UniCredit Bank

PILLAR III DISCLOSURE REPORT

Report reference date: 30 June, 2024

Disclosure Report as of June 30, 2024

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

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

- EBA /GL/2014/14 Guideline on materiality, proprietary and confidentiality and on disclosure frequency under Articles 432(1), 432(2), 433 and 433(a) of Regulation (EU) No 575/2013;
- EBA/ITS/2020/04 Technical Standards on Pillar III that implements changes introduced in the CRR2;

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

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

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

As the UniCredit Bank Romania has been identified as “Other Systemically Important Credit Institution (O-SII)” from Romania, the Bank provides its users with quarterly frequency the relevant information (Regulation no. 876/2019 of European Parliament and Council, Article 447).

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

When assessing the disclosure requirements in accordance with Regulation (UE) No 575/2013 and with Regulation (EU) 637/2021, the Bank considers the disclosure requirements as under the 8th Part of Regulation (UE) No. 575/2013.

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 1F, Expozitiei Boulevard, 6th floor, District 1, Bucharest, Romania, provides consumer finance loans to individual clients. The Bank has a shareholding of 50.10% in UCFIN since January 2013.
- UniCredit Leasing Corporation IFN ("UCLC"), having its headquarters in 1F, Expozitiei Boulevard, 1st, 7th and 8th floor, District 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 controlling interest as of 31 December 2022 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.
- UniCredit Insurance Broker S.R.L. ("UCIB"), having its current registered office in 1F, Expozitiei Boulevard, District 1, Bucharest, Romania, intermediates insurance policies related to leasing activities to legal entities and individuals, and became a subsidiary of the Bank beginning with 31 December 2020. The Bank has an indirect controlling interest of 99.98% through UCLC which owns 100% UCIB.

2.2 Entities deducted from Own Funds or added to RWA

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

As at 30 June 2024, 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 2024, 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.

3. OWN FUNDS AND KEY METRICS

3.1 Regulatory capital - summary and changes over time

Starting with January 2014, the Romanian Banking System is applying the Basel III norms, in accordance with Regulation no. 575/2013 of European Parliament and Council dated 26.06.2013 regarding prudential requirements for credit institutions and investment companies, amended by Regulation (UE) no.648 / 2012 and by Regulation no. 5/2013 regarding prudential requirements for credit institutions issued by National Bank of Romania and with Regulation (EU) 2021/637 of 15 March 2021 laying down implementing technical standards with regard to the disclosure of own funds requirements for institutions according to Regulation (EU) No 575/2013 of the European Parliament and of the Council.

The structure of the Own Funds (individual and consolidated) as at 30 June 2024 is presented below:

Reference	Item	Group	Bank	Reference for balance sheet
	Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	1,799,428,752	1,799,428,752	c+d
	of which: Instrument type 1	1,177,748,253	1,177,748,253	c
2	Retained earnings	5,678,318,904	4,947,303,551	i-j-o
3	Accumulated other comprehensive income (and other reserves)	373,898,001	367,667,667	k+e+f+g+h -l
EU-3a	Funds for general banking risk	111,064,174	111,064,174	l
4	Amount of qualifying items referred to in Article 484 (3) CRR and the related share premium accounts subject to phase out from CET1	-	-	
5	Minority interests (amount allowed in consolidated CET1)	-	-	
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	-	119,851,157	j-m
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**7,962,709,831**	**7,345,315,301**	
	Total regulatory adjustments to Common Equity Tier 1 (CET1)			
7	Additional value adjustments (negative amount)	(1,034,402)	(1,034,402)	
8	Intangible assets (net of related tax liability) (negative amount)	(303,981,940)	(297,403,981)	a-b
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	-	-	
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	3,557,388	3,557,388	
12	Negative amounts resulting from the calculation of expected loss amounts	(822,964)	(4,257,740)	
13	Any increase in equity that results from securitised assets (negative amount)	-	-	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-	-	
15	Defined-benefit pension fund assets (negative amount)	-	-	
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)	-	-	
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	-	
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-	
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-	
EU-25 a	Losses for the current financial year (negative amount)	-	-	

Reference	Item	Group	Bank	Reference for balance sheet
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	(10,654,179)	(10,654,179)	
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	-	-	
27a	Other regulatory adjustments	(6,657,856)	(3,616,734)	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**(319,593,953)**	**(313,409,648)**	
29	**Common Equity Tier 1 (CET1) capital**	**7,643,115,878**	**7,031,905,653**	
	Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	-	-	
33	Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1	-	-	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	-	-	
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**-**	**-**	
	Additional Tier 1 (AT1) capital: regulatory adjustments			
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**-**	**-**	
44	**Additional Tier 1 (AT1) capital**	**-**	**-**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**7,643,115,878**	**7,031,905,653**	
	Tier 2 (T2) capital: instruments			
46	Capital instruments and the related share premium accounts	815,411,703	815,411,703	
50	Credit risk adjustments*	115,233,354	119,998,274	
51	**Tier 2 (T2) capital before regulatory adjustments**	**930,645,057**	**935,409,977**	
	Tier 2 (T2) capital: regulatory adjustments			
58	**Tier 2 (T2) capital**	**930,645,057**	**935,409,977**	
59	**Total capital (TC = T1 + T2)**	**8,573,760,935**	**7,967,315,630**	
60	**Total Risk exposure amount**	**36,989,484,491**	**30,018,192,713**	
	Capital ratios and requirements including buffers			
61	Common Equity Tier 1 capital	20.66%	23.43%	
62	Tier 1 capital	20.66%	23.43%	
63	Total capital	23.18%	26.54%	
64	Institution CET1 overall capital requirements	11.82%	12.75%	
65	of which: capital conservation buffer requirement	2.50%	2.50%	
66	of which: countercyclical capital buffer requirement	1.00%	1.00%	
67	of which: systemic risk buffer requirement	0.00%	0.00%	
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement	1.50%	0.00%	
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	2.32%	4.75%	
68	**Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements**	**16 .16%**	**18.93%**	

**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	Group	Bank	Reference
	30.06.2024	**30.06.2024**	
Assets			
Cash and cash equivalents	19,308,027,421	19,307,759,606	
Financial assets at fair value through profit or loss	231,702,094	231,702,094	
Derivatives assets designated as hedging instruments	237,610,768	237,610,768	
Loans and advances to banks at amortized cost	104,355,319	104,355,319	
Loans and advances to customers at amortized cost	37,951,775,539	35,400,575,468	

In RON	Group	Bank	Reference
	30.06.2024	30.06.2024	
Net Lease receivables	4,669,711,098	4,881,334	
Debt securities at amortized cost	9,678,429,537	9,678,429,537	
Placements with banks at amortized cost	-	-	
Other financial assets at amortized cost	475,582,404	406,859,677	
Financial assets at fair value through other comprehensive income	2,042,059,652	2,032,294,923	
Investment in subsidiaries	-	143,115,683	
Property, plant and equipment	164,822,814	163,073,275	
Right of use assets	229,056,231	221,223,108	
Intangible assets	434,858,221	418,418,271	
of which: Subject of Regulation 2020/2176 and Intangible assets in progress	303,981,940	297,403,981	a
Current tax assets	4,494,153	-	
Deferred tax assets	49,756,449	39,515,100	
Other assets	284,458,588	58,970,394	
Non-current assets classified as held for sale	-	-	
Total assets	**75,866,700,288**	**68,448,784,557**	
Liabilities			
Financial liabilities at fair value through profit or loss	55,950,709	55,950,709	
Derivatives liabilities designated as hedging instruments	208,254,078	208,254,078	
Deposits from banks	1,084,797,726	1,084,797,726	
Loans from banks and other financial institutions at amortized cost	7,102,605,143	828,931,364	
Deposits from customers	50,621,295,141	50,740,761,983	
Debt securities issued	4,542,512,880	4,542,512,880	
Subordinated liabilities	952,271,858	842,775,658	
Other financial liabilities at amortized cost	1,454,898,022	1,353,563,998	
Lease liabilities	227,355,362	223,722,250	
Current tax liabilities	116,451,019	114,926,722	
Deferred tax liabilities	756	-	
Provisions	167,799,285	194,513,851	
Other liabilities	251,856,165	176,529,501	
Total liabilities	**66,786,048,144**	**60,367,240,720**	
Shareholders' equity			
Share capital	1,177,748,252	1,177,748,252	c
Share premium	621,680,499	621,680,499	d
Fair value changes of equity instruments measured at fair value through other comprehensive income	21,178,214	14,947,880	k
Cash flow hedging reserve	(3,557,387)	(3,557,387)	e
Reserve on financial assets at fair value through other comprehensive income	(29,145,084)	(29,145,084)	f
Revaluation reserve on property, plant and equipment	23,394,193	23,394,193	g
Other reserves	473,092,053	473,092,240	h
Retained earnings	6,610,473,268	5,803,383,244	i
Of which: Profit	932,154,177	856,079,693	j
Total equity for parent company	**8,894,864,008**	**8,081,543,837**	
Non-controlling interest	185,788,136	-	
Total Equity	**9,080,652,144**	**8,081,543,837**	
Total liabilities and equity	**75,866,700,288**	**68,448,784,557**	

3.2 Summary of Key Prudential Metrics

RON		30-June-24	31-Mar-24	31-Dec-23	30-Sep-23	30-June-23
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1) capital	7,643,115,878	7,663,453,891	7,691,858,751	6,859,844,369	6,854,341,420
2	Tier 1 capital	7,643,115,878	7,663,453,891	7,691,858,751	6,859,844,369	6,854,341,420
3	**Total capital**	8,573,760,936	8,622,027,037	8,689,061,893	7,899,163,775	7,932,325,123
	Risk-weighted exposure amounts					
4	Total risk exposure amount	36,989,484,491	35,758,869,040	34,717,367,413	34,482,685,596	33,662,218,411
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	20.66%	21.43%	22.16%	19.89%	20.36%
6	Tier 1 ratio (%)	20.66%	21.43%	22.16%	19.89%	20.36%
7	Total capital ratio (%)	23.18%	24.11%	25.03%	22.91%	23.56%
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)					
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	4.13%	4.13%	4.41%	4.41%	4.41%
EU 7b	of which: to be made up of CET1 capital (percentage points)	2.32%	2.32%	2.48%	2.48%	2.48%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	3.10%	3.10%	3.31%	3.31%	3.31%
EU 7d	Total SREP own funds requirements (%)	12.13%	12.13%	12.41%	12.41%	12.41%
	Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)					
	Capital conservation buffer (%)	2.50%	2.50%	2.50%	2.50%	2.50%
8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.00%	0.00%	0.00%	0.00%	0.00%
9	Institution specific countercyclical capital buffer (%)	1.00%	0.99%	0.99%	0.50%	0.50%
EU 9a	Systemic risk buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
10	Global Systemically Important Institution buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 10a	Other Systemically Important Institution buffer (%)	1.50%	1.50%	1.50%	1.50%	1.50%
11	Combined buffer requirement (%)	5.00%	4.99%	4.99%	4.50%	4.50%
EU 11a	Overall capital requirements (%)	17.13%	17.12%	17.40%	16.91%	16.91%
12	CET1 available after meeting the total SREP own funds requirements (%)	16.16%	16.93%	17.66%	15.39%	15.86%
	Leverage ratio					
13	Total exposure measure	81,505,041,060	82,436,817,510	79,950,832,818	74,162,796,050	72,471,332,625
14	**Leverage ratio (%)**	**9.38%**	**9.30%**	**9.62%**	**9.25%**	**9.46%**
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 14b	of which: to be made up of CET1 capital (percentage points)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 14c	Total SREP leverage ratio requirements (%)	0.00%	0.00%	0.00%	0.00%	0.00%
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					

RON		30-June-24	31-Mar-24	31-Dec-23	30-Sep-23	30-June-23
EU 14d	Leverage ratio buffer requirement (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 14e	Overall leverage ratio requirement (%)	0.00%	0.00%	0.00%	0.00%	0.00%
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	25,999,249,964	19,855,552,173	23,304,260,582	21,832,024,523	20,858,486,503
EU 16a	Cash outflows - Total weighted value	19,227,579,726	15,732,203,619	19,018,102,545	19,038,880,081	19,481,906,723
EU 16b	Cash inflows - Total weighted value	4,754,307,823	4,425,831,183	5,432,339,856	5,764,066,914	6,334,950,848
16	Total net cash outflows (adjusted value)	14,473,271,903	11,306,372,437	13,585,762,689	13,274,813,167	13,146,955,875
17	**Liquidity coverage ratio (%)**	**179.64%**	**175.61%**	**171.53%**	**164.46%**	**158.66%**
	Net Stable Funding Ratio					
18	Total available stable funding	53,743,177,249	53,619,643,609	48,093,170,632	49,592,551,640	47,987,224,435
19	Total required stable funding	31,867,151,549	31,529,828,406	24,777,919,508	29,137,475,506	27,939,290,868
20	**NSFR ratio (%)**	**168.65%**	**170.06%**	**194.10%**	**170.20%**	**171.76%**

4. CAPITAL REQUIREMENTS

4.1 General comment

Capital Adequacy Assessment

During the first semester of 2024, it was continued the sustained process for enhancing the internal methodological framework with specific regulations, mainly as regards to ICAAP general framework, stress tests, setting and monitoring of risk appetite, capital management rules, rules regarding the risks identified by the Bank as significant.

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

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

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

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

Necessary regulated own funds requirements at consolidated level

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

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

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

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

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

EU OV1 – Overview of RWAs

		Group			Bank		
		RWA		Capital Requirements	RWA		Capital Requirements
		30.06.2024	31.03.2024	30.06.2024	30.06.2024	31.03.2024	30.06.2024
1	**Credit risk (excluding CCR)**	**33,683,484,384**	**32,428,368,662**	**2,694,678,751**	**27,460,000,745**	**26,396,885,648**	**2,196,800,060**
2	Of which the standardised approach	14,603,144,670	14,174,895,216	1,168,251,574	7,585,507,688	7,348,168,551	606,840,615
3	Of which the Foundation IRB (F-IRB) approach	18,953,466,123	18,121,989,942	1,516,277,290	19,218,091,439	18,387,705,566	1,537,447,315
4	Of which slotting approach	-	-	-	-	-	-
EU 4a	Of which equities under the simple risk weighted approach	126,873,591	131,483,504	10,149,887	656,401,618	661,011,531	52,512,129
5	Of which the Advanced IRB (A-IRB) approach	-	-	-	-	-	-
6	**Counterparty credit risk - CCR**	**192,845,672**	**204,903,768**	**15,427,654**	**192,845,672**	**204,903,768**	**15,427,654**
7	Of which the standardised approach	-	-	-	-	-	-
8	Of which internal model method (IMM)	6,998,530	16,217,456	559,882	6,998,530	16,217,456	559,882
EU 8a	Of which exposures to a CCP	-	-	-	-	-	-
EU 8b	Of which credit valuation adjustment - CVA	43,993,984	36,640,784	3,519,519	43,993,984	36,640,784	3,519,519
9	Of which other CCR	148,851,688	168,262,984	11,908,135	141,853,158	152,045,529	11,348,253
15	**Settlement risk**	**-**	**-**	**-**	**-**	**-**	**-**
16	Securitisation exposures in the non-trading book (after the cap)	-	-	-	-	-	-
17	Of which SEC-IRBA approach	-	-	-	-	-	-
18	Of which SEC-ERBA (including IAA)	-	-	-	-	-	-
19	Of which SEC-SA approach	-	-	-	-	-	-
EU 19a	Of which 1250% / deduction	-	-	-	-	-	-
20	**Position, foreign exchange and commodities risks (Market risk)**	**107,119,948**	**37,346,666**	**8,569,596**	**107,119,948**	**37,346,666**	**8,569,596**
21	Of which the standardised approach	107,119,948	37,346,666	8,569,596	107,119,948	37,346,666	8,569,596
22	Of which IMA	-	-	-	-	-	-
EU 22a	**Large exposures**	**-**	**-**	**-**	**-**	**-**	**-**
23	**Operational risk**	**3,006,034,487**	**3,088,249,944**	**240,482,759**	**2,258,226,348**	**2,340,441,806**	**180,658,108**
EU 23a	Of which basic indicator approach	747,808,139	747,808,139	59,824,651	-	-	-
EU 23b	Of which standardised approach	-	-	-	-	-	-
EU 23c	Of which advanced measurement approach	2,258,226,348	2,340,441,806	180,658,108	2,258,226,348	2,340,441,806	180,658,108
24	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	**-**	**-**	**-**	**-**	**-**	**-**
29	**Total**	**36,989,484,491**	**35,758,869,040**	**2,959,158,759**	**30,018,192,713**	**28,979,577,888**	**2,401,455,417**

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 2024, the Bank did not hold additional Tier 1 instruments, therefore Core Tier 1 ratio was calculated at the level of Tier 1 ratio, with a consolidated level of 20.66%, significantly higher than the minimum regulatory requirement.

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

Based on common decision European Central Bank and National Bank of Romania (SREP process), UniCredit Bank must at all times satisfy the total capital ratio (solvency ratio) of 16.44% at individual level and 12.13% at consolidated level.

The total minimum capital requirements (including Pillar I and Pillar II buffers) is 19.93% at individual level and 17.12% at sub-consolidated level.

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.

6. EXPOSURE TO COUNTERPARTY RISK

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

Counterparty credit risk is classified into two categories:

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

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

The Bank does not hold credit derivatives hedges.

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

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

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

7. MARKET RISK

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

- Market risk management is done through specific risk indicators and models: Value at risk (VaR) limits, Basis Point Value and Credit Point Value limits, foreign exchange position limits, as well as monitoring risk appetite framework defined according to internal policies and procedures;
- Exposure to market risk is generated only by Markets (Treasury) and Finance (ALM) departments;
- Trading positions are held at current market value (mark-to-market). If specific revaluation models are used, they are validated independently;
- All relevant risk factors are identified and considered during the process of setting limits. The identification of risk factors is the responsibility of Financial Risk and business lines;
- Specific events are considered in the stress scenarios, not as manual adjustments of volatilities of correlations among risk factors;
- Total VaR refers to the whole activity of the bank, not only to trading book positions, nevertheless Banking Book VaR and Trading Book VaR are calculated and monitored separately as well as per risk factors;
- Exposure to market risk (usage of limits, excesses) are reported in time and with regularity to the respective business lines, to the Management and the Group. Risk reports are generated for the total Bank and separately for each risk generating unit. Exposure to market risk limits are monitored for the UniCredit Group in Romania, as well as for UniCredit Consumer Financing (UCFin) and UniCredit Leasing (UCL), according to internal regulations.

Interest Rate Risk - Exposures to interest rate risk on positions in the banking book

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

IRRBB management is performed within Markets and Finance departments.

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

Interest rate risk measurement includes the following indicators:

A) RAF KPIs – measured on a monthly basis

A.1) Net Interest Income sensitivity

The outcome of the 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 Q2/2024 at standalone and consolidated level is presented in the table below:

RAF		2024					
Interest Rate Risk in the Banking Book KPIs	**RO Consolidated**	**Target**	**Trigger**	**Limit**	**30-Apr**	**31-May**	**30-June**
	NII Sensitivity (% of budget)	**>-4.8%**	**-4.8%**	**-5.0%**	-2.5%	-2.7%	-2.5%
	EV Sensitivity (% tier 1 capital)	**>-12.0%**	**-12.0%**	**-15.0%**	-8.2%	-8.7%	-8.5%
	UCB Standalone	**Target**	**Trigger**	**Limit**	**30-Apr**	**31-May**	**30-June**
	NII Sensitivity (% of budget)	**>-4.8%**	**-4.8%**	**-5.0%**	-2.5%	-2.7%	-2.5%
	EV Sensitivity (% of tier 1 capital)	**>-12.0%**	**-12.0%**	**-15.0%**	-8.9%	-9.5%	-9.1%

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

	EUR mio	**EV Sensitivity**				**NII Sensitivity**			
UCB	**T1 OF**	**result**	**scenario**	**EV SOT**	**Trigger**	**result**	**scenario**	**NII SOT**	**Trigger**
30-Apr-24	1,395.02	(124.73)	Parallel up	-8.94%	-12.00%	(35.52)	Parallel down	-2.55%	-4.8%
31-May-24	1,395.02	(132.30)		-9.48%		(38.19)		-2.74%	
30-June-24	1,395.02	(127.16)		-9.12%		(35.04)		-2.51%	

	EUR mio	**EV Sensitivity**			
RO	**T1 OF**	**result**	**scenario**	**EV SOT**	**Trigger**
30-Apr-24	1,542.10	(127.20)	Parallel up	-8.25%	-12.00%
31-May-24	1,542.10	(134.89)		-8.75%	
30-June-24	1,542.10	(130.90)		-8.49%	

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 30.06.2024 the value of the granular indicators versus limits is as per tables below:

BP01	***(EUR)***	**0-3M**	**3M-1Y**	**1Y-3Y**	**3Y-10Y**	**10Y+**	**SUM**
	Total ccys	32,244	5,621	98,772	101,395	22,443	184,744

Limit	**45,000**	**38,000**	**128,000**	**300,000**	**40,000**	**295,000**
Usage	71.65%	14.79%	77.17%	33.80%	56.11%	62.63%
(EUR)	**SUM**	**no limit breach**				
EUR	192,450					
Limit	230,000					
Usage	83.67%					

VAR	*(EUR mio)*	Exposure	Limit	Usage	Exposure	Limit	Usage
		UCB			**RO Group**		
	Bank Book	8.17	23.00	35.54%	8.14	23.00	35.39%
	IRR	3.20	14.00	22.86%	3.36		

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

Several stress scenarios for IRRBB are run monthly on the Banking Book positions – according to Basel and to EBA requirements including supervisory outlier tests for UCB standalone and Romania Consolidated.

RO Group Standalone	Million EUR					
Period	**30-Apr-24**		**31-May-24**		**30-Jun-24**	
Own Funds Total / T1	**1,583.63**	**1,393.36**	**1,581.56**	**1,393.37**	**1,600.79**	**1,412.85**
Regulatory IR Stress Test (BB)	***EUR mio***	***% total OF***	***EUR mio***	***% total OF***	***EUR mio***	***% total OF***
1 parallel shift + 200bps	(35.14)	2.22%	(39.25)	2.48%	(33.43)	2.09%
2 parallel shift - 200bps	45.74	2.89%	49.42	3.12%	44.38	2.77%
Supervisory Outlier Test		***% T1 OF***		***% T1 OF***		***% T1 OF***
1 parallel shift + 200bps	(67.85)	4.87%	(72.15)	5.18%	(68.35)	4.84%
1 parallel shift - 200bps	1.5	0.11%	2.81	0.20%	(0.49)	0.03%
3 Basel Parallel shock up	(124.73)	8.95%	(132.30)	9.49%	(127.16)	9.00%
4 Basel Parallel shock sown	46.54	3.34%	49.91	3.58%	47.50	3.36%
5 Basel Steepening (sr down, lr up)	8.72	0.63%	10.76	0.77%	14.49	1.03%
6 Basle Flattening (sr up, le down)	(18.35)	1.32%	(23.64)	1.70%	(21.02)	1.49%
7 Basel Short rates up	(78.27)	5.62%	(85.92)	6.17%	(82.83)	5.86%
8 Basel Short rates down	21.85	1.57%	26.45	1.90%	21.63	1.53%
Maximum		**8.95%**		**9.49%**		**9.00%**

RO Group Consolidated	Million EUR					
Period	**30-Apr-24**		**31-May-24**		**30-Jun-24**	
Own Funds Total / T1	**1,732.76**	**1,540.11**	**1,732.48**	**1,539.87**	**1,722.64**	**1,535.66**
Regulatory IR Stress Test (BB)	***EUR mio***	***% total OF***	***EUR mio***	***% total OF***	***EUR mio***	***% total OF***
1 parallel shift + 200bps	(34.72)	2.00%	(38.80)	2.24%	(33.60)	1.95%
2 parallel shift - 200bps	44.96	2.59%	48.62	2.81%	44.26	2.57%
Supervisory Outlier Test		***% T1 OF***		***% T1 OF***		***% T1 OF***
1 parallel shift + 200bps	(68.68)	4.46%	(73.00)	4.78%	(69.86)	4.55%
1 parallel shift - 200bps	(0.16)	0.01%	1.02	0.07%	(1.95)	0.13%
3 Basel Parallel shock up	(127.20)	8.26%	(134.89)	8.76%	(130.90)	8.52%
4 Basel Parallel shock sown	45.41	2.95%	48.75	3.17%	46.96	3.06%
5 Basel Steepening (sr down, lr up)	10.02	0.65%	11.84	0.77%	15.70	1.02%
6 Basel Flattening (sr up, le down)	(21.85)	1.42%	(26.70)	1.73%	(24.61)	1.60%
7 Basel Short rates up	(82.10)	5.33%	(89.45)	5.81%	(87.26)	5.68%
8 Basel Short rates down	23.01	1.49%	27.35	1.78%	23.00	1.50%
Maximum		**8.26%**		**8.76%**		**8.52%**

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	Q2 2024	Q4 2023
1	Total assets as per published financial statements	75,866,700,288	74,672,369,066
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	-	-
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	-	-
4	(Adjustment for temporary exemption of exposures to central banks (if applicable)	-	-
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) CRR)	-	-
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	-	-
7	Adjustment for eligible cash pooling transactions	8,673,715	7,415,736
8	Adjustment for derivative financial instruments	350,713,451	337,926,156
9	Adjustment for securities financing transactions (SFTs)	423,179	-
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	5,591,027,589	5,195,104,235
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	(1,034,402)	(1,184,729)
EU-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-	-
EU-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) CRR)	-	-
12	Other adjustments	(311,462,760)	(260,797,647)
13	**Total exposure measure**	**81,505,041,060**	**79,950,832,818**

LRCom: Leverage Ratio Common Disclosure

The template presents Leverage Ratio as at 30 June 2024 and the split of the main exposures according with CRR Art. 429 and 451.

		CRR leverage ratio exposures	
		2024 Q2	2023 Q4
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	65,194,379,618	66,419,884,242
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-

		CRR leverage ratio exposures	
		2024 Q2	2023 Q4
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	-
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	-
5	(General credit risk adjustments to on-balance sheet items)	-	-
6	(Asset amounts deducted in determining Tier 1 capital)	(312,497,162)	(261,982,376)
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**64,881,882,456**	**66,157,901,867**
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	214,268,464	297,869,462
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	-	-
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	289,533,032	272,736,890
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	-	-
EU-9b	Exposure determined under Original Exposure Method	-	-
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	-	-
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	-	-
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (Original Exposure Method)	-	-
11	Adjusted effective notional amount of written credit derivatives	-	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
13	**Total derivatives exposures**	**503,801,496**	**570,606,352**
SFT Securities Financing Transaction exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	10,527,906,340	8,027,233,863
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	Counterparty credit risk exposure for SFT assets	423,179	-
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR	-	-
17	Agent transaction exposures	-	-
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	-	-
18	**Total securities financing transaction exposures**	**10,528,329,519**	**8,027,233,863**
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	26,294,555,920	24,361,521,767
20	(Adjustments for conversion to credit equivalent amounts)	(20,556,961,272)	(18,982,309,486)
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated associated with off-balance sheet exposures)	(146,567,058)	(184,121,544)
22	**Off-balance sheet exposures**	**5,591,027,589**	**5,195,090,737**
Excluded exposures			
EU-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-	-
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a(1) CRR (on and off balance sheet))	-	-
EU-22c	(Excluded exposures of public development banks (or units) - Public sector investments)	-	-
EU-22d	(Excluded exposures of public development banks (or units) - Promotional loans)	-	-
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units))	-	-
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	-	-
EU-22g	(Excluded excess collateral deposited at triparty agents)	-	-
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	-	-
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)	-	-
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	-	-

		CRR leverage ratio exposures	
		2024 Q2	2023 Q4
EU-22k	**(Total exempted exposures)**	**-**	**-**
Capital and total exposure measure			
23	**Tier 1 capital**	**7,643,115,878**	**7,691,858,752**
24	**Total exposure measure**	**81,505,041,060**	**79,950,832,818**
Leverage ratio			
25	**Leverage ratio (%)**	9.3775%	9.6207%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	0.0000%	0.000000%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	0.0000%	0.000000%
26	Regulatory minimum leverage ratio requirement (%)	3.0000%	3.000000%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	0.0000%	0.000000%
EU-26b	of which: to be made up of CET1 capital	0.0000%	0.000000%
27	Leverage ratio buffer requirement (%)	0.0000%	0.000000%
EU-27a	Overall leverage ratio requirement (%)	0.0000%	0.000000%
Choice on transitional arrangements and relevant exposures			
EU-27b	Choice on transitional arrangements for the definition of the capital measure	Fully phased in	Fully phased in
Disclosure of mean values			
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable	11,371,070,270	8,146,865,274
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	10,527,906,340	8,027,233,863
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	82,348,204,990	80,070,464,230
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	82,348,204,990	80,070,464,230
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	9.2815%	9.6064%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	9.2815%	9.6064%

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

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

9. LIQUIDITY RISK

9.1 Liquidity

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

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

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

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

Strategic Principles:

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

Strategic Goals:

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

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

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

Key Principles:

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

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

Roles and Responsibilities

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

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

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

Risk Measurement and Reporting

Techniques for risk measurement

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

Liquidity Framework

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

- **Intraday liquidity management**

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

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

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

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

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

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

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

Structural liquidity management (over 1 year) aims at ensuring the financial stability of the balance sheet, with the objective of avoiding excessive and unexpected pressures on the funding requirements over the short term, whilst optimizing the funding sources and related costs. This is achieved through the maintenance of an adequate balance between the medium- long term and sticky assets and the respective stable sources of funding.

The main metric used to measure medium-long term liquidity risk is the Net Stable Funding Ratio, along with managerial structural liquidity ratios/gaps.

Liquidity Stress Testing

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

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

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

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

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

Monitoring and Reporting

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

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

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

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

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

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

During the first semester of 2024, the significant currencies for LCR reporting were RON and EUR. From a currency mismatch point of view, during the first quarter of 2024 there were some significant amounts in EUR reverse repo transactions, while the main funding sources are made up of deposits denominated mostly in the national currency from the retail and corporate customers, as well as deposits and credit facilities in EUR received from group entities and supranational institutions. The mentioned reverse repo transactions had short maturities, under 30 days, and were collateralised by high quality level 1 government bonds and interbank deposits.

The following table presents, on a consolidated level, the LCR average in RON equiv. for the first semester of 2024. The number of observations for determining the average is 12, with figures coming from monthly reports from June 2024 and the previous months.

LIQ1: Liquidity Coverage Ratio

		Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on (DD Month YYY)	**30.06.2024**	**31.03.2024**	**31.12.2023**	**30.09.2023**	**30.06.2024**	**31.03.2024**	**31.12.2023**	**30.09.2023**
EU 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
	HIGH-QUALITY LIQUID ASSETS								
1	**Total high-quality liquid assets (HQLA)**					**25,999,249,964**	**19,855,552,173**	**23,304,260,582**	**21,832,024,523**
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	23,304,983,327	18,545,510,321	21,634,163,029	20,743,975,267	1,901,994,571	1,512,312,509	1,785,085,415	1,742,726,997
3	Stable deposits	9,429,016,300	7,745,300,360	9,257,612,177	9,204,673,601	471,450,815	387,265,018	462,880,609	460,233,680
4	Less stable deposits	10,921,561,184	8,582,497,246	10,101,976,202	9,978,889,476	1,430,543,756	1,125,047,491	1,322,204,806	1,282,493,317
5	Unsecured wholesale funding	25,549,400,101	20,589,012,648	24,930,696,294	24,636,540,597	12,019,909,226	9,579,093,188	11,476,095,381	11,272,886,026
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	692,061,674	512,309,569	630,228,359	623,461,549	164,514,613	121,705,110	149,826,701	148,226,384
7	Non-operational deposits (all counterparties)	24,816,582,028	20,056,901,817	24,276,640,770	23,995,888,991	11,814,638,214	9,437,586,816	11,302,441,515	11,107,469,585
8	Unsecured debt	40,756,399	19,801,261	23,827,165	17,190,057	40,756,399	19,801,261	23,827,165	17,190,057
9	Secured wholesale funding					-	-	-	-
10	Additional requirements	7,441,744,900	6,550,717,170	8,083,014,289	8,208,256,546	3,539,710,518	3,350,916,647	4,314,240,653	4,523,532,647
11	Outflows related to derivative exposures and other collateral requirements	2,952,396,710	2,860,965,687	3,744,006,652	3,987,789,353	2,952,396,710	2,860,965,687	3,744,006,652	3,987,789,353
12	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
13	Credit and liquidity facilities	4,489,348,190	3,689,751,484	4,339,007,637	4,220,467,193	587,313,808	489,950,961	570,234,001	535,743,294

		Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on (DD Month YYY)	**30.06.2024**	**31.03.2024**	**31.12.2023**	**30.09.2023**	**30.06.2024**	**31.03.2024**	**31.12.2023**	**30.09.2023**
EU 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
14	Other contractual funding obligations	1,226,914,125	928,672,333	1,007,071,751	1,008,685,075	1,143,396,511	860,031,219	926,660,331	936,450,224
15	Other contingent funding obligations	17,106,376,914	13,719,409,647	16,038,822,598	15,613,262,979	622,568,899	429,850,056	516,020,765	563,284,186
16	**TOTAL CASH OUTFLOWS**					**19,227,579,726**	**15,732,203,619**	**19,018,102,545**	**19,038,880,081**
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	9,714,280,053	7,154,426,132	8,155,191,194	7,792,402,270	-	-	-	-
18	Inflows from fully performing exposures	2,452,726,798	2,121,152,071	2,398,919,742	2,498,684,811	1,536,035,116	1,344,573,534	1,496,134,452	1,610,251,557
19	Other cash inflows	3,257,443,630	3,103,348,965	3,962,635,579	4,185,765,384	3,218,272,707	3,081,257,648	3,936,205,405	4,153,815,357
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)								
EU-19b	(Excess inflows from a related specialized credit institution)								
20	**TOTAL CASH INFLOWS**	**15,424,450,481**	**12,378,927,168**	**14,516,746,514**	**14,476,852,465**	**4,754,307,823**	**4,425,831,183**	**5,432,339,856**	**5,764,066,914**
EU-20a	Fully exempt inflows	-	-	-	-	-	-	-	-
EU-20b	Inflows subject to 90% cap	-	-	-	-	-	-	-	-
EU-20c	Inflows subject to 75% cap	15,424,450,481	12,378,927,168	14,516,746,514	14,476,852,465	4,754,307,823	4,425,831,183	5,432,339,856	5,764,066,914
TOTAL ADJUSTED VALUE									
EU-21	LIQUIDITY BUFFER					25,999,249,964	19,855,552,173	23,304,260,582	21,832,024,523

		Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on (DD Month YYY)	**30.06.2024**	**31.03.2024**	**31.12.2023**	**30.09.2023**	**30.06.2024**	**31.03.2024**	**31.12.2023**	**30.09.2023**
EU 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
22	**TOTAL NET CASH OUTFLOWS**					**14,473,271,903**	**11,306,372,437**	**13,585,762,689**	**13,274,813,167**
23	**LIQUIDITY COVERAGE RATIO**					**179.64%**	**175.61%**	**171.53%**	**164.46%**

In the first semester of 2024, the LCR level was comfortably above regulatory requirements (100%), as well as exceeding the internally targeted level by the Bank which is above the regulated level. Furthermore, UniCredit Bank calculates on daily basis the LCR and monitors very tightly the evolution of the indicator on a weekly basis.

During June 2023 – June 2024, UniCredit Bank maintained an adequate level of the NSFR, with an average at consolidated level for the last 4 quarters over 174.27%.

UniCredit Bank aimed to improve the liquidity coverage ratio by increasing the residual maturity of funding resources and through obtaining funding with low outflow rates. For achieving this goal, the bank considers in current business strategy a priority to gather retail deposits.

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

Date	Total ASF	Total RSF	Ratio	Exchange Rate
30-Jun-21	36,664,152,339	22,076,223,520	166.08%	4.9267
30-Sep-21	37,655,218,179	23,600,574,613	159.55%	4.9471
31-Dec-21	39,571,899,021	24,829,395,127	159.38%	4.9481
31-Mar-22	41,185,048,487	25,832,208,172	159.43%	4.9466
30-Jun-22	41,912,671,860	27,028,609,305	155.07%	4.9454
30-Sep-22	42,792,755,458	27,222,941,166	157.19%	4.9490
31-Dec-22	47,493,940,949	27,337,111,787	173.73%	4.9474
31-Mar-23	47,645,913,369	28,212,105,783	168.88%	4.9491
30-Jun-23	47,987,224,435	27,939,290,868	171.76%	4.9634
30-Sep-23	49,592,551,640	29,137,475,506	170.20%	4.9746
31-Dec-23	53,958,958,349	29,329,816,523	183.97%	4.9474
31-Mar-24	53,619,643,609	31,529,828,406	170.06%	4.9695
30-Jun-24	53,743,177,249	31,867,151,549	168.65%	4.9771

The next table presents the NSFR summary as of June 2024:

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:**	**7,952,055,652**	**-**	**-**	**930,645,057**	**8,882,700,709**
2	*Regulatory capital*	**7,952,055,652**	-	-	**930,645,057**	**8,882,700,709**
3	*Other capital instruments*	-	-	-	-	-
4	Retail deposits and deposits from small business customers:	-	23,597,128,793	707,836,125	2,923,045	22,371,259,342
5	*Stable deposits*	-	9,845,374,478	31,982,917	20,568	9,383,510,094
6	*Less stable deposits*	-	13,751,754,315	675,853,209	2,902,477	12,987,749,248
7	Wholesale funding:	-	28,493,668,738	1,271,638,309	9,265,780,224	21,601,690,840
8	*Operational deposits*	-	781,285,464	-	-	48,360,154
9	*Other wholesale funding*	-	27,712,383,274	1,271,638,309	9,265,780,224	21,553,330,686
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	254,177,396	1,107,702,266	-	887,526,358	887,526,358
12	*NSFR derivative liabilities*	254,177,396	-	-	-	-
13	*All other liabilities and equity not included in the above categories*	-	1,107,702,266	-	887,526,358	887,526,358
14	**Total ASF**	-	-	-	-	**53,743,177,249**
Required stable funding (RSF) item						
15	**Total NSFR high-quality liquid assets (HQLA)**					**18,971,280**
15-a	Assets encumbered for a residual maturity of one year or more in a cover pool		-	-	-	-
16	Deposits held at other financial institutions for operational purposes		-	-	-	-
17	Performing loans and securities:		20,501,948,325	7,848,398,790	25,758,703,870	28,740,758,659
18	*Performing loans to financial institutions secured by Level 1 HQLA*		10,528,208,331	-	-	-
19	*Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions*		205,626,354	477,235,261	1,600,628,923	1,859,809,189
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:*		9,303,901,174	6,615,419,821	16,174,450,168	26,868,427,920
21	*With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk*		626,245,658	698,365,514	3,792,447,152	8,215,354,428
22	*Performing residential mortgages, of which:*		464,212,465	755,743,707	7,968,893,543	-
23	*With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk*		353,723,690	302,530,675	7,322,816,939	-
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*		-	-	14,731,236	12,521,551
25	Interdependent assets		-	-	-	-
26	Other assets:		4,221,039,727	-	1,761,227,866	1,773,936,736
27	*Physical traded commodities*					-
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		-	-	-	-
29	*NSFR derivative assets*		-	-	-	-
30	*NSFR derivative liabilities before deduction of variation margin posted*		254,177,396	-	-	12,708,870

RON equivalent		Unweighted value by residual maturity				Weighted value
		No maturity	<6 months	6 months to <1 year	≥1 year	
31	*All other assets not included in the above categories*		3,966,862,331	-	1,761,227,866	1,761,227,866
32	Off-balance sheet items		7,636,259,441	5,716,413,420	8,687,571,309	1,333,484,873
33	**Total RSF**					**31,867,151,549**
34	**Net Stable Funding Ratio (%)**					**168.65%**

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.

10. Minimum Requirement for Own Funds and Eligible Liabilities (MREL)

On 12 May 2021 the Official Journal of the European Union published Regulation (EU) 2021/763 of 23 April 2021 laying down implementing technical standards for the application of Regulation (EU) no 575/2013 of the European Parliament and of the Council and Directive 2014/59/EU of the European Parliament and of the Council with regard to the supervisory reporting and public disclosure of the minimum requirement for own funds and eligible liabilities.

The harmonised minimum level of the Total Loss-Absorbing Capacity (TLAC) Term Sheet ('TLAC standard') for global systemically important institutions (G-SIIs) ('the TLAC requirement') has been introduced into Union legislation by Regulation (EU) 2019/876 of the European Parliament and of the Council amending Regulation (EU) No 575/2013.

The institution-specific add-on for G-SIIs and the institution-specific requirement for non-G-SIIs, referred to as the minimum requirement for own funds and eligible liabilities (MREL), have been established through targeted amendments to Directive 2014/59/EU introduced by Directive (EU) 2019/879 of the European Parliament and of the Council.

Reporting and disclosure requirements for both TLAC standard and MREL are now included in Regulation (EU) No 575/2013 and Directive 2014/59/EU, respectively.

As per coming into force of the NBR Law no 320/2021 that transposes the stipulations of EU Directive 879/2020 (BRRD2) by updating and completing NBR Law no 312/2015 and following the Joint Decision of ECB and NBR on UCB MREL minimum requirements released in April 2023, National Bank of Romania issued Order no 36/11.05.2023 on the requirement for UCB to meet the minimum requirement for own funds and eligible liabilities.

Thus, UCB must permanently meet, at individual level, a minimum requirement for own funds and eligible liabilities (determined based on the prudential consolidated level), as follows: 23.86% of total exposure at risk (TREA) and 5.90% of LRE binding requirement that must be met starting with 01.01.2024.

The MREL requirement mentioned within this order does not contain the combined buffer requirement (CBR). The own funds used to meet the CBR requirement cannot be used also for meeting the MREL – TREA requirement (stacking order principle).

The total MREL requirements (including combined buffer requirement CBR) that UCB must meet from 01.01.2024 were as follows:

a) at individual level: MREL-TREA of 27.36% (%TREA) (composed of minimum requirement of 23.86% of TREA and combined buffer requirement at individual level of 3.5%) and MREL - LRE 5.90% (% LRE)

b) at sub-consolidated level: MREL-TREA of 28.86% (%TREA) (composed of minimum requirement of 23.86% of TREA and combined buffer requirement at sub-consolidated level of 5%) and MREL - LRE 5.90% (% LRE)

Following the Joint Decision of ECB and NBR on UCB MREL minimum requirements released in May 2024, NBR has issued Order no 40/ 12.06.2024 on the MREL minimum requirements applicable for UniCredit Bank S.A.

The total MREL requirements (including combined buffer requirement CBR) that UCB must meet starting 01.08.2024 are as follows:

a) at individual level – MREL-TREA of 28.63% (%TREA) (composed of minimum requirement of 25.13% of TREA and combined buffer requirement at individual level of 3.5%) and MREL - LRE 5.90% (% LRE)

b) at sub-consolidated level – MREL-TREA of 30.13% (%TREA) (composed of minimum requirement of 25.13% of TREA and combined buffer requirement at individual consolidated level of 5%) and MREL- LRE 5.90% (% LRE)

The MREL requirement set within previous resolution cycle of 01.01.2024, of 23.86% of TREA and 5.9% of LRE that UCB had to comply with by 01.01.2024 had to be maintained on continuous basis until 01.08.2024.

Article 45 of BRDD2 classifies that Internal MREL is set equal to the external MREL the subsidiary would be imposed if it was a Resolution Entity and has to be met by liabilities issued "internally", i.e. by subsidiaries and bought by the Resolution Entity. Thus, Internal MREL instruments are subordinated i.e. can be met with Own Funds and subordinated liabilities only (i.e. Senior Non Preferred).

During 2024, UCB has subordinated liabilities (Senior Non Preferred) in amount of 100mn EUR (in June 2024) that were bought by the UniCredit S.p.A (acting as Single- Point-of-Entry (SPE) from the resolution strategy point of view), in addition to the SNP amount already issued, in amount of 520mn EUR.

EU ILAC - Internal loss absorbing capacity: internal MREL and, where applicable, requirement for own funds and eligible liabilities for non-EU G-SIIs

		a	b	c
		Minimum requirement for own funds and eligible liabilities (internal MREL)	Non-EU G-SII requirement for own funds and eligible liabilities (internal TLAC)	Qualitative information
Applicable requirement and level of application				
EU-1	Is the entity subject to a non-EU G-SII requirement for own funds and eligible liabilities? (Y/N)			N
EU-2	If EU-1 is answered by 'Yes', is the requirement applicable on a consolidated or individual basis? (C/I)			
EU-2a	Is the entity subject to an internal MREL? (Y/N)			Y
EU-2b	If EU-2a is answered by 'Yes', is the requirement applicable on a consolidated or individual basis? (C/I)			C
Own funds and eligible liabilities				
EU-3	Common Equity Tier 1 capital (CET1)	11,931,500,236		
EU-4	Eligible Additional Tier 1 capital			
EU-5	Eligible Tier 2 capital	930,645,057		
EU-6	Eligible own funds	8,573,760,935		
EU-7	Eligible liabilities	3,357,739,301		
EU-8	of which permitted guarantees	-		
EU-9a	(Adjustments)	-		-
EU-9b	Own funds and eligible liabilities items after adjustments	11,931,500,236	-	-
Total risk exposure amount and total exposure measure				
EU-10	Total risk exposure amount (TREA)	36,989,484,491		
EU-11	Total exposure measure (TEM)	81,505,041,060		
Ratio of own funds and eligible liabilities				
EU-12	Own funds and eligible liabilities as a percentage of the TREA	32.26%		
EU-13	of which permitted guarantees	-		
EU-14	Own funds and eligible liabilities as a percentage of the TEM	14.64%		
EU-15	of which permitted guarantees	-		
EU-16	CET1 (as a percentage of the TREA) available after meeting the entity's requirements	8.40%		
EU-17	Institution-specific combined buffer requirement			
Requirements				
EU-18	Requirement expressed as a percentage of the TREA	23.86%		
EU-19	of which part of the requirement that may be met with a guarantee			
EU-20	Requirement expressed as percentage of the TEM	5.90%		
EU-21	of which part of the requirement that may be met with a guarantee			
Memorandum items				
EU-22	Total amount of excluded liabilities referred to in Article 72a(2) of Regulation (EU) No 575/2013			

ANNEX 1: UniCredit Bank SA Xls Templates

Covered area	Template id	Template Name	Link to
Regulatory capital	CC1	Composition of regulatory capital-Own Funds	Composition of capital'!A1
	CC2	Reconciliation of regulatory capital to Financial Statements	Capital vs FS reconciliation'!A1
	KM1	Key metrics (at consolidated group level)	KM1!A1
Capital requirements	EU OV1	Overview of RWAs	EU OV1'!A1
Counterparty credit risk			
Capital buffers		Capital buffers	Capital buffers'!A1
Credit risk adjustments		Credit quality of exposures by exposure class and instrument	
Leverage	LRSum	Summary comparison of accounting assets vs leverage ratio exposure measure	LRSum!A1
	LRCom	Leverage ratio common disclosure template	LRCom!A1
Liquidity	LIQ1	Liquidity Coverage Ratio (LCR)	LIQ1!A1
	LIQ2	Net Stable Funding Ratio (NSFR)	LIQ2!A1
Market risk		Market risk under the standardized approach	EU MR1'!A1
MREL	ILAC	Internal loss absorbing capacity: internal MREL and, where applicable, requirement for own funds and eligible liabilities for non-EU G-SIIs	EU ILAC