other liabilities	880	722	-	674	728	-	674
liabilities resulting from operating expenses	890	48	-	-	54	-	-
in the form of debt securities if not treated as retail deposits	900	159	1.0000	159	159	1.0000	159

Values in RON Million		Individual			Consolidated		
		Value	Coeff.	Adjusted Value	Value	Coeff.	Adjusted Value
C72							
others	910	516	1.0000	516	516	1.0000	516
Outflows From Secured Lending And Capital Market-Driven Transactions	-	-	-	-	-	-	-
Counterparty is central bank	930	-	-	-	-	-	-
Counterparty is non-central bank	1020	-	-	-	-	-	-
C74							
Inflows							
Total	**10**	**9,534**	-	**4,260**	**10,031**		**4,523**
Inflows from unsecured transactions/deposits	-	-	-	-	-	-	-
monies due from non-financial customers	30	1,555	-	787	2,020	-	1,020
monies due from financial customers	100	242	-	242	273	-	273
monies due from assets with an undefined contractual end date	200	35	0.2000	7	35	0.2000	7
inflows from derivatives	240	3,155	1.0000	3,155	3,155	1.0000	3,155
other inflows	260	69	1.0000	69	69	1.0000	69
Inflows from secured lending and capital market-driven transactions	-	-	-	-	-	-	-
collateral that qualifies as a liquid asset	307	4,479	-	-	4,479	-	-
collateral that does not qualify as a liquid asset	339	-	-	-	-	-	-
Liquidity Coverage Ratio		**167.29%**			**177.73%**		

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

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

Liquidity inflows are composed mainly of maturing deposits held at financial institutions and of instalments from clients' loans.

In H1 2020 and during 2019, the significant currencies for LCR reporting were RON and EUR. From a currency mismatch point of view, during last year there were some significant amounts in EUR reverse repo transactions, while the main funding sources are made up of deposits denominated mostly in the national currency from the retail and corporate customers, as well as deposits and credit facilities in EUR received from group entities (however the resources borrowed from group entities significantly decreased in 2020 comparing to 2019) and supranational institutions. The mentioned reverse repo transactions had short maturities, under 30 days, and were collateralised by high quality level 1 government bonds.

The following table presents, on a consolidated level, the LCR average in RON equiv. for the first half of 2020. The number of observations for determining the average is 7, with figures coming from monthly reports from June 2020 and the previous months.

LIQ1: Liquidity Coverage Ratio (LCR – consolidated)

		Total unweighted value (average)	Total weighted value (average)
High-quality liquid assets			
1	**Total HQLA**		**15,884,904,338**
Cash outflows			
2	Retail deposits and deposits from small business customers, of which:	13,486,463,100	1,209,008,966

3	Stable deposits	6,936,273,275	346,813,664
4	Less stable deposits	6,321,447,377	862,195,302
5	Unsecured wholesale funding, of which:	18,094,226,483	8,101,664,207
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	444,693,550	102,265,679
7	Non-operational deposits (all counterparties)	17,623,104,099	7,972,969,695
8	Unsecured debt	26,428,833	26,428,833
9	Secured wholesale funding		
10	Additional requirements, of which:	4,779,561,028	3,034,626,349
11	Outflows related to derivative exposures and other collateral requirements	2,876,922,308	2,876,922,308
12	Outflows related to loss of funding of debt products	-	-
13	Credit and liquidity facilities	1,902,638,719	157,704,041
14	Other contractual funding obligations	555,831,783	500,342,813
15	Other contingent funding obligations	13,624,248,659	560,290,263
16	**TOTAL CASH OUTFLOWS**		**13,405,932,598**
Cash inflows			
17	Inflows from central banks and other financial customers	5,951,152,026	-
18	Inflows from fully performing exposures	1,981,743,864	1,142,977,097
19	Other cash inflows	3,008,749,130	2,961,297,140
20	**TOTAL CASH INFLOWS**	10,941,645,020	4,104,274,237
			Total adjusted value
21	**Total HQLA**		**15,884,904,338**
22	**Total net cash outflows**		**9,301,658,362**
23	**Liquidity coverage ratio (%)**		**170.72%**

The evolution of the LCR indicator during June 30, 2019 and June 30, 2020 at consolidated level is presented in the table below:

Liquidity Coverage Ratio UCB - consolidated (echiv. RON)					
Date	**Liquid -assets**	**Outflows**	**Inflows**	**net outflows**	**Ratio**
30-Jun-19	13,850,650,346	9,562,160,481	421,685,018	9,140,475,462	151.53%
31-Jul-19	13,274,198,470	9,235,948,711	593,140,064	8,642,808,647	153.59%
31-Aug-19	13,311,518,450	9,866,178,278	464,140,077	9,402,038,201	141.58%
30-Sep-19	13,709,908,320	10,280,034,994	681,696,966	9,598,338,028	142.84%
31-Oct-19	15,020,934,548	10,878,602,653	611,929,982	10,266,672,671	146.31%
30-Nov-19	15,534,919,981	14,319,061,914	5,007,402,222	9,311,659,692	166.83%
31-Dec-19	17,073,171,038	12,915,444,815	2,671,054,130	10,244,390,684	166.66%
30-Jan-20	15,742,729,916	12,598,692,762	3,291,937,017	9,306,755,745	169.15%
29-Feb-20	14,212,819,414	13,193,250,179	3,883,350,168	9,309,900,011	152.66%
31-Mar-20	16,023,457,945	13,685,460,190	4,563,379,592	9,122,080,598	175.66%
30-Apr-20	15,259,739,070	14,183,525,153	5,011,853,781	9,171,671,372	166.38%
31-May-20	17,579,892,597	12,972,889,065	3,351,656,490	9,621,232,575	182.72%
30-Jun-20	16,490,787,089	13,801,778,242	4,523,468,373	9,278,309,869	177.73%

In the first half of 2020, the LCR level was compliant with the regulatory requirements of a minimum of 100%, as well as exceeding the internally targeted level by the Bank which is above the regulated level. Furthermore, UniCredit Bank 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.

The next table presents the NSFR summary during last quarters, at consolidated level. The amounts are in RON equivalent.

Data	Total ASF	Total RSF	Ratio	Exchange Rate
30-Sep-18	33,805,525,436	23,842,931,492	141.78%	4.6637
31-Dec-18	35,289,226,952	23,629,251,629	149.35%	4.6639
31-Mar-19	33,154,282,046	21,820,310,924	151.94%	4.7628
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

During March 2019 – March 2020, UniCredit Bank maintained an adequate level of the NSFR, with an average for the last 4 quarters over 150%, stable funding covering the medium-long term assets. At consolidated level the average NSFR for the last 4 quarters was 155.68%

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

The next table presents the NSFR summary as of June 2020.

LIQ2: Net stable funding ratio (NSFR)

	RON equivalent	Unweighted value by residual maturity				Weighted value
		No maturity	<6 months	6 months to <1 year	≥1 year	
	Available stable funding (ASF) item					
1	**Capital:**				**5,771,675,761**	**5,771,675,761**
2	*Regulatory capital*	-	-	-	5,771,675,761	5,771,675,761
3	*Other capital instruments*	-	-	-	5,771,675,761	5,771,675,761
4	Retail deposits and deposits from small business customers:	-	-	-	-	-
5	*Stable deposits*	-	14,340,616,535	20,927,693	64,912,027	13,353,095,059
6	*Less stable deposits*	-	7,255,864,545	-	-	6,893,071,317
7	Wholesale funding:	-	7,084,751,990	20,927,693	64,912,027	6,460,023,742
8	*Operational deposits*	-	20,776,384,906	980,183,392	4,094,984,408	13,099,561,174
9	*Other wholesale funding*	-	36,885,110	-	-	18,442,555
10	Liabilities with matching interdependent assets	-	20,739,499,796	980,183,392	4,094,984,408	13,081,118,619
11	Other liabilities:	-	172,125,188	16,248,382	3,607,044,945	3,434,341,439
12	*NSFR derivative liabilities*		23,519,599	16,248,382	172,703,505	-
13	*All other liabilities and equity not included in the above categories*		148,605,588		3,434,341,439	
14	**Total ASF**					**35,658,673,433**
	Required stable funding (RSF) item					
15	**Total NSFR high-quality liquid assets (HQLA)**					**768,042,545**
16	Deposits held at other financial institutions for operational purposes	-	-	-	-	1,291,160,974

RON equivalent		Unweighted value by residual maturity				Weighted value
		No maturity	<6 months	6 months to <1 year	≥1 year	
17	Performing loans and securities:	-	3,772,236,749	2,019,371,604	6,331,110,275	17,714,983,178
18	*Performing loans to financial institutions secured by Level 1 HQLA*	-	-	-	-	-
19	*Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions*	-	-	-	-	-
20	*Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:*	-	-	-	-	-
21	*With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk*	-	-	-	-	-
22	*Performing residential mortgages, of which:*	-	-	-	-	-
23	*With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk*	-	-	-	-	-
24	*Securities that are not in default and do not qualify as HQLA, including exchange-traded equities*	-	-	-	-	-
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets:	-	175,888,187	69,038,431	552,669,083	707,138,962
27	*Physical traded commodities, including gold*	-				-
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		-	-	-	-
29	*NSFR derivative assets*		27,360,128	16,467,235	46,629,375	-
30	*NSFR derivative liabilities before deduction of variation margin posted*		-	-	-	-
31	*All other assets not included in the above categories*		148,528,059	52,571,196	506,039,708	707,138,962
32	Off-balance sheet items		1,896,429,310	-	-	94,821,466
33	***Total RSF***					**20,576,147,125**
34	***Net Stable Funding Ratio (%)***					**173.30%**

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 H1 2020 the customer deposits were ~90%% of the total debt (on standalone level). Of the total resources from non-banking customers, 37.00% were deposits from retail customers, 55.32% 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. On 15.07.2020 the bank paid the principal and last coupon of the own issue listed on Bucharest Stock Exchange on 07.08.2017 under symbol UCB20 (ISIN - ROUCTBDBC02).

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

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

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

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

- **ECB measures issued on 12 March 2020:**
    - **Capital & Liquidity buffers**: banks can fully use capital and liquidity buffers; specifically, banks can operate temporarily below:
        - Pillar 2 Guidance requirements,
        - Capital conservation buffer (however National authorities might revise the Countercyclical Buffer rates)
        - Liquidity Coverage Ratio (LCR) threshold
    - **Pillar 2 requirement:** banks are allowed to partially use capital instruments that do not qualify as CET1 capital (e.g. Additional Tier 1 or Tier 2 instruments) to meet the Pillar 2 Requirements (P2R); this brings forward a measure initially scheduled to come into effect in January 2021, as part of the revision of the Capital Requirements Directive (CRD V)
    - **Other relief measures**: discussion with banks on individual measures, such as adjusting timetables, processes and deadlines (e.g., the ECB will consider rescheduling on-site inspections and extending deadlines for the remediation actions stemming from recent on-site inspections and internal model investigations). Later, ECB also communicated the postponement, by six months, of the issuance of TRIM[1] decisions, On-Site follow up letters and internal model decisions not yet communicated to institutions, unless the bank explicitly asks for a decision.
- **EBA measures issued on 12 March 2020:**
    - **Flexibility embedded in the regulatory framework to support the banking sector**: coordination between EBA and national competent authorities for a joint effort to alleviate the immediate operational burden for banks at this challenging juncture
    - **EBA Stress Test**: the EBA has decided to postpone the EU-wide stress test exercise to 2021; this will allow banks to focus on and ensure continuity of their core operations, including support for their customers.
- **ECB measures issued on 20 March 2020**:
    - **Pro-cyclicality in Expected Credit Loss (IFRS9):** within the international accounting standards framework, ECB recommended institutions to give a greater weight to long-term stable outlook evidenced by past experience when estimating long-term expected credit losses for the purposes of IFRS9 provisioning policies; this appears particularly important where banks face uncertainty in generating reasonable and supportable forecasts
    - **Moratorium and public guarantee:** flexibility (within the ECB Guidance on NPL[2] and the Addendum[3]) regarding the classification of obligors as unlikely to pay, when institutions call on the Covid-19 related

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[1] Targeted review of internal models

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

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

public guarantees; the ECB also extended flexibility to the unlikely-to-pay classification of exposures covered by legally imposed payment moratoriums related to Covid-19 in regard to timing and scope of the assessment. With regards to public guarantees, the FAQs indicate that ECB will apply a 0% minimum coverage expectation on new non-performing exposures that have public guarantees, for the first seven years of the NPE vintage count

- **Transitional IFRS9:** ECB recommended that institutions that had not already done, to implement the transitional IFRS 9 arrangements foreseen in the European Regulation No.575/2013 - Capital Requirements Regulation (CRR). As of first-time adoption, UniCredit Group decided not to apply the transitional arrangements for IFRS9, and for the time being - as of 1Q2020 - such decision was not revised. Therefore, UniCredit Group is still in the position to benefit from the possibility allowed by the Regulation to reverse - once during the transitional period - the choice made at the inception

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

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

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

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

- **EBA guidelines issued on 2 April 2020**:
  - **Guidelines on the treatment of legislative and non-legislative moratoria applied before 30 June 2020**: clarified which legislative and non-legislative payment moratoria could trigger forbearance classification; in particular, the guidelines supplemented the EBA Guidelines on the application of the definition of default as regards the treatment of distressed restructuring (in particular, they clarified that the payment moratoria do not trigger forbearance classification and the assessment of distressed restructuring if they are based on the applicable national law or on an industry- or sector-wide private initiative agreed and applied broadly by relevant credit institutions)
- **ECB statement issued on 14 April 2020**:
  - **ECB supported the action taken by Euro area macro prudential authorities to address the financial sector impact of the coronavirus outbreak by releasing or reducing capital buffers**: the ECB has assessed the notifications submitted by national macro prudential authorities for each proposed measure provided for in the CRR and CRD, and has issued a non-objection decision, thereby endorsing the measures taken to reduce capital requirements, including the countercyclical capital buffer
- **ECB press release issued on 16 April 2020**:
  - **ECB Banking Supervision announced a temporary relief for capital requirements for market risk**, by allowing banks to reduce the market risk multiplier by its qualitative component, if any; the market risk multiplier is used to compensate the possible underestimation by banks of their capital requirements for market risk. The reduction of the market risk multiplier by its qualitative component aims at compensating for the quantitative multiplier which can rise when market volatility has been higher than predicted by the bank's internal model. This measure does not impact UniCredit Romania as we apply standardised approach.
- **EBA statements issued on 22 April 2020** on further measures and guidance on the use of flexibility in relation to Covid-19:
  - Market Risk - Prudent Valuation: draft regulatory standards to mitigate the excessive procyclical effect of the current framework (effects should materialize not before second quarter 2020, and transitorily applicable till 31 December 2020);
  - Market Risk - VaR: clarification of the existing flexibility in the CRR regarding back-testing multipliers and indication that the review of the stressed VaR window could be postponed to the end of 2020;
  - Market Risk - Fundamental Review of the Trading Book (FRTB) - Standardised Approach (SA): postponement to 30 September 2021 (as reference date) of the first reporting related to FRTB-SA figures under CRR2;
  - Supervisory Review and Evaluation Process 2020: clarification that this year's supervisory assessment is focused on material risks and vulnerabilities driven by the current crisis, and the banks' ability to respond;
- **EBA press release issued on 18 June 2020:** EBA extends the deadline for the application of its Guidelines on payment moratoria to 30 September 2020.

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

- **ECB press release issued on 28 July 2020:** ECB extends recommendation not to pay dividends until January 2021 and clarifies timeline to restore buffers.
  - The ECB extended its recommendation to banks on dividend distributions and share buy-backs until 1 January 2021, and asked banks to be extremely moderate with regard to variable remuneration. It also clarified that it will give enough time for banks to replenish their capital and liquidity buffers in order not to act pro-cyclically.
  - This updated recommendation on dividend distributions remains temporary and exceptional and is aimed at preserving banks' capacity to absorb losses and support the economy in this environment of exceptional uncertainty.
  - The ECB will review whether this stance remains necessary in the fourth quarter of 2020, taking into account the economic environment, the stability of the financial system and the reliability of capital planning.
  - For the same purpose, i.e. preserving banks' capacity to absorb losses and support lending to the real economy, the ECB also issued a letter to banks asking them to be extremely moderate with regard to variable remuneration payments, for example by reducing the overall amount of variable pay, deferring a larger part of the variable remuneration and consider payments in instruments, e.g. own shares.
  - The same applies for replenishing the liquidity coverage ratio (LCR), which will be assessed by the ECB considering both bank-specific (e.g. access to funding markets) and market-specific factors (e.g. demand for liquidity from households, corporates and other market participants).
  - In any case, the ECB commits to allow banks to operate below the P2G and the combined buffer requirement until at least end-2022, and below the LCR until at least end-2021, without automatically triggering supervisory actions

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

- application of the SME supporting factor according to the art. 501 of CRR2, concerning the adjustment of own funds requirements for non-defaulted SME exposures (please see **chapter 5.6** for the impact);
- application of a more favorable prudential treatment of loans to pensioners or employees with a permanent contract that are backed by the borrower's pension or salary according to the art. 123 of the CRR2 (not applied by UniCredit Romania);
- application of a temporary treatment of public debt issued in the currency of another Member State according to the new art. 500a of the CRR2. Until 31 December 2022 the risk weight applied to the exposure values evaluated according to the Standardized methodology shall be 0 % of the risk weight assigned to these exposures in accordance with paragraph 2 of Article 114 (please see **chapter 5.6** for the impact);
- extension by 2 years of transitional arrangements for mitigating the impact on Own Funds from the

introduction of IFRS 9 (Article 473a (8) of Regulation (EU) No.575/2013) (not applied by UniCredit Romania);

- introduction of temporary prudential filter for unrealized gains and losses measured at fair value through other comprehensive income, corresponding to exposures to central governments, to regional governments or to local authorities referred, during the period from 1 January 2020 to 31 December 2022 (not applied by UniCredit Romania).

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

The National Bank of Romania (NBR) adopted a package of measures aimed at mitigating the negative effects of the crisis generated by the coronavirus (COVID-19) epidemic on households and Romanian companies, including the following:

- monetary policy measures: (1) to cut the monetary policy rate in two steps (as of 23 March and 3 June), by a cumulated 0.75 percentage points, from 2.5% in mid-March to 1.75% on 2 June; (2) to narrow the symmetrical corridor defined by interest rates on standing facilities around the monetary policy rate to ±0.5 percentage points from ±1.0 percentage points as of 23 March 2020. Thus, the deposit facility rate was lowered to 1.25%, while the lending (Lombard) facility rate was lowered to 2.25% from 3.50%. The effect was a reduction of the interest rates on loans to companies and households. (3) to provide liquidity to credit institutions via repo transactions; (4) to purchase RON-denominated government securities on the secondary market to ensure the smooth financing of real economy and the public sector. At the same time, due to the elevated uncertainty surrounding economic and financial developments, the NBR Board also suspended the previously announced calendar of monetary policy meetings and held monetary policy meetings whenever necessary.

- measures to increase the flexibility of the legislative framework so that banks and non-bank financial institutions could help individuals and companies with outstanding loans. Lenders were allowed to delay payments of the loans of any individual or company affected by the COVID-19 pandemic, without applying the conditions related to the level of indebtedness, the loan-to-value limit and the maximum maturity of consumer credit.

- on 24 March 2020, NBR decided to allow banks to temporarily use the capital buffer previously set up, while also keeping in place the legal requirements for such flexibilities. Adapting capital buffers to the new conditions helps banks preserve their support role for the real economy. Furthermore, according to the regulatory framework, banks built and maintained liquidity reserves that may be used to deal with an increased demand for liquidity during times of crisis. Thus, in line with the actions taken to this end at European level, the NBR allows banks not to comply with the minimum liquidity ratio, for the purpose of using these reserves to contribute to the smooth functioning of the banking sector and to help banks ensure sufficient liquidity to firms and households.

- measures regarding the bank resolution: to postpone the deadline for collecting the annual contributions to the bank resolution fund for 2020 by 3 months, with the possibility of extension to up to 6 months; to delay the reporting deadlines of some information on resolution planning in order to to correlate the terms and conditions on the minimum requirements for own funds and eligible liabilities (MREL) with the decisions adopted by the Supervisory Committee in the meeting of 20 March 2020.

- operational measures: to ensure the smooth functioning of payment and settlement systems underlying payments in the domestic currency, so that commercial and financial transactions can be performed under normal conditions; the NBR committed to provide banks with continuous cash flows for all operations, including liquidity for ATMs, in case of increased household demand.

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

The Emergency Governmental Ordinance 37/2020 requiring banks to provide moratorium to all customers impacted by COVID 19 was passed on 30 March 2020, while its Application Norms were passed on 6 April 2020; it covers a maximum period of 9 months of payment postponement, but not later than 31 December 2020, upon request from customers.

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

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

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

IMM Invest Romania program

UniCredit Bank applied for the state guarantee under **IMM Invest Romania program,** where the legislation has been updated in 2020 in order to allow the SMEs affected by COVID-19 outbreak to cover their liquidity needs for current operations or investments needs by accessing financing solutions (both working capital or investment loans) from the banks under FNGCIMM guarantee scheme (on behalf of Ministry of Public Finance). The initial amount approved was RON 15 billion, amount which was increased to RON 20 billion after the approval from the European Commission at the beginning of August 2020.

Under this guarantee scheme, the loans' guarantee coverage ranges between 80-90%, depending on the type of company (IMM or Micro Company) and the loan type.

The maximum loan exposure toward a single beneficiary is RON 10mn with a maximum tenor of 72 months for investment loans and RON 5mn with a maximum tenor of 36 months for working capital loans. Similar to the rest of the banking system, the bank is expected to leverage on this program during 2020 for the SME clients lending.

10.3 COVID 19 measures taken by UniCredit Group in Romania

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

- All Group Business Continuity Management scenarios have been fully implemented (all critical processes with BCM alternatives are now in place, with a special focus on work from home for most head office employees), materials for employee's protection were ordered and sent to branches, weekly sanitization takes place in all branches and head office with special antiviral materials (gas, liquid);
- The Group preserved Customer Experience during the emergency state, by ensuring basic services continuity (e.g.: ATMs real time status and availability with prompt intervention, constant communication with the external providers) and accelerated the digital onboarding (e.g.: Digital signature for SME deployment, daily Mobile Banking activation campaign in Contact Center, Mobile Banking sales campaign in Contact Center);

- Tight tracking of liquidity & solvency evolution covering strict monitoring of capital position and isolation of potential elements with high volatility or impact, while actively observing market and liquidity developments, as well as clients' behavior, as presented in chapter 9.
- Starting 15 May 2020, based on internal assessment performed by the Group and following the exit from national urgency phase, new measures were gradually implemented for returning to normal working conditions but still posing restrictions as per new adopted legislation;
- Other than the public moratorium measures (classified as non – forbearance, as described above), UniCredit Group decided to support its clients also by means of other dedicated loan restructurings, in line with the clients' specific necessities; such restructurings are classified as forbearance.

Please refer to the "Consolidated First Half Financial Report as at 30 June 2020" for a further description of the impacts, also including the accounting ones.

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

UniCredit Group had a strong start of the year, however starting from March, we witnessed a slowdown due to COVID-19 which impacted the entire economy. Due to the resilient business and to the results obtained during the past years, the Group managed to maintain a good position even in this context.

During March, the Group embedded in the LLP's result the effect of the new macroeconomic scenario into the forward looking information indicator. Potential financial difficulties faced by companies in the current financial crisis can lead to a deterioration of the portfolio level and to a cost of risk higher than in recent years.

In terms of expected Revenues, non-net interest income positions are the most affected by the slow-down of the commercial activities. Net Interest Income is expected to be impacted by the ROBOR evolution which might affect the profitability, considering on one hand our focus in maintaining the liquidity and on the other hand, the reduced income on loans driven by the variable component in the price.

However, given our resilient business and the very good results obtained so far, at this moment we do not expect revenues to significantly deviate from initial targets.

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

On 29 July 2020, following the ECB's recommendation issued on 28 July 2020, UniCredit SPA confirmed it will not pay dividends nor do share buybacks in 2020.

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

Liquidity position

During the first semester 2020, the following actions were put in place:

- Liquidity related meetings were held on a weekly basis, with the involvement of local Board members (with main focus on actively observing market developments and clients' behavior, monitoring closely the evolution of liquidity and its drivers, assessing the adequacy of the liquidity buffers through various static and dynamic liquidity simulations);

- Strict monitoring of the evolution of commercial volumes (deposits, loans, undrawn facilities);
- Strict monitoring of the liquidity indicators (actual and forecasts) under various static and dynamic scenarios);
- Managing funding initiatives in order to address liquidity needs of the clients affected by the virus outbreak;
- Keeping sufficient stock of liquid assets in order to offset potential liquidity outflows in case of stress.

Capital position

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

- Strict monitoring of capital position and isolation of potential elements with high volatility;
- 2019 Dividend distribution currently fully retained in equity base (643mn RON), integrated in Own Funds
- Regular simulations by using stress test methodologies for increasing exchange rate, increase in interest rate and of the PD.

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
	CCA	Main features of regulatory capital instruments	Capital instruments' features '!A1
		Features of tier 2 subordinated capital instruments	Tier 2 capital features '!A1
	KM1	Key metrics (at consolidated group level)	KM1!A1
Capital requirements	EU OV1	Overview of RWAs	EU OV1'!A1
	EU CR8	RWA flow statements of credit risk exposures under the IRB approach	EU CR8'!A1
	EU CR10	IRB (specialized lending and equities)	EU CR10'!A1
	EU CCR7	RWA flow statements of CCR exposures under the IMM	EU CCR7'!A1
Counterparty credit risk	EU CCR5-A	Impact of netting and collateral held on exposure values	EU CCR5-A'!A1
	EU CCR5-B	Composition of collateral for exposures to CCR	EU CCR5-B'!A1
	EU CCR1	Analysis of CCR exposure by approach	EU CCR1'!A1
	EU CCR2	CVA capital charge	EU CCR2'!A1
	EU CCR3	Standardized approach – CCR exposures by regulatory portfolio and risk	EU CCR3'!A1
Capital buffers		Capital buffers	Capital buffers'!A1
Credit risk adjustments	EU CR1-A	Credit quality of exposures by exposure class and instrument	EU CR1-A'!A1
	EU CR1-B	Credit quality of exposures by industry or counterparty types	EU CR1-B'!A1
	EU CR1-C	Credit quality of exposures by geography	EU CR1-C'!A1
	EU CR2-A	Changes in the stock of general and specific credit risk adjustments	EU CR2-A'!A1
	EU CR2-B	Changes in the stock of defaulted and impaired loans and debt securities	EU CR2-B'!A1
	EU CR1-D	Ageing of past-due exposures	EU CR1-D'!A1
	EU CR1-E	Non-performing and forborne exposures	EU CR1-E'!A1
	EU CR5	Standardized approach	EU CR5'!A1
NPL	Template 1	Credit quality of forborne exposures	Template 1
	Template 3	Credit quality of performing and non-performing exposures by past due days	Template 3
	Template 4	Performing and non-performing exposures and related provisions	Template 4
	Template 9	Collateral obtained by taking possession and execution processes	Template 9
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

Covered area	Template id	Template Name	Link to
	LRCom	Leverage ratio common disclosure template	LRCom!A1
	LR SPL	Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)	LRSPL!A1
IRB Approach to credit risk	EU CR6	IRB approach – Credit risk exposures by exposure class and PD range	EU CR6'!A1
	EU CCR4	IRB approach – CCR exposures by portfolio and PD scale	EU CCR4'!A1
Credit risk mitigation techniques	EU CR3	CRM techniques – Overview	EU CR3'!A1
	EU CR4	Standardized approach – Credit risk exposure and CRM effects	EU CR4'!A1
Liquidity	LIQ1	Liquidity Coverage Ratio (LCR)	LIQ1!A1
	LIQ2	Net Stable Funding Ratio (NSFR)	LIQ2!A1
Market risk	EU MR1	Market risk under the standardized approach	EU MR1'!A1