



# PILLAR III DISCLOSURE REPORT

Report reference date: 31<sup>st</sup> December, 2023

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## Abbreviations

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

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

## 1. OVERVIEW ON DISCLOSURES

The Report is prepared in accordance with National Bank of Romania Regulation no. 5/2013 regarding prudential requirements for credit institutions, Regulation no. 575/2013 of European Parliament and Council dated 26.06.2013 regarding prudential requirements for credit institution and investment companies, with subsequent amendments and connected regulatory requirements as National Bank of Romania Regulation no. 11/2020, Regulation no. 876/2019 of European Parliament and Council.

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

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

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

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

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

As the UniCredit Bank Romania has been identified as “Other Systemically Important Credit Institution (O-SII)” from Romania, the Bank will provide the users with quarterly frequency a relevant bucket of information.

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

When assessing the disclosure requirements in accordance with Regulation (UE) No 575/2013 and 637/2021 Guideline regarding the disclosure requirements as the 8<sup>th</sup> part of Regulation (UE) No. 575/2013, the Bank considers the following requirements as not applicable:

Area	Regulation (EU) no 575/2013 article reference	Disclosure template	Reason for not disclosure
Use of Internal Market Risk Models	455	EU MR2-A – Market risk under the IMA (Internal Modal Approach)	UniCredit Bank does not apply an internal model approach for the calculation of market risk capital requirements
	445 & 455	EU MR2-B – RWA flow statements of market risk exposures under the IMA	UniCredit Bank does not apply an internal model approach for the calculation of market risk capital requirements
	445 & 455	EU MRB – Qualitative disclosure requirements for institutions using the IMA	UniCredit Bank does not apply an internal model approach for the calculation of market risk capital requirements
	445 & 455	EU MR3 – IMA values for trading portfolios	UniCredit Bank does not apply an internal model approach for the calculation of market risk capital requirements
	445 & 455	EU MR4 – Comparison of VaR estimates with gains/losses	UniCredit Bank does not apply an internal model approach for the calculation of market risk capital requirements
Capital requirements	438	EU INS1 – Non-deducted participations in insurance undertakings	As at December 31, 2023, UniCredit Bank does not have participations in insurance undertakings

## Disclosure Report 2023

Area	Regulation (EU) no 575/2013 article reference	Disclosure template	Reason for not disclosure
Exposure to counterparty credit risk	439	EU CCR8 – Exposures to CCPs	As at December 31, 2023, UniCredit Bank does not have exposures to CCPs
		EU CCR6 – Credit derivatives exposures	As at December 31, 2023, UniCredit Bank does not have credit derivatives exposures
Use of credit risk mitigation techniques	453	EU CR7 – IRB approach – Effect on the RWAs of credit derivatives used as CRM techniques	As at December 31, 2023, UniCredit Bank does not use credit derivatives used as CRM techniques
Indicators of global systemic importance	441		UniCredit Bank has not been identified as global systemically important institutions (G-SIIs)
Securitization		SECA – Qualitative disclosure requirements related to securitization exposures	UniCredit Bank does not perform securitization transactions
		SEC1 – Securitization exposures in the banking book	UniCredit Bank does not perform securitization transactions
		SEC2 – Securitization exposures in the trading book	UniCredit Bank does not perform securitization transactions
		SEC3 – Securitization exposures in the banking book and associated regulatory capital requirements – bank acting as originator or as sponsor	UniCredit Bank does not perform securitization transactions
		SEC4 – Securitization exposures in the banking book and associated capital requirements – bank acting as investor	UniCredit Bank does not perform securitization transactions
Overview of risk management, key prudential metrics and RWA		KM2 – Key metrics – TLAC requirements (at resolution group level)	UniCredit Bank has not been identified as global systemically important institutions (G-SIIs)

In January 2022 the EBA published the Final Implementing Technical Standards (EBA/ITS/2022/01) on prudential disclosures on Environmental, Social and Governance risks (ESG) in accordance with the CRR2 article 449a.

The Implementing Regulation (EU) 2022/2453 of 30 November 2022, amending the Implementing Regulation (EU) 2021/637 as regards the disclosure of environmental, social and governance risks (ESG) was adopted by the European Commission and published on the Official Journal.

According to EBA/ITS/2022/01, institutions should disclose the information at the highest level of consolidation in the EU, as regulated in Article 13 CRR. Therefore the disclosure of ESG risk is available in Pillar III disclosure of the Group: <https://www.unicreditgroup.eu/en/investors/financial-reporting/pillar-3-disclosures.html>.

## 2. GENERAL INFORMATION RELATED TO RISK MANAGEMENT, OBJECTIVES AND POLICIES

### 2.1 Strategies and processes of risk management

Risk management objectives are correlated with the Banks' general strategic objectives:

- Adequate and prudent management of risks and in particular of significant risks;
- Selective enlargement of the loan book, by achieving a balanced structure on client segments;
- Products' diversification;
- Conservation of a sustainable profitability threshold;
- Mitigation – to the possible extent – of the unpredictability and uncertainty of the legal framework related to the financial-banking system;
- Identification of optimal solutions tailored to clients' financing needs;
- Adequate training of the personnel, so that they may offer high quality services to customers;
- Local integration of the existent standards at the group's level under the form of internal regulations and procedures.

The strategic objectives on significant risk management are achieved through the following:

- Definition and setting of basic principles and respective limits regarding risk management;
- An organizational structure specialized in management and control of risks;
- Specific strategies and techniques for risk measuring, assessing, monitoring, diminishing and reporting.

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

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

Stress testing program is an integrated part of the Bank's risk management framework, being supported by an effective infrastructure to perform stress tests depending on the nature, scale and complexity of the activities and also depending on the Bank risk profile.

The management body has the final responsibility for the credit institution's overall stress testing program.

The Bank uses stress testing results as a diagnostic tool to set up their risk appetite and as a forward-looking tool within the internal capital adequacy assessment process - for example, to assess how the profits are affected by crisis situations, for internal assessment of capital adequacy, or for risk assessment in an anticipatory measure.

In general a capital stress test assumes possible but uncertain scenarios, based on assumptions of the development of the capital market. This leads to different effects and impact on the Capital components. It shows whether the Bank is able to stay over the regulatory minimum of Capital requirement under adverse conditions.

The stress tests are applied to all types of risk considered tangible and quantifiable within the Bank, such as: credit risk, operational risk, market risk, business risk and real estate risk. The purpose of these simulations is to assess the Bank's vulnerability to exceptional, but plausible crisis events that could influence the Bank's performance.

The methodology for stress tests is established centralized at the UniCredit Group level and is running based on scenarios defined at the Group level and adapted to the local conditions.

The 2023 stress tests were conducted over a 3-year horizon, based on two macroeconomic scenarios that took into account the systemic and specific changes that might materialize, both presently and in the near future. Thus, crisis simulations provide a perspective picture of a possible evolution of the Bank in case the adverse scenarios materialize.

### 2.2 Structure and Risk Management organization

The risk management framework enables Bank to assess and manage risks in a proportional and consistent manner across the institution, at individual and sub-consolidated level, encourages an open and transparent culture where risks discussion and awareness are supported and encourages an understanding of the risk environment within the Bank, at individual and sub-consolidated level.

The Bank's risk management framework includes all business lines and internal units, including internal control functions, with full recognition of the economic substance of all its risk exposures and allows making informed decisions on risk-taking.

The risk management framework is implemented, enforced and maintained through strategies, policies, procedures, risk limits and risk controls ensuring adequate, timely and continuous identification, measurement or assessment, monitoring, management, mitigation and reporting of the risks at the business line, credit institution and consolidated or sub-consolidated levels.

The Bank developed a solid risk culture at all Bank's levels and business lines. UniCredit Bank established a comprehensive and independent risk management function, covering the whole Bank, under direct supervision of the management body, having personnel with relevant experience, adequate to the Bank's risk appetite, and able to play a significant role in the processes of identification, measurement and assessment of risks. The risk management function also have responsibilities with regard monitoring and approval of internal rating systems and risk assessment models, including validation of such, and risk analysis for new products and exceptional transactions.

The risk management function, together with compliance function, act as second line of defence and ensure effective and efficient operations, adequate control of risks, prudent conduct of business, reliability of finance and non-financial reported information, both internally and externally, and compliance with laws, regulations, supervisory requirements and the Bank's internal policies and procedures.

Risk management function is ensured within the Bank by the Risk Management Division, which manages all significant risks to which the Bank may be exposed. In case of certain specific risks (e.g. strategic, compliance), the Risk Management Division will consider the specialized contribution, at operative level, of other organizational structures within the specialized divisions, e.g. Finance and Compliance.

Aside from the day to day responsibility of the entire personnel related to risk management, the risk management framework implementation and adequate adjustment of it, when the case, including the implementation of the Strategy for the management of significant risks at Bank's individual and sub-consolidated view, is supported, at decisional and consultative levels, by the relevant committees set up at Bank level, but especially by:

- Risk Management Committee (RMC) organized at the Supervisory Board level

The Risk Management Committee is a permanent committee, directly subordinated to the Supervisory Board, which advises the members of the Supervisory Board in regard with specific domains in order to document de decisions that will be taken by the Supervisory Board, evaluates and transmits to the Supervisory Board recommendations on the assigned attributions and facilitates the development and implementation of a solid framework for internal governance/activity management.

- Risk Management Operative Committee (RMOC) organized at the Management Board level



The Risk Management Operative Committee acts for the identification, evaluation, and management of significant risks according to the provisions of the Organization and Functioning Regulation of the Bank and to its specific Functioning Regulation, supporting the Management Board, with advisory role, in the risk management process.

Risk Management Division operates as permanent and central organizational structure, with powers and responsibilities for the management of general framework of risks, ensuring that all material risks are identified, measured and properly reported.

This Division shall assist the management body of the Bank in performing the risk management framework related responsibilities, having, as appropriate, direct access to the Supervisory Board and its committees, in particular to the Risk Management Committee. The risk management function also has adequate access to all business lines and other internal units that have the potential to generate risk, as well as to relevant subsidiaries and affiliates of the Bank, acting as group risk management function in regards to the Bank's subsidiaries.

The risk management function must provide relevant independent information, analyses and expert judgment on risk exposures, and advice on proposals and risk decisions made by business lines or internal units, and must inform the management body as to whether they are consistent with the credit institution's risk appetite and strategy. The risk management function may recommend improvements to the risk management framework and corrective measures to remedy breaches of risk policies, procedures and limits.

### 2.3 The internal control framework

The internal control framework is based on the 3 lines of defence model:

- The first line of defense is represented by the risk management processes established in the Bank in order to identify, measure or assess, monitor, manage and report risks. Risk management responsibilities are not confined to risk specialists or control functions, as each Bank's employee has to be fully aware of his/her own responsibilities with regards to risk management. Business units are primarily responsible for managing risks on a day-to-day basis, taking into account the Bank's risk tolerance/appetite and in line with internal policies, procedures and controls.
- The second line of defense is represented by risk management and compliance functions, that ensure effective and efficient operations, adequate control of risks, prudent conduct of business, reliability of financial and non-financial information reported, both internally and externally, and compliance with laws, regulations, supervisory requirements and the Bank's internal policies and procedures.
- The third line of defense is represented by internal audit function, which ensures an independent assessment of the compliance of all activities and business units of the Bank (including the risk management function and compliance function) with its policies and procedures. The internal audit function also assesses whether existing policies and procedures remain adequate and comply with legal and regulatory requirements.

Internal control framework covers the overall Bank organization, including the activities of all business, support and control units.

Internal control function within the Bank includes the following independent specific control functions:

- Risk management function
- Compliance function
- Internal audit function

### 2.4 Risk management and internal control in UniCredit Bank subsidiaries

#### UniCredit Consumer Financing

The Supervisory Board is responsible for the set up and keeping of a proper and effective internal control system.

The Management Board is responsible for implementing the strategy and the policies on risk management as established and defined in the Article of Association and the Internal Governance Rules.

For the support of the risk management activities, specialised committees are set-up within the financial institution: Audit Committee, Risk Management Committee, Permanent Working Group for Operational Risks and Credit Committee.

Risk Division operates as a permanent organizational structure, with responsibilities related to the administration of the general framework of risk management. The Risk Division offers support to the Risk Management Committee and the company's management through the current monitoring of the credit risk.

The Finance and Planning Division offers support to the Risk Management Committee and the company's management through the current monitoring of the market and liquidity risk.

Marketing and Product Development Department offers support to Risk Management Committee and the company's management through the current monitoring of the reputational risk.

The operational risk is managed by all the departments whose activities incur operational risks.

The monitoring is ensured by the operational risk function through regular assessment of the operational risk indicators and through the assessment and interpretation of the operational risk events. The operational risk function has also the mission to strengthen the internal control system by continuous tests and verifications.

The risk management function is supported at company level by other specialized committees (Discipline Committee, Projects Committee, Product and Pricing Committee, Business Continuity and Crisis Management Committee etc.).

#### UniCredit Leasing Corporation

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

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

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

Audit Committee is responsible to assist the Company's Board in defining and preparing the principles and guidelines governing the entity's entire internal control system, on the basis of a risk-oriented approach, and assessing its effectiveness and efficiency, so that the main risks are properly identified, then measured, managed and monitored, subject to the Board's responsibility for all decisions on this matter.

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

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

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

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

### 2.5 Scope and type of reporting and risk measurement system

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

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

- The first is represented by the Internal Capital Adequacy Assessment Process (ICAAP), under which UniCredit and the Legal Entities; belonging to the scope of application, evaluate their strategies and processes used to assess and maintain, on an ongoing basis, the amounts, types and distribution of internal capital commensurate to their risk profiles, as well as the robustness of internal control arrangements, in order to achieve and sustain a capital level that is adequate to the nature of the institution's business and risks;
- The second consists of the Supervisory Review and Evaluation Process (SREP), performed by the competent ultimate Regulatory Authority, whose key purpose is to ensure that institutions have adequate arrangements, strategies, processes and mechanisms as well as capital and liquidity to ensure a sound management and coverage of their risks to which they are or might be exposed, including those revealed by stress testing and risks institutions may pose to the financial system.

**The Internal Capital Adequacy Assessment Process (“ICAAP”)** focuses on the development and maintenance of sound internal procedures and systems which allow the evaluation of the Bank capital adequacy, i.e. the balance between the assumed risk (measured in terms of Internal Capital – “IC”) and the available capital (Available Financial Resources – “AFR”), both related to the current situation and in a forward looking perspective, as represented by the budget and strategic plan.

The comparison between AFR and IC is the Risk Taking Capacity (RTC), a key metric included in the Risk Appetite framework.

ICAAP is an integrant part of management and decision-making processes. In this context, the main impacts are related to the risk awareness embedding in the strategic planning and budgeting processes, limit setting and performance evaluation according to a backward and forward-looking perspectives.

Setting up an appropriate capital adequacy process means not only using internally developed metrics, but also setting the appropriate capital levels corresponding to the Pillar 1 metrics, such as the Core Tier 1 (CET1) and Total capital ratios as banks are expected to operate with a capital level higher than minimum requirements (i.e. Regulatory Capital).

The process consists of the following phases:

- Perimeter definition and risk identification and mapping;
- Risk profile assessment and stress testing;
- Risk appetite setting and Capital allocation;
- Monitoring and reporting.

The process of identification and assessment of significant risks is an element of internal control and aims to ensure that internal control objectives are met (efficiency, information and conformity objectives).

UniCredit Bank carries out an analysis by selecting which risks are relevant with reference to its perimeter of activities.

The risk definition and mapping is not a one-off process, but it is done on an on-going basis to improve the risk management framework.

UCB reviews the risk map and classification according to the proportionality principle, at least on an annual base and in case of relevant changes. The risk map is the basis for the risk evaluation and measurement.

Based on the Group's approach and on the internal analysis performed with the Group guidance, in 2023 UniCredit Bank S.A. identified the following significant risks, further described throughout this document:

1. Credit risk
2. Market risk and Interest Rate Risk in the Banking Book (IRRBB)
3. Liquidity risk
4. Operational risk
5. Reputational risk
6. Business risk
7. Real estate risk
8. Strategic risk
9. Risk of excessive leverage.
10. Inter-concentration risk

### 2.6 Other risks

Other risks considered to have major impact on the bank patrimony are the risks associated with outsourcing activities.

The management of outsourcing activities risk takes into consideration, in a non-exhaustive form:

1. Reputation, operational and financial impact on the Bank that can be generated by the execution/failure to execute accordingly the contract obligations by the supplier;
2. Consequences of outsourcing and their impact upon the assurance of the respect by the Bank of the legal framework and internal regulations framework;
3. Impact upon Bank's clients or upon counterparties in case of default in the execution of contract obligations by the supplier;
4. Analysis of supplier's solvency taking into consideration: reputation, previous experience in the field, quality of services, internal control framework regarding their activities and performance, quality and quantity of resources at the disposal of the supplier for the execution of activities subject to contract, confidentiality of data/ processed transactions etc.;
5. Outsourcing relationships will be governed by contracts; the contracts will include clear provisions regarding the nature of the outsourced activity, the responsibilities of the Bank and of the supplier, as well as activities control tools etc.;
6. For each activity proposed for outsourcing an analysis and opinion will be required from the departments directly involved in risk analysis, such as: Risk Division, Legal and Compliance Department, as well as other units in case the outsourced activity represents their work area;
7. A cost-benefit analysis on outsourced activities is assessed;
8. Degree to which the Bank and the control authorities have access to information, files and databases of the supplier that are a result of the contractual obligations;

9. Back-up plans or measures to remediate crisis situations; they must take into consideration any event that can impose/ force the termination of the contractual relationship and – as the case may be the transfer under optimal circumstances of the activity to another supplier or its takeover by the Bank.

The final responsibility for risks assessment belongs exclusively to the Bank, that critically assesses its risks without relying solely on external valuations.

Both the strategy and significant risk management policies, established at the Bank level, are reviewed periodically.

The Bank has implemented a well-defined and documented reporting framework, including regular and transparent reporting mechanisms, so that the management body and all relevant units within the institution benefit on time by accurate and concise reports, through risk management advisory committees, established by the Bank.

The reports to be submitted to the management body and to the relevant units, and other relevant information related to the identification, measurement or evaluation and monitoring of risks are summarized in the implemented reporting framework.

Bank defines periodically **the risk appetite**, respectively the level of risk that UniCredit Bank is prepared to accept in pursuit of its strategic objectives and business plan, taking into account the interest of its customers (e.g. depositors, policyholders) and shareholders as well as capital and other requirements.

The Management structure reviews and approves the risk appetite on a yearly basis to ensure its consistency with the Group's Strategy, business environment and stakeholder requirements, as defined in the budget process.

Bank regularly monitors the actual risk profile and examines it in relation to the credit institution's strategic objectives and tolerance / risk appetite for assessing the effectiveness of the risk management framework. Evaluation and monitoring of the risk profile is done through indicators established within risk appetite.

### 2.7 Risk coverage and mitigation policies

The risk mitigation techniques implemented at the Bank level are aimed to reducing the identified risks and limiting their impact on the Bank's performance. Periodically, at the Bank level is monitored the effectiveness of the hedging and mitigating features of risks in order to updating and improving of these techniques to ensure that the objectives set up for each activity are fulfilled as high as possible.

## 3. SCOPE OF APPLICATION

### 3.1 Relevant scope of consolidation

The institution subject to disclosure is **UniCredit Bank SA**. (“the Bank” or “UCB”); the report includes Bank’s information and also information regarding the entities integrated in the consolidated prudential perimeter of UniCredit Bank (further described as “the Group”).

Starting August 2015, UniCredit Bank S.A. (the “Bank”) is the new brand name of formerly UniCredit Tiriac Bank SA that was established as a Romanian commercial bank on 1 June 2007 upon the merger by acquisition of the former UniCredit Romania S.A. (the absorbed bank) by Banca Comerciala HVB Tiriac S.A. (the absorbing bank) and is licensed by the National Bank of Romania (“NBR”) to conduct banking activities.

The Bank’s current registered office is 1F, Expozitiei Boulevard, District 1, Bucharest, Romania.

UniCredit Bank S.A. is controlled by UniCredit SpA (Italy), with registered office in Milano (Mi), Italia, Piazza Gae Aulenti 3 Cap 20154 Tower A.

The Bank provides retail and commercial banking services in Romanian Lei (“RON”) and foreign currency for individuals and legal entities. These include: accounts opening, domestic and international payments, foreign exchange transactions, working capital finance, medium and long term facilities, retail loans, bank guarantees, letter of credits and documentary collections, derivative financial instruments.

UniCredit Bank Group is exercising direct and indirect control over the following subsidiaries:

- UniCredit Consumer Financing IFN S.A., having its current registered office at 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, 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 2023 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.

As at 31 December 2023 the Group carried out its activity in Romania through its Head Office located in Bucharest and through its network, having 168 branches/Bank 166 branches (31 December 2022: Group 164 branches/ Bank 162 branches) in Bucharest and in the country.

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

This template presents the differences between the accounting and the prudential consolidation perimeter which applies for providing the required information in the eight part of CRR (UE Regulation nr. 575/2013) at consolidated level.

	Carrying values as reported in published financial statements (a)	Carrying values under scope of regulatory consolidation (b)	Carrying values of items					
			Subject to the credit risk framework (c)	Subject to the CCR framework (d)	Subject to the securitisation framework (e)	Subject to the market risk framework (f)	Not subject to capital requirements or subject to deduction from capital (g)	
<b>Assets</b>								
Cash and cash equivalents	20,106,053,853	20,106,053,853	12,078,819,990	8,027,233,863	-	-	-	-
Of which: Reverse Repo*	8,027,233,863	8,027,233,863	-	8,027,233,863	-	-	-	-
Financial assets at fair value through profit or loss: Derivatives and Debt Securities	82,890,799	82,890,799	-	76,984,180	-	5,906,619	-	-
Financial assets at fair value through profit or loss: Capital Instruments	14,823,234	14,823,234	14,823,234	-	-	-	-	-
Derivatives assets designated as hedging instruments	242,560,289	242,560,289	-	242,560,289	-	-	-	-
Loans and advances to banks at amortized cost	142,096,839	142,096,839	142,096,839	-	-	-	-	-
Loans and advances to customers at amortized cost****	40,502,120,243	40,502,120,243	40,502,120,243	-	-	-	-	-
Financial assets at fair value through other comprehensive income: Debt Instruments	1,997,201,619	1,997,201,619	1,997,201,619	-	-	-	-	-
Of which: Financial assets at fair value through other comprehensive income- Debt Instruments pledged in repo transactions	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income: Capital Instruments	29,323,653	29,323,653	29,323,653	-	-	-	-	-
Debt Instruments at amortized costs	9,647,214,537	9,647,214,537	9,647,214,537	-	-	-	-	-
Property, plant and equipment	171,348,454	171,348,454	171,348,454	-	-	-	-	-
Right of use assets	254,149,644	254,149,644	254,149,644	-	-	-	-	-
Intangible assets	424,875,936	424,875,936	164,060,898	-	-	-	-	260,815,038
Current tax assets	22,059,594	22,059,594	22,059,594	-	-	-	-	-
Deferred tax assets	57,962,126	57,962,126	63,540,736	-	-	-	-	(5,578,610)
Other assets**	977,688,246	977,688,246	977,688,246	-	-	-	-	-
<b>Total assets***</b>	<b>74,672,369,066</b>	<b>74,672,369,066</b>	<b>66,064,447,687</b>	<b>8,346,778,332</b>	-	<b>5,906,619</b>	-	<b>255,236,428</b>

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\*The accounting value according to the prudential accounting perimeter represents repurchase agreements securities.

\*\*Caption "Other Assets" contains "Other Assets" and "Other financial assets at amortized cost" from the IFRS Financial Statements.

\*\*\*The amounts are rounded to '000 RON in the IFRS Consolidated and Separate Financial Statements, leading to rounding differences as compared to the figures reported above which are in RON.

\*\*\*\*Caption "Loans and advances to customers at amortized cost" contains "Loans and advances to customers at amortized cost" and "Net lease receivables" from the IFRS Financial Statements.

	Carrying values as reported in published financial statements (a)	Carrying values under scope of regulatory consolidation (b)	Carrying values of items				
			Subject to the credit risk framework (c)	Subject to the CCR framework (d)	Subject to the securitisation framework (e)	Subject to the market risk framework (f)	Not subject to capital requirements or subject to deduction from capital (g)
<b>Liabilities</b>							
Deposits from banks	1,240,982,972	1,240,982,972	-	-	-	-	1,240,982,972
Loans from banks and other financial institutions at amortized cost	6,406,672,097	6,406,672,097	-	-	-	-	6,406,672,097
Of which: Items in the course of collection due to other banks - repo transactions	-	-	-	-	-	-	-
Deposits from customers	50,955,314,539	50,955,314,539	-	-	-	-	50,955,314,539
Trading portfolio liabilities	120,256,311	120,256,311	-	-	-	-	120,256,311
Financial debts at fair value	-	-	-	-	-	-	-
Derivatives liabilities designated as hedging instruments	202,404,887	202,404,887	-	-	-	-	202,404,887
Debt securities issued	4,002,295,928	4,002,295,928	-	-	-	-	4,002,295,928
Subordinated liabilities	952,072,596	952,072,596	-	-	-	-	952,072,596
Lease liabilities	255,802,784	255,802,784	-	-	-	-	255,802,784
Current tax liabilities	18,736,177	18,736,177	-	-	-	-	18,736,177
Deferred tax liabilities	756	756	-	-	-	-	756
Provisions	206,161,534	206,161,534	-	-	-	-	206,161,534
Other liabilities**	1,531,123,225	1,531,123,225	-	-	-	-	1,531,123,225
<b>Total liabilities</b>	<b>65,891,823,806</b>	<b>65,891,823,806</b>	-	-	-	-	<b>65,891,823,806</b>
<b>Total equity</b>	<b>8,780,545,260</b>	<b>8,780,545,260</b>	-	-	-	-	<b>8,780,545,260</b>
<b>Total liabilities and equity*</b>	<b>74,672,369,066</b>	<b>74,672,369,066</b>	-	-	-	-	<b>74,672,369,066</b>

\*The amounts are rounded to '000 RON in the IFRS Consolidated and Separate Financial Statements, leading to rounding differences as compared to the figures reported above which are in RON.

\*\*Caption "Other liabilities" contains "Other non-financial liabilities" and "Other financial liabilities at amortized cost" from the IFRS Financial Statements.



## EU LI2 – Main sources of differences between regulatory exposure amounts and carrying values in financial statements

The template provides information regarding the main sources of differences (other than those due to the consolidation perimeter which are presented in the templates UE LI1) between the accounting amounts from the Financial Statements and the exposure values used for regulatory purposes.

Regarding the point 1, the amounts disclosed in columns from b) to e) correspond to the accounting values according to the prudential consolidation perimeter of the balance sheet asset as they were reported in the column c)-f) in the template EU LI1 from this document.

Regarding the point 2, the amounts disclosed in the columns b) and c) correspond to the accounting values according to the prudential consolidation perimeter of the balance sheet liabilities as they were reported in the column c), f) in the template EU LI1 from this document.

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

According to the Article 429. (b) CRR, the Bank includes in the exposure amounts the deals SFT computed considering the Article 429, point 5 and the Article 111, point 1 and an increase for the counterparty credit risk according to Article 429 (b), point 2.

## EU LI2 – Main sources of differences between regulatory exposure amounts and carrying values in financial statements

	Total (a)	Items subject to				
		Credit risk framework (b)	CCR framework (c)	Securitisation framework (d)	Market risk framework (e)	
<b>1</b>	<b>Assets carrying value amount under the scope of regulatory consolidation (as per template EU LI1)</b>	<b>74,672,369,066</b>	<b>66,064,447,687</b>	<b>8,346,778,332</b>	<b>-</b>	<b>5,906,619</b>
2	Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU LI1)	-	-	-	-	-
3	Total net amount under the regulatory scope of consolidation	74,672,369,066	66,064,447,687	8,346,778,332	-	5,906,619
4	Off-balance-sheet amounts*	24,177,222,320	5,157,747,769	-	-	-
5	Differences in valuations	54,158,796	-	54,158,796	-	-
6	Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
7	Differences due to provisions	-	-	-	-	-
8	Differences due to prudential filters	-	-	-	-	-
9	Differences due to Derivatives	194,812,064	-	194,812,064	-	-
10	Differences due to SFT	-	-	-	-	-
<b>11</b>	<b>Exposure amounts considered for regulatory purposes</b>	<b>99,098,562,246</b>	<b>71,222,195,456</b>	<b>8,595,749,192</b>	<b>-</b>	<b>5,906,619</b>

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

## EU LI3 – Outline of the differences in the scopes of consolidation (entity by entity)

Name of the entity	Method of accounting consolidation	Method of regulatory consolidation				Description of the entity
		Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	
UniCredit Consumer Financing IFN S.A.	Full Consolidation	X				Credit Institution
UniCredit Leasing Corporation IFN S.A.	Full Consolidation	X				Leasing company
UniCredit Insurance Broker S.R.L.	Full Consolidation	X				Insurance broker

### 3.2 Prudent valuation

The below table contains the additional evaluation adjustments (AVA). The most significant adjustments are related to early termination risk, concentration risk and the closeout cost uncertainty of the government bonds issued by the Romanian Ministry of Finance held in the bank's portfolio.

#### PV1: Prudent valuation adjustments (PVA)

		Equity	Interest rates	FX	Credit	Commodities	Other	Total pre-diversification	Total after diversification	Of which: In the trading book	Of which: In the banking book
1	Market price uncertainty	-	348,890	1,921	0.11	-	26,852	18,020	197,842	187,167	10,674
2	Mid-market value	-	-	-	-	-	-	-	-	-	-
3	Closeout cost	-	10,158	13,914	342,429	-	176,084	151,945	347,265	155,294	191,972
4	Concentration	-	-	-	-	-	-	-	-	-	-
5	Early termination	-	-	-	-	-	-	-	-	-	-
6	Model risk	-	-	-	-	-	141,978	47,053	94,515	85,064	9,452
7	Operational risk	-	-	-	-	-	-	-	-	-	-
8	of which: Investing and funding costs	-	-	-	-	-	-	-	-	-	-
9	of which: Unearned credit spreads	-	-	-	-	-	-	-	-	-	-
10	Future administrative costs	-	-	-	-	-	-	-	-	-	-
11	Other	-	-	-	-	-	-	-	-	-	-
12	<b>Total adjustment</b>								<b>639,622</b>	<b>427,525</b>	<b>212,097</b>

### 3.3 Entities deducted from Own Funds

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

As at 31 December 2023, UniCredit Bank doesn't hold at individual level significant investments in financial entities to be deducted from own funds according to the Article 48 from CRR.

### 3.4 Entities added to RWA

As at 31 December 2023, the significant investments in financial entities are shown at the individual level with a risk weight of 370% as they are not deducted from own funds, but are included in the consolidated perimeter.

### 3.5 Substantial or legal impediments that hinder the rapid transfer of capital resources within the Group

At UniCredit Group level, an integrated analysis is done to identify the significant risks. The processes for management, monitoring and reporting of risks are formalized in the Group regulations, aligned and integrated at the local group at UniCredit Bank SA level. In accordance with the rules regarding the analysis process, calibration, approval, adoption, implementation, monitoring and reporting of the Group regulations, UniCredit Bank SA has the responsibility of sending the applicable regulation to its subsidiaries, in order to be analyzed, approved/adopted and implemented. Subsequently, UniCredit Bank SA assesses and decides the applicability at the subsidiaries level taking into account the nature, dimension and complexity of their activities.

In order to ensure the control over implementation of the Group requirements at the level of direct controlled entities, there is a frequent reporting process regarding the status of local implementation under the Internal Control Committee of UniCredit Bank SA.

The main potential impediments regarding the rapid transfer of capital resources are addressed below:

#### 3.5.1 The impact of legal status of subsidiaries regarding the prompt transfer of funds and/or debt reimbursement

##### UniCredit Consumer Finance IFN SA

UniCredit Bank SA (UCB) controls UniCredit Consumer Financing (UCFin) through majority of voting rights held (50.1%), which implies the approval of development plan and strategy of UCFIN in accordance with Bank and UniCredit Group's strategy.

The control exercised over UCFIN is strengthened by the fact that UCB appoints 4 out of 5 members of UCFIN Supervisory Board in accordance with UCFIN Articles of Association („AoA” or Constitutive Act). In Accordance with AoA, the UCFIN Supervisory Board has the authority to check the Board Member's activity in respect of the implementation of the Bank's strategy, aligned with those of UniCredit Group.

As result, there is no impediment which could adversely impact the prompt transfer of funds from UCFIN to UCB and/or the UCFIN capacity for fast reimbursement of debts to UCB.

##### UniCredit Leasing Corporation IFN SA

UniCredit Bank SA (UCB) controls UniCredit Leasing Corporation IFN S.A. (UCLC) through majority of voting rights held (99.977% ), which implies the approval of development plan and strategy of UCLC in accordance with Bank and UniCredit Group's strategy.

The control exercised over UCLC is strengthened by the fact that UCB appoints all 5 members of UCLC Supervisory Board in accordance with UCLC Articles of Association („AoA” or Constitutive Act). In Accordance with AoA, the UCLC Supervisory Board has the authority to check the Board Member's activity in respect of the implementation of the Bank's strategy, aligned with those of UniCredit Group.

As a result, there is no impediment which could adversely impact the prompt transfer of funds from UCLC to UCB and/or the UCLC capacity for fast reimbursement of debts to UCB.

The Articles of Associations of UCFIN and UCLC do not include limitations, restrictions regarding the transfer of own funds and/or debt reimbursement.

### **3.5.2 Assessment of the other interests, different from those (controlling interests) of UCB and of their impact. UCB capacity to ask for the funds transfers or debt reimbursements**

No other interests were identified except the UCB controlling interests as the control is defined in the Articles of Associations of the 2 subsidiaries.

Meanwhile, we mention that the financing agreements concluded between UCB and their subsidiaries contain contractual clauses regarding the situations where repayments in advance can appear and where collateral guarantees are in place, where all actual and future cash amounts are pledged in the bank's favour. (credit balances in the bank accounts open at UCB).

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

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

### **3.5.4 Eventual prejudices could result from the business strategies of subsidiaries regarding the prompt transfer of funds and/or debt reimbursement**

The Budget for 2023 and the financial plan for the next 3 years of UCB and its subsidiaries outline the intention of ongoing business activity and to support the implementation of the subsidiaries' strategies. In normal conditions of ongoing business activity, there has not been forecasted any prompt transfer of funds and/or debt repayments in advance in the financial plans.

### **3.5.5 Analysis of the impact of contractual relationships between the subsidiaries and UCB/other third parties regarding the prompt transfer of funds and/or debts repayment**

The contractual relationships between UCB and its subsidiaries are approved and monitored in accordance with the provisions of Articles of Association of subsidiaries and internal procedures which regulates the competencies levels for approval set up by managements and their shareholders.

Taking into account the shareholders structure, there is no negative risk that could impact the contractual business relationships of subsidiaries.

### **3.5.6 The historical and forecast flows of funds between UCB and its subsidiaries with potential impact on the capacity of prompt transfer of funds and/or debt reimbursement**

The loan agreements concluded by UniCredit Bank with its subsidiaries include the calculation of penalty interest in case the loans' payments obligations are not met. The penalty interest is applied at the maturity date, until the full payment date and it is applied to outstanding amount. There have been no cases in the past of penalty interest being applied for the credit lines granted to subsidiaries of UCB.

Meanwhile, we have to mention that, in accordance with the provisions of article 26 of NBR Regulation no.5/2013, UCB, as parent credit institution, takes into account and balance the interests of its subsidiaries and analyzes them continuously in the way those interests contribute to the objectives and interests of UCB Group and respectively of UniCredit Group, taken together as one objective/interest, on a long term basis.

### **3.5.7 Intragroup Liquidity Transfers**

Intra-group liquidity transfers are subject to restrictions due to legal and regulatory constraints. With reference to regulatory requirements, it should be noted that UniCredit Bank is subject to rules provided by the Regulation (EU) No 575/2013 on “prudential requirements for credit institutions and investment firms”.

## 4. OWN FUNDS AND KEY METRICS

### 4.1 Regulatory capital - summary and changes over time

Starting with January 2014, the Romanian Banking System is applying the Basel III norms, in accordance with Regulation no. 575/2013 of European Parliament and Council dated 26.06.2013 regarding prudential requirements for credit institutions and investment companies, amended by Regulation (UE) no.648 / 2012 and by Regulation no. 5/2013 regarding prudential requirements for credit institutions issued by National Bank of Romania with subsequent amendments, and connected regulatory requirements.

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;

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- 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
<b>Regulatory treatment</b>		
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	-
<b>Coupons / dividends</b>		
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
<b>Regulatory treatment</b>			
4	Transitional CRR rules	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	solo and consolidated	solo and consolidated
7	Instrument type (types to be specified by each jurisdiction)	subordinated loan	subordinated loan
8	Amount recognized in regulatory capital (in RON)	48,500,000	120,000,000
	Currency of issue	EUR	EUR
9	Nominal amount of instrument (aggregate) - in currency of issue	48,500,000	120,000,000
9a	Issue price	48,500,000	120,000,000
9b	Redemption price - in currency of issue	48,500,000	120,000,000
10	Accounting classification	liabilities at amortized cost	liabilities at amortized cost
11	Original date of issuance	27/07/2017	29/12/2017
12	Perpetual or dated	dated	dated
13	Original maturity date	27/07/2027	29/12/2027
14	Issuer call subject to prior supervisory approval	no	no
15	Optional call date, contingent call dates and redemption amount (s. 9b)	n/a	n/a
16	Subsequent call dates, if applicable	n/a	n/a
<b>Coupons / dividends</b>			
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	-	-



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The contractual terms and conditions of the Level 2 Own Funds – Subordinated Loans and Subordinated Bonds, 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	241,268,100	27-Jul-2017	27-Jul-2027	3 months	without anticipated reimbursement	one
2	UniCredit SPA	EUR	120,000,000	596,952,000	29-Dec-2017	29-Dec-2027	3 months	without anticipated reimbursement	one
3	UniCredit SPA	EUR	48,500,000	241,268,100	27-Jul-2017	27-Jul-2027	3 months	without anticipated reimbursement	one
	<b>Total</b>		<b>217,000,000</b>	<b>1,079,488,200</b>					

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

Starting with the year 2018, the following transitional adjustments do not apply:

- intangible assets;
- unrealized gains and losses from assessing the assets and the liabilities at fair value;
- local filters set up by the National Bank of Romania;
- recognizing in Level 1 Consolidated Own Funds, the instruments and the elements which do not qualify as minority interest.

The structure of the Own Funds (individual and consolidated) as at 31 December 2023 is presented below:

Reference	Item	Group	Bank	Reference for balance sheet
<b>Common Equity Tier 1 (CET1) capital: instruments and reserves</b>				
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	4,946,561,039	4,340,044,905	i-j
3	Accumulated other comprehensive income (and other reserves)	324,686,221	318,456,074	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	776,248,919	646,938,128	
<b>6</b>	<b>Common Equity Tier 1 (CET1) capital before regulatory adjustments</b>	<b>7,957,989,105</b>	<b>7,215,932,033</b>	
<b>Total regulatory adjustments to Common Equity Tier 1 (CET1)</b>				
7	Additional value adjustments (negative amount)	(1,184,729)	(1,184,729)	
8	Intangible assets (net of related tax liability) (negative amount)	(253,997,152)	(247,709,706)	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	6,506,201	6,506,201	
12	Negative amounts resulting from the calculation of expected loss amounts	(825,172)	(4,259,948)	
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)	-	-	
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	(5,975,323)	(3,433,469)	
<b>28</b>	<b>Total regulatory adjustments to Common Equity Tier 1 (CET1)</b>	<b>(266,130,354)</b>	<b>(260,735,830)</b>	
<b>29</b>	<b>Common Equity Tier 1 (CET1) capital</b>	<b>7,691,858,751</b>	<b>6,955,196,203</b>	
<b>Additional Tier 1 (AT1) capital: instruments</b>				
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	-	-	
<b>36</b>	<b>Additional Tier 1 (AT1) capital before regulatory adjustments</b>	<b>-</b>	<b>-</b>	

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Reference	Item	Group	Bank	Reference for balance sheet
<b>Additional Tier 1 (AT1) capital: regulatory adjustments</b>				
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	-	-	
44	Additional Tier 1 (AT1) capital	-	-	
45	Tier 1 capital (T1 = CET1 + AT1)	7,691,858,751	6,955,196,203	
<b>Tier 2 (T2) capital: instruments</b>				
46	Capital instruments and the related share premium accounts	890,893,618	890,893,618	
50	Credit risk adjustments**	106,309,524	111,209,986	
51	Tier 2 (T2) capital before regulatory adjustments	997,203,142	1,002,103,604	
<b>Tier 2 (T2) capital: regulatory adjustments</b>				
58	Tier 2 (T2) capital	997,203,142	1,002,103,604	
59	Total capital (TC = T1 + T2)	8,689,061,893	7,957,299,807	
60	Total Risk exposure amount	34,717,367,413	27,905,323,749	
<b>Capital ratios and requirements including buffers</b>				
61	Common Equity Tier 1 capital	22.16%	24.92%	
62	Tier 1 capital	22.16%	24.92%	
63	Total capital	25.03%	28.52%	
64	Institution CET1 overall capital requirements	11.97%	10.91%	
65	of which: capital conservation buffer requirement	2.50%	2.50%	
66	of which: countercyclical capital buffer requirement	0.99%	0.99%	
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	2.48%	2.93%	
68	Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements	17.66%	13.52%	

\*Art.277- If a credit institution at individual or sub -consolidated level makes the object of O-SII buffer and systemic risk buffer, according to the Art.288, the buffer with the highest value is used. Please see Chapter 5.4 for further details

\*\* Please see details in Chapter 3.2. Prudent Valuation

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

In RON	Group	Bank	Reference
	31.12.2023	31.12.2023	
<b>Assets:</b>			
Cash and cash equivalents	20,106,053,853	20,105,744,468	
Financial assets at fair value through profit or loss	97,714,033	97,714,033	
Financial derivatives assets held as hedging instruments	242,560,289	242,560,289	
Loans and advances to banks at amortized cost	142,096,839	142,096,839	
Loans and advances to customers at amortized cost	36,196,425,048	33,892,451,464	
Net Lease receivables	4,305,695,195	7,299,808	
Debt securities at amortized cost	9,647,214,537	9,647,214,537	
Other financial assets at amortized cost	558,258,241	497,954,942	
Financial assets at fair value through other comprehensive income	2,026,525,272	2,016,760,543	
Investment in subsidiaries	-	143,115,683	
Property, plant and equipment	171,348,454	168,999,644	
Right of use assets	254,149,644	242,888,547	
Intangible assets	424,875,936	406,107,302	
of which: Subject of Regulation 2020/2176 and Intangible assets in progress	260,815,038	254,527,592	a
Current tax assets	22,059,594	-	
Deferred tax assets	57,962,126	49,685,767	
of which: Deferred tax regarding Intangible Assets	6,817,886	6,817,886	b
Other assets	419,430,005	51,501,778	
<b>Total assets</b>	<b>74,672,369,066</b>	<b>67,712,095,644</b>	
<b>Liabilities:</b>			
Financial liabilities at fair value through profit or loss	120,256,311	120,256,311	
Derivatives liabilities designated as hedging instruments	202,404,887	202,404,887	
Financial liabilities at amortized cost	-	-	
Deposits from banks	1,240,982,972	1,240,982,972	
Loans from banks and other financial institutions at amortized cost	6,406,672,097	584,965,918	
Deposits from customers	50,955,314,539	51,002,567,400	
Debt securities issued	4,002,295,928	4,002,295,928	
Subordinated liabilities	952,072,596	842,631,396	
Other financial liabilities at amortized cost	1,185,037,671	1,149,293,214	
Lease liabilities	255,802,784	250,413,296	
Current tax liabilities	18,736,177	18,546,406	
Deferred tax liabilities	756	-	
Provisions	206,161,534	226,903,517	
Other non-financial liabilities	346,085,554	207,964,241	
<b>Total liabilities</b>	<b>65,891,823,806</b>	<b>59,849,225,486</b>	
<b>Shareholders' equity:</b>			
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 hedge reserve	(6,506,201)	(6,506,201)	e
Reserve on financial assets at fair value through other comprehensive income	(34,363,801)	(34,363,801)	f
Revaluation reserve on property and equipment	22,499,577	22,499,577	g
Other reserves	432,942,606	432,942,793	h
Retained earnings	6,369,748,085	5,633,921,159	i
of which: Profit	1,423,187,046	1,293,876,255	j
of which: Dividends	646,938,127	646,938,127	
<b>Total equity for parent company</b>	<b>8,604,927,231</b>	<b>7,862,870,158</b>	
Non-controlling interest	175,618,029	-	
<b>Total Equity</b>	<b>8,780,545,260</b>	<b>7,862,870,158</b>	
<b>Total liabilities and equity</b>	<b>74,672,369,066</b>	<b>67,712,095,644</b>	

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## 4.2 Summary of Key Prudential Metrics

### KM1: Key metrics

RON		31-Dec-2023	30-Sep-2023	30-Jun-2023	31-Mar-2023	31-Dec-2022
<b>Available capital (amounts)</b>						
1	Common Equity Tier 1 (CET1) capital	7,691,858,752	6,859,844,369	6,854,341,420	6,836,968,150	6,818,674,826
2	Tier 1 capital	7,691,858,752	6,859,844,369	6,854,341,420	6,836,968,150	6,818,674,826
3	Total capital	8,689,061,894	7,899,163,775	7,932,325,123	7,953,947,424	7,972,359,076
<b>Risk-weighted exposure amounts</b>						
4	Total risk exposure amount	34,717,367,413	34,482,685,596	33,662,218,411	33,243,558,728	32,587,363,640
<b>Capital ratios (as a percentage of risk-weighted exposure amount)</b>						
5	Common Equity Tier 1 ratio (%)	22.16%	19.89%	20.36%	20.57%	20.92%
6	Tier 1 ratio (%)	22.16%	19.89%	20.36%	20.57%	20.92%
7	Total capital ratio (%)	25.03%	22.91%	23.56%	23.93%	24.46%
<b>Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)</b>						
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	4.41%	4.41%	4.41%	4.41%	3.82%
EU 7b	of which: to be made up of CET1 capital (percentage points)	2.48%	2.48%	2.48%	2.48%	2.15%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	3.31%	3.31%	3.31%	3.31%	2.87%
EU 7d	Total SREP own funds requirements (%)	12.41%	12.41%	12.41%	12.41%	11.82%
<b>Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)</b>						
8	Capital conservation buffer (%)	2.50%	2.50%	2.50%	2.50%	2.50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.00%	0.00%	0.00%	0.00%	0.00%
9	Institution specific countercyclical capital buffer (%)	0.99%	0.50%	0.50%	0.49%	0.49%
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 (%)	4.99%	4.50%	4.50%	4.49%	4.49%
EU 11a	Overall capital requirements (%)	17.40%	16.91%	16.91%	16.90%	16.31%
12	CET1 available after meeting the total SREP own funds requirements (%)	17.66%	15.39%	15.86%	16.07%	16.42%
<b>Leverage ratio</b>						
13	Total exposure measure	79,950,832,818	74,162,796,050	72,471,332,625	70,459,750,898	71,198,001,368
14	Leverage ratio (%)	9.62%	9.25%	9.46%	9.70%	9.58%
<b>Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)</b>						
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%
<b>Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)</b>						
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%
<b>Liquidity Coverage Ratio*</b>						
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	23,304,260,582	21,832,024,523	20,858,486,503	19,595,665,757	7,395,015,129
EU 16 a	Cash outflows - Total weighted value	19,018,102,545	19,038,880,081	19,481,906,723	18,645,361,489	6,773,147,144
EU 16 b	Cash inflows - Total weighted value	5,432,339,856	5,764,066,914	6,334,950,848	5,942,517,830	1,913,030,069

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RON		31-Dec-2023	30-Sep-2023	30-Jun-2023	31-Mar-2023	31-Dec-2022
16	Total net cash outflows (adjusted value)	13,585,762,689	13,274,813,167	13,146,955,875	12,702,843,659	4,860,117,075
17	Liquidity coverage ratio (%)	171.53%	164.46%	158.66%	154.26%	152.16%
<b>Net Stable Funding Ratio</b>						
18	Total available stable funding	53,958,958,349	49,592,551,640	47,987,224,435	47,645,913,369	47,493,940,949
19	Total required stable funding	29,329,816,523	29,137,475,506	27,939,290,868	28,212,105,783	27,337,111,787
20	NSFR ratio (%)	183.97%	170.20%	171.76%	168.88%	173.73%

\*The section related to the information on Liquidity Coverage Ratio refer to weighted value average, in coherence with the representation provided in the Template EU LIQ1

## 5. CAPITAL REQUIREMENTS

### 5.1 General comment

#### Capital Adequacy Assessment

During 2023, within the Bank it was continued the sustained process for completing the internal methodological framework with specific regulations, mainly as regards to ICAAP general framework, stress tests, setting and monitoring of risk appetite, capital management rules, rules regarding the new risks identified by the Bank as significant.

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

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

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

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

#### Necessary regulated own funds requirements at consolidated level

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

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

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

During 2021, PD models on all segments were recalibrated with new DOD (using historical data restated with new default rules) and implemented within dedicated rating systems.

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## EU OV1 – Overview of RWAs

		Group			Bank		
		RWA		Capital Requirements	RWA		Capital Requirements
		31.12.2023	31.12.2022	31.12.2023	31.12.2023	31.12.2022	31.12.2023
<b>1</b>	<b>Credit risk (excluding CCR)</b>	<b>31,496,766,115</b>	<b>29,304,699,277</b>	<b>2,519,741,289</b>	<b>25,432,186,646</b>	<b>22,365,243,442</b>	<b>2,034,574,932</b>
2	Of which the standardised approach	13,881,165,392	12,808,126,721	1,110,493,231	7,000,186,134	7,043,040,565	560,014,891
3	Of which the Foundation IRB (F-IRB) approach	17,488,386,739	16,265,186,096	1,399,070,939	17,775,258,500	15,322,202,877	1,422,020,680
4	Of which slotting approach	-	-	-	-	-	-
EU 4a	Of which equities under the simple risk weighted approach	127,213,985	231,386,459	10,177,119	656,742,012	760,914,487	52,539,361
5	Of which the Advanced IRB (A-IRB) approach	-	-	-	-	-	-
<b>6</b>	<b>Counterparty credit risk - CCR</b>	<b>153,580,962</b>	<b>332,498,218</b>	<b>12,286,477</b>	<b>153,580,962</b>	<b>332,516,828</b>	<b>12,286,477</b>
7	Of which the standardised approach	-	-	-	-	-	-
8	Of which internal model method (IMM)	209,428	8,291,879	16,754	209,428	8,291,879	16,754
EU 8a	Of which exposures to a CCP	-	-	-	-	-	-
EU 8b	Of which credit valuation adjustment - CVA	18,547,975	25,626,561	1,483,838	18,547,975	25,626,561	1,483,838
9	Of which other CCR	135,032,987	298,579,779	10,802,639	134,823,559	298,598,389	10,785,885
<b>15</b>	<b>Settlement risk</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
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	-	-	-	-	-	-
<b>20</b>	<b>Position, foreign exchange and commodities risks (Market risk)</b>	<b>1,650,462</b>	<b>25,203,945</b>	<b>132,037</b>	<b>1,650,462</b>	<b>25,203,945</b>	<b>132,037</b>
21	Of which the standardised approach	1,650,462	25,203,945	132,037	1,650,462	25,203,945	132,037
22	Of which IMA	-	-	-	-	-	-
<b>EU 22a</b>	<b>Large exposures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>23</b>	<b>Operational risk</b>	<b>3,065,369,875</b>	<b>2,924,962,201</b>	<b>245,229,590</b>	<b>2,317,561,736</b>	<b>2,204,371,948</b>	<b>185,404,939</b>
EU 23a	Of which basic indicator approach	747,808,139	720,590,254	59,824,651	-	-	-
EU 23b	Of which standardised approach	-	-	-	-	-	-
EU 23c	Of which advanced measurement approach	2,317,561,736	2,204,371,948	185,404,939	2,317,561,736	2,204,371,948	185,404,939
<b>24</b>	<b>Amounts below the thresholds for deduction (subject to 250% risk weight)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>29</b>	<b>Total</b>	<b>34,717,367,413</b>	<b>32,587,363,640</b>	<b>2,777,389,393</b>	<b>27,904,979,806</b>	<b>24,927,336,163</b>	<b>2,232,398,384</b>



## 5.2 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 December 2023, 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 22.16%, significantly higher than the minimum regulatory requirement.

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

Based on common decision European Central Bank and National Bank of Romania (SREP process), UniCredit Bank must at all times satisfy the total capital ratio (solvency ratio) of 13.20% at individual level and 12.41% at consolidated level.

The total minimum capital requirements (including Pillar I and Pillar II buffers) is 16.70% at individual level and 17.41% at sub-consolidated level.

## 5.3 Risk Management and business model - RWA segmentation

One of the Group's strategic objectives was the development of a sound risk culture extended both at management level and at the level of all business units with risk management responsibilities, by determining company-wide views on acceptable relationships between the risks and profitability at a Group's overall level and for each significant activity in order to ensure sustainability of sound and prudent operations.

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

## 5.4 Capital surcharges & buffers

Regulation no. 5/2013 issued by National Bank of Romania includes specific provisions for capital buffers that may be applicable on top of minimum capital requirements. The following buffers were imposed by the National Bank of Romania through Order no. 12/2015, Order no. 8/2018 and Order no. 5/2020:

Capital requirements - Pillar I	Group	Bank
Capital conservation buffer	2.50%	2.50%
Countercyclical capital buffer	0.99%	0.98%
O-SII buffer	1.50%	-
Systemic risk buffer	-	-
Combined buffer requirement	4.99%	3.48%

Additionally, College of Supervisors of European Central Bank (ECB), in line with the local Supervisory Review and Evaluation Process (SREP) assessment carried out by the National Bank of Romania, decided that UniCredit Bank S.A. shall maintain a total solvency ratio above 13.20% at individual level and 12.41% at sub-consolidated level.

Solvency ratio - minimum requirements including Pillar I & II buffers	31.12.2023		
	NBR Supervisory Report – SREP	Capital buffers	TOTAL
<i>- individual level</i>			
CET 1 ratio	7.43%	3.50%	10.93%
Tier 1 ratio	9.90%		13.40%
<b>Total capital ratio</b>	<b>13.20%</b>		<b>16.70%</b>
<i>-sub-consolidated level</i>			
CET 1 ratio	6.98%	4.99%	11.97%
Tier 1 ratio	9.31%		14.30%

Solvency ratio - minimum requirements including Pillar I & II buffers	31.12.2023		
	NBR Supervisory Report – SREP	Capital buffers	TOTAL
Total capital ratio	12.41%		17.40%

### Other Systemically Important Institutions buffer

As per National Bank of Romania Order no. 8/2022, UniCredit Bank was identified as O-SII (Other Systemically Important Institutions) by the NBR (National Bank of Romania) and consequently, an O-SII buffer of 1.5% of the total risk weighted exposure, calculated as per art. 92(3) of EU Regulation no. 575/2013 on prudential requirements for credit institutions, had to be maintained by the bank at sub-consolidated level, during 2023.

### 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 2023 a capital conservation buffer of 2.5% of the total risk weighted exposure, calculated in accordance with Article 92(3) of Regulation (EU) No 575/2013, at both individual and sub-consolidated level.

### Systemic risk buffer

As per National Bank of Romania Order no. 8/2018 regarding systemic risk capital buffer and the notification of additional constant capital requirements in systemic risk amortization applicable from 1 January 2021, UniCredit Bank maintained, at sub-consolidated level, a systemic risk buffer of 0% 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.

### Countercyclical capital buffer

As per NBR Order no 7 / 25.11.2022 for the amendment of NBR Order no. 12/2015 regarding the capital conservation buffer and the countercyclical capital buffer, starting October 2023, UniCredit Bank applied a countercyclical capital buffer of 1% of the total risk weighted exposure on Romanian entities, calculated as per art. 92(3) of EU Regulation no. 575/2013 on prudential requirements for credit institutions.

As of 31.12.2023, 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 0.98% at individual level and of 0.99% 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			Total	Own funds requirement weights recomputed with all decimals	Countercyclical capital buffer rate
	Exposure value for SA	Exposure value IRB	Sum of long and short position of trading book	Value of trading book exposure for internal models	Of which:	Of which:	Of which:			
					General credit exposures	Trading book exposures	Securitisation exposures			
10	20	30	40	70	80	90	100	110	120	
AUSTRALIA	220,730	-	-	-	6,210	-	-	6,210	0.00%	0.00%
AUSTRIA	753,292	83,083,525	-	-	2,218,204	-	-	2,218,204	0.00%	0.00%
BELGIUM	18,652,215	-	-	-	300,886	-	-	300,886	0.00%	0.00%
BULGARIA	193,557	-	-	-	5,420	-	-	5,420	0.00%	2.00%
BURKINA FASO	18	-	-	-	1	-	-	1	0.00%	0.00%
CANADA	57,406	-	-	-	1,610	-	-	1,610	0.00%	0.00%
CHINA	18	-	-	-	1	-	-	1	0.00%	0.00%
CYPRUS	9	-	-	-	1	-	-	1	0.00%	0.50%
DENMARK	1,164	-	-	-	33	-	-	33	0.00%	2.50%
FRANCE	2,987	16,222,283	-	-	353,692	-	-	353,692	0.00%	0.50%
GEORGIA	-	899,160	-	-	95,290	-	-	95,290	0.00%	0.00%
GERMANY	63,054,714	6,772,914	-	-	4,961,324	-	-	4,961,324	0.00%	0.75%
GREECE	1,089,736	-	-	-	44,699	-	-	44,699	0.00%	0.00%
HUNGARY	48,484	-	-	-	1,358	-	-	1,358	0.00%	0.00%
INDONESIA	17,316	-	-	-	1,039	-	-	1,039	0.00%	0.00%
IRELAND	2,904	-	-	-	81	-	-	81	0.00%	1.00%
ISRAEL	272,605	610,558	-	-	23,433	-	-	23,433	0.00%	0.00%
ITALY	1,700,155	15,280,584	-	-	611,067	-	-	611,067	0.00%	0.00%
JAPAN	146	-	-	-	12	-	-	12	0.00%	0.00%
LITHUANIA	-	7,128,505	-	-	952,657	-	-	952,657	0.00%	1.00%
MALTA	2	-	-	-	0	-	-	0	0.00%	0.00%
MOLDOVA	171	-	-	-	12	-	-	12	0.00%	0.00%
NETHERLANDS	124,302,217	-	-	-	9,941,689	-	-	9,941,689	0.00%	1.00%
NEW ZEALAND	121,718	-	-	-	3,408	-	-	3,408	0.00%	0.00%
PERU	20,204	-	-	-	1,212	-	-	1,212	0.00%	0.00%
POLAND	489,433	-	-	-	22,099	-	-	22,099	0.00%	0.00%
ROMANIA	21,305,319,412	23,993,524,865	1,650,462	-	2,297,393,492	132,037	-	2,297,525,529	0.98%	1.00%
RUSSIAN FEDERATION	-	16,067	-	-	2,864	-	-	2,864	0.00%	0.00%
SLOVAKIA	7,039	10,876,149	-	-	1,453,916	-	-	1,453,916	0.00%	1.50%
SLOVENIA	-	6,003,898	-	-	147,852	-	-	147,852	0.00%	0.50%
SPAIN	141,782,364	-	-	-	11,330,118	-	-	11,330,118	0.01%	0.00%
SRI LANKA	3	-	-	-	0	-	-	0	0.00%	0.00%
SWEDEN	72	-	-	-	4	-	-	4	0.00%	2.00%
SWITZERLAND	68,490	-	-	-	1,929	-	-	1,929	0.00%	0.00%
TUNISIA	-	47,241	-	-	8,420	-	-	8,420	0.00%	0.00%
TURKEY	288,445	-	-	-	8,874	-	-	8,874	0.00%	0.00%
UNITED ARAB EMIRATES	-	233,223	-	-	4,976	-	-	4,976	0.00%	0.00%

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UNITED KINGDOM	652,880	9,197,535	-	-	272,839	-	-	272,839	0.00%	2.00%
UNITED STATES	157,058	14,823,234	-	-	4,393,270	-	-	4,393,270	0.00%	0.00%

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

## Countercyclical buffer capital requirements- Synthesis (CCYB2)

COUNTERCYCLICAL BUFFER CAPITAL REQUIREMENTS	31.12.2023	31.12.2022
<b>Total risk exposure amount</b>	<b>34,717,367,413</b>	<b>32,587,363,640</b>
Institution specific countercyclical capital buffer rate	0.991107%	0.486378%
Institution specific countercyclical capital buffer requirement	344,086,286	158,497,740

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

### 5.5 RWA calculation method and models

The Bank calculates RWA according to the provisions of EU Regulation no. 575/2013 of the European Parliament and of the Council, using the following approaches:

#### Standardized Approach:

Risk-weighted exposure amount is calculated by using Fixed Regulatory Risk Weights (RW) and depends on the obligor type (Corporate/ Retail) and external rating (if available).

#### Internal Rating Base (IRB) Approach:

Risk-weighted exposure is calculated by using Calculated Risk Weights (RW) based on internally built credit risk parameter: Probability of default (PD).

In **Internal Rating Base** approach, Capital Reserve is adequate to the specific risk profile of the portfolio.

### 5.6 RWA changes over time

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

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

According to NBR approval received on 22 December 2020 regarding the provisions of the Article 150 of Regulation No 575/2013 of the European Parliament, the Bank started to temporary report the exposures in foreign currency of EU member states of Central Administrations and Central Banks according to standardized approach using a 0% RWA percentage. Starting with 1<sup>st</sup> of January 2023, this kind of exposures are no longer classified as Standardized Approach.

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

## 6. CREDIT RISK

### 6.1 Strategies, policies and processes for credit risk management

Credit risk strategy is established by all the Bank's activities that present a significant exposure to credit risk. The Bank's credit risk strategy is reviewed periodically, but at least once a year and whenever significant changes occur in risk assessment factors, and is approved by the Bank's management structure. The credit risk strategy reflects the tolerance to risk and the profitability level which the Bank intends to achieve in the conditions of the exposure to the assumed risks.

The Bank assesses the credit risk in all activities affected by this kind of risk, no matter if the results of the respective activities are reflected in the balance sheet or off balance sheet.

The Bank has established risk management processes and has tools in order to identify, measure, monitor and control the credit risk.

The Bank's credit risk management policy promotes a set of coherent principles and practices, oriented towards the following main directions:

- Establishment of a framework and adequate parameters of credit risk;
- Promotion and operation of a healthy and solid credit granting process;
- Promotion and maintenance of an adequate process for credit administration, measurement and monitoring;
- Permanent control over the quality of the loan portfolio.

The credit risk management is performed taking into consideration the loans both at individual level and at whole portfolio level and includes the consideration of the qualitative and quantitative aspects related to risks.

Credit risk management is realized by limiting credit risk exposures setting limits established in accordance with general strategy of the Bank (limits established by sectors of activity, zones geographical areas, counterparty categories, type of products, residence, country and currency, etc.). These limits are monitored and periodically reported to relevant committees.

The Bank is exposed in particular to credit risk in credit granting activity, this being the most common type of risk the Bank is confronted with.

The most important activity generating risk is financing, but any other banking activity can potentially generate credit risk (off balance commitments and debts, deposits constitution and other transaction on inter-banking market, hedging on stock/interbank market, etc.)

The Bank has a credit risk management process that takes into account its risk appetite, risk profile and market and macroeconomic conditions. This process includes policies and processes to identify, measure, evaluate, monitor, report, control and mitigate credit risk - including counterparty credit risk and potential future exposure, policies and processes aiming to capture the material risks inherent in individual products or transactions.

Credit risk includes risk derived from credit granting activity and from other transactions initiated for Bank clients, such as: issuance of LGs, opening / confirmation of LC's, availing, discounting of trade instruments presented by the clients, investments in stocks and other financial assets, other facilities granted to clients.

#### **The scope and type of reporting and measuring systems for credit risk**

In order to evaluate the basis of prudential exposure to credit risk, the Bank implemented rating systems (through consideration of quantitative factors, qualitative factors and payment behavior related factors), for all categories of clients in order to realize the classification of exposures based on the assessment borrowers' credit risk throughout the entire loan life cycle, by reference to a general scale assessment of default risk.

In UniCredit Bank internal ratings and default probability plays an essential role in the entire process of credit risk management. Rating assessment is an important part of the credit approval process. Credit risk tolerance is considering limits for granting credit exposures on rating classes. During the credit life cycle, the rating information is an important part of monitoring as well as of restructuring and of the progress of non-performing loans.

In addition, the risk reporting and portfolio management focuses on rating (in addition to information on debt service).

### **6.2 The structure and organization of the credit risk management and control function**

Credit risk management processes within UniCredit Bank imply the following:

- Accurate definition of specific processes and procedures for credit risk management differentiated depending on the main components of credit risk and the stage of the credit granting process, as follows:
  - Procedures of risk management at credit granting stage;
  - Procedures to prevent and mitigate default risk, settlement risk, concentration risk and residual risk;
  - Procedures for the prevention and mitigation of the risk related to foreign currency lending for debtors exposed to currency risk;
  - Specific procedures for identification and management of forborne loans and non-performing loans.
- Adequacy of credit risk procedures, policies and management tools, in line with the strategy:
  - Identification of the risk associated to the customer by applying internal rating specific for each client category; the analysis of the customer's rating is achieved by an internal assessment system;
  - Requesting complete and adequate proving documents from customers according to the type of financing and to the associated risk;
  - Approval of the standard parameters of lending products by taking into account the analysis of the associated risks;
  - Continuous monitoring of the loan portfolio;
- Exposure collateralization with eligible collaterals according to the legal stipulations in force, and also based on the Basel III implementation approach and relevant internal norms and procedures;
- Other credit risk mitigation techniques.

The credit risk management process is considering the appropriate allocation of duties that are clearly defined in specific lending procedures so as not to be assigned responsibilities that lead to conflicts of interest.

The credit facilities are approved in accordance with the internal lending rules and procedures, set up in accordance with the provisions of the National Bank of Romania regulations, specific for each category of customers.

The Bank has implemented policies and processes for monitoring the total indebtedness of the customers, as well as any risk factor that may lead to a default, including uncovered foreign exchange risk.

### 6.3 Credit risk impairment/NLPs (non-performing loans) policies

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

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

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

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

- (a) material exposures which are *more than 90 days past-due*;
- (b) the debtor is assessed as *unlikely to pay its credit obligations* in full without realisation of collateral, regardless of the existence of any past-due amount or of the number of days past due;
- (c) unpaid amount/instalments

Starting with 2021, the Bank implemented the new definition of default, in accordance with the requirements of EBA Guide GL / 2016/07 on the application of the definition of default and in conjunction with the requirements of the NBR Regulation no. 5/2013 on prudential requirements for credit institutions, with subsequent amendments and completions.

The significance threshold of the obligations from past due loans was aligned, at the level set up by Regulation no. 5/2018 amending and supplementing the Regulation of the National Bank of Romania no. 5/2013 regarding prudential requirements for credit institutions, as follows:

The materiality threshold for credit obligations past due, for retail exposures:

- a) the level of the relative component of the materiality threshold is 1 %;
- b) the level of the absolute component of the materiality threshold is 150 lei;

The materiality threshold for credit obligations past due, for exposures other than retail exposures:

- a) the level of the relative component of the materiality threshold is 1 %;
- b) the level of the absolute component of the materiality threshold is 1 000 lei;

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



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### EU CR5 – Standardised approach

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

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

	Exposure classes	Risk Weight								
		0%	2%	4%	10%	20%	35%	50%	70%	75%
1	Central governments or central banks	23,807,789,751	-	-	49,894,706	-	-	23,287	-	-
2	Regional government or local authorities	-	-	-	-	2,136,111,965	-	-	-	-
3	Public sector entities	-	-	-	-	-	-	-	-	-
4	Multilateral development banks	306,234,423	-	-	-	-	-	-	-	-
5	International organizations	-	-	-	-	-	-	-	-	-
6	Institutions	-	-	-	-	89,488,407	-	98,596,061	-	-
7	Corporates	4,220,235	-	-	-	18,448,022	-	-	-	-
8	Retail	-	-	-	-	-	-	-	-	7,366,254,251
9	Secured by mortgages on immovable property	-	-	-	-	-	6,993,187,011	-	-	-
10	Exposures in default	-	-	-	-	-	-	-	-	-
11	Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-
12	Covered bonds	-	-	-	-	-	-	-	-	-
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	61,574	-	-
14	Collective investment undertakings	-	-	-	-	-	-	-	-	-
15	Equity	-	-	-	-	-	-	-	-	-
16	Other items	-	-	-	-	-	-	-	-	-
17	<b>Total</b>	<b>24,118,244,410</b>	<b>-</b>	<b>-</b>	<b>49,894,706</b>	<b>2,244,048,393</b>	<b>6,993,187,011</b>	<b>98,680,922</b>	<b>-</b>	<b>7,366,254,251</b>

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### 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	-	-	8,276,359	-	-	-	-	23,865,984,104	-
2	Regional government or local authorities	12,714,906	-	-	-	-	-	-	2,148,826,870	-
3	Public sector entities	-	-	-	-	-	-	-	-	-
4	Multilateral development banks	-	-	-	-	-	-	-	306,234,423	-
5	International organizations	-	-	-	-	-	-	-	-	-
6	Institutions	619,278,707	-	-	-	-	-	-	807,363,175	-
7	Corporates	4,946,192,573	58,439,123	-	-	-	-	-	5,027,299,952	-
8	Retail	-	-	-	-	-	-	-	7,366,254,251	-
9	Secured by mortgages on immovable property	365,684,965	-	-	-	-	-	-	7,358,871,976	-
10	Exposures in default	193,895,540	528,869	-	-	-	-	-	194,424,409	-
11	Exposures associated with particularly high risk	-	33,765,795	-	-	-	-	-	33,765,795	-
12	Covered bonds	-	-	-	-	-	-	-	-	-
13	Institutions and corporates with a short-term credit assessment	247,811	-	-	-	-	-	-	309,385	-
14	Collective investment undertakings	-	-	-	-	-	-	-	-	-
15	Equity	9,764,766	-	-	-	-	-	-	9,764,766	-
16	Other items	481,305,223	-	-	-	-	-	-	481,305,223	-
<b>17</b>	<b>Total</b>	<b>6,629,084,491</b>	<b>92,733,787</b>	<b>8,276,359</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>47,600,404,329</b>	<b>-</b>

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The templates below have been prepared in compliance with EBA Technical Standards and aligned with the information presented in the Group's FINREP prepared at consolidated level for December 31, 2023.

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

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

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

### EU CQ1 - 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					
<b>1</b>	<b>Loans and advances</b>	<b>268,507,684</b>	<b>459,792,673</b>	<b>459,792,673</b>	<b>459,792,673</b>	<b>(33,898,105)</b>	<b>(360,110,073)</b>	<b>281,423,898</b>	<b>90,160,986</b>
2	Central banks	-	-	-	-	-	-	-	-
3	General governments	-	-	-	-	-	-	-	-
4	Credit institutions	-	-	-	-	-	-	-	-
5	Other financial corporations	-	93,888	93,888	93,888	-	(93,888)	-	-
6	Non-financial corporations	211,400,463	388,545,378	388,545,378	388,545,378	(25,327,519)	(304,464,303)	239,600,526	79,661,468
7	Households	57,107,221	71,153,407	71,153,407	71,153,407	(8,570,586)	(55,551,882)	41,823,372	10,499,518
<b>8</b>	<b>Debt Securities</b>	-	-	-	-	-	-	-	-
<b>9</b>	<b>Loan commitments given</b>	<b>38,749,598</b>	<b>26,833,991</b>	<b>26,833,991</b>	<b>26,833,991</b>	<b>203,978</b>	<b>12,544,699</b>	<b>47,669,824</b>	<b>13,704,090</b>
<b>10</b>	<b>Total</b>	<b>307,257,282</b>	<b>486,626,664</b>	<b>486,626,664</b>	<b>486,626,664</b>	<b>(34,102,083)</b>	<b>(372,654,772)</b>	<b>329,093,722</b>	<b>103,865,076</b>

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## EU CQ3: 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
<b>0</b>	<b>Cash balances at central banks and other demand deposits</b>	<b>10,516,421,338</b>	<b>10,516,421,338</b>	-	-	-	-
<b>1</b>	<b>Loans and advances</b>	<b>50,266,590,808</b>	<b>50,096,318,957</b>	<b>170,271,851</b>	<b>1,341,262,197</b>	<b>1,027,101,159</b>	<b>151,299,871</b>
2	Central banks	-	-	-	-	-	-
3	General governments	1,826,374,464	1,826,374,464	-	78,296,384	77,504,554	791,830
4	Credit institutions	8,429,344,671	8,429,344,671	-	-	-	-
5	Other financial corporations	1,241,180,941	1,241,123,760	57,181	353,328	241,980	-
6	Non-financial corporations	27,720,432,426	27,607,316,660	113,115,766	983,139,759	782,965,137	68,130,266
7	Of which SMEs	16,319,145,386	16,296,941,938	22,203,448	662,042,532	464,822,826	68,130,266
8	Households	11,049,258,306	10,992,159,402	57,098,904	279,472,726	166,389,488	82,377,775
<b>9</b>	<b>Debt securities</b>	<b>11,664,781,888</b>	<b>11,664,781,888</b>	-	-	-	-
10	Central banks	-	-	-	-	-	-
11	General governments	11,649,958,654	11,649,958,654	-	-	-	-
12	Credit institutions	-	-	-	-	-	-
13	Other financial corporations	14,823,234	14,823,234	-	-	-	-
14	Non-financial corporations	-	-	-	-	-	-
<b>15</b>	<b>Off-balance-sheet exposures</b>	<b>24,244,806,548</b>			<b>151,434,521</b>		
16	Central banks	-			-		
17	General governments	489,462,486			-		
18	Credit institutions	2,596,769,900			-		
19	Other financial corporations	973,881,069			-		
20	Non-financial corporations	19,703,304,908			148,305,902		
21	Households	481,388,185			3,128,619		
<b>22</b>	<b>Total</b>	<b>96,692,600,582</b>	<b>72,277,522,183</b>	<b>170,271,851</b>	<b>1,492,696,718</b>	<b>1,027,101,159</b>	<b>151,299,871</b>

EU CQ3: 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
0	Cash balances at central banks and other demand deposits	-	-	-	-	-	-
1	<b>Loans and advances</b>	107,028,923	17,099,473	26,244,867	7,222,686	5,265,218	1,341,262,197
2	Central banks	-	-	-	-	-	-
3	General governments	-	-	-	-	-	78,296,384
4	Credit institutions	-	-	-	-	-	-
5	Other financial corporations	-	-	-	93,888	17,460	353,328
6	Non-financial corporations	84,354,638	11,438,194	25,041,326	6,825,853	4,384,345	983,139,759
7	Of which SMEs	83,421,216	11,438,194	25,041,326	4,804,359	4,384,345	662,042,532
8	Households	22,674,285	5,661,279	1,203,541	302,945	863,413	279,472,726
9	<b>Debt securities</b>	-	-	-	-	-	-
10	Central banks	-	-	-	-	-	-
11	General governments	-	-	-	-	-	-
12	Credit institutions	-	-	-	-	-	-
13	Other financial corporations	-	-	-	-	-	-
14	Non-financial corporations	-	-	-	-	-	-
15	<b>Off-balance-sheet exposures</b>						151,434,521
16	Central banks						-
17	General governments						-
18	Credit institutions						-
19	Other financial corporations						-
20	Non-financial corporations						148,305,902
21	Households						3,128,619
22	<b>Total</b>	107,028,923	17,099,473	26,244,867	7,222,686	5,265,218	1,492,696,718

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### EU CQ4: Quality of non-performing exposures by geography

	On-balance sheet exposures	Gross carrying/nominal amount			Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		Of which non-performing		Of which subject to impairment			
			Of which defaulted				
1	AUSTRIA	58,475,136	-	-	58,475,136	(34,815)	-
2	BELGIUM	45,207,600	-	-	45,207,600	(25,178)	-
3	BULGARY	892,434	-	-	892,434	(59,456)	-
4	CYPUS	10	-	-	10	(1)	-
5	CZECH REPUBLIC	628,990	-	-	628,990	(76)	-
6	DANMARK	1,164	-	-	1,164	(1)	-
7	FRANCE	47,055,455	753	753	47,055,455	(19,589)	-
8	GERMANY	95,736,088	93,537	93,537	95,736,088	(3,865,113)	-
9	GREECE	1,105,281	943	943	1,105,281	(15,546)	-
10	HUNGARY	13,792,737	-	-	13,792,737	(2,555)	-
11	IRELAND	9,938	-	-	9,938	(1,626)	-
12	ITALY	8,064,083,948	91,840	91,840	8,064,083,948	(238,953)	-
13	JAPAN	499,104	411	411	499,104	(317)	-
14	LITHUANIA	7,128,494	-	-	7,128,494	(580,071)	-
15	LUXEMBOURG	12,005,896	-	-	12,005,896	(672)	-
16	MALTA	3	-	-	3	-	-
17	NETHERLANDS	210,478	-	-	210,478	(2,099)	-
18	POLOND	7,556,163	394,117	394,117	7,556,163	(230,584)	-
19	ROMANIA	54,741,884,202	1,340,652,476	1,340,652,476	54,727,060,968	(2,244,291,160)	-
20	RUSSIAN FEDERATION	16,067	-	-	16,067	(387)	-
21	SLOVAKIA	10,883,447	-	-	10,883,447	(876,243)	-
22	SPAIN	137,459,090	2,785	2,785	137,459,090	(440,165)	-
23	SWEDEN	81	-	-	81	(9)	-
24	SWITZERLAND	1,436,841	-	-	1,436,841	(535)	-
25	TURKEY	346,001	-	-	346,001	(2,508)	-
26	UNITED KINGDOM	4,246,076	-	-	4,246,076	(1,456)	-
27	UNITED STATES OF AMERICA	18,351,690	1,020	1,020	18,351,690	(4,840)	-
28	AUSTRALIA	310,062	394	394	310,062	(89,332)	-
29	BRITISH INDIAN OCEAN TERRITORY	23,742	23,742	23,742	23,742	(23,742)	-
30	CANADA	58,862	-	-	58,862	(1,456)	-
31	CHINA	2,120,464	-	-	2,120,464	(257)	-

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32	INDONESIA	21,663	-	-	21,663	(5,088)	-	-
33	ISRAEL	274,160	-	-	274,160	(1,555)	-	-
34	MEXIC	632,137	-	-	632,137	-	-	-
35	REPUBLIC OF MOLDOVA	296	179	179	296	(125)	-	-
36	MONACO	22,581	-	-	22,581	(3,864)	-	-
37	NEW ZEELAND	138,123	-	-	138,123	(16,405)	-	-
38	PERU	20,385	-	-	20,385	(588)	-	-
39	SRI LANKA	3	-	-	3	-	-	-
40	VIETNAM	1	-	-	1	-	-	-

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### EU CQ4: Quality of non-performing exposures by geography (continued)

	Off balance sheet exposures	Gross carrying/nominal amount			Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures	
			Of which non-performing					Of which subject to impairment
				Of which defaulted				
41	AUSTRIA	423,032,638	-	-	-	212,419	-	
42	BULGARIA	59,006,355	-	-	-	7,138	-	
43	CZECH REPUBLIC	3,049,881	-	-	-	-	-	
44	DENMARK	38,907,537	-	-	-	4	-	
45	FRANCE	348,153,872	-	-	-	214	-	
46	GERMANY	427,710,574	-	-	-	4,404	-	
47	HUNGARY	7,818,040	-	-	-	-	-	
48	IRELAND	80,822	-	-	-	634	-	
49	ITALY	702,427,271	-	-	-	122,246	-	
50	JAPAN	97,170,624	-	-	-	-	-	
51	MALTA	9,133,972	-	-	-	313,718	-	
52	NETHERLANDS	249,026,290	-	-	-	251,529	-	
53	NORWAY	3,995,847	-	-	-	-	-	
54	POLAND	13,467,872	-	-	-	38	-	
55	ROMANIA	20,835,970,665	151,434,521	151,434,521	-	183,320,054	-	
56	SERBIA	1,215,861	-	-	-	152	-	
57	SLOVAKIA	2,006,094	-	-	-	5	-	
58	SLOVENIA	90,450,000	-	-	-	36,421	-	
59	SPAIN	394,018,506	-	-	-	2,719	-	
60	SWITZERLAND	280,059,070	-	-	-	6,550	-	
61	TURKEY	303,320,729	-	-	-	1,589	-	
62	UNITED KINGDOM	31,865,831	-	-	-	446	-	
63	UNITED STATES	64,006,559	-	-	-	785	-	
64	CANADA	617,784	-	-	-	78	-	
65	GEORGIA	4,495,800	-	-	-	-	-	
66	INDIA	388,980	-	-	-	4,668	-	
67	ISRAEL	3,052,792	-	-	-	3,093	-	
68	LEBANON	44,958	-	-	-	6,985	-	
69	MEXICO	32,333	-	-	-	-	-	
70	MONACO	350,694	-	-	-	1,121	-	
71	MOROCCO	1,990	-	-	-	-	-	



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72	QATAR	1,124,622	-	-	-	-	-
73	TUNISIA	236,206	-	-	-	-	64

### EU CQ5: Credit quality of loans and advances by industry

		Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing		Of which loans and advances subject to impairment		
				Of which defaulted			
1	Agriculture, forestry and fishing	2,453,377,035	101,354,865	101,354,865	2,453,377,035	(117,205,913)	-
2	Mining and quarrying	241,527,481	406,254	406,254	241,527,481	(8,264,154)	-
3	Manufacturing	6,308,573,861	367,052,793	367,052,793	6,308,573,861	(467,461,995)	-
4	Electricity, gas, steam and air conditioning supply	1,751,077,533	450,351	450,351	1,751,077,533	(28,975,883)	-
5	Water supply	284,814,306	3,719,098	3,719,098	284,814,306	(16,071,486)	-
6	Construction	2,443,514,261	147,188,809	147,188,809	2,443,514,261	(221,207,667)	-
7	Wholesale and retail trade	8,714,608,866	226,997,515	226,997,515	8,714,608,866	(346,840,449)	-
8	Transport and storage	2,254,285,235	71,679,859	71,679,859	2,254,285,235	(109,597,222)	-
9	Accommodation and food service activities	373,752,092	2,863,729	2,863,729	373,752,092	(13,644,833)	-
10	Information and communication	584,987,645	6,208,903	6,208,903	584,987,645	(10,348,513)	-
11	Financial and insurance activities	1,499,254,143	15,675,430	15,675,430	1,499,254,143	(99,958,602)	-
12	Real estate activities	25,720,942	12,322	12,322	25,720,942	(620,806)	-
13	Professional, scientific and technical activities	496,296,341	15,991,536	15,991,536	496,296,341	(26,222,108)	-
14	Administrative and support service activities	513,159,890	6,607,970	6,607,970	513,159,890	(14,762,914)	-
15	Public administration and defense, compulsory social security	1,229,966	-	-	1,229,966	(6,306)	-
16	Education	23,462,925	982,065	982,065	23,462,925	(562,460)	-
17	Human health services and social work activities	396,863,547	2,851,207	2,851,207	396,863,547	(6,188,933)	-
18	Arts, entertainment and recreation	30,111,506	1,425,337	1,425,337	30,111,506	(1,219,164)	-
19	Other services	306,954,610	11,671,716	11,671,716	306,954,610	(56,112,449)	-
20	<b>Total</b>	<b>28,703,572,185</b>	<b>983,139,759</b>	<b>983,139,759</b>	<b>28,703,572,185</b>	<b>(1,545,271,857)</b>	-

### EU CQ7: 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	11,759,164	(2,226,534)
3	Residential immovable property	-	-
4	Commercial immovable property	-	-
5	Movable property (auto, shipping, etc.)	11,759,164	(2,226,534)
6	Equity and debt instruments	-	-
7	Other	-	-
8	<b>Total</b>	<b>11,759,164</b>	<b>(2,226,534)</b>

## EU CR1: 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
0	Cash balances at central banks and other demand deposits	10,516,421,338	10,516,421,338	-	-	-	-
<b>1</b>	<b>Loans and advances</b>	<b>50,266,590,808</b>	<b>41,092,149,561</b>	<b>9,174,441,247</b>	<b>1,341,262,197</b>	-	<b>1,341,262,197</b>
2	Central banks	-	-	-	-	-	-
3	General governments	1,826,374,464	1,795,513,757	30,860,707	78,296,384	-	78,296,384
4	Credit institutions	8,429,344,671	8,429,344,671	-	-	-	-
5	Other financial corporations	1,241,180,941	951,649,860	289,531,081	353,328	-	353,328
6	Non-financial corporations	27,720,432,426	21,420,362,579	6,300,069,847	983,139,759	-	983,139,759
7	<i>Of which SMEs</i>	16,319,145,386	12,375,611,589	3,943,533,797	662,042,532	-	662,042,532
8	Households	11,049,258,306	8,495,278,694	2,553,979,612	279,472,726	-	279,472,726
<b>9</b>	<b>Debt securities</b>	<b>11,664,781,888</b>	<b>11,649,958,654</b>	-	-	-	-
10	Central banks	-	-	-	-	-	-
11	General governments	11,649,958,654	11,649,958,654	-	-	-	-
12	Credit institutions	-	-	-	-	-	-
13	Other financial corporations	14,823,234	-	-	-	-	-
14	Non-financial corporations	-	-	-	-	-	-
<b>15</b>	<b>Off-balance-sheet exposures</b>	<b>24,244,806,548</b>	<b>21,078,206,698</b>	<b>3,166,599,850</b>	<b>151,434,521</b>	-	-
16	Central banks	-	-	-	-	-	-
17	General governments	489,462,486	478,353,109	11,109,377	-	-	-
18	Credit institutions	2,596,769,900	2,481,443,721	115,326,179	-	-	-
19	Other financial corporations	973,881,069	786,530,800	187,350,269	-	-	-
20	Non-financial corporations	19,703,304,908	17,021,043,553	2,682,261,355	148,305,902	-	-
21	Households	481,388,185	310,835,515	170,552,670	3,128,619	-	-
<b>22</b>	<b>Total</b>	<b>96,692,600,582</b>	<b>84,336,736,251</b>	<b>12,341,041,097</b>	<b>1,492,696,718</b>	-	-

Data are reported in line with the document “EBA updates mapping between technical standards on Pillar 3 disclosures and technical standards on supervisory reporting (v3.0)”.

EU CR1: Performing and non-performing exposures and related provisions (continued)

		Accumulated impairment accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
		Performing exposures—accumulated impairment			Non-performing exposures—accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
0	Cash balances at central banks and other demand deposits	(6,008,554)	(6,008,554)	-	-	-	-	-	-	
1	<b>Loans and advances</b>	<b>(1,289,826,421)</b>	<b>(445,352,062)</b>	<b>(844,474,359)</b>	<b>(955,467,448)</b>	-	<b>(955,467,448)</b>	-	<b>36,153,180,570</b>	<b>334,786,928</b>
2	Central banks	-	-	-	-	-	-	-	-	
3	General governments	(3,743,005)	(3,512,930)	(230,075)	(56,062,228)	-	(56,062,228)	-	41,579,571	-
4	Credit institutions	(139,963)	(139,963)	-	-	-	-	-	8,026,284,056	-
5	Other financial corporations	(7,341,526)	(2,195,062)	(5,146,464)	(178,787)	-	(178,787)	-	1,116,880,072	169,036
6	Non-financial corporations	(832,427,711)	(322,951,867)	(509,475,844)	(712,844,146)	-	(712,844,146)	-	19,627,503,909	266,165,301
7	<i>Of which SMEs</i>	(538,417,531)	(212,380,021)	(326,037,510)	(430,434,024)	-	(430,434,024)	-	12,175,142,018	216,505,571
8	Households	(446,174,216)	(116,552,240)	(329,621,976)	(186,382,287)	-	(186,382,287)	-	7,340,932,962	68,452,591
9	<b>Debt securities</b>	<b>(5,542,498)</b>	<b>(5,542,498)</b>	-	-	-	-	-	-	-
10	Central banks	-	-	-	-	-	-	-	-	-
11	General governments	(5,542,498)	(5,542,498)	-	-	-	-	-	-	-
12	Credit institutions	-	-	-	-	-	-	-	-	-
13	Other financial corporations	-	-	-	-	-	-	-	-	-
14	Non-financial corporations	-	-	-	-	-	-	-	-	-
15	<b>Off-balance-sheet exposures</b>	<b>95,607,656</b>	<b>41,959,705</b>	<b>53,647,951</b>	<b>88,689,418</b>	-	<b>88,689,418</b>	-	<b>6,835,222,895</b>	<b>27,566,644</b>
16	Central banks	-	-	-	-	-	-	-	-	-
17	General governments	31,507	31,507	-	-	-	-	-	13,188,435	-
18	Credit institutions	10,648	10,648	-	-	-	-	-	-	-
19	Other financial corporations	808,455	635,271	173,184	-	-	-	-	96,585,584	-
20	Non-financial corporations	91,713,868	40,742,760	50,971,108	88,335,009	-	88,335,009	-	6,706,710,993	27,157,902
21	Households	3,043,178	539,519	2,503,659	354,409	-	354,409	-	18,737,883	408,742
22	<b>Total</b>	<b>(1,390,976,575)</b>	<b>(492,854,265)</b>	<b>(898,122,310)</b>	<b>(1,044,156,866)</b>	-	<b>(1,044,156,866)</b>	-	<b>42,988,403,465</b>	<b>362,353,572</b>

EU CR1-A - Maturity of exposures

Description	NET EXPOSURE VALUE					
	ON DEMAND	<= 1 YEAR	> 1 YEAR <= 5 YEARS	> 5 YEARS	NO STATED MATURITY	TOTAL
1 Loans and advances	3,765,879,374	18,382,235,527	14,513,896,235	12,411,526,187	289,021,812	49,362,559,136
2 Debt securities	-	1,507,657,692	4,706,416,777	5,445,164,921	-	11,659,239,389
3 Total as at 12.31.2023	3,765,879,374	19,889,893,219	19,220,313,013	17,856,691,108	289,021,812	61,021,798,525

## Template EU CR2: Changes in the stock of non-performing loans and advances

		Gross carrying amount
<b>010</b>	<b>Initial stock of non-performing loans and advances</b>	<b>1,603,784,016</b>
020	Inflows to non-performing portfolios	511,140,761
030	Outflows from non-performing portfolios	(1,135,840,754)
040	Outflows due to write-offs	(136,062,699)
050	Outflow due to other situations	(999,778,055)
<b>060</b>	<b>Final stock of non-performing loans and advances</b>	<b>979,084,023</b>

### 6.4 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), represented by expected credit losses for the next 12 months or / and expected losses for lifetime.

Through collective approach, the approach is applied to a portfolio through its division into risk groups with similar characteristics. This approach is used for both the Retail Loan portfolio and the Corporate Portfolio.

In order to meet the requirements of the standard, the Group has developed specific models to calculate expected loss based on PD, LGD and EAD parameters, used for regulatory purposes and adjusted in order to ensure consistency with the accounting regulations. In this context “forward looking” information was included through the elaboration of specific scenarios.

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

- transfer logic quantitative internal model developed: Lifetime PD from the reporting date is being considered together with the lifetime PD as of the origination date valid for the residual maturity from the reporting date and related quantile level in order to assess if stage 2 is applicable; quantitative model is being applied as developed on sub portfolios such as: Group wide models (multinationals, sovereign, banks, project finance) and Local Models: private individuals, corporate with turnover above 3 Mio EUR, retail micro and small corporate with turnover below 3 Mio EUR and corporate real estate. In order to properly capture the risk underlying from revolving facilities, a behavioral maturity model has been developed for revolving facilities;
- absolute elements such as the law requirements (e.g. 30 days past-due);
- additional internal evidence (e.g. Forborne classification, Watch List 2, Watch List 1 clients only in case of real estate with reimbursement directly linked with income from commercial spaces rental, Watch List 1 clients only after a minimum period of time after transfer to the respective category);
- additional criteria for stage 2 allocation such as: obligors with high PD such as 20%, threefold increase in lifetime PD (compared to origination, if PD reaches a level of more than 3 times);
- a 3 months probation period meaning the exposures can return to Stage 1 only after 3 months have passed from the moment when the conditions of Stage 2 allocation are not fulfilled anymore.
- all cases with PD at reporting date lower than 0.3% would be subject to LCRE (low credit risk exception) and kept under Stage 1 if no other qualitative triggers for stage 2 are active.

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

The individual assessment process has been divided into 2 steps:

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

Individually significant exposures are considered to be the following:

- all exposures to banks, countries and sovereigns;
- all exposures to corporate (turnover above 3 Mio EUR) defaulted clients (clients with rating 8-, 9, 10) which exceed the amount of EUR 1,000,000;
- all exposures to corporate and SME (turnover lower than 3 Mio EUR) defaulted clients (rating 8-, 9, 10), exposures which exceed the amount of EUR 250,000;
- all loans granted to private individuals & private banking defaulted clients (rating 8-, 9, 10) with exposures exceeding the amount of EUR 250,000, for which at least one default event has been identified ; in some particular situations, case by case, the individually analysis can be applied also for exposures over than EUR 50,000; all clients/transactions whose risk profile cannot be assessed based on statistical parameters at the portfolio level or for the cases that the individual assessment is necessary;
- all exposures to corporate (turnover above 1 Mio EUR) performing which exceed the amount of RON 30,000,000;
- all exposures to private individuals and companies (turnover lower than 1 Mio EUR) performing which exceed the amount of RON 15,000,000.

Thresholds mentioned above refer to current total exposure (considering bank balance sheet) for a client / group of clients, including also off-balance exposure.

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

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

The expected credit loss deriving from the parameters described above considers macroeconomic forecasts through the application of multiple scenarios to the “forward looking” components in order to compensate the partial non-linearity naturally present in the correlation between macroeconomic changes and credit risk. Specifically, the non-linearity effect was incorporated through the estimation of an overlay factor directly applied to the portfolio Expected Credit Loss.

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

UniCredit Group has selected three macroeconomic scenarios to determine the forward looking component, a baseline scenario, a positive scenario and a negative scenario. The probabilities are set at 60% for the baseline scenario, 40% for the negative (pandemic “mild”) scenario and 0% for the positive scenario.

The Group applies probabilities to the forecast scenarios identified. The base case scenario is the single most

– likely outcome and consists of information used by the Group for strategic planning and budgeting. The table below summarizes the main macroeconomic indicators included in the baseline economic scenarios used at 31 December 2023:

Country	Macroeconomic scenario	2024	2025	2026
Romania	Real GDP, yoy % change	3.2	4.1	4.1
Romania	Inflation (CPI) yoy, eop	5.7	4.2	3.5
Romania	Unemployment rate, %	5.5	5.0	4.7
Romania	Short term rate, eop	5.7	4.0	3.0
Romania	Long-term interest rates 10y (%)	0.0	5.5	5.0
Romania	House Price Index, yoy % change	4.0	0.0	4.7

### Geopolitical overlay resulting from Russia-Ukraine crisis

During 2022, the uncertainties on the economic activities arising from Covid-19 pandemics progressively faded away as demonstrated by the lifting of the restrictive measures put in place by the governments to counteract the pandemic. As well, also the supply chain risk has started to decrease in relevance, given the evolving new geo-political context. Indeed, the start of the Russian-Ukraine conflict acted as a headwind to the economic growth. Indeed, the spill over effects of Russian and Ukraine crises continued leading to revise the outlook for the euro area economy, also pushing up inflationary pressures and interest rates.

In order to factor-in into the risks underlying the sharp rise in energy costs, inflation and interest rates for both corporate and private individuals, the geopolitical overlay was adopted during 2022.

In this regard, the adoption of this overlay is a complementary measure to the IFRS9 models that, by their structure, have been already properly and directly proving to recognize the effect of geo-political crises. In this context, while IFRS 9 models and in particular satellite models are able to capture the effect of macro-economic scenario at portfolio level, the geopolitical overlay act on specific sub-portfolios considered particularly vulnerable in case contingent situation may evolve to severe stressed conditions.

As of 31 December 2023, the geopolitical overlay amount to 120 million RON on standalone basis and 184 million RON on consolidated basis, additional impact in LLP, and is broken-down according to the following components:

- Corporate energy-intensive industry sectors prone to be more affected by spill over effects linked to Russia - Ukraine crisis, specifically affecting the energy supply and related price soaring.
- Retail clients, for: (i) floating rate mortgages (not having overdue instalments), given the sensitiveness in this context of increasing interest rate / inflation, and (ii) at least 1 unpaid instalment on their exposures, considered a perimeter with already difficulties in payments and as such particularly vulnerable in this specific contingency.

### Commercial Real Estate Financing / IPRE / Construction perimeter Overlay

In light of interest rates steadily remaining on higher level and plunging of real estate assets value due to contractions of the sector, an increasing Real Estate Risk has been arisen leading Commercial Real Estate financing perimeter as particularly vulnerable in case of stressed severe evolution of scenario, both in terms of:

- Default risk due to impacted debt repayment capacity as a consequence of higher interest rates, impacting also refinancing of real estate loans.
- Recovery risk due to lower values of real estate assets.

In order to factor-in into the LLP the above mentioned downside risks strongly affecting Commercial Real Estate Financing / IPRE / Construction perimeter a new overlay was introduced starting from YE 2023. As for the Geopolitical overlay, the adoption of this overlay is a complementary measure to the IFRS9 models that, by their structure, have already properly and directly proved to recognize the effect of the rise in inflation and interest

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rates. As such the CREF overlay has the aim to get ready in case of severe stressed evolution of the scenario such to make this perimeter potentially affected in a significant way in light of its expected higher vulnerability.

As of 31 December 2023 the CREF overlay amount to 80 million RON on standalone basis and 110 million RON on consolidated basis, additional impact in LLP stock.

Both of the above presented overlays are subject to maintenance and recalibration processes, corroborated with the loan portfolio evolution.

### 6.5 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.



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

The below template presents the exposure classes according to PD grades. The table does not include amount classified as other assets (Right of Use, PPE, equity investments, deferred tax, etc.).

Exposure class	PD Scale	Original on-balance- sheet gross exposures	Off- balance-sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors
<b>Central Governments or Central Bank</b>							
	0.00 to <0.15	-	539,361	0.20	8,051,882	0.10%	1
	0.15 to <0.25	1,677,566,739	-	-	1,677,566,739	0.23%	2
	0.25 to <0.50	-	-	-	-	0.00%	-
	0.50 to <0.75	-	-	-	-	0.00%	-
	0.75 to <2.50	-	-	-	-	0.00%	-
	2.50 to <10.00	-	-	-	-	0.00%	-
	10.00 to <100.00	-	-	-	-	0.00%	-
	100.00 (Default)	77,504,500	-	-	77,504,500	100.00%	1
	<b>Subtotal</b>	<b>1,755,071,239</b>	<b>539,361</b>	<b>0.03</b>	<b>1,763,123,121</b>	<b>4.61%</b>	<b>4</b>
<b>Institutions</b>							
	0.00 to <0.15	517,118,482	2,138,317,668	0.26	1,056,254,942	0.08%	69
	0.15 to <0.25	-	-	0.20	3,979,680	0.19%	-
	0.25 to <0.50	-	72,370,007	0.21	26,115,773	0.30%	4
	0.50 to <0.75	-	-	-	5,170,039	0.67%	-
	0.75 to <2.50	817	91,745,360	0.18	49,574,835	1.31%	8
	2.50 to <10.00	80,530	279,707,299	0.20	101,399,320	4.46%	6
	10.00 to <100.00	-	-	-	-	0.00%	-
	100.00 (Default)	-	-	0.20	3,065,670	100.00%	-
	<b>Subtotal</b>	<b>517,199,829</b>	<b>2,582,140,334</b>	<b>0.16</b>	<b>1,245,560,260</b>	<b>0.74%</b>	<b>87</b>
<b>Retail – SME</b>							
	0.00 to <0.15	14,075,596	93,217,343	0.16	25,191,176	0.11%	12
	0.15 to <0.25	92,000,714	255,008,734	0.15	124,580,213	0.20%	18
	0.25 to <0.50	780,419,260	907,926,511	0.14	685,621,952	0.39%	255
	0.50 to <0.75	526,589,079	838,603,570	0.12	448,800,883	0.67%	198
	0.75 to <2.50	4,689,035,279	2,876,796,248	0.17	4,010,824,378	1.68%	920
	2.50 to <10.00	3,203,776,971	1,086,089,486	0.15	2,429,735,972	4.20%	778
	10.00 to <100.00	165,802,859	33,463,880	0.08	116,451,094	12.75%	80
	100.00 (Default)	308,887,816	66,008,555	0.15	273,691,148	100.00%	212
	<b>Subtotal</b>	<b>9,780,587,574</b>	<b>6,157,114,326</b>	<b>0.14</b>	<b>8,114,896,815</b>	<b>5.72%</b>	<b>2,473</b>
<b>Corporate-Other</b>							
	0.00 to <0.15	267,493,180	3,226,378,779	0.14	734,040,414	0.09%	59
	0.15 to <0.25	384,091,181	1,717,375,812	0.07	510,495,543	0.20%	26
	0.25 to <0.50	2,133,095,793	3,348,425,432	0.13	2,563,240,594	0.36%	94
	0.50 to <0.75	857,696,671	764,201,851	0.13	947,702,258	0.60%	55
	0.75 to <2.50	4,242,455,846	2,542,919,661	0.22	4,598,951,854	1.56%	207
	2.50 to <10.00	624,276,387	507,077,584	0.19	684,421,755	4.73%	105
	10.00 to <100.00	21,292,666	65,308,155	0.20	26,636,080	20.99%	17
	100.00 (Default)	284,685,133	77,141,526	0.15	296,028,057	100.00%	20
	<b>Subtotal</b>	<b>8,815,086,857</b>	<b>12,248,828,800</b>	<b>0.15</b>	<b>10,361,516,554</b>	<b>4.08%</b>	<b>583</b>
<b>Total (all portfolio)</b>		<b>20,867,945,498</b>	<b>20,988,622,821</b>	<b>0.15</b>	<b>21,485,096,749</b>	<b>4.55%</b>	<b>3,147</b>

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

Exposure class	PD Scale	Average LGD	Average maturity	RWAs	RWA density	EL	Value adjustments and provisions
<b>Central Governments or Central Bank</b>							
	0.00 to <0.15	40%	2.5	3,970,571	49%	3,357	-
	0.15 to <0.25	45%	2.5	838,480,521	50%	1,724,423	(654,720)
	0.25 to <0.50	0%	-	-	0%	-	-
	0.50 to <0.75	0%	-	-	0%	-	-
	0.75 to <2.50	0%	-	-	0%	-	-
	2.50 to <10.00	0%	-	-	0%	-	-
	10.00 to <100.00	0%	-	-	0%	-	-
	100.00 (Default)	0%	2.5	-	0%	34,877,025	(55,662,131)
	<b>Subtotal</b>	<b>43%</b>	<b>0.9</b>	<b>842,451,092</b>	<b>48%</b>	<b>36,604,805</b>	<b>(56,316,850)</b>
<b>Institutions</b>							
	0.00 to <0.15	41%	2.5	340,452,746	32%	342,467	(47,269)
	0.15 to <0.25	45%	2.5	1,577,770	40%	1,589	-
	0.25 to <0.50	40%	2.5	12,617,825	48%	21,210	-
	0.50 to <0.75	45%	2.5	1,561,663	30%	2,064	-
	0.75 to <2.50	43%	2.5	25,203,574	51%	74,527	(1,550)
	2.50 to <10.00	41%	2.5	86,706,951	86%	924,472	(714)
	10.00 to <100.00	0%	-	-	0%	-	-
	100.00 (Default)	0%	2.5	1,186,133	39%	1,194	-
	<b>Subtotal</b>	<b>41%</b>	<b>2.2</b>	<b>469,306,662</b>	<b>38%</b>	<b>1,367,522</b>	<b>(49,533)</b>
<b>Retail – SME</b>							
	0.00 to <0.15	45%	2.5	5,867,877	23%	12,293	(27,906)
	0.15 to <0.25	44%	2.5	40,112,495	32%	110,112	(240,860)
	0.25 to <0.50	44%	2.5	296,564,580	43%	1,153,626	(3,179,101)
	0.50 to <0.75	43%	2.5	240,347,995	54%	1,287,226	(6,485,597)
	0.75 to <2.50	43%	2.5	3,020,808,278	75%	29,266,306	(111,901,123)
	2.50 to <10.00	43%	2.5	2,267,657,987	93%	43,698,066	(231,985,522)
	10.00 to <100.00	41%	2.5	147,795,119	127%	6,068,164	(28,190,770)
	100.00 (Default)	0%	2.5	-	0%	120,359,179	(253,504,804)
	<b>Subtotal</b>	<b>42%</b>	<b>2.5</b>	<b>6,019,154,331</b>	<b>74%</b>	<b>201,954,971</b>	<b>(635,515,684)</b>
<b>Corporate-Other</b>							
	0.00 to <0.15	44%	2.5	214,825,950	29%	301,635	(1,793,543)
	0.15 to <0.25	43%	2.5	224,346,317	44%	431,305	(1,730,911)
	0.25 to <0.50	44%	2.5	1,589,909,223	62%	4,137,295	(12,189,897)
	0.50 to <0.75	44%	2.5	743,226,721	78%	2,511,413	(4,485,910)
	0.75 to <2.50	44%	2.5	5,050,187,914	110%	31,677,980	(111,794,772)
	2.50 to <10.00	44%	2.5	1,035,223,205	151%	14,144,147	(51,660,557)
	10.00 to <100.00	43%	2.5	61,754,131	232%	2,371,688	(7,915,410)
	100.00 (Default)	0%	2.5	-	0%	130,094,182	(272,163,890)
	<b>Subtotal</b>	<b>43%</b>	<b>2.5</b>	<b>8,919,473,461</b>	<b>86%</b>	<b>185,669,645</b>	<b>(463,734,891)</b>
<b>Total (all portfolio)</b>		<b>42%</b>	<b>2.5</b>	<b>16,250,385,546</b>	<b>76%</b>	<b>425,596,944</b>	<b>(1,155,616,959)</b>

## EU CR6-A – Scope of the use of IRB and SA approaches

		Exposure value as defined in Article 166 CRR for exposures subject to IRB approach	Total exposure value for exposures subject to the Standardised approach and to the IRB approach	Percentage of total exposure value subject to the permanent partial use of the SA (%)	Percentage of total exposure value subject to a roll-out plan (%)	Percentage of total exposure value subject to IRB Approach (%)
		a	b	c	e	e
1	Central governments or central banks	1,755,179,111	21,832,471,550	92.22%	0.00%	8%
1.1	<i>Of which Regional governments or local authorities</i>	-	-	-	-	-
1.2	<i>Of which Public sector entities</i>	-	-	-	-	-
2	Institutions	1,149,244,831	4,053,995,873	46.06%	25.39%	28.55%
3	Corporates	21,523,869,462	24,344,186,469	0.00%	13.42%	86.58%
3.1	<i>Of which Corporates - Specialised lending, excluding slotting approach</i>	-	687,092,510	0.00%	100.00%	0.00%
3.2	<i>Of which Corporates - Specialised lending under slotting approach</i>	-	1,422,872,684	0.00%	100.00%	0.00%
4	Retail	-	9,031,014,765	0.00%	100.00%	0.00%
4.1	<i>of which Retail – Secured by real estate SMEs</i>	-	157,662,577	0.00%	100.00%	0.00%
4.2	<i>of which Retail – Secured by real estate non-SMEs</i>	-	7,119,753,169	0.00%	100.00%	0.00%
4.3	<i>of which Retail – Qualifying revolving</i>	-	176,245,593	0.00%	100.00%	0.00%
4.4	<i>of which Retail – Other SMEs</i>	-	1,415,424,057	0.00%	100.00%	0.00%
4.5	<i>of which Retail – Other non-SMEs</i>	-	161,929,369	0.00%	100.00%	0.00%
5	Equity	34,382,158	34,382,158	0.00%	0.00%	100.00%
6	Other non-credit obligation assets	2,584,526,538	2,584,526,538	0.00%	0.00%	100.00%
7	<b>Total</b>	<b>27,047,202,100</b>	<b>61,880,577,353</b>	<b>35.55%</b>	<b>21.54%</b>	<b>42.91%</b>

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### 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
<b>Retail</b>								
	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)	-	-	-	-	-	-	-
	<b>Subtotal</b>	-	-	-	-	-	-	-
<b>Corporate-Other</b>								
	0.00 to <0.15	11,798,563	0.05%	2	45.00%	3	2,574,842	21.82%
	0.15 to <0.25	18,850	0.20%	1	45.00%	3	8,671	46.00%
	0.25 to <0.50	983,829	0.79%	11	90.00%	6	549,864	111.60%
	0.50 to <0.75	680,360	1.34%	7	90.00%	6	541,452	141.80%
	0.75 to <2.50	5,927,871	3.32%	47	90.00%	6	5,212,749	187.57%
	2.50 to <10.00	2,267,140	8.86%	18	90.00%	6	3,688,176	248.24%
	10.00 to <100.00	15,266	14.73%	2	45.00%	3	23,290	152.56%
	100.00 (Default)	249,706	100.00%	4	45.00%	3	-	0.00%
	<b>Subtotal</b>	<b>21,941,585</b>	<b>7.77%</b>	<b>92</b>	<b>90.00%</b>	<b>6</b>	<b>12,599,044</b>	<b>118.99%</b>
<b>Corporate-SME</b>								
	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)	-	-	-	-	-	-	-
	<b>Subtotal</b>	-	-	-	-	-	-	-
<b>Institutions</b>								
	0.00 to <0.15	8,263,010,282	0.09%	10.00	1.28%	1	90,054,246.12	1.09%
	0.15 to <0.25	-	0.00%	-	0.00%	-	-	0.00%
	0.25 to <0.50	-	0.00%	-	0.00%	-	-	0.00%
	0.50 to <0.75	-	0.00%	-	0.00%	-	-	0.00%
	0.75 to <2.50	-	0.00%	-	0.00%	-	-	0.00%
	2.50 to <10.00	-	0.00%	-	0.00%	-	-	0.00%
	10.00 to <100.00	-	0.00%	-	0.00%	-	-	0.00%
	100.00 (Default)	-	0.00%	-	0.00%	-	-	0.00%
	<b>Subtotal</b>	<b>8,263,010,282</b>	<b>0.09%</b>	<b>10</b>	<b>1.28%</b>	<b>1</b>	<b>90,054,246</b>	<b>1.09%</b>
<b>Total (all portfolio)</b>		<b>8,284,951,867</b>	<b>0.09%</b>	<b>102</b>	<b>1.40%</b>	<b>1</b>	<b>102,653,290</b>	<b>1.24%</b>

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

#### Consolidated

		RWA amounts	Capital requirements
1	RWAs as at the end of the previous reporting period 30.09.2023	16,522,488,262	1,321,799,061
2	Asset size	(165,583,012)	(13,246,641)
3	Asset quality	-	-
4	Model updates	-	-
5	Methodology and policy	-	-

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6	Acquisitions and disposals	-	-
7	Foreign exchange movements	(3,866,414)	(309,313)
8	Other	-	-
9	<b>RWAs as at the end of the reporting period 31.12.2023</b>	<b>16,353,038,836</b>	<b>1,308,243,107</b>

### EU CR10 – IRB (specialized lending and equities)

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

Specialized lending							
Regulatory categories	Remaining maturity	On-balance-sheet amount	Off-balance-sheet amount	Risk weight	Exposure amount	RWAs	Expected losses
Category 1	Less than 2.5 years	-	-	50%	-	-	-
	Equal to or more than 2.5 years	-	-	70%	-	-	-
Category 2	Less than 2.5 years	-	-	70%	-	-	-
	Equal to or more than 2.5 years	-	-	90%	-	-	-
Category 3	Less than 2.5 years	-	-	115%	-	-	-
	Equal to or more than 2.5 years	-	-	115%	-	-	-
Category 4	Less than 2.5 years	-	-	250%	-	-	-
	Equal to or more than 2.5 years	-	-	250%	-	-	-
Category 5	Less than 2.5 years	-	-	-	-	-	-
	Equal to or more than 2.5 years	-	-	-	-	-	-
<b>Total</b>	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	Expected losses
Private equity exposures		-	-	190%	-	-	-
Exchange-traded equity exposures		-	-	290%	-	-	-
Other equity exposures		-	34,382,158	370%	34,382,158	127,213,985	825,171
<b>Total</b>		-	<b>34,382,158</b>		<b>34,382,158</b>	<b>127,213,985</b>	<b>825,171</b>

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### 6.6 Risk Weighted Assets - Back-testing of PD per exposure class

The ex–post testing of the risk weighted assets is performed during the validation of the internal rating systems.

#### EU CR9 – IRB approach – Back-testing of PD per exposure class

Exposure class	PD scale	Number of obligors at the end of the year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
		c	d				
a	b	c	d	e	f	g	h
Institutions	0.00 to <0.15	53	1	1.89%	0.00%	0.00%	1.63%
	0.00 to <0.10	28	0	0.00%	0.00%	0.00%	2.11%
	0.10 to <0.15	25	1	4.00%	0.00%	0.00%	1.49%
	0.15 to <0.25	11	0	0.00%	0.00%	0.00%	0.00%
	0.25 to <0.50	10	0	0.00%	0.00%	0.00%	0.00%
	0.50 to <0.75	2	0	0.00%	0.00%	1.00%	0.00%
	0.75 to <2.50	5	0	0.00%	0.00%	2.00%	2.86%
	0.75 to <1.75	3	0	0.00%	0.00%	1.00%	0.00%
	1.75 to <2.5	2	0	0.00%	0.00%	2.00%	5.00%
	2.50 to <10.00	3	0	0.00%	0.00%	0.00%	0.00%
	2.5 to <5	3	0	0.00%	0.00%	3.00%	0.00%
	5 to <10	0	0	0.00%	0.00%	0.00%	0.00%
	10.00 to <100.00	0	0	0.00%	0.00%	0.00%	0.00%
	10 to <20	0	0	0.00%	0.00%	0.00%	0.00%
20 to <30	0	0	0.00%	0.00%	0.00%	0.00%	
30.00 to <100.00	0	0	0.00%	0.00%	0.00%	0.00%	
100.00 (Default)	0	0	0.00%	0.00%	0.00%	0.00%	

Exposure class	PD scale	Number of obligors at the end of the year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
		c	d				
a	b	c	d	e	f	g	h
Corporates - SME	0.00 to <0.15	9	0	0.00%	0.00%	0.00%	0.00%
	0.00 to <0.10	2	0	0.00%	0.00%	0.00%	0.00%

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0.10 to <0.15	7	0	0.00%	0.00%	0.00%	0.00%
0.15 to <0.25	14	0	0.00%	0.00%	0.00%	0.00%
0.25 to <0.50	361	1	0.28%	0.00%	0.00%	0.28%
0.50 to <0.75	218	2	0.92%	0.00%	1.00%	0.62%
0.75 to <2.50	1,208	16	1.32%	0.00%	2.00%	0.54%
0.75 to <1.75	864	6	0.69%	0.00%	1.00%	0.26%
1.75 to <2.5	344	10	2.91%	0.00%	2.00%	1.20%
2.50 to <10.00	871	21	2.41%	0.00%	5.00%	1.21%
2.5 to <5	585	14	2.39%	0.00%	4.00%	0.78%
5 to <10	286	7	2.45%	0.00%	7.00%	1.97%
10.00 to <100.00	101	9	8.91%	0.00%	15.00%	4.46%
10 to <20	79	4	5.06%	0.00%	12.00%	4.39%
20 to <30	21	4	19.05%	0.00%	28.00%	3.81%
30.00 to <100.00	1	1	100.00%	0.00%	31.00%	20.00%
100.00 (Default)	159	0	0.00%	0.00%	100.00%	0.00%

Exposure class	PD scale	Number of obligors at the end of the year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
			of which: number of obligors which defaulted during the year				
a	b	c	d	e	f	g	h
Corporates Other	0.00 to <0.15	73	1	1.37%	0.00%	0.00%	0.27%
	0.00 to <0.10	39	0	0.00%	0.00%	0.00%	0.00%
	0.10 to <0.15	34	1	2.94%	0.00%	0.00%	0.59%
	0.15 to <0.25	29	0	0.00%	0.00%	0.00%	1.25%
	0.25 to <0.50	73	0	0.00%	0.00%	0.00%	1.02%
	0.50 to <0.75	34	0	0.00%	0.00%	1.00%	0.00%
	0.75 to <2.50	154	4	2.60%	0.00%	1.00%	0.52%
	0.75 to <1.75	124	3	2.42%	0.00%	1.00%	0.48%
	1.75 to <2.5	30	1	3.33%	0.00%	2.00%	0.67%
	2.50 to <10.00	125	2	1.60%	0.00%	5.00%	0.85%
	2.5 to <5	75	0	0.00%	0.00%	4.00%	0.60%
	5 to <10	50	2	4.00%	0.00%	7.00%	1.17%
	10.00 to <100.00	17	2	11.76%	0.00%	17.00%	7.87%
	10 to <20	13	0	0.00%	0.00%	13.00%	5.93%
	20 to <30	3	2	66.67%	0.00%	27.00%	13.33%
30.00 to <100.00	1	0	0.00%	0.00%	34.00%	0.00%	
100.00 (Default)		13	0	0.00%	0.00%	100.00%	0.00%

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Exposure class	PD scale	Number of obligors at the end of the year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
			of which: number of obligors which defaulted during the year				
a	b	c	d	e	f	g	h
Central government	0.00 to <0.15	1	0	0.00%	0.00%	0.00%	0.00%
	0.00 to <0.10	1	0	0.00%	0.00%	0.00%	0.00%
	0.10 to <0.15	0	0	0.00%	0.00%	0.00%	0.00%
	0.15 to <0.25	0	0	0.00%	0.00%	0.00%	0.00%
	0.25 to <0.50	0	0	0.00%	0.00%	0.00%	0.00%
	0.50 to <0.75	0	0	0.00%	0.00%	0.00%	0.00%
	0.75 to <2.50	2	0	0.00%	0.00%	2.00%	0.00%
	0.75 to <1.75	1	0	0.00%	0.00%	1.00%	0.00%
	1.75 to <2.5	1	0	0.00%	0.00%	2.00%	0.00%
	2.50 to <10.00	0	0	0.00%	0.00%	0.00%	0.00%
	2.5 to <5	0	0	0.00%	0.00%	0.00%	0.00%
	5 to <10	0	0	0.00%	0.00%	0.00%	0.00%
	10.00 to <100.00	0	0	0.00%	0.00%	0.00%	0.00%
	10 to <20	0	0	0.00%	0.00%	0.00%	0.00%
	20 to <30	0	0	0.00%	0.00%	0.00%	0.00%
30.00 to <100.00	0	0	0.00%	0.00%	0.00%	0.00%	
100.00 (Default)	0	0	0.00%	0.00%	0.00%	0.00%	



## 6.7 Credit risk mitigation

The goal of providing collateral is to minimize the loss given default (credit risk) by diminishing the loss or risk transfer, as follows:

- for real collateral, financial or physical, the risk exposure is reduced by the expected revenue to be realized from collateral capitalization and, thus, losses can be reduced;
- for collateral provided by means of letters of guarantee or other personal guarantees, the risk is transferred to the protection provider.

The Bank established the accepted collateral types and also the conditions for the collateral acceptance.

For a better administration of all collateral instruments accepted in the credit process and for a better mitigation of associated risks, the Bank has implemented within internal credit management system, a specific collateral module where all accepted collateral instruments are adequately, uniformly recorded and managed in a structured manner. Adequate data quality is ensured by processes and controls supported by the system.

Collateral management system ensures:

- Monitoring and controlling of collaterals;
- Estimation of loss given default;
- Calculation of collateral recovery rates;
- Production of various portfolio analyses.

Considering the mitigation of risk exposure for determining the minimum capital requirements, the Bank is using eligible collaterals according to National Bank of Romania Regulation no. 5/2013 regarding prudential requirements for credit institutions, as amended and supplemented, and Regulation no. 575/2013 of European Parliament and Council regarding prudential requirements for credit institutions and investment companies and amending Regulation (UE) no.648 / 2012.

Collateral types accepted by the Bank as credit risk mitigation techniques for calculating the minimum capital requirements according to the standardized and FIRB approach Basel III, are presented below:

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

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

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

Guarantees is broken down by type of guarantee (Credit Derivatives and Personal Guarantees) and type of issuer.

### **Policies and processes applied for evaluating and administrating real collaterals**

The internal valuation of collaterals is carried out by experts, who have the required qualifications, ability, experience and competence to perform such a valuation and who are independent of the credit decision.

The valuation of the goods proposed as collateral shall be made by independent valuers approved by UniCredit Bank or by the Bank's internal valuers.

The internal and independent valuers must be certified by A.N.E.V.A.R. and the valuation reports need to comply with relevant Valuation Standards in force.

The valuation report is the document that attests the valuation result, namely the material value of the collateral depending on which the collateral coverage corresponding to a lending operation is calculated.

The valuation value of the collateral accepted by the Bank is the market value.

If collateral is accepted in a currency that differs from that of the credit and/or if the collateral is not available for the entire credit maturity, under certain conditions, for minimum capital requirements calculation purpose, the collateral values are to be reduced accordingly as per Basel III legal requirements.

During loans lifetime, the collaterals are periodically reassessed according to provisions of National Bank of Romania Regulation no.5/2013 on prudential requirements for credit institutions and Regulation (EU) no 575/ 2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012.

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

The reassessment process of the collaterals is periodically monitored, the report related to the status of this process is submit quarterly to the Operative Risk Management Committee.

Where the collaterals are not reassessed according to the already set up terms depending on collateral type, these collaterals are not considered eligible from credit risk mitigation techniques perspective.

## Distribution of guarantees on credit exposures to banks and customers

	Type	Issuer with indication of the country where the collateral is booked	Rating	Stock 2023			
				With banks		With customers	
				Fair value	o.w. eligible for CRM purposes	Fair value	o.w. eligible for CRM purposes
Guarantees	Credit Derivatives	CLN		-	-	-	-
		Government and Central Banks	Investment grade	-	-	-	-
			Non Investment grade	-	-	-	-
			Unrated / not available	-	-	-	-
		Other Public Entities	Investment grade	-	-	-	-
			Non Investment grade	-	-	-	-
			Unrated / not available	-	-	-	-
		Banks	Investment grade	-	-	-	-
			Non Investment grade	-	-	-	-
			Unrated / not available	-	-	-	-
		Other Entities	Investment grade	-	-	-	-
			Non Investment grade	-	-	-	-
	Unrated / not available		-	-	-	-	
	Personal Guarantees	Governments and Central Banks	Investment grade	-	-	-	-
			Non Investment grade	-	-	-	-
			Unrated / not available	-	-	-	-
		Other Public Entities	Investment grade	-	-	-	-
			Non Investment grade	-	-	-	-
			Unrated / not available	-	-	-	-
		Banks	Investment grade	2,100,254,668	1,652,416,853	-	-
			Non Investment grade	356,636,723	285,309,378	-	-
			Unrated / not available	-	-	-	-
		Corporate / SMEs	Investment grade	-	-	2,224,455,523	745,153,378
Non Investment grade			-	-	5,645,201,627	3,775,052,409	
Unrated / not available	-		-	61,485,473	39,696,125		
Physical persons		-	-	114,003,799	114,003,799		

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## Distribution of collaterals on credit exposures to banks and customers

	Type of collateral	Type of security with indication of the country where the collateral is booked	Rating	Maturity	Stock 2023				
					With banks		With customers		
					Fair value	o.w. eligible for CRM purposes	Fair value	o.w. eligible for CRM purposes	
Collaterals	Pledge on Securities	Governments Bonds (Central Banks, MDB and International Organizations included)	Investment Grade	Short term (<5 years)	8,069,047,969	8,069,047,969	-	-	
				(>= 5 years)	-	-	-	-	
			Non Investment grade	Short term (<5 years)	-	-	-	-	
				(>= 5 years)	-	-	-	-	
				Unrated / not available	-	-	-	-	
			Supervised Financial institution Bonds	Investment Grade	Short term (<5 years)	-	-	-	-
					(>= 5 years)	-	-	-	-
				Non Investment grade	Short term (<5 years)	-	-	-	-
					(>= 5 years)	-	-	-	-
		Unrated / not available		Short term (<5 years)	-	-	-	-	
				(>= 5 years)	-	-	-	-	
		Corporate Bonds	Investment Grade	Short term (<5 years)	-	-	-	-	
				(>= 5 years)	-	-	-	-	
			Non Investment grade	Short term (<5 years)	-	-	-	-	
				(>= 5 years)	-	-	-	-	
			Unrated / not available	Short term (<5 years)	-	-	-	-	
				(>= 5 years)	-	-	-	-	
		Other securities	Investment Grade	Short term (<5 years)	-	-	9,610,355	3,325,131	
				(>= 5 years)	-	-	-	-	
			Non Investment grade	Short term (<5 years)	-	-	-	-	
				(>= 5 years)	-	-	-	-	
			Unrated / not available	Short term (<5 years)	-	-	-	-	
				(>= 5 years)	-	-	-	-	
Pledge on Cash deposits				-	-	1,053,612,137	863,203,883		
Other pledges				-	-	6,642,567,365	5,708,594,988		
Properties				-	-	13,175,034,936	12,129,066,340		
Other assets				-	-	1,962,055,791	-		

The value of the collateral cannot exceed the book value of the secured exposures; therefore, the lower of the loan at the book value and the value of the collateral is displayed.

## Credit risk mitigation techniques: standardized approach collaterals

	Amounts as at 31-Dec-2023			Amounts as at 31-Dec-2022		
	Financial collaterals	Other guarantees	Guarantees and credit derivatives	Financial collaterals	Other guarantees	Guarantees and credit derivatives
Exposures to or secured by central governments or central banks	-	-	-	-	-	-
Exposures to or secured by regional governments or local authorities	-	50.000.000	-	-	-	-
Exposures to or secured by public-sector bodies	-	-	-	-	-	-
Exposures to or secured by multilateral development banks	-	-	-	-	-	-
Exposures to or secured by international organizations	-	-	-	-	-	-
Exposures to or secured by authorities	1.323.244	-	-	887.315	-	-
Exposures to or secured by corporates and other parties	121.144.769	218.313.614	-	117.063.373	288.186.364	-
Retail exposures	32.515.942	985.977.198	-	40.764.343	930.318.823	-
Exposures secured by real estate collateral	-	-	-	-	-	-
Defaulted exposures	2.306.158	14.378.568	-	2.105.713	10.111.299	-
High-risk exposures	-	14.923.800	-	-	-	-
Exposures in the form of guaranteed bank bonds (covered bonds)	-	-	-	-	-	-
Short-term exposures to corporates and other parties or authorities	-	-	-	-	-	-
Exposures to Undertakings for Collective Investment (UCI)	-	-	-	-	-	-
Equity exposures	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-
<b>Total</b>	<b>157.290.113</b>	<b>1.283.593.180</b>	-	<b>160.820.744</b>	<b>1.228.616.486</b>	-

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### Risk mitigation techniques – IRB Approach

	Amounts as at 31-Dec-2023				Amounts as at 31-Dec-2022			
	Financial collaterals	Other eligible collaterals	Other guarantees	Guarantees and credit derivatives	Financial collaterals	Other eligible collaterals	Other guarantees	Guarantees and credit derivatives
<b>IRB approach - foundation</b>								
Exposures to or secured by central governments or central banks	539,361	-	-	-	671,164	-	-	-
Exposures to or secured by institutions, public and territorial entities and other entities	8,097,087,578	1,629,395,469	-	-	7,471,212,723	1,194,776,170	-	-
Exposures to or secured by corporate - SME	221,592,800	1,130,255,971	3,023,755,019	-	183,000,264	919,540,507	2,112,328,577	-
Exposures to or secured by corporate - Specialised lending	-	-	-	-	-	-	-	-
Exposures to or secured by corporate - Others	213,243,605	707,702,598	366,700,990	-	199,732,380	482,843,033	261,315,914	-
<b>IRB approach – advanced</b>								
Exposures to or secured by central governments or central banks	-	-	-	-	-	-	-	-
Exposures to or secured by institutions, public and territorial entities and other entities	-	-	-	-	-	-	-	-
Exposures to or secured by corporate - SME	-	-	-	-	-	-	-	-
Exposures to or secured by corporate - Specialised lending	-	-	-	-	-	-	-	-
Exposures to or secured by corporate - Others	-	-	-	-	-	-	-	-
Exposures secured with residential real estate property: SME	-	-	-	-	-	-	-	-
Exposures secured with residential real estate property: Individual	-	-	-	-	-	-	-	-
Qualified revolving retail exposures	-	-	-	-	-	-	-	-
Other retail exposures	-	-	-	-	-	-	-	-
Other retail exposures: Individual	-	-	-	-	-	-	-	-
<b>Total</b>	<b>8,532,463,344</b>	<b>3,467,354,038</b>	<b>3,390,456,009</b>	<b>-</b>	<b>7,854,616,532</b>	<b>2,597,159,710</b>	<b>2,373,644,491</b>	<b>-</b>

## 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	20,144,867,813	-	23,516,331,969	349,652,134	25,600,146	0.11%
2	Regional government or local authorities	1,953,370,345	488,891,618	1,916,501,155	232,325,716	439,937,299	20.47%
3	Public sector entities	-	-	-	-	-	0.00%
4	Multilateral development banks	-	-	303,111,379	3,123,044	-	0.00%
5	International organizations	-	-	-	-	-	0.00%
6	Institutions	694,455,914	131,363,608	805,921,439	1,441,736	683,870,182	84.70%
7	Corporates	4,742,994,686	1,600,470,962	4,523,325,324	503,974,628	4,418,844,955	87.90%
8	Retail	7,927,099,444	1,040,522,189	7,104,350,037	261,904,214	4,816,516,114	65.39%
9	Secured by mortgages on immovable property	7,350,700,663	91,348,753	7,350,700,663	8,171,313	2,759,710,572	37.50%
10	Exposures in default	208,185,120	7,469,392	193,196,415	1,227,995	194,688,844	100.14%
11	Exposures associated with particularly high risk	48,689,595	-	33,765,795	-	50,648,693	150.00%
12	Covered bonds	-	-	-	-	-	0.00%
13	Institutions and corporates with a short-term credit assessment	309,385	-	309,385	-	278,598	90.05%
14	Collective investment undertakings	-	-	-	-	-	0.00%
15	Equity	9,764,766	-	9,764,766	-	9,764,766	100.00%
16	Other items	481,305,223	-	481,305,223	-	481,305,223	100.00%
<b>17</b>	<b>Total</b>	<b>43,561,742,953</b>	<b>3,360,066,522</b>	<b>46,238,583,549</b>	<b>1,361,820,780</b>	<b>13,881,165,392</b>	<b>29.16%</b>

\* The table does not include derivative exposures

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### 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 derivatives) 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	50,723,921,671	16,423,999,167	34,299,922,504	31,460,402,944	2,839,519,560	-
2 Total debt securities	10,777,340,164	10,777,340,164	-	-	-	-
<b>3 Total exposures</b>	<b>61,501,261,835</b>	<b>27,201,339,331</b>	<b>34,299,922,504</b>	<b>31,460,402,944</b>	<b>2,839,519,560</b>	-
4 Of which non-performing exposures	513,816,219	179,029,291	334,786,928	270,776,193	64,010,735	-

### EU CR1-A: Maturity of exposures

		a	b	c	d	e	f
		Net exposure value					
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1	Loans and advances	3,765,879,374	18,382,235,527	14,513,896,235	12,411,526,187	289,021,812	<b>49,362,559,136</b>
2	Debt securities	-	1,507,657,692	4,706,416,777	5,445,164,921	-	<b>11,659,239,389</b>
<b>3</b>	<b>Total</b>	<b>3,765,879,374</b>	<b>19,889,893,219</b>	<b>19,220,313,013</b>	<b>17,856,691,108</b>	<b>289,021,812</b>	<b>61,021,798,525</b>



### 7. EXPOSURE TO COUNTERPARTY RISK

#### 7.1 Limits on exposures, policies for assessing counterparty credit risk and guarantee risk, management of wrong - way risk etc.

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

Counterparty credit risk is classified into two categories:

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

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

The Bank does not hold credit derivatives hedges.

#### 7.2 Positive fair value of financial and credit derivatives, collateral held, value of CCF etc.

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

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### EU CCR1 – Analysis of CCR exposure by approach

		Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
EU-1	EU - Original Exposure Method (for derivatives)	-	-		1.40	-	-	-	-
EU-2	EU - Simplified SA-CCR (for derivatives)	-	-		1.40	-	-	-	-
1	SA-CCR (for derivatives)	212,763,901	135,564,129		1.40	487,659,242	485,589,904	485,589,904	134,823,559
2	IMM (for derivatives and SFTs)			-	1.45				-
2a	Of which securities financing transactions netting sets			-		-	-	-	-
2b	Of which derivatives and long settlement transactions netting sets			-		-	-	-	-
2c	Of which from contractual cross-product netting sets			-		-	-	-	-
3	Financial collateral simple method (for SFTs)					-	-	-	-
4	Financial collateral comprehensive method (for SFTs)					8,027,355,564	8,027,355,564	8,027,355,564	209,428
5	VaR for SFTs					-	-	-	-
<b>6</b>	<b>Total</b>					<b>8,515,014,806</b>	<b>8,512,945,468</b>	<b>8,512,945,468</b>	<b>135,032,987</b>

### 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	54,158,796	18,547,975
EU-4	Based on the original exposure method	-	-
<b>5</b>	<b>Total subject to the CVA capital charge</b>	<b>54,158,796</b>	<b>18,547,975</b>

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### EU CCR5 - Composition of collateral for CCR exposures

	Collateral type	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	Segregated	Unsegregated	Segregated	Unsegregated
1	Cash – domestic currency	-	-	-	90,456	-	-	-	-
2	Cash – other currencies	-	22,246,114	-	30,803,494	-	-	-	-
3	Domestic sovereign debt	-	-	-	-	-	-	-	-
4	Other sovereign debt	-	-	-	-	-	8,431,889,285	-	-
5	Government agency debt	-	-	-	-	-	-	-	-
6	Corporate bonds	-	-	-	-	-	-	-	-
7	Equity securities	-	-	-	-	-	-	-	-
8	Other collateral	-	-	-	-	-	-	-	-
<b>9</b>	<b>Total</b>	-	<b>22,246,114</b>	-	<b>30,893,950</b>	-	<b>8,431,889,285</b>	-	-

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

	Exposure classes	RWA											Total	Of which unrated	
		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	195,613,904	-	-	-	-	-	-	-	-	-	-	-	<b>195,613,904</b>	-
5	International organizations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Corporates	-	-	-	-	-	-	-	-	32,379,697	-	-	-	<b>32,379,697</b>	-
8	Retail	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Other items	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>11</b>	<b>Total</b>	<b>195,613,904</b>	-	-	-	-	-	-	-	<b>32,379,697</b>	-	-	-	<b>227,993,601</b>	-

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

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

		RWA amounts	Capital requirements
<b>1</b>	<b>RWAs as at the end of the previous reporting period (30.09.2023)</b>	<b>5,909,782</b>	<b>472,783</b>
2	Asset size	-	-
3	Credit quality of counterparties	(5,700,354)	(456,028)
4	Model updates (IMM only)	-	-
5	Methodology and policy (IMM only)	-	-
6	Acquisitions and disposals	-	-
7	Foreign exchange movements	-	-
8	Other	-	-
<b>9</b>	<b>RWAs as at the end of the current reporting period (31.12.2023)</b>	<b>209,428</b>	<b>16,754</b>

### 8. MARKET RISK

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

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

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

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

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

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

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

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

The evolution of the main market risk indicators for VaR (Value at Risk) in 2023 is presented in the table below:

EUR million	Total VaR 99%	VaR FVtOCI	VaR FVtPL
Limit	28	15	1
End 2023	7.01	1.74	0.42
Average	10.42	1.74	0.45
Maximum	23.04	1.75	0.48
Minimum	6.48	1.72	0.42

The Bank considers the following adjustments:

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

### 8.1 Price risk, Interest rate risk, exchange rate risk and credit spread

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

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

The **trading book** of UniCredit Bank contains the following financial products, which were approved by the Group:

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

All other products are part of the Banking Book.

Derivatives are recorded at market value through the daily mark-to-market revaluation.

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

### A. Interest Rate Risk

Interest rate risk arising from Trading Book results from positions in derivative products or fixed income financial instruments of UniCredit Bank. All derivative client transactions (except FX Swaps and FX FWD Outright) are closed back-to-back with another entity owned by UniCredit Group.

Interest rate risk in Banking book is separately measured and monitored by VaR and BPV indicators, as well as Economic Value Sensitivity (measured against own funds tier 1) and Net Interest Income Sensitivity (measured against the NII budget).

#### Exposures to interest rate risk on positions in the banking book

UniCredit Bank measures and monitors this risk according to the UniCredit Group methodology within the framework of a Banking Book interest rate risk policy. This 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 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-parallel shifts, 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/ administration is the responsibility of Markets Risk and Finance departments. The Financial Riks Department supports the process by developing interest rate behavior models, as well as applying hedge accounting.

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

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

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

### Interest rate risk measurement includes the following indicators:

#### A) RAF KPIs – measured on a monthly basis

##### A.1) Net Interest Income sensitivity

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

##### A.2) Economic Value sensitivity

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

The evolution of the IRRBB RAF KPIs during Q4/2023 at standalone and consolidated level, as well as the economic value sensitivity are presented in the tables below:

RAF	2023						
	RO Consolidated	Target	Trigger	Limit	31-Oct	30-Nov	31-Dec
Interest Rate Risk in the Banking Book KPIs	NII Sensitivity (% of budget)	>-10,0%	-10,0%	-15%	-4,08%	-4,11%	-4,07%
	EV Sensitivity (% tier 1 cap)	> -13,5%	-13,5%	-15%	-4,84%	-5,14%	-6,56%
	UCB Standalone	Target	Trigger	Limit	31-Oct	30-Nov	31-Dec
	NII Sensitivity (% of budget)	> 10,0%	-10,0%	-15%	-4,2%	-4,2%	-3,92%
	EV Sensitivity (% of tier 1 cap)	> -13,5%	-13,5%	-15%	-5,3%	-5,7%	-6,9%

Starting with 31-Dec-22 an "add-on" was considered for economic value sensitivity in order to stress the stable part of the non maturing deposits considered insensitive to interest rates and included in the behavioral model.

UCB	worst case scenario of SOT		T1 Own Funds	%	Limit	Trigger
31-oct-23	(120,536,705)	paralel down	1,322,217,296	-9.12%	-15.00%	-13.50%
30-nov-23	(121,728,504)	paralel down	1,322,217,296	-9.21%	-15.00%	-13.50%
31-dec-23	(132,025,273)	paralel down	1,322,217,296	-9.99%	-15.00%	-13.50%

RO	worst case scenario of SOT			Limit	Trigger	
31-oct-23	(121,428,346)	paralel down	1,378,974,062	-8.81%	-15.00%	-13.50%
30-nov-23	(117,708,671)	paralel down	1,378,974,062	-8.54%	-15.00%	-13.50%
31-dec-23	(128,758,123)	paralel down	1,378,974,062	-9.34%	-15.00%	-13.50%



## 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 Banking Book and IRRBB

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

As of 31.12.2023 the value of the granular indicators vs limits is as per tables below:

#### BP01 Banking Book:

BP01 Bank Book UCB	(EUR)	0-3M	3M-1Y	1Y-3Y	3Y-10Y	10Y+	SUM	
	Total ccys	22,237	14,238	68,018	192,303	14,378	238,224	
	Limit	44,000	35,000	110,000	310,000	40,000	275,000	
	Usage	50.54%	40.68%	61.83%	62.03%	35.94%	86.63%	
		SUM	no limit breach					
	EUR	148,031						
	Limit	330,000						
Usage	44.86%							

#### VaR for Banking Book and IRRBB:

(EUR mio)	Exposure	Limit	Usage	Exposure	Limit	Usage
	UCB			RO Group		
Bank Book	9,42	23,00	40.95%	9,68	23,00	42.09%
IRR	4,59	14,00	32.77%	4,63		

## B. Price Risk

Price risk results from the activity of capital markets and associated derivative is zero because UniCredit Bank has no position on these markets / instruments.

## C. Exchange Rate Risk

Foreign exchange risk arising from positions taken by departments / traders specializing owning specific limits for market risk. This risk arising from trading activities conducted through negotiation on various market instruments and is constantly monitored and measured.

Given the structure of the Banking Book and Trading Book, in the standard method for calculating RWA, the capital requirement for position risk (MKR SA TDI form) and for foreign exchange (MKR SA FX form) is calculated based on open currency positions at the end of each month.

The following risk limits are also monitored:

- FX net open position limits;
- BPV limits (Basis Point Value);

- CPV limits (Credit Point Value);
- VaR limits (Value at Risk);
- LWL limits (Loss Warning Level);
- Liquidity limits (Trigger points / Ratios);
- Limits for investments in government securities.

### **Currency Risk Stress testing includes:**

- a) Daily calculation of the impact of +/- 10% change of the fx rate
- b) Monthly calculation of the impact of the following scenarios:
  - depreciation EUR vs all other currencies with -15%
  - appreciation EUR vs all other currencies with +15%
  - depreciation EUR vs all other currencies with -10%
  - appreciation EUR vs all other currencies with +10%
  - depreciation RON vs EUR with -15%
  - appreciation RON vs EUR with +15%
  - depreciation RON vs EUR with -10%
  - appreciation RON vs EUR with +10%
  - depreciation USD vs EUR with -15%
  - appreciation USD vs EUR with +15%
  - depreciation USD vs EUR with -10%
  - appreciation USD vs EUR with +10%

## **8.2 IRRBB**

### **Definition of IRRBB for purpose of risk control and measurement**

Interest rate risk in the banking book is defined as actual or future risk of negative impact on the Bank's earnings and capital, due to adverse movements in interest rates on its banking book.

Changing interest rates influence the level of earnings by changing interest income and expenses as well as other interest-sensitive income and operating expenses; they also impact the bank's underlying value by generating variations in the net present value of assets, liabilities and off balance sheet instruments.

The banking book regards the traditional commercial activity of the bank, which consists of lending and borrowing funds to and from customers. Per definition, banking book positions are the ones not held for trading purposes.

The IRRBB control and measurement system implemented by of the Bank addresses material sources of interest rate risk including repricing, yield curve, basis and option risk exposures, in compliance with bidding regulatory requirements.

## Description of overall IRRBB management and mitigation strategies

The management of IRRBB aims to optimize, in an on-going scenario, the risk-return profile and long term value creation while reducing adverse impacts on bank's earnings and regulatory capital coming from interest rates volatility, in accordance with the strategy set by the Board in coherence with the UniCredit Group overall IRRBB strategy.

In order to take into account short and long term effects of interest rate volatility on future net interest income, the IRRBB management is performed within a set of limitations (limits, targets and triggers) defined in the risk appetite framework and in a set of granular restrictions approved by relevant bodies.

Limitations are defined in terms of earnings sensitivity and economic value sensitivity envisaging also thresholds per time buckets. The limits are linked to specific scenarios of interest rates movements such an increase or decrease of a particular magnitude (interest rate shocks), as well as to measures derived from underlying statistical distribution of interest rates (value at risk).

## Specific measures that the bank uses to gauge its sensitivity to IRRBB

The main metrics used for IRRBB risk control and measurement are defined from both economic value and earnings perspective as follows:

- **Economic Value Perspective:**
  - Re-pricing Gap analysis
  - Economic Value Sensitivity: Basis Point Value (BP01) and time bucket sensitivity
  - Economic Value Sensitivity: EVE Supervisory standardized shocks
  - Basis Risk, captured in the Bank's Value at risk (VaR)
- **Net Interest Income perspective**
  - Net Interest Income (NII) sensitivity for parallel shocks (standard shocks)

## Monitoring of EVE and NII in relation to established limits

The monitoring of the interest rate risk exposures is the responsibility of the risk taking functions (as 1<sup>st</sup> level control) and Risk function (as 2<sup>nd</sup> level control), which performs an independent and continuous monitoring of the risk indicators and metrics, a regular check of the limit compliance and an assessment of the effectiveness of market transactions executed by business functions. The Risk function is also responsible for updating Senior Management and/or relevant bodies (Management Board, Risk Management Committee, ALCO/FRCO) with regard to relevant interest rate risk exposure on a regular basis and compliance with the limits and warning levels set.

In case of a limit breach, a specific escalation process is defined, varying on the nature of the limit or warning level. The actions to taken by relevant function in the event of a breach also depend on the nature of the limit. As a general rule in the event of a limit breach, every effort is made in order to bring the exposure within the approved limit (by closing the positions that caused the breach or hedging them).

## Stress tests for IRRBB – measured on a monthly basis

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

UCB - Standalone	Million EUR					
	Period	31-Oct-2023		30-Nov-2023		31-Dec-2023
Own Funds Total / T1	1,540.06	1,333.07	1,546.19	1,342.00	1,533.89	1,332.26
Regulatory IR Stress Test (BB)		% total FP		% total FP		% total FP
1 parallel shift + 200bps	(36.12)	2.35%	(35.28)	2.28%	(41.27)	2.69%
2 parallel shift - 200bps	47.36	3.08%	45.55	2.95%	52.45	3.42%
IRRBB Basel definition (BB)		% FP T1		% FP T1		% FP T1

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1 parallel shift + 200bps	(36.12)	2.71%	(35.28)	2.63%	(41.27)	3.10%
2 parallel shift - 200bps	47.36	3.55%	45.55	3.39%	52.45	3.94%
3 Basel Parallel shock up	(80.73)	6.06%	(80.67)	6.01%	(94.13)	7.07%
4 Basel Parallel shock sown	124.43	9.33%	121.98	9.09%	139.53	10.47%
5 Basel Steepening (sr down, lr up)	(17.99)	1.35%	(14.69)	1.09%	(14.52)	1.09%
6 Basle Flattening (sr up, le down)	3.45	0.26%	(0.88)	0.07%	(4.23)	0.32%
7 Basel Short rates up	(36.05)	2.70%	(39.45)	2.94%	(48.15)	3.61%
8 Basel Short rates down	40.57	3.04%	44.12	3.29%	53.77	4.04%
<b>Maximum</b>		<b>9.33%</b>		<b>9.09%</b>		<b>10.47%</b>
<b>Supervisory Outlier Test</b>		<b>% FP T1</b>		<b>% FP T1</b>		<b>% FP T1</b>
1 parallel shift + 200bps	(68.14)	5.11%	(68.37)	5.09%	(76.48)	5.74%
1 parallel shift - 200bps	10.74	0.81%	8.67	0.65%	9.89	0.74%
3 Basel Parallel shock up	(120.54)	9.04%	(121.73)	9.07%	(137.14)	10.29%
4 Basel Parallel shock sown	50.48	3.79%	48.27	3.60%	54.63	4.10%
5 Basel Steepening (sr down, lr up)	(4.02)	0.30%	(1.34)	0.10%	(0.69)	0.05%
6 Basle Flattening (sr up, le down)	0.20	0.01%	(3.73)	0.28%	(8.01)	0.60%
7 Basel Short rates up	(65.06)	4.88%	(68.52)	5.11%	(78.62)	5.90%
8 Basel Short rates down	9.14	0.69%	(10.96)	0.82%	14.10	1.06%
<b>Maximum</b>		<b>9.04%</b>		<b>9.07%</b>		<b>10.29%</b>

RO Group Consolidated	Million EUR					
	Period	31-Oct-2023		30-Nov-2023		31-Dec-2023
<b>Own Funds Total / T1</b>	<b>1,590.36</b>	<b>1,381.11</b>	<b>1,588.54</b>	<b>1,379.53</b>	<b>1,590.83</b>	<b>1,390.18</b>
<b>Regulatory IR Stress Test (BB)</b>		<b>% total FP</b>		<b>% total FP</b>		<b>% total FP</b>
1 parallel shift + 200bps	(35.36)	2.77%	31.93	2.38%	45.13	3.19%
2 parallel shift - 200bps	46.70	2.94%	40.83	2.57%	48.41	3.04%
<b>IRRBB Basel definition (BB)</b>		<b>% FP T1</b>		<b>% FP T1</b>		<b>% FP T1</b>
1 parallel shift + 200bps	(35.36)	2.56%	(31.21)	2.26%	(37.78)	2.72%
2 parallel shift - 200bps	46.70	3.38%	40.83	2.96%	48.41	3.48%
3 Basel Parallel shock up	(80.70)	5.84%	(75.49)	5.47%	(89.86)	6.46%
4 Basel Parallel shock sown	124.74	9.03%	114.78	8.32%	133.43	9.60%
5 Basel Steepening (sr down, lr up)	(18.11)	1.31%	(11.39)	0.83%	(11.33)	0.81%
6 Basle Flattening (sr up, le down)	3.48	0.25%	(3.35)	0.24%	(6.79)	0.49%
7 Basel Short rates up	(36.24)	2.62%	(39.39)	2.86%	(48.53)	3.49%
8 Basel Short rates down	40.78	2.95%	44.12	3.20%	54.26	3.90%
<b>Maximum</b>		<b>9.03%</b>		<b>8.32%</b>		<b>9.60%</b>
<b>Supervisory Outlier Test</b>		<b>% FP T1</b>		<b>% FP T1</b>		<b>% FP T1</b>
1 parallel shift + 200bps	(47.41)	3.43%	(65.42)	4.74%	(74.00)	5.32%
1 parallel shift - 200bps	(13.71)	0.99%	5.28	0.38%	6.90	0.50%
3 Basel Parallel shock up	(90.43)	6.55%	(117.71)	8.53%	(133.87)	9.63%
4 Basel Parallel shock sown	17.98	1.30%	43.67	3.17%	50.61	3.64%
5 Basel Steepening (sr down, lr up)	2.38	0.17%	1.98	0.14%	2.11	0.15%
6 Basle Flattening (sr up, le down)	(1.60)	0.12%	(6.41)	0.46%	(10.73)	0.77%
7 Basel Short rates up	(54.07)	3.91%	(69.01)	5.00%	(79.43)	5.71%
8 Basel Short rates down	(2.02)	0.15%	(10.48)	0.76%	13.90	1.00%
<b>Maximum</b>		<b>6.55%</b>		<b>8.53%</b>		<b>9.63%</b>

### Conduct of stress testing, outcomes analysis

A regular stress testing assessment is performed in order to measure the vulnerability to loss under stressful market conditions. Depending on the vulnerabilities identified in case of extreme market conditions, measures to improve interest rate risk management, to review current limits, to reduce risk and/or conserve capital are implemented. Stress scenarios include:

- abrupt changes in the general level of interest rates;
- parallel interest rate shock;
- economic environment, and their possible development;
- specific scenarios that relate to the individual business model and profile of the institution.

## Description of how the Bank covers its interest risk in the banking book as well as the associated accounting treatment

In accordance with prevailing accounting standards, the Bank values its banking book items at “amortised” (or “historical”) cost and at “fair” (or “market”) value. In order to achieve the financial stability of the balance sheet despite the effects of interest rate changes on both earnings and economic value, consistently with the risk appetite parameters and approved IRRBB strategy, the Bank uses derivatives that allow to optimize the risk/return profile that arises from mismatches in terms of tenor and interest rate characteristics of assets and liabilities. Consequently, hedging the banking book interest rate risk encompasses two aspects:

- Minimization of the variability in banking book’s present value due to changes in market interest rate curves
- Minimization of the variability in interest cash flows sensitive to changes in market interest rates that could negatively impact future profit and loss.

In order to ensure a consistency between the accounting perspective and business consideration, especially when interest rate derivatives are used for managing banking book interest rate risk, the Bank adopted Fair Value Hedge (FVH) and Cash Flow Hedge (CFH) accounting procedures for the hedge of the interest rate risk run in its banking book.

### Economic capital

Scenarios with different probabilities and severities as formalized in internal procedures. The economic capital for Market Risk is computed based on the Group developed IMOD Model, which is based on the Value at Risk (VaR) methodology.

### Liquidity Risk

Scenarios developed by the Group as well as internal developed scenarios which consider several degrees of liquidity crisis, as formalized in internal procedures.

### 8.3 RWA calculation method and models

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

During 2023 the following components were relevant – trading debt instruments (interest rate general risk) and foreign exchange risk.

### EU MR1 – Market risk under the standardized approach

		RWAs	Capital requirements
	<b>Outright products</b>		
1	Interest rate risk (general and specific)	1,650,462	132,037
2	Equity risk (general and specific)	-	-
3	Foreign exchange risk	-	-
4	Commodity risk	-	-
	<b>Options</b>		
5	Simplified approach	-	-
6	Delta-plus method	-	-
7	Scenario approach	-	-
8	Securitization (specific risk)	-	-
9	<b>Total</b>	<b>1,650,462</b>	<b>132,037</b>

### 8.4 Risk Management organization

Generally, a bank's market risks are due to price fluctuations or other market risk factors affecting the value of positions on its own books, both trading book and banking book, i.e. those arising from transactions and strategic investment decisions.

UniCredit Bank produces detailed reports on business trends and related risks on a daily basis, forwarding market risk documentation to local management, local authorities and relevant structures in the Group.

The relevant structures at Group level lay down strategic guidelines for taking on market risks by calculating, depending on risk appetite and objectives of value creation in proportion to risks assumed, capital allocation for the Parent company and its subsidiaries.

The responsible structures at Group level propose limits and investment policies for the Group and its entities in harmony with the capital allocation process when the annual budget is drawn up. Group Asset and Liability Management unit, in coordination with other regional liquidity centers, manages strategic and operational activities, with the objective of ensuring a balanced asset position and the operating and financial sustainability of the Group's growth policies on the loans market, optimizing the exchange rate risk, interest rate risk and liquidity risk.

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

#### Role and practice of ALCO/FRCO

ALCO/FRCO acts as **operative body for monitoring, discussing and deciding on interest rate risk relevant topics and activities** within the Bank, having the following responsibilities:

- Approves, as first instance, the IRRBB strategy and overall interest rate risk framework of the Bank and regularly reviews them
- Approves the interest rate risk restrictions at local level, set in coherence with the UniCredit Group overall ones;
- Analyzes the evolution net interest income
- Analyzes the sensitivity of the balance sheet to changes in interest rates
- Receives information regarding risk indicators and evidence of conformity with the interest rate risk restrictions
- Defines corrective actions for balancing UCB interest rate risk position in accordance with the IRRBB strategy and system of restrictions in place

### 9. OPERATIONAL RISK

#### 9.1 Framework for organizing risk management

The management of operational risk within UniCredit Bank is conducted in line with the internal regulation framework, Group policies and instructions and in compliance with the legal provisions in force.

Operational Risk is considered a significant risk and it is integrated into the Bank's policy and strategy regarding significant risks.

The **Operational risk** is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk.

The main roles and responsibilities in managing and controlling operational risk are assigned to the Supervisory Board, the Management Board, the Superior Management (Directors and Heads of Departments), Banks' committees with responsibilities regarding operational risk, Operational and Reputational Risk function.

The framework for operational risk management in UniCredit Bank is well structured and involves relevant factors in promoting a culture favorable to the communication, management and control of operational risk. The framework is supported by the existence of a dedicated independent function for the control of operational risk, by a structure of relevant committees and by a system of reporting operational risk to the Management of the Bank.

The Bank has implemented a formal system for the assessment and management of operational risk with clearly defined roles and responsibilities.

The operational risk management system is integrated into the internal processes defined for the management of significant risks, in line with the internal procedures and regulations regarding the management of significant risks.

The main tools employed in the management and control of operational risk within UniCredit Bank are: collection of operational risk events, risk indicators monitoring, scenario analysis, Permanent Workgroup analyses, mitigation actions definition (independently or as part of the previously mentioned tools), validation of operational risk management system, operational risks and control self-assessment, operational risk 2nd level controls of outsourcing arrangements, management and Group reporting.

**Collection of operational risk events** is one of the main sources for the identification and measurement of operational risks. The process of collecting operational risk events /losses is established through well-defined rules for collection, validation and reconciliation of loss data against accounting bookings and other sources of information, in order to ensure completeness, accuracy and timeliness of reported data. The reporting responsibilities in respect of operational risk are included in the operational risk framework and as well in the procedures specific to each area of activity.

The completeness and accuracy of the operational risk database is ensured by the defined data quality processes, periodical reconciliations against multiple sources of information, analyses carried out in respect of accounts and bookings – processes described within operational risk specific regulations.

**Scenario analysis** is a core element of the operational risk assessment and control framework implemented both at local and Group level, as the scenario analysis is aimed at providing a forward looking assessment of the Bank's risk profile for improving the understanding and management of the risk profile by: assessing the impact on the business of hypothetical, yet foreseeable, extreme operational loss events; assessing how bad things could get across a range of stressed conditions; identifying the best responses to serious threats; identifying areas where controls are missing or could be enhanced.

Scenarios are also used as one of the primary inputs to estimate the Bank's overall risk profile and, whether it has adequate amounts of capital to cushion the impact of unexpected operational loss events. The

metrics/indicators derived from scenarios are used as input into the model, supporting the assessment of the Group risk profile on an aggregate basis.

In 2023, scenario analysis was performed according to the internal regulations, Group instructions and legal provisions in force.

**Operational risk indicators** are quantitative metrics reflecting operational risk exposure of specific processes or products and are in correlation with the changes in the risk environment. The monitoring of the operational risk indicators plays the role of an early warning system for changes in the operational risk exposure.

During 2023 the operational risk indicators system and the monitoring thresholds were revised in order to: identify and set up new indicators relevant for operational risk reporting, align existing thresholds with changing risk levels and remove the indicators which are no longer relevant in terms of operational risk.

At the Bank's level there are implemented **periodical reports** regarding the exposure and evolution of the operational risk, with a focus on: financial losses (including provisions) detailed on event types/model risk categories and business lines, ELOR indicator thresholds, capital requirement for operational risk, cross credit events, mitigation actions regarding operational risk discussed in the Permanent Work Group , Operational Risk Indicators, thresholds breaches and actions taken, scenario analysis.

The reporting system includes quarterly reports to the Risk Management Operative Committee set up at the level of Management Board and at least bi-annually reports to the Supervisory Board. The operational risk reports have a consistent structure and present an overall picture of the exposure to operational risk. Apart of the regular reporting, ad hoc information regarding operational risk is submitted to the Bank's management and relevant structures at the Group level.

The **capital requirement for operational risk** is determined using the Advance Measurement Approach (AMA) model adopted in 2014. The AMA model has higher model granularity & risk sensitivity, increased underlying data and stronger focus on forward-looking risk analyses.

The calculation model was applied to the perimeter composed by the Legal Entities within UniCredit Group authorized to adopt the Advanced Measurement Approach, including UniCredit Bank.

As risk transfer mechanisms, UniCredit Bank uses a Banker's Blanket Bond policy (part of UniCredit Group BBB Policy) that covers, according with terms and conditions specified in the policy, Financial Organization Crime, Computer Manipulation, Professional Indemnity. The BBB Policy is complying with the international requirements regarding the use of policies as risk transfer mechanism in order to reduce the capital requirement for operational risk calculated according with AMA.

In addition, UniCredit Group (UniCredit Bank Romania included) concluded a cyber insurance policy which provides coverage for cyber risks including damages to digital assets, business interruption impacts, cyber extortion and other types of damages caused by insured risks, liabilities and defense expenses related to security and confidentiality breaches, reputational expenses as a result of cyber risk incidents.

The calculation of economic capital for operational risk is also based on the AMA model.

### 9.2 Stress testing disclosures

The stress testing exercise in UniCredit Bank Romania consists of calculating the stressed loss / conditional operational risk loss, centrally – at Group level, based on the advanced model for operational risk. The Group Non-Financial Risk Function is responsible for the assessment and review of the stress test methodology and approach.



## 9.3 RWA calculation method and models

The capital calculation within UniCredit Bank Romania is performed according to the AMA model and the figures are as follows:

Banking activities		a	b	c	d	e
		Relevant indicator			Own funds requirements	Risk weighted exposure amount
		Year-3	Year-2	Last year		
1	Banking activities subject to basic indicator approach (BIA)	366,756,497	400,395,511	429,341,014	59,824,651	747,808,139
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	-	-	-	-	-
3	<i>Subject to TSA:</i>	-	-	-		
4	<i>Subject to ASA:</i>	-	-	-		
5	Banking activities subject to advanced measurement approaches AMA	1,840,616,778	2,265,123,473	2,859,463,128	185,404,939	2,317,561,736

## 9.4 Other risks - Risk types and risk management

**Fraud risk management** is a prime responsibility for all employees stemming from the necessity of protecting UniCredit Bank and its assets / activities from being target to fraudulent activities. The internal framework is aimed at creating an appropriate level of awareness to all employees and partners and to ensure an efficient system of controls to prevent this risk in all aspects included in the circuit of fraud: prevention, detection, investigation and settlement of high risk events, recovery of fraud related losses and the implementation of the necessary corrections.

The non-lending fraud risk management represents a top priority for UniCredit Bank and its coordination is ensured by the Fraud Management and Investigation team and Permanent Working Group on Fraud Risk. An ongoing four steps program covering methodology, training, activities review from a fraud risk perspective and monitoring was implemented to mitigate the likelihood and impact of this risk.

One of the main topics for the Operational Risk strategy is **cybercrime risk** with an enhanced focus on the area of online banking fraud with the related topics phishing/hacking/malware etc. and how the bank can decrease risks in current and upcoming online banking processes.

The **legal risk management** within UniCredit Bank Romania is ensured by all employees with the appropriate assistance and support of the Legal function. The aim of the legal framework is to ensure the adequacy of legal and corporate fulfilments, the examination of the evolution of laws and their consistent interpretation, as well as the identification, assessment and monitoring of the overall legal risks.

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

The management of the risks associated with the outsourced activities covers all the outsourcing stages (new initiatives and modifications of existing ones, supplier selection, contract terms and conditions, monitoring of existing outsourced activities, unexpected situations and continuity plans, relation with authorities).

**Business continuity management** represents a critical factor for UniCredit Bank and it takes a central role in the overall company strategy/goals. The constantly changing potential of threats requires a systematic, flexible, integrated and business oriented treatment of business continuity management in UniCredit Bank.

The management of the business continuity risk is an ongoing process being the responsibility of management at all levels and of each employee. It is carried out in line with the local UniCredit Bank policies and procedures compliant with Group policies, local legal framework and internationally accepted best practices and standards (ISO 22301).

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

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

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

### 10. REPUTATIONAL RISK

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

Reputational risk can be triggered by negative publicity, true or not, related to:

- Bank's reputation, respectively, the Bank's top management or their members
- The practices, tools, Bank liquidity or solvency
- or
- Other risks arising in the Bank's activity, such as:
  - Operational risk (fraud, inadequate internal processes, failures of IT systems, security incidents, human errors etc.);
  - Market risk;
  - Credit risk;
  - Liquidity risk;
  - Legal / Regulatory topics: reputational risk can derive from breaches of law/regulations disclosed to stakeholders (e.g. breaches of laws or regulations which become public being mentioned in media);
  - ICT & Business Continuity: reputational risk can derive from a discontinuity of services provided by the Bank which may have impacts (loss, problem, etc.) on the customers' / counterparties side, the escalation and information process is performed according to the specific regulations in place.

Reputational risk triggered by business relationships with clients / partners or transactions connected with reputational risk sensitive sectors.

Impact of reputational risk can affect the ability of the Bank to operate in accordance with the business plan, to establish new business relationships or continue existing partnerships with customers.

### Managing reputational risk

The system of values of UniCredit Bank is based on integrity, ethics and respect as the mechanism for conversion of profits into sustainable value; this implies clarity and transparency of the messages on relevant issues to employees, clients, financial community, regulators, nongovernmental organizations and general public. Thus, communication is a key factor in management of the reputational risk.

The Bank's strategy, internal processes, important structural changes require special attention because of complex legal requirements, monitoring carried out by rating institutions and regulatory bodies and mass media interest.

Since each process/part of the banking activity may influence the organization's reputation, the reputational risk management process will take into account:

- Each process/operations banking segment;
- Relationships with clients, especially in sensitive areas (confidentiality of information, compliance with concluded contracts, clients' right to be informed, crisis management situations, the negative publicity, etc.);
- Relationship with shareholders, other counterparties, investors, employees or regulatory authorities ("stakeholders");
- General performance of the relevant representatives for the bank's image (top managers / high level management).

In crisis situations, cases with impact in reputational risk occurrence, it is envisaged:

- Establishing communication strategy (defining transmitted and promoted key messages; defining channels for messages transmission);
- Sending messages through timely and brief press releases, updated – if case, when new elements/news appear (success of communication is assured by an adequate flow of information from the Management Board and the concerned business units towards the representatives of the Identity and Communication Department)
- Informing, whenever deemed necessary in crisis situations, by the competent departments in line with the specific internal regulations, of the call center staff members and from other structures with communication related responsibilities, regarding response models / structures which need to be submitted / provided in the respective situations. This information and response models are established and submitted in line with the provisions of the specific internal crisis regulations.
- Regularly updating web site or intranet of the Bank to ensure an adequate information flow.

Qualitative assessment of reputational risk is considered for example in case of business activities related to sensitive sectors (e.g. nuclear energy, weapon/defence industry, mining, water infrastructure - dams, coal-sector, etc.), for new product process, outsourcing or ICT risk assessment, according to specific regulations in force.

The Reputational Risk Framework is completed by Reputational Risk Group Special Policies implemented locally, being elements of the UniCredit Group's reputational risk management framework. These policies aim to provide rules and principles for reputational risk assessment and management, and the working flow to apply to business relationships with counterparties involved in sensitive industries like: the Nuclear Energy Industry, Defense/Weapons industry, Water Infrastructure industry, Oil and Gas, Mining and Coal Sector.

### **Other risks - Publicly known risk events**

During 2023, the number of public events with a negative impact on the reputation of UniCredit Bank Romania, through the lens of negative media coverage generated, was very reduced, 0.19% of the total number of articles published. The relevant topics for the negative media coverage of the bank (24 articles) referred to the

presence and business of the UniCredit group in Russia (21) and the blocking of the accounts of the Concord Association from Constanta (3) for not updating the association's personal data.

## 11. EXCESSIVE LEVERAGE RISK

### Description of Excessive Leverage Risk

Risk of excessive leverage represents the risk resulting from the Bank's vulnerability due to leverage or contingent leverage that may require unintended corrective measures to its business plan, including distressed selling of assets which might result in losses or in valuation adjustments to its remaining assets.

The monitoring of risk of excessive leverage is realized based on specific instructions received from the Group and by taking into account the legal provisions in force.

Thus, the Leverage Ratio indicator, calculated according to instructions received from Group is included in the Risk Appetite Framework of the Bank. A system of limits comprising a Target level, a Trigger and a Limit is applied. Monitoring is done on a quarterly basis.

### LrSum: Comparison between carrying amounts of assets and exposures for Leverage Effect calculation

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

Summary comparison of accounting assets vs leverage ratio exposure measure		Q4 2023	Q2 2023
1	Total assets as per published financial statements	74,672,369,066	67,256,134,555
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	7,415,736	4,255,558
8	Adjustment for derivative financial instruments	337,926,156	309,242,331
9	Adjustment for securities financing transactions (SFTs)	-	16,310,850
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	5,195,104,235	5,176,973,880
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	(1,184,729)	(1,071,562)
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	(260,797,647)	(290,512,987)
13	<b>Total exposure measure</b>	<b>79,950,832,818</b>	<b>72,471,332,625</b>

### LrCom: Leverage Ratio Common Disclosure

The template presents Leverage Ratio as at 31 December 2023 and the split of the main exposures according with CRR Art. 429 and 451.

CRR leverage ratio exposures		2023 Q4	2023 Q2
<b>On-balance sheet exposures (excluding derivatives and SFTs)</b>			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	66,419,884,242	57,699,450,314
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
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)	-	-

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CRR leverage ratio exposures		2023 Q4	2023 Q2
5	(General credit risk adjustments to on-balance sheet items)	-	-
6	(Asset amounts deducted in determining Tier 1 capital)	(261,982,376)	(291,584,549)
<b>7</b>	<b>Total on-balance sheet exposures (excluding derivatives and SFTs)</b>	<b>66,157,901,867</b>	<b>57,407,865,765</b>
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	297,869,462	233,081,337
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	272,736,890	245,693,483
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)	-	-
<b>13</b>	<b>Total derivatives exposures</b>	<b>570,606,352</b>	<b>478,774,820</b>
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	8,027,233,863	9,391,407,310
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	Counterparty credit risk exposure for SFT assets	-	16,310,850
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)	-	-
<b>18</b>	<b>Total securities financing transaction exposures</b>	<b>8,027,233,863</b>	<b>9,407,718,161</b>
19	Off-balance sheet exposures at gross notional amount	24,361,521,767	23,493,029,700
20	(Adjustments for conversion to credit equivalent amounts)	(18,982,309,486)	(18,150,178,576)
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated associated with off-balance sheet exposures)	(184,121,544)	(165,877,244)
<b>22</b>	<b>Off-balance sheet exposures</b>	<b>5,195,090,737</b>	<b>5,176,973,880</b>
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)	-	-
<b>EU-22k</b>	<b>(Total exempted exposures)</b>	<b>-</b>	<b>-</b>

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CRR leverage ratio exposures		2023 Q4	2023 Q2
23	Tier 1 capital	7,691,858,752	6,854,341,420
24	Total exposure measure	79,950,832,818	72,471,332,625
25	Leverage ratio (%)	9.62%	9.46%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	0.00%	0.00%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	0.00%	0.00%
26	Regulatory minimum leverage ratio requirement (%)	3.00%	3.00%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%
EU-26b	of which: to be made up of CET1 capital	0.00%	0.00%
27	Leverage ratio buffer requirement (%)	0.00%	0.00%
EU-27 a	Overall leverage ratio requirement (%)	0.00%	0.00%
<b>Choice on transitional arrangements and relevant exposures</b>			
EU-27b	Choice on transitional arrangements for the definition of the capital measure	Fully phased in	Fully phased in
<b>Disclosure of mean values</b>			
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	8,146,865,274	8,159,823,823
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	8,027,233,863	9,391,407,310
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)	80,070,464,230	71,239,749,138
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)	80,070,464,230	71,239,749,138
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)	9.61%	9.62%
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)	9.61%	9.62%

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.

### LRSpI: Split-up of on balance sheet exposures (excluding derivatives and SFTs)

	Items	CRR leverage ratio exposures
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs), of which:	66,419,884,242
EU-2	Trading book exposures	5,906,619
EU-3	Banking book exposures, of which:	66,413,977,623
EU-4	Covered bonds	-
EU-5	Exposures treated as sovereigns	21,821,779,832
EU-6	Exposures to regional governments, MDB, international organizations and PSE not treated as sovereigns	1,953,370,345
EU-7	Institutions	1,211,618,338

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EU-8	Secured by mortgages of immovable properties	8,968,022,086
EU-9	Retail exposures	7,927,099,444
EU-10	Corporate	20,637,773,353
EU-11	Exposures in default	385,806,149
EU-12	Other exposures (e.g. equity, securitizations, and other non-credit obligation assets)	3,508,508,075



## 12. LIQUIDITY RISK

### 12.1 Liquidity

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

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

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

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

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

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

#### Strategic Principles:

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

#### Strategic Goals:

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

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

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

### **12.2 Internal Liquidity Adequacy Assessment Process (ILAAP) framework**

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

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

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

#### **Governance**

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

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

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

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

#### **Liquidity management framework**

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

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

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

### **Risk Assessment**

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

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

### **Liquidity management process**

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

- **Intraday liquidity management,**

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

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

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

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

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

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

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

Structural liquidity management (over 1 year) aims at ensuring the financial stability of the balance sheet, with the objective of avoiding excessive and unexpected pressures on the funding requirements over the short

term, whilst optimizing the funding sources and related costs. This is achieved through the maintenance of an adequate balance between the medium- long term and sticky assets and the respective stable sources of funding.

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

### **Liquidity Stress Testing**

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

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

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

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

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

### **Monitoring and Reporting**

UniCredit Bank measures and manages liquidity based on a monitoring system that envisages different types of restrictions – managerial and regulatory – embedded in risk metrics limits or warning/trigger levels. In case of a limit breach or warning level activation, Financial Risk investigates the rationale of the events, triggering the proper escalation and reporting them to the relevant committees.

Regulatory reports refer to LCR (Liquidity Coverage Ratio), NSFR (Net Stable Funding Ratio) and ALMM (Additional Liquidity Monitoring Metrics). In addition, the Bank regularly prepares the reports required by the NBR (e.g. Quick liquidity ratio, Asset Encumbrance).

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The table below shows the detailed picture of the LCR as of 31 of December 2023:

Amounts in RON Million	Individual			Consolidated		
	Value	Coeff.	Adjusted value	Value	Coeff.	Adjusted value
<b>C72</b>						
Liquid Assets - HQLA						
<b>Total</b>	<b>010</b>	<b>27,372</b>	<b>27,351</b>	<b>27,372</b>		<b>27,351</b>
Level 1 assets	020	27,232	27,232	27,232		27,232
Cash	040	1,393	1,393	1,393	1.00	1,393
Withdrawable central bank reserves	050	6,586	6,586	6,586	1.00	6,586
Central government assets	070	19,252	19,252	19,252	1.00	19,252
Level 2 assets	220	141	120	141		120
Regional government / local authorities or Public Sector Entity assets	240	141	120	141	0.85	120
<b>C73</b>						
Outflows						
<b>Total</b>	<b>010</b>	<b>74,723</b>	<b>18,687</b>	<b>75,149</b>		<b>18,671</b>
Outflows from unsecured transactions / Deposits	020	74,723	18,687	75,149		18,671
Retail deposits	030	23,673	1,938	23,673		1,938
Higher outflows	050	8,489	1,196	8,489		1,196
category 1	060	3,099	387	3,099	0.13	387
category 2	070	5,390	809	5,390	0.18	809
stable deposits	080	9,615	481	9,615	0.05	481
other retail deposits	110	2,618	262	2,618	0.10	262
Operational deposits	120	605	142	605		142
Non-operational deposits	210	26,670	12,339	26,610		12,279
deposits by financial customers	230	2,852	2,852	2,792	1.00	2,792
deposits by other customers	240	23,818	9,487	23,818		9,487
covered by DGS	250	199	40	199	0.20	40
not covered by DGS	260	23,619	9,447	23,619	0.40	9,447
Additional outflows	270	2,419	2,419	2,419		2,419
outflows from derivatives	340	2,419	2,419	2,419	1.00	2,419
Committed facilities	460	3,813	526	4,259		571
credit facilities	470	3,813	526	4,259		571
to retail customers	480	1,149	57	1,149	0.05	57
to non-financial customers other than retail customers	490	2,274	227	2,720	0.10	272
to credit institutions	500	-	-	-		-
to regulated institutions other than credit institutions	540	249	100	249	0.40	100
Other products and services	720	16,620	485	16,660		484
Uncommitted funding facilities	731	1,971	197	1,995	0.10	200
undrawn loans and advances to wholesale counterparties	740	-	-	-	0.12	-
mortgages that have been agreed but not yet drawn down	750	-	-	-	0.00	-
credit cards	760	32	0	32	0.01	0
overdrafts	770	5,990	270	6,005	0.05	270
trade finance off-balance sheet related products	860	5,633	18	5,634	0.05	14
others	870	2,994	-	2,994	0.00	-
Other liabilities	885	924	838	924	0.00	838
liabilities resulting from operating expenses	890	86	-	86	0.00	-
in the form of debt securities if not treated as retail deposits	900	7	7	7	1.00	7
others	918	831	831	831	1.00	831
Outflows From Secured Lending And Capital Market-Driven Transactions	920	-	-	-	-	-
Counterparty is central bank	930	-	-	-	-	-
Counterparty is non-central bank	1020	-	-	-	-	-
<b>C74</b>						
Inflows						

Amounts in RON Million		Individual			Consolidated		
		Value	Coeff.	Adjusted value	Value	Coeff.	Adjusted value
<b>Total</b>	<b>010</b>	<b>11,970.80</b>		<b>3,534</b>	<b>12,260</b>		<b>3,679</b>
Inflows from unsecured transactions/deposits	020	3,943.44		3,534	4,232		3,679
monies due from non-financial customers	030	794.82		422	1,083		567
monies due from financial customers	100	432.71		433	433		433
monies due from assets with an undefined contractual end date	201	46.34	0.20	9	46	0.20	9
inflows from derivatives	240	2,413.67	1.00	2,414	2,414	1.00	2,414
other inflows	260	255.91	1.00	256	256	1.00	256
Inflows from secured lending and capital market-driven transactions	263	8,027.36		-	8,027		-
collateral that qualifies as a liquid asset	309	8,027.36	0.00	-	8,027	0.00	-
collateral that does not qualify as a liquid asset	317	-	-	-	-	-	-
<b>Liquidity Coverage Ratio</b>				<b>180.50%</b>			<b>182.43%</b>

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 2023, 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 and supranational institutions. The mentioned reverse repo transactions had short maturities, under 30 days, and were collateralised by high quality level 1 government bonds.

The following table presents, on a consolidated level, the LCR average in RON equiv. for the year 2023. The number of observations for determining the average is 12, with figures coming from monthly reports from December 2023 and the previous months.

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## LIQ1: Liquidity Coverage Ratio (LCR – consolidated)

		Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on	31.12.2023	30.09.2023	30.06.2023	31.03.2023	31.12.2023	30.09.2023	30.06.2023	31.03.2023
EU 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
<b>HIGH-QUALITY LIQUID ASSETS</b>									
<b>1</b>	<b>Total high-quality liquid assets (HQLA)</b>					<b>23,304,260,582</b>	<b>21,832,024,523</b>	<b>17,737,298,059</b>	<b>14,926,559,738</b>
<b>CASH - OUTFLOWS</b>									
2	Retail deposits and deposits from small business customers, of which:								
		21,634,163,029	20,743,975,267	16,795,430,925	14,617,979,454	1,785,085,415	1,742,726,997	1,407,626,188	1,245,833,821
3	Stable deposits	9,257,612,177	9,204,673,601	7,873,377,853	7,221,115,870	462,880,609	460,233,680	393,668,893	361,055,793
4	Less stable deposits	10,101,976,202	9,978,889,476	8,028,965,453	7,077,865,781	1,322,204,806	1,282,493,317	1,013,957,296	884,778,028
5	Unsecured wholesale funding	24,930,696,294	24,636,540,597	20,894,447,231	18,254,638,216	11,476,095,381	11,272,886,026	9,555,698,478	8,122,870,923
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	630,228,359	623,461,549	537,466,679	550,704,235	149,826,701	148,226,384	128,195,135	131,524,571
7	Non-operational deposits (all counterparties)	24,276,640,770	23,995,888,991	20,221,903,196	17,673,404,970	11,302,441,515	11,107,469,585	9,292,425,988	7,960,817,342
8	Unsecured debt	23,827,165	17,190,057	135,077,356	30,529,010	23,827,165	17,190,057	135,077,356	30,529,010
9	Secured wholesale funding					-	-	-	-
10	Additional requirements	8,083,014,289	8,208,256,546	7,114,656,138	5,985,337,194	4,314,240,653	4,523,532,647	4,050,927,683	3,219,268,043
11	Outflows related to derivative exposures and other collateral requirements	3,744,006,652	3,987,789,353	3,638,314,612	2,899,212,387	3,744,006,652	3,987,789,353	3,638,314,612	2,899,212,387
12	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
13	Credit and liquidity facilities	4,339,007,637	4,220,467,193	3,476,341,526	3,086,124,807	570,234,001	535,743,294	412,613,071	320,055,656
14	Other contractual funding obligations	1,007,071,751	1,008,685,075	824,910,039	721,774,637	926,660,331	936,450,224	764,829,747	668,164,146
15	Other contingent funding obligations	16,038,822,598	15,613,262,979	13,056,102,448	11,589,971,991	516,020,765	563,284,186	512,470,808	507,123,448
<b>16</b>	<b>TOTAL CASH OUTFLOWS</b>					<b>19,018,102,545</b>	<b>19,038,880,081</b>	<b>16,291,552,905</b>	<b>13,763,260,382</b>
<b>CASH - INFLOWS</b>									
17	Secured lending (e.g. reverse repos)	8,155,191,194	7,792,402,270	6,276,511,875	5,004,959,113	-	-	-	-
18	Inflows from fully performing exposures	2,398,919,742	2,498,684,811	1,997,496,444	1,792,245,962	1,496,134,452	1,610,251,557	1,334,508,426	1,195,526,062
19	Other cash inflows	3,962,635,579	4,185,765,384	3,918,041,948	3,055,678,002	3,936,205,405	4,153,815,357	3,894,194,777	3,029,154,196

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		Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on	31.12.2023	30.09.2023	30.06.2023	31.03.2023	31.12.2023	30.09.2023	30.06.2023	31.03.2023
EU 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
EU-19 a	(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-19 b	(Excess inflows from a related specialized credit institution)					-	-	-	-
<b>20</b>	<b>TOTAL CASH INFLOWS</b>	<b>14,516,746,514</b>	<b>14,476,852,465</b>	<b>12,192,050,267</b>	<b>9,852,883,077</b>	<b>5,432,339,856</b>	<b>5,764,066,914</b>	<b>5,228,703,202</b>	<b>4,224,680,258</b>
EU-20 a	Fully exempt inflows	-	-	-	-	-	-	-	-
EU-20 b	Inflows subject to 90% cap	-	-	-	-	-	-	-	-
EU-20 c	Inflows subject to 75% cap	14,516,746,514	14,476,852,465	12,192,050,267	9,852,883,077	5,432,339,856	5,764,066,914	5,228,703,202	4,224,680,258
<b>TOTAL ADJUSTED VALUE</b>									
EU-21	LIQUIDITY BUFFER					23,304,260,582	21,832,024,523	17,737,298,059	14,926,559,738
<b>22</b>	<b>TOTAL NET CASH OUTFLOWS</b>					<b>13,585,762,689</b>	<b>13,274,813,167</b>	<b>11,062,849,703</b>	<b>9,538,580,124</b>
<b>23</b>	<b>LIQUIDITY COVERAGE RATIO</b>					<b>171.53%</b>	<b>164.46%</b>	<b>160.33%</b>	<b>156.49%</b>



The evolution of the LCR indicator in 2023 at consolidated level is presented in the table below:

Liquidity Coverage Ratio UCB - consolidated (equivalent. RON)					
Date	Liquid assets	Outflows	Inflows	Net outflows	Ratio
31-Jan-23	24,662,747,074	21,812,663,211	7,104,126,084	14,708,537,128	167.68%
28-Feb-23	23,771,836,358	21,295,221,281	6,568,042,995	14,727,178,286	161.41%
31-Mar-23	21,032,036,673	16,614,645,630	3,761,427,024	12,853,218,606	163.63%
30-Apr-23	21,471,629,453	18,281,287,575	5,291,799,010	12,989,488,565	165.30%
31-May-23	22,511,260,893	20,430,869,268	7,598,233,605	12,832,635,663	175.42%
30-Jun-23	21,753,482,378	20,008,227,538	6,279,207,612	13,729,019,927	158.45%
31-Jul-23	22,700,306,298	17,129,660,801	4,671,541,823	12,458,118,978	182.21%
31-Aug-23	22,537,293,478	17,810,107,910	5,210,156,504	12,599,951,406	178.87%
30-Sep-23	21,648,171,171	18,049,834,506	5,009,610,136	13,040,224,370	166.01%
31-Oct-23	24,698,078,110	19,946,477,780	6,288,303,368	13,658,174,412	180.83%
31-Nov-23	25,513,147,768	18,166,812,069	3,726,929,362	14,439,882,708	176.69%
31-Dec-23	27,351,137,327	18,671,389,466	3,678,700,751	14,992,688,715	182.43%

In 2023, the LCR level was compliant with the regulatory requirements of a minimum of 100%, as well as exceeding the internally targeted level by the Bank which is above the regulated level.

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

Regarding the evolution of liquid assets, there was a greater volatility of the reserves held at the National Bank compared to the previous year, during the Minimum Requirement Reserve maintenance period. The bank recorded an increase in the portfolio of government issued securities with a very high liquidity quality level, and a slight increase in coins and banknotes, especially towards the end of the year.

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

The next table presents the NSFR summary as of December 2023:

Data	Total ASF	Total RSF	Ratio	Exchange Rate
31-Mar-21	36,370,162,982	21,988,845,371	165.40%	4.9251
30-Jun-21	36,664,152,339	22,076,223,520	166.08%	4.9267
30-Sep-21	37,655,218,179	23,600,574,613	159.55%	4.9471
31-Dec-21	39,571,899,021	24,829,395,127	159.38%	4.9481
31-Mar-22	41,185,048,487	25,832,208,172	159.43%	4.9466
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	43,073,530,563	27,337,111,787	157.56%	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%	4.9746

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## 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	
<b>Available stable funding (ASF) item</b>					
<b>1 Capital:</b>	<b>7,947,334,926</b>	-	-	<b>997,203,142</b>	<b>8,944,538,068</b>
2 <i>Regulatory capital</i>	<b>7,205,277,854</b>	-	-	<b>997,203,142</b>	<b>8,944,538,068</b>
3 <i>Other capital instruments</i>	-	-	-	-	-
4 Retail deposits and deposits from small business customers:	-	23,254,652,367	577,018,803	-	21,935,791,350
5 <i>Stable deposits</i>	-	9,721,302,879	24,443,053	-	9,258,458,636
6 <i>Less stable deposits</i>	-	13,533,349,488	552,575,749	-	12,677,332,714
7 Wholesale funding:	-	27,976,728,227	2,418,512,384	8,397,344,522	22,188,721,969
8 <i>Operational deposits</i>	-	605,038,971	-	-	76,915,009
9 <i>Other wholesale funding</i>	-	27,371,689,256	2,418,512,384	8,397,344,522	22,111,806,961
10 Liabilities with matching interdependent assets	-	-	-	-	-
11 Other liabilities:	273,964,385	871,912,654	-	889,906,962	889,906,962
12 <i>NSFR derivative liabilities</i>	273,964,385	-	-	-	-
13 <i>All other liabilities and equity not included in the above categories</i>	-	871,912,654	-	889,906,962	889,906,962
<b>14 Total ASF</b>					<b>53,958,958,349</b>
<b>15 Total NSFR high-quality liquid assets (HQLA)</b>					
16 Assets encumbered for a residual maturity of one year or more in a cover pool		-	-	-	-
17 Deposits held at other financial institutions for operational purposes		-	-	-	-
18 Performing loans and securities:		18,611,892,383	7,079,752,225	23,516,538,263	26,361,440,208
19 <i>Performing loans to financial institutions secured by Level 1 HQLA</i>		8,027,355,935	-	-	-
20 <i>Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions</i>		960,527,774	453,673,746	438,081,919	760,971,569
21 <i>Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:</i>		9,083,340,770	6,155,489,291	15,726,517,193	25,587,868,889
22 <i>With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk</i>		554,846,198	743,033,677	3,973,496,961	7,950,525,380
23 <i>Performing residential mortgages, of which:</i>		540,667,904	470,589,188	7,337,115,916	-
24 <i>With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk</i>		280,099,971	404,862,516	6,732,817,192	-
25 <i>Securities that are not in default and do not qualify as HQLA, including exchange-traded equities</i>		-	-	14,823,235	12,599,750
26 Assets with matching interdependent liabilities		-	-	-	-
27 Other assets:		8,385,598,832	-	1,857,943,782	1,871,642,001
28 <i>Physical traded commodities, including gold</i>		-	-	-	-
29 <i>Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs</i>		-	-	-	-
30 <i>NSFR derivative assets</i>		-	-	-	-
31 <i>NSFR derivative liabilities before deduction of variation margin posted</i>		273,964,385	-	-	13,698,219
32 <i>All other assets not included in the above categories</i>		8,111,634,447	-	1,857,943,782	1,857,943,782
33 Off-balance sheet items		6,060,442,893	566,064,429	5,746,495,223	925,476,126
<b>34 Total RSF</b>					<b>29,329,816,523</b>
<b>35 Net Stable Funding Ratio (%)</b>					<b>183.97%</b>

During 2023 UniCredit Bank maintained an adequate level of the NSFR, with an average for the last trimester of 176.23%, stable funding covering the duration of long-term assets.

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

### **Risk Mitigation**

The main liquidity mitigation factors for UniCredit Bank are:

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

### **Funding Plan**

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

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

### **Funds transfer pricing (FTP)**

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

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

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

### **Contingency Liquidity Management**

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

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

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

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

### **Early warning indicators**

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

### **Concentration of funding and liquidity sources**

In 2023 the customer deposits were on aprox. 90% of the total debt (on standalone level). Of the total resources from non-banking customers, aprox. 35% were deposits from retail customers, aprox. 60% from corporate customers, the difference being deposits from PB customers and other financial customers excluding banks. With regards to counterparties, the main fund providers of the bank are other entities from UniCredit Group, sovereign and non-financial corporate customers and supranational.

### **Regulatory reporting on Internal liquidity adequacy assessment process (ILAAP)**

The regulatory reporting on ILAAP conducted for 2023 was performed according to the requirements set out by NBR Regulation no.11/2020 (Annex 10 – ICAAP/ILAAP Reader's Manual).

## **12.3 Asset Encumbrance**

In accordance with the EU Regulation no.575/2013 as stipulated in the article 433 with subsequent amendments and connected regulatory requirements and UE Regulation 637/2021, the Romanian UniCredit Group's encumbered and unencumbered assets, at consolidated level, for the year 2023 are disclosed using the EBA templates as stipulated in the above mentioned regulation. Fair value of encumbered assets as at 31.12.2023 was RON 377,860,535, of which debts securities RON 352,226,377 and other financial assets RON 25,634,159.

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### Template A-Assets

The amounts in the templates below are median values on quarterly basis for the year 2023.

Total Assets of the credit institution, split by type of assets stood at RON billion 74.67 as at 31 December 2023 (31 December 2022: RON billion 67.47).

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

RON equivalents Median Values (2023, quarterly basis)		Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
			of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
		010	030	040	050	060	080	090	100
<b>010</b>	<b>Assets of the reporting institution</b>	<b>377,860,535</b>				<b>67,468,597,035</b>			
030	Equity instruments	-	-			42,079,745	-	-	-
040	Debt securities	352,226,377	352,226,377	343,761,679	343,761,679	10,617,725,272	10,617,725,272	9,971,084,185	9,971,084,185
050	of which: covered bonds	-	-	-	-	-	-	-	-
060	of which: asset-backed securities	-	-	-	-	-	-	-	-
070	of which: issued by general governments	352,226,377	352,226,377	343,761,679	343,761,679	10,617,725,272	10,617,725,272	9,971,084,185	9,971,084,185
080	of which: issued by financial corporations	-	-	-	-	-	-	-	-
090	of which: issued by non-financial corporations	-	-	-	-	-	-	-	-
120	Other assets	25,634,159				56,808,976,082	-		

## Template B – Guarantees received

During the year 2023, collateral received by UniCredit Bank at consolidated level amounted to RON 102,593,415,573 RON and were not available for encumbrance.

	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received or own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected liabilities	-	102,593,415,573

## Template C - Encumbered assets/collateral received and associated liabilities

	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received or own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected liabilities (Median value, 2023, quarterly basis)	291,748,095	377,860,535

## Template D – Narrative information

During 2023, the encumbered assets of the Romanian UniCredit Group were approximately 0.56% of the total assets.

The Romanian UniCredit Group encumbered assets' portfolio and the sources of encumbrance includes:

- Government bonds placed as collateral in the clearing systems;
- Government bonds used by the Bank and its subsidiary UniCredit Leasing as guarantees for financing from the European Investment Bank;
- Government bonds used as collateral for repo transactions with Central Bank.

During 2023, the value of the encumbered assets (computed as median values on quarterly basis) was in amount of RON 377,860,535, compared to RON 589,072,583 during 2022.

The Bank's liabilities from the financing contract with the European Investment Bank should be covered at any time with eligible assets in the clearing system managed by Clear stream.

## 12.4 Liquidity Buffer and Funding strategy

### Liquidity Buffer

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

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

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

### Liquidity and Funding strategy

UniCredit Bank reviews annually its liquidity and funding strategy by considering the desired business model, the actual and expected macroeconomic/financial conditions and the funding capacity of the Bank, as well as the overall risk tolerance as reflected by the Risk Appetite Framework. The strategy is implemented in all

management stages of liquidity and financing, from financial planning and monitoring to implementation and execution of the process.

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

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

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

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

## 13. EQUITY EXPOSURES

### 13.1 Description of the equity participations and description of the method of accounting booking

UniCredit Bank Group has no equity positions in the trading book as of 31 December 2023.

The Group's strategy is focused on investments in companies which represent a long term development potential and with which mutual beneficial partnerships can be concluded, whereby the synergies of the partners can create value added for their shareholders.

The table below presents the equity exposures of the Group, including the accounting classification and the prudential treatment applied.

Participation*	Accounting Method	Business activity	Prudential approach	Participation (%)	Amount (RON thousands)
UniCredit Leasing Corporation IFN SA	Investments in subsidiaries	Financial Leasing	IRB	99.98%	78,349
UniCredit Consumer Financing IFN SA	Investments in subsidiaries	Financial services	IRB	50.10%	64,767
UniCredit Leasing Fleet Management	Financial assets at fair value through other comprehensive income	Operational Leasing	Standard	9.99%	9,765
Transfond SA	Financial assets at fair value through other comprehensive income	Financial services	IRB	8.04%	17,334
Biroul de Credit SA	Financial assets at fair value through other comprehensive income	Financial services	IRB	6.80%	2,225
Visa Inc	Financial assets at fair value through other profit and loss	Financial services	IRB	n/a	14,823
<b>Total equity exposures</b>					<b>187,263</b>

\*UCIB became a subsidiary of the Bank beginning with 31 December 2021 (please see more details in Chapter 3.1. Relevant scope of consolidation). The Bank has an indirect controlling interest of 99.98% through UCLC which owns 100% UCIB. Thus, UCIB is not presented per se as a participation in the consolidated financial statements.



### 14. OTHER RISKS

#### 14.1 Real Estate Risk

Real Estate Investment Risk is defined as the potential losses resulting from market value fluctuations of the Bank's own real estate portfolios. This includes the portfolio of UCB, of the property ownership companies and its special purpose companies and shareholding companies. The real estate risk does consider the real estate property for loan collaterals.

The strategy for the management of real estate risk is performed by applying the following basic principles:

- The management of real estate risk is performed through indicators and specific risk models like: total real estate vs total assets, detailed figures within specific reports;
- Specific events will be considered within the stress scenarios.

#### 14.2 Business Risk

Business Risk is defined as representing the adverse, unexpected changes in business volume and/or margins. It can lead to serious losses in earnings, thereby diminishing the market value of a company.

Business risk can result above all from: serious deterioration of the market environment, changes in the competitive situation or customer behavior, as well as changes in the expense structure.

The Bank has implemented internal regulations and specific mechanisms in order to manage the Business Risk, and the capital requirements for this risk are included in the economic capital of the Bank.

#### 14.3 Strategic Risk

The strategic risk is analyzed from the following perspectives:

- Risk of business changes;
- Risk of vicious implementation of the decisions;
- Risk of lack of reactivity;
- Regulatory risk.

The Bank implemented internal regulations and specific mechanisms in order to manage Strategic Risk.

## 15. REMUNERATION POLICY

### 15.1 Description of Remuneration Policy

The Bank's remuneration policies are represented by the Human Resources Policy, Compensation Policy and the Rules on Remuneration – Compensation and Benefits.

The Bank's remuneration policies are approved by the Supervisory Board, upon the recommendation of the Remuneration Committee and are accessible to all employees. The Remuneration Committee has a consultative role and is responsible for preparing the decisions on remuneration topics that need to be taken by the management body.

The Remuneration Committee of the Bank was set up by the Supervisory Board and is composed of 3 members chosen from amongst the members of the Supervisory Board. The Chairman of the Remuneration Committee is appointed by the Supervisory Board.

In 2023, the Remuneration Committee had the following composition:

Nr. Crt.	Remuneration Committee	Position	2023 evolution
1	PASQUALE GIAMBOI	President	01.01.2023 – 31.12.2023
	HÜSEYİN FAİK AÇIKALIN	Member	
	LUBOSLAVA URAM	Member	

In 2023, the Remuneration Committee was convened in eight (8) ordinary and extraordinary sessions.

In accordance with the provisions of NBR Regulation no. 5/ 2013, the remuneration practices for the members of the management body and identified staff are presented in a separate policy – i.e. Policy regarding the structure, composition, assessment of suitability and remuneration of management body and assessment of suitability for key function holders.

UniCredit ensures the alignment between remuneration and risk profile through policies that support risk management, through rigorous governance processes based on informed decisions taken by corporate bodies and by defining compensation plans that include the strategic risk appetite defined by the Risk Appetite Framework, the time horizon and the individual behaviors.

UniCredit uses a compensation mix formed of fixed and variable remuneration.

The performance assessment process is subject to separate regulation setting out the steps of this process, the evaluation criteria and provides for a standardized framework for ongoing assessments.

According to the Rules on Remuneration – Compensation and Benefits, the performance bonus is approved by the Management Board considering the following criteria:

- The financial performance of UniCredit Group;
- The overall outcome of the whole group activity and of the bank considered;
- The performance of the group / department the employee belongs to;
- The sustainable individual performance of the employee;

Variable remuneration can be adjusted and even reduced to zero (*malus* clause) if the Group and Bank benchmark performance criteria are not met. Performance remuneration takes into account both individual and collective performance, setting both individual and collective goals.

General rules for goal setting:

- Part of the goals should contribute to the sustainability of results;
- Business performance criteria is risk adjusted;
- Individual criteria for performance assessment include competency assessment, respecting the values of the Group and the goals set;
- There is at least one indicator pertaining to Risk;
- There is a balance between financial and non-financial goals.

Economic goals must be avoided for Company Control Functions – Internal Audit, Risk Management and Compliance – and individual goals set for employees in these functions shall reflect primarily the performance of their own function and be independent of results of monitored areas.

At individual level, evaluation criteria include qualitative and quantitative elements. Among the qualitative ones, there are included qualifications obtained by employee, compliance with systems and regulatory framework represented by the Bank's internal procedures, involvement in actions or significant projects and contribution to team's performance.

In addition to the above criteria, there are also used prudential criteria for risk adjustment, such as cost of capital and the income obtained after provisioning.

Remuneration package of persons with key management functions includes both fixed and variable elements, in order to achieve a balance and a motivation and retention tool:

- Fixed remuneration component compensates the role of the person and reflects the experience and skills needed for the respective position, as well as the demonstrated excellence level and overall contribution to the objectives of the organization.
- Variable remuneration component is designed to reward results and is correlated with both short-term goals and the long-term goals. Performance measurements consider both the overall performance of the Group and of the Bank, of the Business Area / Competence Line in which the person operates, as well as the individual sustainable results.

In accordance with NBR Regulation 5/2013 the variable remuneration offered to an employee will not be higher than 100% of the fixed total remuneration of each employee, except for the staff members of Control Functions, for which the fixed remuneration is the predominant component of the total remuneration and the variable remuneration is set to 80%.

Remuneration policy and structure of compensation packages for persons with executive responsibilities are subject to annual approval of the Supervisory Board, based on the consultative opinion issued by the Remuneration Committee.

Supervisory Board ensures that remuneration policies are compliant to the culture, goals and long-term strategy of the bank and to its control environment, through the following actions:

- Approves remuneration policies;
- Approves, after consultation with the Remuneration Committee constituted for this purpose, the remuneration practice for the Board members;
- Approves the remuneration practices for the coordinators of the risk functions, for the directors of Internal Audit and Compliance departments.

For the Management Board members, the performance measurement used to calculate the variable remuneration component includes an adjustment for all current and potential risk types and also considers the cost of capital and required liquidity.

For Management Board members, at least 50% of variable remuneration consists in non-cash instruments and at least 40% of variable remuneration is deferred for a period of at least 4-5 years.

Exception to the above rules: staff whose annual variable remuneration does not exceed EUR 30,000 or does not represent more than 1/3 of the total annual remuneration of the respective staff member's.

The Bank applies a performance adjustment practice, which enables the adjustment of the part (up to 100%) from an employee's bonus (Claw back clause) if:

- there is reasonable evidence that the employee participated in or was responsible for conduct which resulted in significant losses to the credit institution;
- there is reasonable evidence that the employee failed to meet appropriate standards of fitness and propriety;
- the Bank or the relevant operational unit suffers a material downturn in its financial performance; or
- the Bank or the relevant operational unit suffers a material failure of risk management.

The remuneration policies and practices of the Group are also implemented at level of the directly controlled entities.

The Bank did not have any employee who benefited from a total remuneration of at least 1 million euro / financial year.

## Information about the remuneration for the Bank's and its consolidated subsidiaries' identified staff

	Members of the management body in their supervisory role	The members of the management body in their management function	Investment banking services	Retail banking services	Asset management	Corporate functions	Independent control functions	All other fields of activity
Number of staff members	6	9	1	13	-	10	7	-
The total number of employees, full time equivalent	-	9	1	13	-	10	7	-
Total net profit in year (in RON)	1,438,383 thousands (Bank: RON 1,293,876 thousands)							
Total remuneration (in RON)	321,710	11,568,214	600,000	17,826,029	-	3,693,441	2,295,266	-
out of which: total variable remuneration	-	4,516,391	147,495	2,968,669	-	710,965	331,651	-

## Information related to remuneration of Identified Staff

RON equivalent	Senior management	Other material risk takers
Number of Identified Staff, in full time equivalent	15	31
<b>Total fixed remuneration (lei), of which:</b>	<b>7,051,823</b>	<b>15,898,271</b>
- cash	7,051,823	15,898,271
- shares and other share-linked instruments	-	-
- other type of instruments	-	-
<b>Total variable remuneration (lei), of which:</b>	<b>4,516,391</b>	<b>2,526,692</b>
- cash	1,895,236	2,077,769
- shares and other share-linked instruments	2,621,155	448,922
- other type of instruments	-	-
<b>Total variable remuneration (lei) awarded in year N and postponed, of which:</b>	<b>3,357,989</b>	<b>460,161</b>
- cash	736,834	11,238
- shares and other share-linked instruments	2,621,155	448,922
<b>Total variable remuneration (lei) postponed, due and unpaid, awarding in previous years - art.450 (1) h from EU Reg.no.575/2013, of which:</b>	<b>11,528,818</b>	<b>709,334</b>
- cash	1,612,021	226,189
- shares and other share-linked instruments	9,916,797	483,145

Special payments	Guaranteed bonuses		Sign-on awards		Severance payments	
	Number of employees	Total amount	Number of employees	Total amount	Number of employees	Total amount
Senior management	-	-	-	-	1	3,848,156
Other material risk-takers	-	-	-	-	1	2,630,717

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	Remuneration amount		Senior management	Other material risk-takers
1	Fixed remuneration	Number of employees	15	31
2		<b>Total fixed remuneration</b>	<b>7,051,823</b>	<b>15,898,271</b>
3		Of which: cash-based	7,051,823	15,898,271
4		Of which: deferred	-	-
5		Of which: shares or other share-linked instruments	-	-
6		Of which: deferred	-	-
7		Of which: other forms	-	-
8		Of which: deferred	-	-
9	Variable remuneration	Number of employees	8	26
10		<b>Total variable remuneration</b>	<b>4,516,391</b>	<b>2,526,692</b>
11		Of which: cash-based	1,895,236	2,077,769
12		Of which: deferred	736,834	11,238
13		Of which: shares or other share-linked instruments	2,621,155	448,922
14		Of which: deferred	2,621,155	448,922
15		Of which: other forms	-	-
16	Of which: deferred	-	-	
17	<b>Total remuneration</b>		<b>11,568,214</b>	<b>18,424,963</b>

Deferred and retained remuneration	Total amount of outstanding deferred remuneration	Of which:	Total amount of amendment during the year due to ex post explicit adjustments	Total amount of amendment during the year due to ex post implicit adjustments	Total amount of deferred remuneration paid out in the financial year
		Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment			
<b>Senior management</b>	<b>11,528,818</b>	<b>11,528,818</b>	-	-	<b>2,689,202</b>
Cash	1,612,021	1,612,021	-	-	641,056
Shares	9,916,797	9,916,797	-	-	2,048,146
Cash-linked instruments	-	-	-	-	-
Other	-	-	-	-	-
<b>Other material risk-takers</b>	<b>709,334</b>	<b>709,334</b>	-	-	<b>730,454</b>
Cash	226,189	226,189	-	-	208,702
Shares	483,145	483,145	-	-	521,752
Cash-linked instruments	-	-	-	-	-
Other	-	-	-	-	-
<b>Total</b>	<b>12,238,152</b>	<b>12,238,152</b>	-	-	<b>3,419,655</b>

See also Consolidated and Separate Financial Statements for December 2023 - Note 11 “PERSONNEL EXPENSES”

### 15.2 Description of the UniCredit Bank management composition in Romania

The management of the entities in the UniCredit Group is governed by a two-tier system, by the Management Board and, respectively, by the Supervisory Board, in accordance with the prerogatives provided by the Constitutive Deed and within the authority levels given by the General Assembly of Shareholders. The members of the Management Board exercise their responsibilities under the oversight of the Supervisory Board.

#### UniCredit Bank

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

#### Members of the Management Board on 31 December 2023:

- Mihaela Alina Lupu on 31.12.2023 held 1 executive mandate (Executive President of UniCreditBank);
- Feza Tan held 1 executive mandate (First Executive Vice President of UniCredit Bank S.A.) and 2 non-executive mandates within the UniCredit Group (all 3 counted as 1 mandate as per Emergency Ordinance no. 99/2006) and 1 non-executive mandate outside of UniCredit Group (in total 2 mandates);
- Antoaneta Curteanu held 1 executive mandate (Executive Vice President of UniCredit Bank S.A.) and 1 non-executive mandate within the UniCredit Group (all counted as 1 mandate under the Emergency Ordinance no. 99/2006) ;
- Raluca Mihaela Popescu-Goglea held 1 executive mandate (Executive Vice President of UniCredit Bank S.A.) and 1 non-executive mandate within the UniCredit Group (all counted as 1 mandate according to Emergency Ordinance no. 99/2006);
- Andrei Bratu held 1 executive mandate (Executive Vice President of UniCredit Bank S.A.) and 2 non-executive mandates within the UniCredit Group (all 3 counted as 1 mandate under the Emergency Ordinance no. 99/2006);
- Cengiz Arslan held 1 executive mandate (Executive Vice President of UniCredit Bank S.A.);
- Dimitar Todorov held 1 executive mandate (Executive Vice President of UniCredit Bank S.A.) and 1 non-executive mandate within the UniCredit Group (all counted as 1 mandate according to Emergency Ordinance no. 99/2006).

#### Members of the Supervisory Board on 31 December 2023:

- Pasquale Giamboi held 4 non-executive mandates within the UniCredit Group one as President of the Supervisory Board of UniCredit Bank S.A, (counted as 1 mandate under Emergency Ordinance no. 99/2006);
- Teodora Petkova held 1 non-executive mandate in UniCredit Spa and 3 non executives mandates within the UniCredit Group out of which one as member of the Supervisory Board of UniCredit Bank S.A ( all counted as 1 mandate under Emergency Ordinance no. 99/2006);
- Faik Huseyin Acikalin held 1 non-executive mandate as member of the Supervisory Board of UniCredit Bank S.A. and 3 non-executive mandates outside of UniCredit Group (all counted as 4 mandates under Emergency Ordinance no. 99/2006);
- Nazan Somer Ozelgyn Zeynep held 5 non-executive mandates, 3 of which within the UniCredit Group (one of which as a member of the Supervisory Board of UniCredit Bank S.A., all these three mandates counted as 1 mandate, according to Emergency Ordinance no. 99/2006) and 3 non-executive mandates outside the UniCredit Group – all counted as 4 mandates, according to Emergency Ordinance 99/2006;

- Grazziana Mazzone held 1 non-executive mandate (member of the Supervisory Board of UniCredit Bank S.A.);
- Riccardo Roscini held 1 non-executive mandate (member of the Supervisory Board of UniCredit Bank S.A.).

### **Policy regarding the selection and appointment of board members**

The Nomination Committee (CN) is a permanent committee established by the Supervisory Board of UniCredit Bank. It is responsible, among others, to identify and recommend to the Supervisory/Management Board, for approval, candidates to occupy the vacant seats within the management body and to assess the balance of knowledge, skills, diversity and experience within the management body.

Once the Nomination Committee has identified a candidate for Supervisory/Management Board position, it assesses the respective candidate according to a “Fit & Proper” internal procedure (Rules for the selection and assessment of Management Board and Supervisory Board members and for assessing the suitability of key function holders) based on at least the following documents: Curriculum Vitae, information about job- specific expertise, personal reliability and good repute, extract from criminal records, and governance criteria: information about availability (time resources), information about relations to the credit institution and about relation with other entities.

A revaluation is done once a year for every member of the Management Body (Management Board and Supervisory Board).

At the end of 2023 the Nomination Committee had 3 members.

### **The Policy regarding Diversity in the Selection of People in the Management Structures**

As of the year end of 2023, there were 6 women in the management of UniCredit Bank (3 of 7 members of Management and 3 out of 6 members of Supervisory Board).

The Group Policy on the structure, composition and remuneration of the Corporate Bodies of Group Companies states that, for the purpose of increasing the number of women on the Corporate Bodies of leading Group Companies and with the aim of reaching at least one third of the members of the Management Board (Supervisory Board and Management Board), the Parent Company has adopted the promotion of women to Corporate Bodies as best practice within the Group.



### 16. OTHER DISCLOSURE REQUIREMENTS

#### Disclosure requirements according to article 644 of National Bank of Romania Regulation no.5/2013 regarding prudential requirements for credit institutions.

Information related to name, nature of activities by geographical area, turnover, number of employees, profit of the year before taxation, profit tax, are available in Consolidated and Separate Financial Statements for year ended 2023, as follows:

- name, nature of activities by geographical area – Note 1 REPORTING ENTITY from Notes to the Consolidated and Separate Financial Statements for the year ended 31 December 2023;
- turnover – Note 4. RISK MANAGEMENT – item k) Turnover - from Notes to the in Consolidated and Separate Financial Statements for the year ended 31 December 2023;
- number of employees – Note 11 PERSONNEL EXPENSES from Notes to the in Consolidated and Separate Financial Statements for the year ended 31 December 2023;
- profit or loss before taxation – CONSOLIDATED AND SEPARATE STATEMENT OF COMPREHENSIVE INCOME;
- public subsidies received - the Bank did not receive subsidies during the financial year 2023.

#### Disclosure requirements according to article 645 of National Bank of Romania Regulation no.5/2013 regarding prudential requirements for credit institutions.

UniCredit Bank registered a good profitability with annualized ROA (return of assets) at 1.91% (1.93% at consolidated level). Information on the key indicators is presented in Chapter 2 "2023 Activity Overview" from the Management Board's consolidated and separate report for the financial period ended 31 December 2023.

#### Disclosure requirements according to article 67 of National Bank of Romania Regulation no.5/2013 regarding prudential requirements for credit institutions.

Bank's Committees are presented in the Management Board's consolidated and separate report for the financial period ended 31 December 2023 on chapter 8 CORPORATE GOVERNANCE.

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

During 2023, the activity of the Supervisory Board was carried out through 21 meetings, of which 6 were Ordinary and 15 were Extraordinary, noting an increasing number of them compared to previous years, as this indicates the availability of the Supervisory Board members to allocate sufficient time to the fulfillment of their duties in good conditions. The attendance of the Supervisory Board Members at the meetings is reflected in the table below:

Supervisory Board Member	Number of 2023 meetings during mandate	Number of 2023 meetings attended	Beginning of exercising responsibilities during 2023	Termination of mandate during 2023
Pasquale Giamboi	21	20	N/A	N/A
Zeynep Nazan Somer Ozelgin	21	18	N/A	N/A
Huseyin Faik Acikalın	21	18	N/A	N/A
Riccardo Roscini	21	17	N/A	N/A
Graziana Mazzone	21	21	N/A	N/A
Teodora Petkova	21	16	N/A	N/A

Throughout the 21 meetings, the Members of the Supervisory Board monitored and discussed in a constructive manner the Bank's strategy, they critically assessed and took decisions on the topics and information presented and/ or reported to them on a regular basis related to:

- quarterly evolution of the financial performance, including economic situation, financial market conditions, benchmarking analyses, commercial performance of the Bank, detailed by business segments and lines of activity at the level of the Group in Romania;
- report on Bank's actions and results in the business divisions: Retail and Corporate banking activities (sales volumes, market shares, evolutions, projects and major initiatives on which the implementation of the Bank's business strategy was based upon);
- Risk Management presentation, including detailed assessment of all strategy risks that the Bank must manage with special emphasis on credit risk, market risk and operational risks, both at the individual level of the Bank and at the consolidated level of the Romanian Group;
- aspects related to the internal control system; Internal Audit, Compliance and Risk Management matters, including findings, measures and recommendations from the regulatory and supervision authorities were discussed on regular basis in the Supervisory Board meetings, including also within the meetings of the Audit Committee, Risk Management Committee and Remuneration Committee;
- activity reports of the committees assisting the activity of the Supervisory Board;
- aspects related to outsourced activities, including externalization of new activities and regular reviews of outsourced activities;
- report on related parties transactions;
- taking decisions related to loan facilities and exposures of the Bank;
- approval of internal regulations and policies;
- information on pending litigation.

In addition to the above topics, having in view the imperative of a prudent, effective and efficient risk management, the members of the Supervisory Board and the consultative Committees set up at the level of the Supervisory Board have taken decisions and constantly assessed the situation regarding:

- the lending strategies and specific measures to address credit risk;
- the evolution of sanctions applied at internationally level as a result of the conflict in Ukraine and the measures taken by the Bank;
- reviewing funding plans and adopting measures to comply with regulatory capital requirements, relative to RAF targets, and own funds and eligible liabilities (MREL);
- the evolution of the main projects related to increasing the digitalization level.

Also there were analysed and decisions were taken on several specific topics, thus being ensured a comprehensive governance framework, respectively:

- approval of the Bank's overall 2023 strategy and of the risk strategy;
- adaptation of the Bank's organizational structure according to internal and external evolutions;
- preparation of the capital adequacy statement and the liquidity adequacy statement and approval of the evaluation report on the ICAAP and ILAAP framework;
- acknowledgement of the results of the stress testing in UCB;

- monitoring and adjusting the implementation schedule of various projects in the risk area;
- periodically reviewing of the general principles of the remuneration policy and monitoring their application and of the remuneration practices of the Bank's staff, including members of the management body;
- monitoring the assessment on an ongoing basis of the adequacy of the members of the management body and of the management body as a whole;
- the composition of the **Bank's Management Board**, as follows:
  - in the meeting dated 03.03.2023, the Supervisory Board:
    - (i) acknowledged the termination of the mandate of Mr. Carlo Driussi as Member of UCB Management Board, Executive Vice-President, Coordinator of COO Division, starting with the date of 17.04.2023, following the expiry of the duration of mandate entrusted to him;
    - (ii) approved the appointment of Mr. Cengiz Arslan as Member of UCB Management Board, Executive Vice-President, Coordinator of COO Division, starting with the date of 17.04.2023, following that the responsibilities to be exercised from the date of receiving the prior approval of the National Bank of Romania (prior approval received on 24.07.2023);
    - (iii) the prolongation of the mandates of the following members of the UCB Management Board, for a new mandate of 3 years, starting with the date of 17.04.2023 and until 17.04.2026:

Name	Position	Division
Feza Tan	First Vice-President	Deputy CEO
Antoaneta Curteanu	Vice-President	Retail
Andrei-Florin Bratu	Vice-President	Risk Management
Diana Ciubotariu	Vice-President	Legal
Dragoş-Marian Bîrlog	Vice-President	Compliance
Raluca-Mihaela Popescu-Goglea*	Vice-President	Corporates
Dimitar Todorov*	Vice-President	Finance

\*\*Mrs. Raluca-Mihaela Popescu-Goglea and Mr. Dimitar Todorov received the prior approval of the National Bank of Romania on 31.03.2023, date from which they started to exercise their responsibilities, as Executive Vice-Presidents, members of UCB Management Board, following the decision of the Supervisory Board during the extraordinary meeting dated 24.10.2022.

- in the meeting dated 06.04.2023, the Supervisory Board acknowledged the termination of the mandate of Mr. Cătălin Răsvan Radu as Executive President of UCB Management Board (CEO), starting with the date of 17.04.2023, following the expiry of the duration of mandate entrusted to him;
- in the meeting dated 29.06.2023, the Supervisory Board:
  - (i) approved the appointment of Mrs. Mihaela-Alina Lupu as Member of UCB Management Board, Executive President, starting with the working date following the day when UCB will receive the prior approval from National Bank of Romania for the exercising by Mrs. Mihaela-Alina Lupu of the responsibilities as Executive President of UCB Management Board, from which date she would start exercising her responsibilities (prior approval received on 13.10.2023);
  - (ii) approved that, starting with 01.08.2023, the UCB Management Board will be composed from 7 members, following the changes brought to the Internal Functioning Regulation rev.70, and therefore, within the same meeting:

- acknowledged the termination of the mandate of Mr. Dragoş-Marian Bîrlög as Member of UCB Management Board, Executive Vice-President, Coordinator of Compliance Division, starting with the date of 01.08.2023;
- acknowledged the termination of the mandate of Mrs. Diana Ciubotariu as Member of UCB Management Board, Executive Vice-President, Coordinator of Legal Division, starting with the date of 01.08.2023.

As regards the composition of the **Bank's Supervisory Board**, during 2023, with the involvement of the Nomination Committee, were analysed and the following changes occurred:

- in the meeting dated 21.02.2023, the Bank's General Ordinary Shareholders' Meeting approved:
  - (i) the prolongation of the mandate of Mr. Riccardo Roscini as member of UCB Supervisory Board (holding the position of Vice-Chairman of UCB Supervisory Board), for a new mandate of 3 years, from 21.02.2023 until 21.02.2026;
  - (ii) the prolongation of the mandate of Mrs. Zeynep Nazan Somer Ozelgin as member of UCB Supervisory Board, for a new mandate of 3 years, from 21.02.2023 until 21.02.2026;
  - (iii) the prolongation of the mandate of Mrs. Graziana Mazzone as member of UCB Supervisory Board, for a new mandate of 3 years, from 21.02.2023 until 21.02.2026.

The consultative Committees subordinated to the Supervisory Board are the following:

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

During the year 2023 there has been no change in the composition of the consultative committees subordinated to the Supervisory Board. There is an adequate number of independent members on the composition of the consultative committees of the Supervisory Board, and the chairmanship of the committees is determined in accordance with legal provisions so as to comply with best governance practices.

### 17. MACROECONOMIC CONTEXT 2023

#### Measures taken by the Romanian State in 2023 in the context the high energy and food inflation

In 2023, Romania's economy grew faster than its regional peers, by +2.1%yoy, (vs. +0.2% in Poland, -0.5% in Czechia, -0.9% in Hungary). The main contributor to GDP growth was the constructions (+0.8pp) with a correspondingly high investment volume (+2.9pp), given the strong public investment in infrastructure amid large EU inflows. Household consumption was high, contributing with 1.8pp to growth, stimulated by a real wage growth of 3.6% for the year. The industrial activity dragged on GDP growth (-0.5pp).

The high inflation over the last two years, driven mainly by the high energy and commodity prices following the Russia's invasion in Ukraine, but also by the transition to a greener energy production, affected the Romanian households' purchasing power. Higher prices for oil, gas and agricultural commodities spilled over to inflation in CEE countries - Romania being among the most affected due to a higher weight of food prices in the consumer basket (~33%). At the same time, the companies, especially in the sectors with a lack of qualified workers, struggled to keep up the pace and hiked the net wages on average by double digits, at rates not much below the inflation rate. In March 2023, the real net wage became positive continuing to fuel the wage-driven inflationary pressures (net average wage +15.7%yoy vs. headline inflation +14.5%yoy), so the consumer demand remained quite resilient in 2023.

To fight the high inflation, NBR, along with other central banks worldwide, had to increase the monetary policy rate at a fast pace, respectively by 5.75 percentage points in fourteen months. The tightening cycle – started on October 6, 2021 from the record low 1.25% (reached on January 18, 2021) up to 7.00% on January 10, 2023 – effectively counteracted the inflation, which entered a downward path since December 2022.

In 2023, the local energy and food market improved to a certain degree following the better conditions in the supply chains, the lower oil price (down to an avg. 80 USD/barrel in December) and the introduction by the government of a legislative cap on energy and basic food prices (the latter as of August 1st 2023, prolonged until December 31, 2024). The government cap on energy prices will expire as of end-March 2025. After reaching a peak in November 2022 (16.8%yoy), the annual inflation declined to 16.4% in December 2022 and to 14.5% in March 2023. In April, it fell by 3pp to 11.2%yoy mainly due to a base effect (in April 2022 the energy and food prices jumped after the start of the war in Ukraine). The annual inflation declined to a single digit as of July 2023 and to 6.6%yoy in December 2023. It recorded a spike at 7.4% in January 2024 triggered by several tax increases (especially excise duties for fuels and tobacco), although halving in comparison to January 2023 (15.1%yoy), supported by the lower food and fuel prices. Disinflation resumed in February 2024, when the headline inflation declined to 7.2%yoy.

The core inflation remained above the headline throughout 2023 ending the year at 8.4%yoy and fell to 7.6%yoy in February 2024, closer to the headline (7.2%yoy). Government cap on energy prices.

#### Government energy price cap

The government prolonged until 31 March 2025 the price cap and compensation scheme on the natural gas and the electricity prices introduced as of November 1, 2021. The scheme consists of state subsidies paid to the energy distributors for the difference between the market prices and a capped energy price paid by the final consumers, households and companies. The subsidies are paid by the state, from the budget of the Labour Ministry for households and of the Ministry of Energy for companies.

The macroeconomic context led to higher than expected interest rates which had a positive impact on the bank revenues, while the high inflation increased their expenses, the banks taking measures to keep the costs under control. The banking sector remained prudent and succeeded to improve the credit quality in 2023 as well (non-performing loans ratio according to EBA definition down to 2.33% as of December 2023 from 2.65% one year before). However, starting July 2022 the non-performing loans ratio remained below the 3% threshold set up by EBA for a low risk.

At this positive situation contributed the prudential measures applied by NBR starting 2018 (Regulation 6/2018 modifying Regulation 17/2012) which introduced restrictions for consumer lending aiming to encourage responsible lending policies and avoid an excessive indebtedness level, protecting the clients against the FX and interest rate risks. Moreover, during pandemic, the government adopted the GEO 37/2020 requiring banks to provide a payment moratorium for maximum 9 months to all customers financially impacted by the effects of the Covid pandemic. The payment moratoria was prolonged by GEO 90/2022 for the customers in financial distress due to the energy and food crisis.

### **IMM Invest Romania program**

The IMM Invest program was made available to the Romanian entrepreneurs in 2020, aiming to offset the Covid restrictions impact in the economy, providing a significant financial support to the local businesses and the local financing banks.

Through this program, the SMEs affected the outbreak of their activity during Covid pandemic have been able to cover their liquidity needs for current operations or investment needs by accessing financing solutions (both working capital and investment loans) from the banks under FNGCIMM guarantee scheme (on behalf of Ministry of Public Finance).

Given the success of the program, the Romanian government continued in 2022 and 2023 the state support scheme IMM INVEST ROMÂNIA PLUS, that includes under the same legislative framework more components: IMM INVEST PLUS, AGRO PLUS, IMM PROD PLUS (for productive SMEs and startups in the urban area), CONSTRUCT PLUS (for SMEs, startups, PFAs, City Halls investing in energy efficiency, green energy), RURAL PLUS and INNOVATION PLUS (for innovative and/or export-oriented SMEs and startups).

The scheme provides non-reimbursable funds, state guarantees for loans and state subsidy for the interest rate in the first year of the loan. The allocated funds are mainly targeting the digital and the green transition, improving the energetic efficiency as well as the urban and rural development.

The scheme was operational between October 2022 and December 2023. The budget for 2023 had been increased to EUR 4.1bn as guarantees and EUR 0.58 bn as non-reimbursable funds (grants).

The IMM Invest program was extended until June 30, 2024, with a maximum budget of EUR 2.5bn for state guarantees and grants. The ceiling for the state aid increased for IMM INVEST to EUR 2.25mn per beneficiary (from EUR 2mn), to EUR 280,000 (from EUR 250,000) per beneficiary in the primary agricultural sector and to EUR 335,000 (from EUR 300,000) per beneficiary in the fishing sector.

### **EU Recovery and Resolution Fund (RRF, locally PNRR)**

A huge opportunity for further development of the SMEs segment is the EU Recovery and Resolution Fund (PNRR). The EU resources could finance the large-scale green transition, the structural transformation and the development of the economy, Romania benefiting from one of the most generous allocations relative to GDP. Romania is the only country in the CEE to have requested all the available grants (EUR 14.2bn) and loans (EUR 14.9bn) from the RRF. Thus, it should receive approx. € 2 billion in grants and at least € 1 billion in loans every six months, the equivalent of 2% of GDP each year until 2026.

The public investment has been the biggest positive surprise in Romania's 2022 and 2023 GDP growth composition. The government increased the infrastructure spending from the budget and disbursed the largest amount as pre-financing (EUR 9.1bn, loans and grants) from RRF among its CEE peers and another tranche of EUR 2.6bn should be received in 2024.

## ANNEX 1: DISCLOSURE FOR UNICREDIT CONSUMER FINANCING SA

### 1 GENERAL REQUIREMENTS

#### 1.1 Strategy and general framework of risk management

UniCredit Consumer Financing (UCFIN) defines specific strategies and policies of risk management for the following types of risks, in a non-exhaustive manner:

1. Credit Risk
2. Market Risk and Interest Rate Risk in the Banking Book (IRRBB)
3. Liquidity Risk
4. Operational Risk
5. Reputational Risk
6. Currency risk
7. Real Estate Risk

#### 1.2 Structure and organization of the risk management function

The risks control structure is based on several operational and control functions, defined as per the provisions of the Organizational and Functioning Regulation, as well as with the existent Group-level provisions.

##### **Supervisory Board (SB)**

The SB is responsible for the set up and keeping of a proper and effective internal control system.

In the context of internal control and significant risks management the Supervisory Board is responsible for the approval of the risk strategy. In connection with the strategic objectives of UCFIN, the Supervisory Board establishes a certain risk profile on an annual basis, the way to determine this profile and the frequency of monitoring.

##### **Management Board (MB)**

The Management Board is responsible to implement the strategy for defining the risk profile of the company, drafted by the Risk Division together with the GBS Division and approved by the Supervisory Board.

In this respect, the management implements/ensures: policies for measurement, monitoring and control of risk, reporting system for the measurement of exposures and of other aspects related to risks, in order to be reported to the proper management levels.

For the support of the risk management activities, specialized committees are set-up within the financial institution: Audit Committee, Risk Management Committee and Credit Committee.

**Audit Committee**, according with the Internal Governance Manual of UCFIN and with its own rules of functioning, as approved by UCFIN, monitors the performance of the internal control system.

**Risk Management Committee** performs the activity related to risks identification, assessment and management according to the provisions of Organization and Operation Regulation of UCFIN and to the provisions of its own approved regulation.

Risk Management Committee is a permanent organizational structure, constituted according to the legislation in force (NBR Regulation no 20/2009 regarding the non-banking financial institutions), having at least the following responsibilities, according to the NBR Regulation:

- to ensure the informing of Supervisory Board about the issues and the significant evolutions which may influence the non-banking financial institution results and its risk profile;
- to develop adequate procedures for the identification, evaluation, monitoring and control of the significant risks;
- to provide Supervisory Board sufficiently detailed and timely information, which will allow it to know and evaluate the management performance regarding the significant risks control and monitoring, according to the approved procedures, and the overview performance of the non-banking financial institution;
- to regularly inform Supervisory Board about the non-banking financial institution exposure to risks, and immediately if significant modifications are occurring in the current or future exposure of the institution to the identified risks.

### **Risk**

It operates as a permanent organizational structure, with responsibilities related to the administration of the general framework of credit risk and operational risk management.

The Risk Division offers support to the Risk Management Committee and the company's management through the current monitoring of the credit risk and operational risk.

In order to ensure an optimal credit and operational risk management at portfolio and individual level, at the time of making the loan decision for each loan application, Risk Division is structured in 4 departments for administrating and monitoring risks. Their responsibilities are detailed in the Company's Organization and Functioning Regulation:

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

### **Finance and Planning Area**

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

### **Marketing and Product Development Department**

Marketing and Product Development Department offers support to Risk Management Committee and the company's management through the current monitoring of the reputation risk.

Operational risk is managed by all the departments whose activities incur operational risks. The monitoring is ensured by regular verification of the limits of operational risk indicators.

### **Other organizational structures with responsibilities related to risk management**

Risk management function is supported at company level through other specialized committees (Discipline Committee, Norms and Procedures Committee, Projects Committee, Product and Pricing Committee, Business Continuity and Crisis Management Committee, etc.).

## **2 RISK ADJUSTED EQUITY**

For the calculation of regulatory equity requirements in 2023, UCFin followed the requirements of Regulation No.20/13.10.2009. According to this Regulation non banking financial institutions must keep own funds at least at the level of minimum required subscribed capital and the aggregated exposure of the institution should



not exceed 1500% of the own funds. Within UCFin the tasks related to the calculation and monitoring of needed capital are performed by the specialized departments of Financial and Risk areas.

For complying with capital adequacy requirements established by NBR Regulation No. 20/13.10.2009 and Group rules, UCFin is involved in a permanent evaluation process of capital requirements, for sustaining current and future activity, which implies the following processes:

- 1) Budgeting
- 2) Monitoring and analysis
- 3) Forecasting

### 3 CREDIT RISK: GENERAL ASPECTS

#### 3.1 Assessment and identification of the credit risk

In determining the risk, the following elements are considered:

- a) the current financial situation of the customers and their repayment capacity;
- b) the capacity to apply, from legal point of view, the contractual commitments;
- c) the financial commitments with persons having special relationship with the non-banking financial institution;
- d) the purpose of the credit and the source of its repayment;
- e) the debts service history for counterpart;
- f) other specific characteristics of the customer and of the transaction that might affect the collection degree of the principal and the interests.

#### 3.2 Credit risk management

The objective of credit risk management is to maximize profit by maintaining exposure to credit risk within acceptable limits.

The credit risk management is performed taking into consideration the credits both at individual level and at whole portfolio level and includes the consideration of the qualitative and quantitative aspects related to risks.

#### 3.3 Principles and practices used in credit risk management

Credit risk management supposes a set of coherent principles and practices, oriented towards the following main objectives:

- a) Establishment of a framework and adequate parameters of credit risk;
- b) Promotion and operation of a healthy and solid credit granting process;
- c) Promotion and maintenance of an adequate process for credits administration, measurement and monitoring;
- d) Permanent control over the quality of the loan portfolio.

**a. The establishment of an appropriate credit risk framework and parameters** takes place on the basis of the following sub - principles:

- a.1. Review by the competent decision makers at least annually of the credit risk strategy and risk policies
- a.2. The policies and procedures shall consider and cover the credit risk identified in all UCFin activities, both at individual and portfolio level

### **b. Promoting and operating a sound and sound credit granting process on the basis of the following sub-principles:**

- b.1. UCFin operates on the basis of well-defined risk criteria, indicating the target market for each category of customers, their destination, credit structure and source of reimbursement
- b.2. UCFin shall establish a clear and coherent credit approval process as well as the modification, renewal, refinancing of already granted loans

### **c. The promotion and maintenance of an adequate credit management, measurement and monitoring process shall be based on the following principles:**

- c.1. UCFin has a credit monitoring and collection system
- c.2. UCFin uses rating and scoring systems to assess customer creditworthiness
- c.3. UCFin uses applications for automated credit processing

### **d. The provision of permanent control over the loan book shall be based on the following principles:**

- d.1. UCFin has through the processing applications used by the ability to control the entire credit process (e.g.: In the case of loans to individuals you can see all parameters, conditions, award stages, application users, those involved in the approval and disbursement, etc.)
- d.2. UCFin may mobilize competent persons at any time to perform internal controls to verify that all procedural conditions are met as individual/per credit facility
- d.3 The use of specific reports on exposures, arrears, provisions, etc.

## **4. MARKET RISK**

**Market risk** is the risk of loss or expected profits arising from market fluctuations in the interest rate and foreign exchange rate. The main sources of the interest rate risk are the deficit correlation between maturity (for fixed interest rates) or the price recovery date (for floating interest rates) for interest-bearing assets and liabilities, the negative trend in the slope and the form of the yield curve (non-parallel evolution of interest rate yields on income generating assets and interest-bearing liabilities), the deficient correlation of adjustments to the rates received and paid for different financial products with similar price restoration characteristics. UCFin's strategy in interest risk management is to equalize the duration of assets and liabilities for all maturities, considering that changes in the value of assets must be linked to changes in the value of liabilities.

Market risk is measured using the methodology approved by Group Financial Risk and is assessed, controlled and limited by the following sets of measures:

Broad market risk measures - Value-at-Risk (VaR) which represents the potential loss of a portfolio for 1 day for a 99% confidence interval: VaR is calculated daily using the historical simulation for the most recent data series of 250 days for the entire balance sheet. VaR is an RAF indicator for UCFIN at the individual level

Granular market risk measures - indicators for specific risk factors, for UCFIN interest rate risk: Basis Point Value Sensitivity (BP01), which measures the change in the present value of positions sensitive to interest rate risk for a parallel 1bp shift in interest rates; it is also used to establish IRRBB, resulting from fixed interest loans. BP01 is calculated daily for the entire balance sheet

FX NOP (overnight net open foreign exchange position)

The Interest Rate Risk in the Banking Book Strategy is defined in line with the requirements of the European Banking Authority (EBA) and is full compliance with the Group IRRBB strategy.

The management of IRRBB aims to optimize, in an on-going scenario, the risk/return profile and long term value creation while reducing adverse impacts on bank's earnings and regulatory capital generated by interest rates volatility.

The main target of IRRBB strategy is the reduction of adverse impacts on net interest income due to interest rate volatility in a multiyear horizon in order to achieve a flow of earnings and a return on capital coherent with the strategic plan.

In order to take into account short and long term effects of interest rate volatility on future net interest income, the IRRBB management is performed within a set of limitations (limits, targets and triggers) defined in the risk appetite framework and in a set of granular restrictions approved by relevant bodies. Limitations are defined in terms of earnings sensitivity and economic value sensitivity envisaging also thresholds per time buckets. The treatment of negative rate is reflected in these IRRBB metrics.

The market risk management is performed through:

- identification, monitoring, analysis and control of market risks: FX risk, interest rate risk, according to group standards and NBR requirements;
- development and implementation of risk management strategy;
- reporting of market risk issues to the management of the Company.

The department responsible for monitoring market risk is UniCredit Bank's Market Risk Department.

The roles and responsibilities of market risk management are detailed in the Market Risk Rulebook for UCFIN.

### 5 LIQUIDITY RISK

**The liquidity risk** is the probability of the Company falling short of its due payments resulting from its contractual relations with costumers and third parties.

In case of UniCredit Consumer Financing, the liquidity risk has the following two components:

- the risk to not respect in time the obligations resulting from its contractual relations with customers and partners, or
- The risk of managing opportunity costs, if the cash available is too high and not invested with high performance (in credit activity).

Liquidity risk management has to be done in conjunction with other significant risks, which may influence the liquidity position: credit risk, operational risk, reputation risk, interest rate risk, foreign exchange risk etc.

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

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

### 6 OPERATIONAL RISK

UniCredit Consumer Financing Operational Risk Management complies with legal and Group regulations in force, and it is performed according to the internal policies and procedures.

Operational Risk is considered a significant risk and is integrated into the UCFIN's policy and strategy regarding significant risks.

Operational risk means the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Operational risk includes legal risk, but excludes strategic and reputational risk. Legal risk includes, but is not limited to, exposure to fines, penalties, or punitive damages resulting from supervisory actions, as well as private settlements.

Operational risk events are those resulting from inadequate or failed internal processes, personnel and systems or from external or systemic events and other external events: internal or external fraud, employment practices and workplace safety, clients' claims, products distribution, fines and penalties due to regulation breaches, damage to Bank's physical assets, business disruption and system failures, process management.

The Operational and Reputational Risk Team is an independent function in charge with operational risk control, within the Risk Area and reporting directly to the Chief Risk Officer (CRO).

The Operational and Reputational Risk Team promotes the actions related to operational risk area and its responsibilities are:

- Manages the collection and validation of the operational risk events, analyzes the exposure to operational risk, examines scenarios, establishes action plans based on the results of the operational risk indicators;
- Provides training and interact with all UCFin departments in order to achieve the above responsibilities;
- Monitors the UCFin Operational risk exposure in accordance with the standards and policies defined at Group level;
- Controls the quality of operational risk loss data and, periodically, provide data on operational risk (internal losses, risk indicators, scenario analysis, risk mitigation measures, reports to management);
- Provides support on risk appetite, budgeting and capital allocation, including operational risk mitigation costs;
- Proposes operational risk mitigation plans, including insurance, and inform the relevant structures at the institution level;
- Assures, in collaboration with the Organization and Project Management Department, the implementation of mitigation actions proposed in the Permanent Working Group and escalates to the competent bodies, if case;
- Identifies, in cooperation with relevant functions, operational risk indicators and scenario analyses, and ensure the quality of data collected, cooperate in analyzing the impact of operational risk when introducing significant new products and significant changes in activities or organizational structure of UCFin;
- Verifies and assures that the company has plans for business continuity in force and that they are regularly updated and tested.

The main instruments used for the management and control of operational risk in UniCredit Consumer Financing are internal operational risk events collection, monitoring of the operational risk indicators and operational risk reporting.

**Collection of operational risk internal events** is a main source for identification and quantification of operational risk. The process of collecting loss events is established through well-defined rules for collection and validation of the data and for reconciliation of the loss data against the accounting bookings, in order to ensure completeness, accuracy and timeliness of data. The responsibilities regarding operational risk reporting are included also in the procedures specific to each area of activity.

The completeness and correctness of the operational risk database is ensured through the analysis of internal accounts, according to the process described in the Rules regarding reconciliation of accounting bookings against operational risk events.

At the institution level, there are implemented a number of **operational risk indicators**. The risk indicators are quantitative values that reflect the operational risk profile of a process or product. The value of an indicator should be correlated to changes in the level of risk. The process of monitoring the operational risk using indicators will help the responsible for operational risk management processes and responsibilities with:

- preventive control of the identified risk at the institution level (early signaling system of risk);
- suggestions for risk mitigation and control;
- effective measures to reduce operational risk.

**Quarterly reports** regarding the exposure to operational risk, which analyses the aspects such as: financial losses detailed on event types, operational risk losses limit usage, capital requirement for operational risk, cross credit events, mitigation actions regarding operational risk are discussed in the Risk Management Committee. The reporting system includes at least bi-annual reports to the Supervisory Board.

The **capital requirement for operational risk** for UniCredit Consumer Financing is determined by the Group using the Basic Indicator Approach (BIA). The minimum capital requirement for operational risk according to BIA approach consists in applying a percent of 15% to the average of the relevant indicators of the last three ended financial years.

### 7. COMPLIANCE RISK

Compliance risk is defined as the current or future risk of adversely affecting profits, equity or liquidity, which may lead to significant financial losses or damage to a credit institution's reputation as a result of a breach or non-compliance with the legal framework; regulatory, with the agreements, best practices or ethical standards applicable to its activities

The risk of compliance also arises in those situations where the rules / regulations are ambiguous or untested or may give rise to a conflict of interest. The risk of compliance exposes the institution to fines and sanctions, penalties, payment of damages, as well as cancellation of contracts and may lead to damage to reputation, franchise and brand value, limiting or losing business opportunities, reducing the potential for expansion and inability to application of contracts.

Therefore, within UCFin, compliance risk management and promoting a culture of compliance are integral parts of the activity. As compliance risk is present at all levels of an organization and, in particular, in operational structures, all staff are required to act responsibly to prevent the risk of compliance..

In this context, the UCFin Compliance Function is included in the control functions at the second level, pursuing the objective of preventing and managing the risk of non-compliance with the legislation and rules on conflict of interest, with the aim of preserving the entity's reputation. , the trust of its clients, as well as the contribution to the creation and consolidation of corporate values.

Broadly speaking, the most important regulations of UCFin for the governance of compliance risk are those that regulate correct conduct in relation to clients, treat clients correctly and issue appropriate opinions, manage conflicts of interest, prevent money laundering and terrorist financing, international sanctions, transparency and consumer protection.

The principles, rules and standards of compliance applied by UCFin for the proper management of compliance risk are based on the applicable legislation, basic rules and standards issued by regulators, other groups,

market practices, the articles of association, codes or practices at the level of industry and the internal code of conduct of UCFin:

- Regarding the conflict of interests, the Compliance function manages current and potential conflicts of interest based on specific policies established at group level adopted and implemented locally. Conflicts of interest confirmed and brought to the attention of management board must be properly managed
- Regarding the correct conduct and treatment of customers correctly, in order to ensure compliance with applicable laws and regulations on unfair commercial practices, a Compliance Function is created within the Compliance Function dedicated to the management of cases related to unfair commercial practices (Local team for unfair commercial practices )
- In order to ensure compliance with applicable Antitrust regulations, the Compliance function is part of the designated team at the bank level, for the management of matters in this area, providing the necessary advice and advice on antitrust issues.

At the same time, at the level of the bank, the management board promotes high quality ethical and professional standards, through the code of conduct adopted and implemented locally, which contributes to reducing risks.

### **Risk Appetite Framework for Preventing and Combating Economic Crimes (AFC RAF)**

It aims to establish **the maximum level of AML / FS** risk that the UniCredit Group, implicitly UCFin, is willing to accept in order to fulfill its business plan and long-term strategic objectives, taking into account the interests of stakeholders (for example, customers, associates / shareholders and regulatory / supervisory authorities), as well as regulatory requirements.

The risk appetite framework is based on key risk indicators to monitor the riskiest customers, transactions and processes.

This objective is achieved through **specific risk preferences** and **calibrated risk indicators**, which allow for **regular monitoring** and implementation of **risk reduction actions, if necessary**.

According to the internal regulation "Framework Regulation on risk appetite AFC RAF", (code R027), AFC RAF is structured on 3 levels, detailed in the following:

- **Level 1:** Risk statement and preferences
- **Level 2:** Indicators and tolerances
- **Level 3:** KRIs and operational limits

**Level 1 - The first level of the AFC RAF sets out the high-level** principles that influence risk appetite to prevent and combat economic crime and is structured in 3 parts: General Statement, Prohibited Activities, Risk Preferences.

#### **Level 2 - Indicators and tolerances**

Residual risk is monitored (combined assessment of inherent risk and adequacy of controls), calculated quarterly based on the AML / FS Risk Assessment methodology and within the perimeter mentioned in the Register of this document. Thus, different levels of escalation and action plans are triggered at different levels of residual risk:

- Significant and critical residual risk levels require specific action plans
- Limited and medium residual risk levels do not require specific action plans

Significant and critical residual risk will trigger its reporting to the management board:

- Presentation of the results of the AML / FS Risk Assessment
- Defining an action plan for critical / significant residual risk

The limited and medium residual risk will trigger its reporting to the relevant local committees:

- Presentation of the results of the AML / FS Risk Assessment and
- Defining an action plan only for certain control pillars whose evaluation has led to inadequate / partially inadequate results

### Level 3 - KRIs and operational limits

Key risk indicators are identified in the two main components of residual risk, namely inherent risk and adequacy of controls. The thresholds are calibrated for each indicator to monitor acceptable levels of risk.

If a threshold is violated, increased monitoring is activated, and the Compliance function (Group and Local) will analyze possible remedial actions, aiming to maintain / restore an acceptable level of risk.

In order to identify the most relevant AFC RAF indicators, criteria were defined on the basis of which the most relevant KRIs were identified.

The AFC RAF Framework, formalized in the Internal Regulations "AFC RAF Risk Appetite Framework Regulation" (**code R027**), contains specific details on the thresholds calibrated for each compliance KRI, based on the historical data of the UniCredit group, together with the methodology for calculating the RAF threshold, the implementation and control of compliance risk indicators included in the RAF and applicable to UCFin, as well as the reasoning and mitigation strategy for relevant KRIs to identify cases above certain "Limits" and "Tolerance" thresholds; and define remedial action when necessary.

## 8. REPUTATIONAL RISK

### 8.1. Assessment and identification of the reputational risk

Identification and assessment of the reputational risk is performed at the overall level of Company and also at all organizational level of the Company and taking into account all the Company's activities, the outsourced activities, and the occurrence of some new activities.

From the point of view of the reputational risk potential, a special attention must be granted to the following aspects:

1. Reaching or exceeding the limits established for the significant risks;
2. Reaching or exceeding some limits of the financial indicators (liquidity, solvability, etc.);
3. Electronic communication – risk potential due to sending, by error or with intention, of some confidential/wrong information from the inside of Company to outside by electronic means, containing identification data from Company side;
4. External communication through unauthorized staff – risk potential by presenting partial data, personal points of view or breaking the confidentiality norms;
5. Staff fluctuations – pressure from the information confidentiality point of view, and also risk from procedures acquirement point of view regarding the Company's processes and especially of internal and external communication rules;

6. Negative media campaigns – risk potential by unilateral presentation of some aspects from Company's activity;
7. Focusing on specific sites of some opinion exclusive from unsatisfied customers, argued or not, aspects in question and notified to the responsible divisions/departments by the Company's staff;

Development of an adequate internal control system for supervising and performing of activities within the Company or for outsourced activities.

### 8.2. Reputational risk monitoring

The reputational risk monitoring is performed through:

- monitoring of all the publications related to UniCredit Consumer Financing;
- evaluation of articles which may represent a potential reputational risk for UniCredit Consumer Financing; establishment, together with the management of the communication strategy for each case;
- IT system monitoring and establishment of clear and restrictive procedures regarding the using ways of e-mail during the relation with the customers and in the external communication.

### 8.3. Management of the reputational risk

The general strategy in administrating this category of risk is realized, without being limited to this, at:

1. Applying a proper manner, the internal norms regarding know your customer policies and the regulations regarding anti money laundering.
2. Selection, through a rigorous analysis, of the clients that require credit facilities;
3. Elaboration of security politics/plans/measure for certain activities/services of the Company;
4. Adopting an adequate form of presentation/communication of informative materials and of the ones for the promotion of the activity and the products of the Company;
5. Establishing working instructions and competencies for decision taken in case of crisis situation;
6. Other measure for administration of reputational risks that the Society considers necessary;
7. Evaluation of the reputational risk, qualitative or quantitative (to be taken into consideration the losses produced by the negative publicity, litigations, etc.).

### 8.4. Diminishing the reputational risk

In crisis situations, with impact for the appearance of the reputational risk, the following aspects are to be considered:

- Establishing the communication strategy (definition of the key messages transmitted and promoted; definition of the channels used for communications);
- Transmitting messages through media communicates, briefly and promptly, periodically updated (the success of the communication is assured by an adequate information flow from the Management Board and the business departments involved);
- Trainings with the call center personnel for establishing the methods/structures for answer providing, depending on specific cases;
- Establishing the procedures and competences of decision taking in case of crisis situation.

Usually, the Company will try to limit the reputational risk through procedures, rules and flows specially created in this respect and through a continuous and sustained communication, transparent and efficient.



For the administration and monitoring of the reputational risk all the departments within UCFin are responsible.

### 9. MINIMUM CAPITAL REQUIREMENTS FOR CREDIT RISK

UniCredit Consumer Financing, as part of UniCredit Group, established as strategic objective the maintenance in 2030 of a moderate risk profile. Even so, having in mind the present characteristics of the market and the financial crisis, it is possible that independently of the adopted measures, the limit set for the risk profile indicators to be exceeded. In this respect, the exceeding of the indicators of moderate risk is taken as trigger point. Thus, from the strategic point of view, the targeted risk profile for 2030 is a moderate risk, but the institution is prepared for a medium risk profile, reaching this limit not being an objective by itself.

#### Required capital for coverage of unexpected losses

According to the Strategy for management of significant risks in UniCredit Consumer Financing, the institution must calculate the capital requirements for covering the significant risks. Normally, this required capital (economic capital) is different from the minimum capital calculated according to the regulations in force regarding capital adequacy.

For local consolidation purposes, the economic capital for UCFin, calculated through the Financial Investment Risk method is received from the Group twice a year. The method is applied for “small legal entities” and covers all significant risks (credit, operational and market).

### 10. CREDIT RISK MITIGATION TECHNIQUES

The Company diminishes the credit risk through:

- taking credit exposures to well-rated counterparties;
- the obligor rating will be subject to regular review;
- the credit and credit risk assessment process will be subject to periodic review in order to make it fit for size, complexity of the business, development strategy, etc., and not least to the legal regulations in force;
- regular detailed analyzes will be carried out on the entire loan portfolio;
- identification of loans for valuation for individual purposes and segmentation of the loan book into groups with similar credit risk characteristics for collective analysis and valuation ;
- judgments on the credit risk quality of the loan portfolio shall take into account relevant internal and external factors which may affect the level of credit collection (such as policy, geographical, economic or industrial factors);
- implement a systematic and logical method of consolidating expected losses and ensure that the provisions recorded are consistent with the applicable accounting framework and the relevant prudential banking regulations ;
- methods will be used to initial validate and quarterly monitor the models used

Considering the development of the Company’s activity and the modifications registered in the general strategy, the limits regarding credit risk are reviewed and modified whenever necessary, in order for an adequate correlation to be reached between the Company’s risk profile and the targeted profitability

A well-structured segregation of duties is considered in order to ensure that responsibilities that might drive to conflicts of interests are to be allocated to different departments/divisions.

The Company has IT systems due to which the credit risk issues are reported on time (for instance: monthly close monitoring of the credit portfolio can help identify certain risk concentrations).

A rating system or scoring is used in credit risk valuation, system that facilitates the analysis of the information and elements presented in the financial documents of the customer (private individual).

With the aim of preventing the losses due to non-payment within a credit transaction, UCFin monitors the fulfilment of the client's obligations through:

- constant monitoring of the turnover through the customer's accounts – this must be relevant in relation with the granted loan amount;
- constant monitoring of the fulfilling of the credit contract stipulations (including the conditions);
- classification and allocation of loan loss provisions;

If deviations from the contractual conditions or deterioration of the customers' financial situation and/or solvency are identified, the Company must come with a written proposal to the customer in order for him to take some specific steps to eliminate the reasons of the deviations.

The Company accepts exposures from the credits granted to private individuals differentiated according to the customer's associated risk and to the type of transaction/product. The correlation of the credit risk classes with rating classes is established through internal specific procedures regarding the provisions calculation and determination. As the credit activity is permanently growing, the credit portfolio structure might suffer modifications, considering the Company's development strategy. The departments responsible for identification, assessment, management and monitoring of the credit risk are the following: departments within the Risk and Collection Division, Operations Department, IT&C Department and Accounting Department.

## ANNEX 2: DISCLOSURE FOR UNICREDIT LEASING CORPORATION IFN SA

### 1. GENERAL REQUIREMENTS

#### 1.1. Strategy and general framework of risk management

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

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

1. Credit risk
2. Operational risk with all its subcategories including legal risk, conduct risk, ICT and security risk
3. Reputational risk
4. Market risk
5. Liquidity risk
6. Real estate risk
7. Business risk
8. Compliance risk

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

- Underwriting:
- Risk Strategies and Control
- Non- Financial Risk
- NPE & Monitoring
- Planning
- ALM Management & Financing

The risk management framework is clearly and transparently transposed in the internal rules, procedures, manuals and codes of conduct, clearly mentioning the standards applicable to all employees and those applicable only to specific categories of employees.

#### 1.2. Structure and organization of the risk management function

UniCredit Leasing Corporation IFN has organized a comprehensive and independent risk management function, under the direct responsibility of the management, with a staff with comprehensive experience, appropriate to the risk profile, so that it can play a significant role in the process of identifying, measuring, controlling and reporting risks.

In UniCredit Leasing Corporation IFN, decisions regarding risk management activity are taken by the committees and responsible entities of the Risk Management Division and the Finance Division.

The following committees also have responsibilities for risk management:

- **Risk Management Committee**

Risk Management Committee is a permanent advisory committee subordinated to the Supervisory Board, that manages significant risks, risks with significant impact on the patrimonial and / or reputational situation of the company (credit risk, market risk, operational risk and reputational risk), as well as the risks associated with outsourced activities.

- **Supervisory Board (SC)** is responsible for establishing and maintaining an adequate and efficient internal control system.
- **Executive Board** is responsible for implementing the strategy and the policies on risk management.
- **Audit Committee**

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

- **Transactions Committee**

It is a standing committee with decision-making role and represents the main approval authority in relation to individual credit exposures/credit transactions, based on the powers delegated by the Executive Board, within the limits established by it, in relation to all client segments of the company, its main mission being to analyze, approve, recommend, approve and/or reject credit applications and those related to changes to be made to previously approved transactions, approves the establishment of credit risk provisions and migration to off-balance for clients/exposures in restructuring and recovery

The Transaction Committee meets in two sessions:

- a) Credit Subcommittee
- b) Special Credit Subcommittee

and is structured on several decision-making levels, regulated in the Committee's Rules of Procedure

- **Operational Permanent Work Group**

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

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

- **Non-Financial Risk Committee (NFRC)**

The Non-Financial Risk Committee (NFRC) has an advisory or deliberative role, as appropriate (as described below), with the possibility to issue opinions, as appropriate, on major incidents affecting ICT services and on information security, as well as decisions on reputational risks associated with credit or non-credit cases/initiatives/transactions (in the respective area of competence).

The Non-Financial Risk Committee meets in two sessions:

- a) NFRC - ICT Security and Cyber Risk Subcommittee, involved in the analysis of major incidents affecting ICT services in the reference domain, as well as those with potential major impact, to identify and establish corrective actions to effectively resolve ongoing incidents, to prevent the occurrence of new incidents and to monitor information security administration in all areas defined by internal regulations and group policies.
- b) NFRC -Reputational Risk Subcommittee has the role, within its area of competence, to analyze and issue decisions in relation to reputational risk associated with credit cases/initiatives/transactions, as well as for non-credit activities and is involved with priority, before any other committee/formal decision. For lending activity, the decision issued within this subcommittee is followed by the analysis of the lending opportunity and the final lending decision, according to the established decisions rights.

### 2. RISK CAPITAL ADEQUACY

For the calculation of regulatory capital, UCLC applied during 2023 the requirements of Regulation No. 20/2009 with its further changes and updates, the last of these being by Regulation 3 / 31.05.2023. In accordance with this Regulation the non-banking financial institutions must keep own funds at least at the level of minimum required subscribed capital, meet at all times a solvency ratio of at least 8%, representing own funds expressed as a percentage of the total risk-weighted exposure, and the risk-weighted amount of large exposures to a single debtor does not exceed 25% of the value of own funds. In order to calculate the regulatory capital, UCLC used during the year 2023 the approach imposed by local regulations (NBR) for credit risk.

- Within UCLC, the tasks related to the calculation and monitoring of needed capital are performed by the specialized departments of Financial Division and **Risk Management Division**.

For complying with capital adequacy requirements established by Regulation No. 20/2009 and Group rules, UCLC is involved in a permanent evaluation process of capital requirements, for sustaining current and future activity, which implies the following processes:

- Budgeting
- Monitoring and analysis
- Forecasting

For the **budgeting** process:

- The different business segments provide the budgeted volumes for the following year;
- Risk Strategies, Monitoring and Reporting department estimates the credit risk provisions based on the above volumes;
- Planning Department calculates the capital requirement and compares it with the existing capital;
- In order to assure an adequate level of capitalization, RWA optimization actions are considered. Starting from the capitalization objectives, UCLC establishes measures for optimizing the structure of its loans and guarantees.

**Monitoring and analysis** process implies:

- Monthly calculation of capital requirement;
- RWA optimization actions;
- Optimal capital allocation in order to add value to the shareholders.

**Forecasting process:**

During the entire year, several forecasting actions are performed in order to have estimations as accurate as possible of the capital requirement evolution.

### 3. CREDIT RISK: GENERAL ASPECTS

#### 3.1 Assessment, identification and credit risk management

UCLC is exposed mainly to credit risk in financing activities. Credit risk is the most important type of risk the company is facing. Thus, the most important risk generating activity is financing, but any other activity of the company may be generating potential credit risk (extra balance sheet commitments).

The following types of risks are considered components of credit risk in our company:

- A. The risk of default;
- B. The concentration risk;
- C. The residual risk.

Credit risk management involves a set of principles and practices oriented towards the following directions:

1. Establishing an adequate framework and parameters for credit;
2. Promoting and operating a healthy and robust process to grant funding;
3. Promoting and maintaining an adequate management, measurement and monitoring financing process;
4. Providing a permanent control on loan portfolio.

#### 3.2 Management of Credit Risk

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

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

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

The mission of credit risk management function was to:

- Implementing internal processes and regulations which ensured that lending decisions were taken in compliance with the legal and internal provisions in force and were not affected by conflicts of interest
- Implementing policies and strategic guidelines for the identification, measurement, assessment, monitoring, reporting and control or diminishing of credit risk;
- Implementing strategies and risk appetite;
- Continuous analysis of clients' repayment capacity and willingness to repay the debts at due date, monitoring of documentation, contractual clauses, collaterals or other risk mitigations techniques;
- Drafting of credit risk reports and internal reports to the Group and other counterparties;
- Permanent monitoring of various credit risk portfolios, for the purpose of identification and proper management of problem and for applying the adequate adjustments and provisions;
- Recovering and restructuring of UCL exposures in default; enhancing collections actions in order to reduce UCL costs triggered by loan loss provisions.

The measures undertaken by UniCredit Leasing in order to mitigate credit risk were:

- Evaluation of the clients' repayment capacity, on individual level and group level (where applicable);
- Avoidance of credit concentration on: economic sectors and asset classes (difficult to sell in case of repossession).
- Dispersion of credit risk through the diversification of the client database
- Monitoring of the exposure undertaken by the company towards a large exposures and affiliated parties;
- Improving the monitoring process, with the main objective of identifying and tracking (careful monitoring) exposures with a high degree of risk and proposing the necessary measures to reduce or limit potential losses;
- Improvement of the monitoring system and the automatic classification of the portfolio by monitoring classes
- Carrying out sustained activities for the debt collection
- Periodical review (calibration) of the client analysis systems used for loan granting (scoring systems);

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

### **Underwriting:**

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

### **Risk Strategies and Control:**

- Monitors the Company customers' portfolio based on specific indicators and reports;
- Monitors quarterly the credit risk strategy on industry;
- Monitors the indicators established in accordance with the Company risk profile;
- Fundaments the provisioning process by drawing up and revising specific internal regulations (for provisions calculated according to IFRS requirements);
- Monitors the evolution of the client portfolio (by client segments, by defaults, by industries, by types of financed goods, by sales channels, etc.);

### **NPE & Monitoring:**

- Achieve soft collection activity for clients with higher exposure and monitors and support the external partners in the collection activity;

- Define strategy and identify solutions for the cases which are in the competence of Special Credits Committee or of the Group;
- Manages the repossession activity (externalized);
- Manages the relation with the lawyers on insolvencies cases, criminal charges and legal execution files;
- Defines the restructuring strategies, negotiates, approves, implements and monitors the restructuring cases;
- Monitors the clients with risk of default and takes pro-active measures;
- Implements public moratorium measures for clients affected by the geopolitical crisis
- Performs the Initial Valuation of financed assets, during this process assesses the remarketing quality of the financed assets, issues opinions initial valuation, classifies assets and recommends financing structures according to the depreciation curve of each asset being financed and the possibilities for recovery and remarketing in case of repossession
- Is responsible for Asset Portfolio monitoring, statistical appraisal for mobile asset portfolio, inspections on the field for assets with acquisition value above established threshold
- Performs assets appraisal, monitors and validates external appraisals for the second hand financed assets or real estate financing

### **Reporting and controlling tools on credit risk management line:**

- Group Reporting
  - Risk Report - monthly - provides different analysis to monitor the credit quality of the portfolio (evolution of defaulted loans, divided by kind of leased asset, industries, analysis on LLP and Coverage, Expected loss);
  - Strategy Monitoring Report – quarterly – helps in monitoring the credit risk strategy on industries;
  - FINREP – quarterly – provides detailed information regarding the non performing portfolio and its evolution.
  - Annual Stress Test exercises regarding IFRS9 calculation
  - COREP Reporting, including full alignment with FINREP reporting
- Reporting to the management
  - Quarterly monitoring the company's risk profile through relevant indicators for the business;

### **3.3 Treatment and valuation of credit risk**

For a prudential valuation of the credit exposures, there were implemented rating systems based on which the exposures are classified considering the related credit risk assessment for each debtor, through a general scale of default risk assessment.

Internal ratings and default probability play an essential role in the entire credit risk management process within UCLC.

Rating valuation is an important part of the credit approval process. Credit risk tolerance takes into consideration credit granting limitation based on rating classes. Thus, there will be no credit granting to the clients with a non-performing rating (according to internal classification).



Later on, during the credit tenor, the rating information is an important part of monitoring as well as of restructuring and of the progress of the non-performing credits.

Risk reporting and portfolio management framework is focused on the rating information (coming to complete the information of the debt service).

#### 4. Management of market risk

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

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

Market Risk management during 2023 was achieved through:

- Identifying, monitoring, analysis and market risks control: currency risk and interest rate risk, according to group guidelines and requirements of the National Bank of Romania;
- Reporting of market risk issues to Risk Management Committee and Management Board;
- Evaluation of financing opportunities and their active implementation;
- Analyzing the evolution of UCL balance sheet considering the evolution of economic variables / market;
- Analysis of foreign exchange position in each currency (RON, EUR, USD);
- Analysis of interest rate position on each type of interest (fixed, variable) and on each maturity;
- Monthly analysis by interest rates, types of currencies and maturity classes and monthly reporting to the Group;
- Reports on the results of the analyzes are submitted to the Directorate quarterly or more frequently, upon request
- Quarterly reporting to Supervisory Board regarding market risk;

In order to mitigate market risk, the Company, during 2023:

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

During 2023 Basis point Value indicator ("BPV") was below the limit of 150,000 and the Value at risk ("VAR") exposure was below the limit of 1,500,000.

The 2023 Market Risk assessment exercise evaluated the Control system as Adequate.

#### 5. Management of liquidity risk

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

Liquidity risk is internally managed by Finance Division.

Liquidity Risk management during 2023 was achieved through:

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

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

In order to identify, quantify and report the liquidity risk, in 2023 were taken into consideration the following:

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

To manage and monitor liquidity risk, in 2023 UCL had a set of limits and trigger levels established with Market Risk Management Department within UCB. Also specific reports were used, as follows:

1. In order to manage short term liquidity, the following reports were analyzed:

- monthly liquidity ratio (cash position) which contains all the available cash in bank accounts owned by UCL;
- a quarterly report on liquidity by maturities which presents the situation of assets (leasing portfolio) and liabilities (refinancing lines) split by maturities.

2. Structural liquidity management and financing needs

In order to manage and monitor liquidity risk, UCL has monthly calculated and reported the Structural Liquidity Ratio.

In 2023 there were no deviations of the ratios.

The 2023 Liquidity Risk assessment exercise evaluated the Control system as Adequate.

### **6. Management of Real Estate risk**

Real Estate Risk is defined as the potential losses resulting from market value fluctuations of the Company's own real estate assets, directly owned offices or repossessed assets. Real Estate risk reporting process is subject to the Group policies.

During 2023, the real estate market was regularly monitored and no events were observed that would significantly impact any market segment. The results from the revaluation activity of the real estate assets in the company's portfolio did not reveal major fluctuations that could generate possible losses.

### **7. Management of Operational Risk**

Operational risk management in UCL is performed in accordance with the rules and regulations issued by National Bank of Romania, Group recommendations and instructions transpose in internal procedures by Non-Financial Risk Technical Structure.

For an efficient operational risk management, the framework implemented within UniCredit Leasing includes clearly defined responsibilities for the identification, measurement, monitoring, mitigation and reporting of operational risk. Also, the operational risk management structure within the Risk Management Division has

the role of coordinating the operational risk management, performing independent analyses, monitoring and controlling this risk, detailed responsibilities being listed below

- Issuing, amending and proposing for approval to the competent bodies the general policies regarding operational and reputational risk management, in compliance with the National Bank of Romania regulations and Group instructions and recommendations;
- Ensuring the coordination of operational risk data collection and validation in Group operational risk database;
- Setting and monitoring risk indicators for operational and reputational risks;
- Weekly and monthly reporting to the Group of the relevant operational risk events and economic manifestations;
- Regular reporting of operational risk information to the relevant Committees according to the internal regulations in force;
- Implementation of risk controlling processes, methods and systems, necessary risk mitigation tools;
- Providing support to other structures regarding operational and reputational risk topics;
- Providing opinions in respect of operational and reputational risks impact in case of new products and significant changes to the existing ones, in line with the legal and internal regulations;
- Providing support in the process of issuance/amendment of internal regulations from an operational and reputational risks perspective, proposing policies, processes, tools and models for controlling operational and reputational risks;
- Monitoring the exposure to operational risks, in accordance to the standards and policies in force;
- Setting-up, organizing and monitoring of mitigation actions defined following the operational risk analyses in relation to operational risk losses, indicators, meetings of the Permanent Working Group, etc;
- Delivering trainings to all employees related to operational and reputational risk policies implemented at local level and other operational and reputational risk topics.
- Manage the activity of the Permanent Working Group on Operational Risk and contributes to the identification and risk reduction by recommending changes/prioritization/corrective measures, if necessary

Main measures taken in 2023 for the management of operational and reputational risk are listed below:

- Implementation and monitoring of the Group operational and reputational risk Strategy pillars at local level;
- Consolidation of operational risk culture across the company in order to have in place an efficient operational risk management process in accordance with the regulations in force;
- Increasing visibility and the level of awareness related to operational risk across the company through trainings, presentations and materials available for all employees and also by organizing an online training followed by a testing for all employee
- Performance of operational risk assessments for ICT Risk according to Group requirements;
- Collaboration with all structures for collecting operational risk data, assessing operational risks and potential losses and mitigating operational risk exposures;
- Periodic monitoring and reporting of risk indicator thresholds for operational, reputational, ICT and security risks

- Annual review of operational risk indicators system
- Improvement of existing reports by including additional information; details regarding analyses and measures agreed in the Permanent Work Group;
- Providing operational and reputational risk opinions regarding new/renewed internal regulations and initiated projects;
- Periodic monitoring of exposure to operational risks and monitoring of compliance within the approved limits for economic manifestations as a result of operational risk events

Periodical reporting of operational and reputational risk data to the Risk Management Committee, Audit Committee and Supervisory Board

### **8. Management of reputational risk**

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

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

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

During 2023, no activity/ situation that might have had an impact on the UniCredit Leasing's reputation occurred, therefore no specific measures needed to be taken.

The reputational risk monitoring activities are performed by:

- Daily assessment of written articles and news which might represent a potential reputational risk for the company. For articles which might present a potential reputational risk an assessment is performed and set up, together with designated departments and corporate bodies, the communication strategy for each case;
- Monitoring of the IT system and establishment of clear and restrictive procedures and rules regarding the ways to use e-mails when communicating with clients and in external communication;
- The daily monitoring of all media (written, audio-visual and online press) related to - a list of key words related to leasing perimeter;
- Implementation and monitoring of reputational risk pillars within the Group's Operational and Reputational Risk Strategy at local level;
- Specific reputational risk indicators;
- Quarterly reporting of the Group on relevant reputational risk events;
- Appropriate application of KYC (know-your-customers) rules and regulations in force related to the prevention and combating of money laundering in case of clients or partners;

- Analysis of implementation of specific Group policies that assure a rigorous evaluation of the financing projects with potential reputational risk
- Proper training of the personnel regarding the KYC AML and FS;
- Dissemination and appropriate application of the principles of the Code of Conduct

Particular attention was paid to the potential reputational risk (and any other relevant risk) that resulted from the investigation carried out by the Romanian Competition Council on the financial leasing and consumer credit market for an alleged breach by object regarding the exchange of information which took place for a limited period of time during 2014 within the industry's professional association (ALB). The investigation was completed at the end of 2020, by fining the investigated parties, including UCLC, which paid the fine within legal term, in 2021, but challenged the Competition Council's decision in court, the litigation being ongoing at the end of 2022. On 25.10.2023, the court pronounced a solution unfavorable to UCLC, in the sense that it rejected the request made by UCLC regarding the cancellation of the investigation report and the minutes as unfounded. The decision has not been communicated to UCLC as of this date and can be challenged with an appeal within 15 days of communication.

### 9. Management of Business risk

Business risk is defined as adverse, unexpected changes in business volume and/or margins. It can lead to serious losses in earnings, thereby diminishing the market value of a company.

Business risk can result above all from:

- serious deterioration of the market environment;
- changes in the competitive situation or customer behavior.

Because of its nature, the business risk cannot be subject to mitigating actions, given that most of the key underlying drivers (e.g. regulatory changes, competitive changes, etc.) could suffer from external impacts with effects that could not be properly or entirely mitigated in advance by managerial actions. Although, the Company is continuously trying to diversify the range of products offered, to monitor and reduce if the case, the limits on industries that are facing difficulties.

As a result of the geopolitical context, the payment behavior of customers was monitored in connection with the affected areas. Also, the payment behavior of agricultural producers affected by soil drought was monitored.

The company has an ongoing concern about ensuring the continuity of business activities and the health of employees, partners and customers.

### 10. Management of compliance risk

Within UniCredit Leasing Corporation ("UCLC"), compliance risk management and promoting a compliance culture are integral parts of the business. As compliance risk is present at all levels of an organization and, in particular, in operational structures, all staff are required to act responsibly to prevent the risk of compliance.

In this context, the Compliance Function is included in the control functions at the second level, pursuing the objective of preventing and managing the risk of non-compliance with the legislation and rules on conflict of interest, with the aim of preserving the Company's reputation, the trust of its clients, as well as the contribution to the creation and consolidation of corporate values.

The Compliance function plays an important role in creating corporate values, strengthening and maintaining the reputation of UCLC and public confidence in the integrity of operations and its management.

Compliance takes a proactive role in advising UCLC's functions on regulatory requirements, particularly with respect to requirements applicable to existing products/new products, processes, business initiatives,

commercial campaigns, marketing materials, sets of rules of conduct, guidelines and standards to be followed, for the perimeter of competence.

In order to ensure the adequate prevention, management and monitoring of any relevant compliance risks, the Compliance Function performs the following tasks:

- a) Counseling in the areas of compliance;
- b) Assessment of compliance risks and conducting level two-level controls in the areas of compliance;
- c) Providing compliance trainings and promoting compliance culture.

In addition, the Compliance function ensures a continuous dialogue and maintains the relationship with the supervisory authorities. These activities are the subject of an annual planning exercise, and the results related to the performed activities are formalized and periodically reported to the governing bodies of UCLC - the Management Board and the Supervisory Board, the relevant committees and, within a structured planning and reporting activity.

The most important regulations for regulating compliance risk are those that regulate customer knowledge, prevention of money laundering and terrorist financing, international sanctions, transparency and consumer protection, antitrust.

## ANNEX 3: UNICREDIT BANK SA XLS TEMPLATES

Covered area	Template id	Template Name	Link to
Scope of application	EU LI1	Differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories	<a href="#">EU LI1'A1</a>
	EU LI2	Main sources of differences between regulatory exposure amounts and carrying values in financial statements	<a href="#">EU LI2'A1</a>
	EU LI3	Outline of the differences in the scopes of consolidation (entity by entity)	<a href="#">EU LI3'A1</a>
Regulatory capital		Composition of regulatory capital-Own Funds	<a href="#">Own funds structure'A1</a>
		Reconciliation of regulatory capital to Financial Statements	<a href="#">Reconciliation Own Funds'A1</a>
		Main features of regulatory capital instruments	<a href="#">Cap. Instr. - Characteristics'A1</a>
		Features of tier 2 subordinated capital instruments	<a href="#">Terms and conditions'A1</a>
	KM1	Key metrics (at consolidated group level)	<a href="#">KM1'A1</a>
Capital requirements	EU OV1	Overview of RWAs	<a href="#">EU OV1'A1</a>
	EU CR8	RWA flow statements of credit risk exposures under the IRB approach	<a href="#">EU CR8'A1</a>
	EU CR10	IRB (specialized lending and equities)	<a href="#">EU CR 10'A1</a>
	EU CCR7	RWA flow statements of CCR exposures under the IMM	<a href="#">EU CCR7'A1</a>
Counterparty credit risk	EU CCR5-A	Impact of netting and collateral held on exposure values	<a href="#">EU CCR5-A'A1</a>
	EU CCR5-B	Composition of collateral for exposures to CCR	<a href="#">EU CCR5-B'A1</a>
	EU CCR1	Analysis of CCR exposure by approach	<a href="#">EU CCR1'A1</a>
	EU CCR2	CVA capital charge	<a href="#">EU CCR2'A1</a>
	EU CCR3	Standardized approach – CCR exposures by regulatory portfolio and risk	<a href="#">EU CCR3'A1</a>
Capital buffers		Capital buffers	<a href="#">Capital buffers'A1</a>
Credit risk adjustments	EU CR1-A	Credit quality of exposures by exposure class and instrument	<a href="#">EU CR1-A'A1</a>
	EU CR2-A	Changes in the stock of general and specific credit risk adjustments	<a href="#">EU CR2-A'A1</a>
	CQ1	Credit quality of forborne exposures	<a href="#">EU CQ1'A1</a>
	CQ2	Quality of forbearance	<a href="#">EU CQ2'A1</a>
	CQ3	Credit quality of performing and non-performing exposures by past due days	<a href="#">EU CQ3'A1</a>
	CQ4	Performing and non-performing exposures and related provisions	<a href="#">EU CQ4'A1</a>
	CQ5	Quality of non-performing exposures by geography	<a href="#">EU CQ5'A1</a>
	CQ6	Credit quality of loans and advances by industry	<a href="#">EU CQ6'A1</a>
	CQ7	Collateral valuation - loans and advances	<a href="#">EU CQ7'A1</a>
	CQ8	Changes in the stock of non-performing loans and advances	<a href="#">EU CQ8'A1</a>
Asset encumbrance	A	Assets	<a href="#">Template A</a>
	B	Guarantees received	<a href="#">Template B</a>
	C	Encumbered assets/collateral received and associated liabilities	<a href="#">Template C</a>
Remuneration		Information about the remuneration for the Bank's staff	<a href="#">Remuneration 1'A1</a>
		Information related to remuneration of Identified Staff	<a href="#">Remuneration 2'A1</a>
Leverage	LRSum	Summary comparison of accounting assets vs leverage ratio exposure measure	<a href="#">LRSum'A1</a>
	LRCom	Leverage ratio common disclosure template	<a href="#">LRcom'A1</a>
	LR SPL	Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)	<a href="#">LR SPL'A1</a>

Covered area	Template id	Template Name	Link to
IRB Approach to credit risk	EU CR9	IRB approach – Back-testing of PD per exposure class	<a href="#">EU CR9!A1</a>
	EU CR6	IRB approach – Credit risk exposures by exposure class and PD range	<a href="#">EU CR6!A1</a>
	EU CCR4	IRB approach – CCR exposures by portfolio and PD scale	<a href="#">EU CCR4!A1</a>
Credit risk mitigation techniques	EU CR3	CRM techniques – Overview	<a href="#">EU CR3!A1</a>
	EU CR4	Standardized approach – Credit risk exposure and CRM effects	<a href="#">EU CR4!A1</a>
Liquidity	LIQ1	Liquidity Coverage Ratio (LCR)	<a href="#">LIQ1!A1</a>
	LIQ2	Net Stable Funding Ratio (NSFR)	<a href="#">LIQ2!A1</a>
Prudent valuation adjustments	PV1	Prudent valuation adjustments	<a href="#">PV1!A1</a>
Interest rate risk in the banking book	IRRBB1	Quantitative information on IRRBB	<a href="#">IRRBB1!A1</a>
Market risk	EU MR1	Market risk under the standardized approach	<a href="#">EU MR1!A1</a>
Operational risk		Operational Risk	<a href="#">Operational risk!A1</a>
Other disclosure requirements		Disclosure requirements according to article 16 of National Bank of Romania Regulation no.5/2013 regarding prudential requirements for credit institutions.	<a href="#">Art 16 Reg BNR 5_2013!A1</a>
CRM Techniques (art 453 f si g)	CRM-SA	Credit risk mitigation techniques: standardised approach	<a href="#">CRM-SA!A1</a>
	CRM-IRB	Risk mitigation techniques - IRB Approach	<a href="#">CRM-IRB!A1</a>
Guarantees and collaterals		Distribution of guarantees on credit exposures to banks and customers	<a href="#">Guarantees RON!A1</a>
		Distribution of collaterals on credit exposures to banks and customers	<a href="#">Collaterals RON!A1</a>



### **ANNEX 4: DECLARATION OF THE MANAGEMENT BODY OF UNICREDIT BANK RELATED TO ADEQUACY OF RISK MANAGEMENT SYSTEM**

**Declaration of the Management Body of UniCredit Bank  
related to  
adequacy of risk management system  
dated on 29.04.2024**

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

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

Mihaela Lupu  
Chief Executive Officer

Andrei Bratu  
Executive Vice-President

### ANNEX 5: DECLARATION OF THE MANAGEMENT BODY OF THE CREDIT INSTITUTION UNICREDIT BANK ON 2023 YEAR'S OVERALL RISK PROFILE OF THE BANK

#### Declaration of the Management Body of the credit institution UniCredit Bank on 2023 year's overall risk profile of the Bank,

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

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

Risk management includes determining, for overall performed activity and for each significant activity, the risk tolerance, while ensuring business continuity on sound and prudent basis. The set-up of targeted risk profile is done on an yearly basis, by considering market and macroeconomic conditions, past performance (historical) and UniCredit Bank' strategy in the immediately timeframe following (12 months). In 2023, a moderate risk profile was assumed in UniCredit Bank.

The Risk Management function also has responsibilities with regard to monitoring and approval of internal rating systems and risk assessment models, and risk analysis for new products exceptional transactions and transactions with affiliated parties.

Risk Management function has an important role within the Bank, ensuring the existence of effective risk management processes, being directly involved in:

- Defining and revision of strategies and in the decisional process;
- Analysis of transactions with related parties;
- Identification of risks arising for legal structure complexity;
- Assessment of significant changes.

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

These general and specific indicators have been periodically monitored during 2023 - year, the bank fitting in the assumed risk profile.

For example, we present the following key indicators on consolidated level as of 31.12.2023:

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

- |   |        |
|---|--------|
| - Core Tier 1 ratio (Tier1 Capital/ Risk Weighted Assets) | 22.16% |
| - Total capital ratio (Own funds/ Risk Weighted Assets)   | 25.03% |
| - Leverage ratio  | 9.62%  |

### Profitability & Risk

- Net Operating Profit/ Risk Weighted Assets 4.91%

### Financing & Liquidity

- Liquidity Coverage Ratio 182.43%
- Net Stable Funding Ratio 183.97%

Mihaela Lupu  
Chief Executive Officer

Dimitar Todorov  
Executive Vice-President

Andrei Florin Bratu  
Executive Vice-President