

# Available Own Funds

---

*The three layers of bank capital:*

*CET1, AT1, Tier 2.*

BANKING METRIC SERIES

#1 Basel Accords

→ #2 **Capital**

#3 RWA

#4 Capital Ratio

#5 LCR

#5 NSFR

#6 ECL

# UniCredit Group — Q4 2025

Source: UniCredit Group, Basel III CRR Pillar 3 Disclosure, 31.12.2025 (€ million).



## Quantitative disclosure section

### Key metrics and overview of Risk Weighted

#### Template EU KM1 - Key metrics

DESCRIPTION		a
		31.12.2025
<b>Available Own Funds (amounts)</b>		
1	Common Equity Tier 1 (CET1) capital	43,700
2	Tier 1 capital	48,656
3	Total capital	56,304
<b>Risk-weighted exposure amounts</b>		
4	Total risk exposure amount	296,327
4a	Total risk exposure pre-floor	296,327
<b>Capital ratios (as a percentage of risk-weighted exposure amount)</b>		
5	Common Equity Tier 1 ratio (%)	14.75%
5a	<i>Not applicable</i>	
5b	Common Equity Tier 1 ratio considering unfloored TREA (%)	14.75%
6	Tier 1 ratio (%)	16.42%
6a	<i>Not applicable</i>	

#### KEY TAKEAWAY

Bank capital is not one number. Three layers, three different jobs, three different ratios. The EU KM1 template makes them comparable across all European banks.

# Common Equity Tier 1 (CET1)

*The purest form of regulatory capital, always and immediately available.*

UniCredit Q4 2025

# €43.7bn

CET1 Capital

## Main CET1 components

### Ordinary shares

Issued and fully paid-up common stock. At book value, not market cap, to keep the base stable through market stress.

### Retained earnings

Accumulated net profit funded by past success rather than borrowed money. Not cash sitting in a vault.

### Accumulated OCI

Unrealised gains and losses (sovereign bond prices, FX). Keeps CET1 aligned to real-time portfolio value.

## Principal CET1 deductions

*Items whose value can disappear in a crisis are removed from CET1 to keep capital genuine.*

- Deferred Tax Assets** DTAs represent potential tax savings, but they are contingent on future profits. Since the bank future profits are never guaranteed, the regulator's mantra is: 'Better safe than sorry', hence deduct them from the CET1.
- Own shareholdings** A bank holding its own equity creates a 'circular' capital base, particularly dangerous during a crisis. Direct, indirect, and synthetic holdings must be deducted to ensure CET1 reflects genuine, third-party protection.
- Intangible Assets** Goodwill (Brand value, synergies, and market positioning) and software often lack secondary market value during a crisis. Since they cannot be easily liquidated to absorb losses, they are deducted from CET1 to prioritize capital quality over accounting myths.

## KEY TAKEAWAY

CET1 is the real resilience of a bank. The actual funds always and immediately available to protect depositors, free from accounting illusions and market volatility.

# Tier 1 Capital = CET1 + AT1

Tier 1 includes AT1 instruments: hybrid securities between pure equity and standard debt.

## UniCredit Q4 2025

**€43.7bn (CET1) + €5.0bn (AT1) = €48.7bn Tier 1**

### CET1 — Core equity

Common equity: the highest-quality Tier 1 component. Always available, first to absorb losses.

### AT1 — Contingent Convertibles

Debt instruments that convert to equity when CET1 falls below a contractual trigger (often <7%). After conversion, they behave like ordinary shares.

### AT1 — Key characteristics

Perpetual bonds, callable after a defined period only with regulatory approval. Bank capital must be permanent in nature.

Discretionary coupons: the bank can cancel interest payments at any time without triggering default. Powerful tool to preserve cash.

### KEY TAKEAWAY

AT1 hybrid instruments act as debt in good times and transform into equity in a near-default scenario. A flexible layer of protection between equity and debt.

# Total Capital = CET1 + AT1 + Tier 2

Total Capital includes Tier 2: an extra layer of protection for creditors in a liquidation scenario (gone-concern).

UniCredit Q4 2025

$$\text{€43.7bn (CET1)} + \text{€5.0bn (AT1)} + \text{€7.6bn (Tier 2)} = \text{€56.3bn}$$

## Tier 1 = CET1 + AT1

*Going Concern*

Tier 1 ensures the bank can afford losses while staying in business. Equity (pure or hybrid) absorbs losses first.

## Tier 2 — Debt instruments

*Gone Concern*

Pure debt instruments. Cover losses only in default and liquidation, after equity holders are wiped out.

## Tier 2 — Key characteristics

Original maturity  $\geq$  5 years; otherwise counted pro-rata (e.g. 80% at 4 years residual, 60% at 3 years).

Excess ECL (IFRS 9) over Regulatory EL (Basel) qualifies as Tier 2, capped at 0.6% of credit RWA.

This is Episode 2 of the Banking Metrics Series.

Each episode takes one key metric, breaks it down from principles, and illustrates it with real data.