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2021

Consolidated and Separate Financial Statements for the financial year ended 31 December 2021

Prepared in accordance with International Financial Reporting Standards as endorsed by European Union

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UniCredit Bank S.A.

Consolidated and Separate
Financial Statements
for the financial year ended
31 December 2021

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Financial Reporting Standards as endorsed
by European Union

Contents

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
UniCredit Bank S.A.

Report on the Audit of the financial statements

Opinion

1. We have audited the separate and consolidated financial statements of UniCredit Bank S.A. (the "Bank") and its subsidiaries (together "the Group"), with registered office in 1F, Expozitiei Boulevard, District 1, Bucharest, Romania, identified by the unique tax registration code RO 361536 which comprise the separate and consolidated statement of financial position as at December 31, 2021, and the separate and consolidated statement of comprehensive income, statement of changes in equity and the separate and consolidated statement of cash flows for the year then ended, including a summary of significant accounting policies and notes to the financial statements.

2. The financial statements as at December 31, 2021 are identified as follows:

Separate financial statements

• Equity	5,896,819 RON thousand
• Net profit for the financial year	639,306 RON thousand

Consolidated financial statements

• Equity	6,544,747 RON thousand
• Net profit for the financial year	805,651 RON thousand

3. In our opinion:

- the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Bank as at December 31, 2021, and its separate financial performance and its separate cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") and National Bank of Romania Order no. 27/2010 for the approval of Accounting regulation in accordance with International Financial Reporting Standards as adopted by the European Union, with subsequent amendments ("Order 27/2010").

- the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS and Order 27/2010.

Basis for Opinion

4. We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and the Council (forth named The "Regulation") and Law 162/2017 ("the Law"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), in accordance with ethical requirements relevant for the audit of the financial statements in Romania including the Regulation and the Law, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

5. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the separate and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Nature of the area of focus	How our audit addressed the key audit matter
Collective impairment of loans and advances to customers	
Following the adoption of IFRS 9, the Group accounts for credit losses based on expected credit losses (ECL): for a period up to 12 month for credit exposures for which the credit risk did not increase significantly since origination and for credit life time for those with significant increase in credit risk, as detailed in impairment policy from Note 3(g) to the financial statements. As at 31 December 2021, the Group's key financial statements lines with significant impact from IFRS 9 requirements are Loans and advances to customers amounting to KRON 29,395,410 (net of the related impairment allowances amount to KRON 1,869,059) and Net lease receivables amounting to KRON 3,722,302 (net of the related impairment allowances amount to KRON 276,006). The Group exercises significant judgement using different assumptions over both when and how much to record as impairment for loans and advances to customers (including lease receivables). Since determination of appropriate impairment allowances for expected credit losses on loans and advances to customers (including lease receivables) requires use of complex models (generally dependent on IT elements) and significant judgement from the Management, process of measuring expected credit losses may be exposed to management bias. Because loans and advances to customers (including lease receivables) form a major portion of the Group's assets, and due to the significance of the Management professional judgments applied in classifying loans and advances to customers (including lease receivables) into various stages stipulated in IFRS 9 and determining related impairment requirements, this audit area is considered a key audit matter. Key areas of professional judgment exercised by the Management included: • the use of historic data in the process of determining risk parameters; • the interpretation of the requirements to determine receivables impairment under application of IFRS 9, which is reflected in the expected credit loss model; • assumptions used in the expected credit loss models to assess the credit risk related to the exposure and the expected future cash flows of the customers; • timely identification of exposures with a significant increase in credit risk and credit impairment;	Based on our risk assessment and industry knowledge, with the support of our Credit risk experts, we have examined the impairment charges for loans and lease receivables and evaluated the methodology applied as well as the key assumptions and source data used by the Management according to the description of the key audit matter. Our procedures included the following elements: 1) Testing of key controls in respect of: • quality assurance of the source data used in developing professional judgements and ECL related models; • timely identification of impairment triggers, including significant increase in credit risk; • debtors' financial performance assessment and estimation of future cash flow; • the governance processes in place for credit models, inputs and overlays, review of ECLs. 2) Obtaining and analysing the information to support the assumptions used in: • development of the models for computation of the key risk parameters (12 month Probability of default, Lifetime Probability of default and Loss Given Default), including performing procedures on the source data quality; • development of the expected credit loss models; • development and appropriateness of the stage allocation and criteria used for determination of significant increase in credit risk; • development of models to reflect the potential impact of future economic conditions in the ECL computation;

Nature of the area of focus	How our audit addressed the key audit matter
Collective impairment of loans and advances to customers	
• the assessment of the forward-looking information.	For all of the above procedures, we involved credit risk specialists to review the ECL model development, forward-looking models and code to test whether these appropriately reflected the Group's policies and methodologies. • Verifying the accurate implementation of the ECL computation methodology into the IT computation systems, including: • test the general IT controls related to the data sources and computations of ECL; • assessment on a sample basis of the credit quality and stage allocation; • test on a sample basis the ECL computations.
Interest and Fee Income Recognition	
Refer to Note 7 and 8 of the consolidated financial statements For the year ended 31 December 2021 the Group interest income represents KRON 1,693,527 and Group fee and commission income represents KRON 574,290, the main source being loans to customers (including lease receivables). These are the main contributors to the operating income of the Group affecting the Group's profitability. While interest income is accrued over the expected life of the financial instrument using the effective interest rate, the recognition of fee income depends on the nature of the fees as follows: • fees that are directly attributable to the financial instrument are part of the effective interest rate and accrued over the expected life of such an instrument and are presented as interest income; • fees for services provided are recognized when service is provided and are presented as fee and commission income; • fees for the execution of an act are recognized when the act has been completed and are presented as fee and commission income. Revenue recognition specifics, a high volume of individually small transactions which depends on data quality of interest and fee inputs and on IT solutions for their recording, resulted in this matter being identified as a key audit matter.	We have tested the design and operating effectiveness of the key internal controls and focused on: • interest/fee data input on loans and advances to customers and lease receivables; • recording/changes of fees and interest rates data; • management oversight and control on interest and fee income results, including budget monitoring; • IT controls relating to access rights and change management of relevant automated controls, with the assistance of our IT specialists. We performed also the following procedures with regard to interest and fees revenue recognition: - We evaluated the accounting treatment in respect of fees charged to clients to determine whether the methodology complies with the requirement of the relevant accounting standard. We have focused our testing on challenging the correct classification of: • fees that are identified as directly attributable to the financial instrument and are part of the effective interest rate; • fees that are not identified as directly attributable to the financial instrument. - We assessed the completeness and accuracy of data used for the calculation of interest and fee income. - We evaluated the mathematical formula used for accruing the relevant income over expected life of the loan. - We have assessed the interest and fee income by building our own expectation on the revenue and compared with the actual results.

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Other information- Administrator's Report

6. Management is responsible for preparation and presentation of the other information. The other information comprises the Administrator' report which includes the non-financial information declaration, but does not include the separate and consolidated financial statements and our auditors report thereon.

   Our opinion on the separate and consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

   In connection with our audit of the separate and consolidated financial statements for the year ended 31 December 2021, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

   With respect to the Administrator's separate and consolidated report ("Administrator's report"), we read and report if this has been prepared, in all material respects, in accordance with the provisions of the National Bank of Romania Order no. 27/2010, articles 12-16 and articles 32-33.

   On the sole basis of the procedures performed within the audit of the separate and consolidated financial statements, in our opinion:

   a) The information included in the administrators' report for the financial year for which the separate and consolidated financial statements have been prepared are consistent, in all material respects, with these separate and consolidated financial statements;

   b) The administrators' report has been prepared, in all material respects, in accordance with the provisions of the National Bank of Romania Order no. 27/2010, articles 12-16 and articles 32-33.

   Moreover, based on our knowledge and understanding concerning the Group and its environment gained during the audit on the separate and consolidated financial statements prepared as at 31 December 2021, we are required to report if we have identified a material misstatement of this Administrator's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

7. Management is responsible for the preparation and fair presentation of the separate and consolidated financial statements in accordance with Order 27/2010 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

8. In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

9. Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

10. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

11. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

    - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

    - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

    - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

12. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

13. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

14. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Requirements for audits of public interest entities

15. We have been appointed by the General Assembly of Shareholders dated 14 April 2021 to audit the separate and consolidated financial statements of UniCredit Bank S.A. for the financial year ended December 31, 2021. The uninterrupted total duration of our commitment is 9 years, covering the financial years ended 31 December 2013 until the 31 December 2021.

We confirm that:

- Our audit opinion is consistent with the additional report submitted to the Audit Committee of the Bank that we issued the same date we issued this report. Also, in conducting our audit, we have retained our independence from the Group.

- No non-audit services referred to in Article 5 (1) of EU Regulation No.537 / 2014 were provided.

The engagement partner on the audit resulting in this independent auditor's report is Claudiu Ghiurluc.

Report on compliance with the Commission Delegated Regulation (EU) 2018/815 on the European Single Electronic Format Regulatory Technical Standard ("ESEF ")

We have undertaken a reasonable assurance engagement on the compliance with Commission Delegated Regulation (EU) 2019/815 applicable to the financial statements included in the annual financial report of UniCredit Bank S.A as presented in the digital files 5493003BDYD5VPGUQS04 (the "digital files").

(I) UniCredit Bank S.A.'s Management Responsibility for the Digital files prepared in compliance with the ESEF

UniCredit Bank S.A.'s management is responsible for preparing digital files that comply with the ESEF. This responsibility includes:

- the design, implementation and maintenance of internal control relevant to the application of the ESEF
- the selection and application of appropriate iXBRL mark ups;
- ensuring consistency between the Digital Files and the consolidated financial statements to be submitted in accordance with Order 27/2010;

Those charged with governance are responsible for overseeing the preparation of digital files that comply with the ESEF.

(II) Auditor’s Responsibilities for Audit of the Digital Files

Our responsibility is to express a conclusion on whether the financial statements included in the annual financial report complies in all material respects with the requirements of ESEF based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000) issued by the International Auditing and Assurance Standards Board.

A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about compliance with ESEF. The nature, timing and extend of procedures selected depend on the auditor’s judgment, including the assessment of the risks of material departures from the requirements set out in ESEF, whether due to fraud or error. A reasonable assurance engagement includes:

- obtaining an understanding of UniCredit Bank S.A.’s process for preparation of the digital files in accordance with ESEF , including relevant internal controls;
- reconciling the digital files including the marked up data with the audited consolidated financial statements of UniCredit Bank S.A. to be submitted in accordance with Order 27/2010;
- evaluating if all financial statements contained in the consolidated annual report have been prepared in a valid XHTML format;
- Evaluating if the XBRL mark-ups, including the voluntary mark-ups, comply with ESEF requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

In our opinion, the financial statements for the year ended 31 December 2021 included in the annual financial report in the digital files comply in all materials respects with the requirements of ESEF Regulation.

In this section, we do not express an audit opinion, review conclusion or any other assurance conclusion on the consolidated financial statements. Our audit opinion relating to the consolidated financial statements of UniCredit Bank S.A. for the year ended 31 December 2021 is set out in the *Report on the audit of financial statements* section above.

Claudiu Ghiurluc, Audit Partner

For signature, please refer to the original signed Romanian version.

Registered in the Electronic Public Register of Financial Auditors and Audit Firms under no. AF 3113

On behalf of:

DELOITTE AUDIT SRL

Registered in the Electronic Public Register of Financial Auditors and Audit Firms under no. FA 25

The Mark Building, 84-98 and 100-102 Calea Grivitei, 9th Floor, District 1
Bucharest, Romania
25 February 2022

CONSOLIDATED AND SEPARATE STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 December 2021

In RON thousands	Note	Group 31.12.2021	Group 31.12.2020	Bank 31.12.2021	Bank 31.12.2020
Interest income		1,693,527	1,759,217	1,266,445	1,291,400
Interest expense		(317,278)	(450,551)	(192,576)	(302,569)
Net interest income	**7**	**1,376,249**	**1,308,666**	**1,073,869**	**988,831**
Fee and commission income		574,290	452,808	519,788	410,571
Fee and commission expense		(187,107)	(146,202)	(173,517)	(137,976)
Net fee and commission income	**8**	**387,183**	**306,606**	**346,271**	**272,595**
Net income from instruments at fair value through profit and loss	9	315,322	305,186	315,335	305,188
Net gain/(loss) from foreign exchange		14,577	81,240	(7,760)	68,079
Fair value adjustments in hedge accounting		(651)	(2,504)	(651)	(2,504)
Net gain/(loss) from derecognition of financial assets measured at amortized cost		1,286	11,606	851	4,999
Net gain/(loss) from derecognition of financial assets measured at FVTOCI		28,879	47,322	28,879	47,322
Dividend income	10	2,229	1,972	2,229	1,972
Other operating income		9,451	18,719	10,680	11,252
Operating income		**2,134,525**	**2,078,813**	**1,769,703**	**1,697,734**
Personnel expenses	11	(467,557)	(428,668)	(412,116)	(376,092)
Depreciation and impairment of tangible assets	12	(100,520)	(98,735)	(92,663)	(90,868)
Amortization and impairment of intangible assets	12	(58,813)	(51,970)	(53,946)	(47,482)
Other administrative costs	13	(343,527)	(303,855)	(316,629)	(279,729)
Other operating costs	14	(38,329)	(21,709)	(10,711)	(10,973)
Operating expenses		**(1,008,746)**	**(904,937)**	**(886,065)**	**(805,144)**
Net operating income		**1,125,779**	**1,173,876**	**883,638**	**892,590**
Net impairment losses on financial assets	15	(166,979)	(510,918)	(97,940)	(366,461)
Losses on modification of financial assets		(123)	(2,673)	(123)	(2,673)
Net impairment losses on non-financial assets		(11,449)	(5,527)	(11,449)	(5,527)
Net provision gains/(losses)	16	5,912	19,910	(19,953)	27,343
Net gains/(loss) from other investment activities	17	(325)	-	78	-
Profit before tax		**952,815**	**674,668**	**754,251**	**545,272**
Income tax expense	18	(147,164)	(170,735)	(114,945)	(141,610)
Net profit for the year		**805,651**	**503,933**	**639,306**	**403,662**
Attributable to:					
Equity holders of the parent company		779,531	492,974	-	-
Non-controlling interests		26,120	10,959	-	-
Net profit for the year		**805,651**	**503,933**	**-**	**-**

		Group		Bank	
In RON thousands	Note	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Other comprehensive income, net of tax					
Items that will not be reclassified subsequently to profit or loss					
Re-measurement of defined benefit liability		142	(1,134)	142	(1,134)
Revaluation of property, plant and equipment	29iii)	1,728	(87)	1,728	(87)
Movement in investment revaluation reserve for equity instruments at FVTOCI	29i)	430	144	430	144
Income tax relating to items that will not be reclassified subsequently to profit or loss		(419)	285	(419)	285
Total items that will not be reclassified subsequently to profit or loss		**1,881**	**(792)**	**1,881**	**(792)**
Items that may be reclassified subsequently to profit or loss					
Movement in reserve for debt instruments at FVTOCI:					
Gains/(losses) arising during the period	29i)	(112,380)	151,437	(112,380)	151,437
Reclassification of (gains)/losses included in profit or loss	29i)	(28,879)	(47,322)	(28,879)	(47,322)
Net changes in cash flow hedging reserve:					
Gains/(losses) arising during the period	29ii)	14,255	726	14,255	726
Reclassification of (gains)/losses included in profit or loss	29ii)	1,262	931	1,262	931
Income tax relating to items that may be reclassified subsequently to profit or loss		20,118	(16,923)	20,118	(16,923)
Total items that may be reclassified subsequently to profit or loss		**(105,624)**	**88,849**	**(105,624)**	**88,849**
Other comprehensive income for the year, net of tax		**(103,743)**	**88,057**	**(103,743)**	**88,057**
Total comprehensive income for the year		**701,908**	**591,990**	**535,563**	**491,719**
Attributable to:					
Shareholders of parent – company		675,788	581,031	-	-
Non-controlling interests		26,120	10,959	-	-

The consolidated and separate financial statements were approved by the Management Board on February 22, 2022 and were signed on its behalf by:

Mr. Catalin Rasvan Radu
Chief Executive Officer

Mr. Philipp Gamauf
Chief Financial Officer

In RON thousands	Note	Group 31.12.2021	Group 31.12.2020 *Restated	Bank 31.12.2021	Bank 31.12.2020 *Restated
Assets:					
Cash and cash equivalents	19	11,269,108	12,236,808	11,269,028	12,229,614
Financial assets at fair value through profit or loss	20	259,355	555,337	259,355	555,337
Derivatives assets designated as hedging instruments	31	12,249	-	12,249	-
Loans and advances to banks at amortized cost	21	493,611	212,130	493,611	212,130
Loans and advances to customers at amortized cost	22	29,395,410	25,229,315	27,427,573	22,286,540
Net lease receivables	23	3,722,302	3,515,814	-	-
Debt instruments at amortized cost	25	7,950,629	6,148,138	7,950,629	6,148,138
Other financial assets at amortized cost*	30	209,484	138,777	192,123	113,032
Financial assets at fair value through other comprehensive income	24	1,677,415	3,020,373	1,675,069	3,018,027
Investment in subsidiaries	26	-	-	143,116	143,116
Property, plant and equipment	27	194,583	215,505	186,624	205,101
Right of use assets	45	168,672	198,789	162,870	189,896
Intangible assets	28	300,752	245,934	284,598	231,976
Current tax assets		568	858	-	-
Deferred tax assets	29	142,887	119,797	59,683	41,246
Other assets*	30	115,834	130,965	58,971	71,605
Total assets		**55,912,859**	**51,968,540**	**50,175,499**	**45,445,758**
Liabilities:					
Financial liabilities at fair value through profit or loss	20	32,129	73,017	32,129	73,017
Derivatives liabilities designated as hedging instruments	31	66,812	81,216	66,812	81,216
Deposits from banks	32	666,990	595,076	666,990	595,076
Loans from banks and other financial institutions at amortized cost	33	4,170,873	5,564,667	570,921	778,203
Deposits from customers	35	39,815,528	35,772,365	40,069,143	36,259,081
Debt securities issued	36	2,491,879	1,922,036	1,014,391	470,747
Other financial liabilities at amortized cost	39	500,899	518,044	434,967	453,359
Subordinated liabilities	37	944,183	929,593	835,325	822,466
Lease liabilities	45	168,791	196,836	164,895	192,717
Current tax liabilities		41,468	6,801	35,135	969
Provisions	38	220,124	223,576	216,201	193,874
Other non-financial liabilities	39	248,436	243,364	171,771	164,315
Total liabilities		**49,368,112**	**46,126,591**	**44,278,680**	**40,085,040**

** The comparative information has been restated as described in note 3*

CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 December 2021

In RON thousands	Note	Group 31.12.2021	Group 31.12.2020 *Restated	Bank 31.12.2021	Bank 31.12.2020 *Restated
Equity					
Share capital	40	1,177,748	1,177,748	1,177,748	1,177,748
Share premium account	40	621,680	621,680	621,680	621,680
Cash flow hedging reserve		(33,407)	(46,441)	(33,407)	(46,441)
Reserve on financial assets at fair value through other comprehensive income		(10,389)	107,908	(10,389)	107,908
Revaluation reserve on property, plant and equipment		14,122	12,722	14,122	12,722
Other reserves	41	365,616	325,516	365,616	325,516
Retained earnings		4,262,398	3,521,959	3,761,449	3,161,585
Total equity for parent company		**6,397,768**	**5,721,092**	**5,896,819**	**5,360,718**
Non-controlling interest		146,979	120,857	-	-
Total equity		**6,544,747**	**5,841,949**	**5,896,819**	**5,360,718**
Total liabilities and equity		**55,912,859**	**51,968,540**	**50,175,499**	**45,445,758**

** The comparative information has been restated as described in note 3*

The consolidated and separate financial statements were approved by the Management Board on February 22, 2022 and were signed on its behalf by:

Mr. Catalin Rasvan Radu
Chief Executive Officer

Mr. Philipp Gamauf
Chief Financial Officer

31.12.2021	Group									
in RON thousands	Share capital	Reserve on financial assets at fair value through other comprehensive income	Cash flow hedging reserve	Revaluation of property, plant and equipment	Other reserves	Share premium	Retained earnings	Total	Non-Controlling Interest	Total
Balance at 31 December 2020	**1,177,748**	**107,908**	**(46,441)**	**12,722**	**325,516**	**621,680**	**3,521,959**	**5,721,092**	**120,857**	**5,841,949**
Comprehensive income for the year										
Net profit for the year**	-	-	-	-	-	-	779,531	779,531	26,120	805,651
Other comprehensive income net of tax										
Revaluation of property, plant and equipment, net of tax	-	-	-	1,400	-	-	-	1,400	-	1,400
Net change in fair value of financial assets through other comprehensive income, net of tax	-	(118,297)	-	-	-	-	-	(118,297)	-	(118,297)
Net change in cash flow hedging reserve, net of tax	-	-	13,034	-	-	-	-	13,034	-	13,034
Actuarial gains/(losses) on defined benefit liability/pension plans	-	-	-	-	120	-	-	120	-	120
Total other comprehensive income	**-**	**(118,297)**	**13,034**	**1,400**	**120**	**-**	**-**	**(103,743)**	**-**	**(103,743)**
Total comprehensive income for the year	**-**	**(118,297)**	**13,034**	**1,400**	**120**	**-**	**779,531**	**675,788**	**26,120**	**701,908**
Transfer to other reserves*	-	-	-	-	39,980	-	(39,980)	-	-	-
Dividends distributed	-	-	-	-	-	-	-	-	(1)	(1)
Other movements	-	-	-	-	-	-	888	888	3	891
Balance at 31 December 2021	**1,177,748**	**(10,389)**	**(33,407)**	**14,122**	**365,616**	**621,680**	**4,262,398**	**6,397,768**	**146,979**	**6,544,747**

** According to the decision of the General Meeting of Shareholders of 14 April 2021, it was decided to allocate a part of the Bank's net profit for 2020 (403,662 RON thousands) to the reinvested profit reserve amounting to 39,980 RON thousands, exempt from the payment of the profit tax according to art. 22 of Law 227/2015, and to reinvest of the net profit remained undistributed amounting to 363,682 RON thousands;*
*** Of the 2021 profit, the Bank will propose to Supervisory Board and General Shareholders' Meeting the distribution in 2022 to the reinvested profit reserve, of an amount of RON 32,452 thousands, exempt from the payment of the profit tax according to art. 22 of Law 227/2015.*

The consolidated and separate financial statements were approved by the Management Board on February 22, 2022 and were signed on its behalf by:

Mr. Catalin Rasvan Radu
Chief Executive Officer

Mr. Philipp Gamauf
Chief Financial Officer

31.12.2020				Group						
in RON thousands	Share capital	Reserve on financial assets at fair value through other comprehensive income	Cash flow hedging reserve	Revaluation of property, plant and equipment	Other reserves	Share premium	Retained earnings	Total	Non-Controlling Interest	Total
Balance at 31 December 2019	**1,177,748**	**20,330**	**(47,833)**	**12,682**	**298,289**	**621,680**	**3,050,001**	**5,132,897**	**109,894**	**5,242,791**
Comprehensive income for the year										
Net profit for the year**	-	-	-	-	-	-	492,974	492,974	10,959	503,933
Other comprehensive income net of tax										
Revaluation of property, plant and equipment, net of tax	-	-	-	40	-	-	-	40	-	40
Net change in fair value of financial assets through other comprehensive income, net of tax	-	87,578	-	-	-	-	-	87,578	-	87,578
Net change in cash flow hedging reserve, net of tax	-	-	1,392	-	-	-	-	1,392	-	1,392
Actuarial gains/(losses) on defined benefit liability/pension plans	-	-	-	-	(953)	-	-	(953)	-	(953)
Total other comprehensive income	**-**	**87,578**	**1,392**	**40**	**(953)**	**-**	**-**	**88,057**	**-**	**88,057**
Total comprehensive income for the year	**-**	**87,578**	**1,392**	**40**	**(953)**	**-**	**492,974**	**581,031**	**10,959**	**591,990**
Transfer to other reserves*	-	-	-	-	28,180	-	(28,180)	-	-	-
Other movements	-	-	-	-	-	-	(33)	(33)	4	(29)
Acquisition of subsidiary consolidated using the pooling of interest method	-	-	-	-	-	-	7,197	7,197	-	7,197
Balance at 31 December 2020	**1,177,748**	**107,908**	**(46,441)**	**12,722**	**325,516**	**621,680**	**3,521,959**	**5,721,092**	**120,857**	**5,841,949**

** According to the decision of the General Meeting of Shareholders of 8 April 2020, it was decided to allocate a part of the Bank's net profit for 2019 (572,920 RON thousands) to the reinvested profit reserve amounting to 28,180 RON thousands, exempt from the payment of the profit tax according to art. 22 of Law 227/2015, and to reinvest of the net profit remained undistributed amounting to 544,740 RON thousands;*
*** Of the 2020 profit, the Bank proposed to Supervisory Board and General Shareholders' Meeting the distribution in 2021 to the reinvested profit reserve, of an amount of RON 39,980 thousands, exempt from the payment of the profit tax according to art. 22 of Law 227/2015, and to reinvest of the net profit remained undistributed amounting to 363,682 RON thousands.*

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Chief Executive Officer

Mr. Philipp Gamauf
Chief Financial Officer

31.12.2021		Bank						
In RON thousands	Share capital	Reserve on financial assets at fair value through other comprehensive income	Cash flow hedging reserve	Revaluation of property, plant and equipment	Other reserves	Share premium	Retained earnings	Total
Balance at 31 December 2020	1,177,748	107,908	(46,441)	12,722	325,516	621,680	3,161,585	5,360,718
Comprehensive income for the year								
Net profit for the year**	-	-	-	-	-	-	639,306	639,306
Other comprehensive income net of tax								
Revaluation of property, plant and equipment, net of tax	-	-	-	1,400	-	-	-	1,400
Net change in fair value of financial assets through other comprehensive income, net of tax	-	(118,297)	-	-	-	-	-	(118,297)
Net change in cash flow hedging reserve, net of tax	-	-	13,034	-	-	-	-	13,034
Actuarial gains/(losses) on defined benefit liability/pension plans	-	-	-	-	120	-	-	120
Total other comprehensive income	-	(118,297)	13,034	1,400	120	-	-	(103,743)
Total comprehensive income for the year	-	(118,297)	13,034	1,400	120	-	639,306	535,563
Transfer to other reserves*	-	-	-	-	39,980	-	(39,980)	-
Other movements	-	-	-	-	-	-	538	538
Balance at 31 December 2021	1,177,748	(10,389)	(33,407)	14,122	365,616	621,680	3,761,449	5,896,819

** According to the decision of the General Meeting of Shareholders of 14 April 2021, it was decided to allocate a part of the Bank's net profit for 2020 (403,662 RON thousands) to the reinvested profit reserve amounting to 39,980 RON thousands, exempt from the payment of the profit tax according to art. 22 of Law 227/2015, and to reinvest of the net profit remained undistributed amounting to 363,682 RON thousands;*
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Mr. Philipp Gamauf
Chief Financial Officer

31.12.2020		Bank						
In RON thousands	Share capital	Reserve on financial assets at fair value through other comprehensive income	Cash flow hedging reserve	Revaluation of property, plant and equipment	Other reserves	Share premium	Retained earnings	Total
Balance at 31 December 2019	**1,177,748**	**20,330**	**(47,833)**	**12,682**	**298,289**	**621,680**	**2,786,154**	**4,869,050**
Comprehensive income for the year								
Net profit for the year**	-	-	-	-	-	-	403,662	403,662
Other comprehensive income net of tax								
Revaluation of property, plant and equipment, net of tax	-	-	-	40	-	-	-	40
Net change in fair value of financial assets through other comprehensive income, net of tax	-	87,578	-	-	-	-	-	87,578
Net change in cash flow hedging reserve, net of tax	-	-	1,392	-	-	-	-	1,392
Actuarial gains/(losses) on defined benefit liability/pension plans	-	-	-	-	(953)	-	-	(953)
Total other comprehensive income	**-**	**87,578**	**1,392**	**40**	**(953)**	**-**	**-**	**88,057**
Total comprehensive income for the year	**-**	**87,578**	**1,392**	**40**	**(953)**	**-**	**403,662**	**491,719**
Transfer to other reserves*	-	-	-	-	28,180	-	(28,180)	-
Other movements	-	-	-	-	-	-	(51)	(51)
Balance at 31 December 2020	**1,177,748**	**107,908**	**(46,441)**	**12,722**	**325,516**	**621,680**	**3,161,585**	**5,360,718**

** According to the decision of the General Meeting of Shareholders of 8 April 2020, it was decided to allocate a part of the Bank's net profit for 2019 (572,920 RON thousands) to the reinvested profit reserve amounting to 28,180 RON thousands, exempt from the payment of the profit tax according to art. 22 of Law 227/2015, and to reinvest of the net profit remained undistributed amounting to 544,740 RON thousands;*
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Chief Executive Officer

Mr. Philipp Gamauf
Chief Financial Officer

		Group		Bank	
In RON thousands	Note	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Profit for the year before tax	18	952,815	674,668	754,251	545,272
Adjustments for non-cash items:					
Depreciation and amortization of property, plant and equipment and of intangible assets	12	159,333	150,705	146,609	138,350
Net impairment losses on financial assets		271,479	589,416	203,562	422,702
Fair value gain/(loss) on derivatives and other financial assets held for trading		1,797	(10,990)	1,797	(10,990)
Other items for which the cash effects are investing or financing		101,433	109,922	17,775	15,082
Other non–cash items		237,731	(165,262)	237,635	(245,346)
Operating profit before changes in operating assets and liabilities		**1,724,588**	**1,348,459**	**1,361,629**	**865,070**
Change in operating assets:					
Decrease in financial assets at fair value through profit and loss/other comprehensive income		1,425,862	5,349,788	1,425,862	5,349,788
Acquisition of debt instruments at amortized cost		(1,767,886)	(6,036,170)	(1,767,886)	(6,036,170)
(Increase)/Decrease in loans and advances to banks		(276,750)	357,915	(280,887)	358,329
(Increase)/Decrease in loans and advances to customers		(4,427,580)	318,117	(5,347,061)	(112,123)
Increase in lease investments		(246,588)	(270,099)	-	-
(Increase)/Decrease in other assets		(66,513)	43,459	(76,810)	(26,004)
Change in operating liabilities:					
Increase/(Decrease) in deposits from banks		71,938	(1,071,026)	71,938	(1,071,026)
Increase in deposits from customers		3,678,686	1,764,033	3,445,611	1,482,935
(Decrease)/Increase in other liabilities		(905,442)	129,038	(25,085)	108,838
Income tax paid		(115,570)	(168,279)	(79,516)	(135,390)
Net cash (used in)/ from operating activities		**(905,255)**	**1,765,235**	**(1,272,205)**	**784,247**
Investing activities					
Proceeds on disposal of property, plant and equipment		-	311	-	-
Acquisition of property, plant and equipment and intangible assets		(127,820)	(149,257)	(120,730)	(141,175)
Loss from sale of equity investments		(724)	-	-	-
Dividends received		2,301	2,462	2,301	2,462
Net cash used in investing activities		**(126,243)**	**(146,484)**	**(118,429)**	**(138,713)**

CONSOLIDATED AND SEPARATE STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 December 2021

In RON thousands	Note	Group 31.12.2021	Group 31.12.2020	Bank 31.12.2021	Bank 31.12.2020
Financing activities					
Dividends paid		(229)	(490)	(229)	(490)
Proceeds from bonds issued		544,401	-	544,401	-
Payments of bonds issued		(8,279)	(154,146)	-	(146,000)
Repayments of loans from financial institutions		(2,428,303)	(2,507,888)	(216,317)	(245,879)
Drawdowns from loans from financial institutions		1,855,938	1,522,235	-	217,775
Repayment of the lease liabilities	45	(64,523)	(57,442)	(62,429)	(57,000)
Net cash (used in)/from financing activities		**(100,995)**	**(1,197,731)**	**265,426**	**(231,594)**
Net (decrease)/increase in cash and cash equivalents		**(1,132,493)**	**421,020**	**(1,125,208)**	**413,940**
Cash and cash equivalents at 1 January - gross value		**12,242,063**	**11,698,460**	**12,234,872**	**11,698,363**
Effect of foreign exchange rate changes		160,936	122,583	160,761	122,569
Cash and cash equivalents at 31 December - gross value	**19**	**11,270,506**	**12,242,063**	**11,270,425**	**12,234,872**
Impairment allowance		(1,398)	(5,255)	(1,397)	(5,258)
Cash and cash equivalents at 31 December -net value	**19**	**11,269,108**	**12,236,808**	**11,269,028**	**12,229,614**

In RON thousands	Note	Group 31.12.2021	Group 31.12.2020	Bank 31.12.2021	Bank 31.12.2020
Cash flow from operating activities include:					
Interest received		1,661,460	1,759,448	1,273,694	1,274,465
Interest paid		(306,797)	(451,235)	(200,734)	(314,748)

The consolidated and separate financial statements were approved by the Management Board on February 22, 2022 and were signed on its behalf by:

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Chief Executive Officer

Mr. Philipp Gamauf
Chief Financial Officer

1. REPORTING ENTITY

The UniCredit Group (the "Group") consists of UniCredit Bank S.A. (the "Bank") as mother company and its subsidiaries, UniCredit Consumer Financing IFN S.A. ("UCFIN"), UniCredit Leasing Corporation IFN S.A ("UCLC"), Debo Leasing S.R.L. ("DEBO") and UniCredit Insurance Broker S.R.L. ("UCIB"). These consolidated financial statements comprise the Bank and its subsidiaries.

UniCredit Bank S.A. (the "Bank"), having its current registered office at 1F, Expozitiei Boulevard, District 1, Bucharest, Romania 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 to conduct banking activities.

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

UniCredit Bank S.A. is directly controlled by UniCredit SpA (Italy), with registered office in Milano, Piazza Gae Aulenti, 3.

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

- UniCredit Consumer Financing IFN S.A. ("UCFIN"), having its current registered office at 23-25 Ghetarilor Street, 1st and 3rd floor, District 1, Bucharest, Romania, provides consumer finance loans to individual clients. The Bank has a shareholding of 50.10% in UCFIN since January 2013.
- UniCredit Leasing Corporation IFN ("UCLC"), having its headquarters in Ghetarilor Street no. 23-25, 1st, 2nd and 4th floors, Sector 1, Bucharest, Romania, provides financial leasing services to corporate clients and individuals. UCLC, the former associate, has become the Bank's subsidiary since April 2014 when the Bank gained indirect control of 99.95% (direct control: 99.90%). The Bank's indirect controlling interest as of 31 December 2021 is 99.98% (direct control: 99.96%) as a result of the merger by absorption of UniCredit Leasing Romania SA ("UCLRO") by UCLC finalized in June 2015, the date at which UCLRO was absorbed by UCLC.
- Debo Leasing S.R.L. ("DEBO"), is a real estate finance lease entity and became a subsidiary of the Bank beginning with April 2014. The Bank has an indirect controlling interest of 99.97% through UCLC. Debo Leasing S.R.L. is the new name of Debo Leasing IFN S.A. beginning with October 2018, when the company was erased from the General Register of Financial Non-banking Institutions. Considering that Debo's portfolio contracts expired in May 2021, the company was liquidated during December 2021.
- UniCredit Insurance Broker S.R.L. ("UCIB"), having its current registered office in 23-25 Ghetarilor Street, 2nd floor, 1st district, Bucharest, Romania, intermediates insurance policies related to leasing activities to legal entities and individuals, and became a subsidiary of the Bank beginning with 31 December 2020. The Bank has an indirect controlling interest of 99.98% through UCLC which owns 100% UCIB.

As at 31 December 2021 the Group carried out its activity in Romania through its Head Office located in Bucharest and through its network, having 147 branches (31 December 2020: 148) in Bucharest and in the country.

2. BASIS OF PREPARATION

a. Statement of compliance

The separate financial statements of the Bank and the consolidated financial statements of the UniCredit Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union and with provisions of Order 27/2010 issued by National Bank of Romania for approval of accounting regulations in accordance with International Financial Reporting Standards as endorsed by European Union, with subsequent amendments.

b. Basis of measurement

The consolidated and separate financial statements have been prepared as follows:

Items	Measurement basis
Financial instruments at fair value through profit or loss	Fair value
Loans and advances to customers	Amortized cost
Financial assets (debt instruments) at amortized cost	Amortized cost
Financial assets at fair value through other comprehensive income	Fair value
Lands and buildings	Fair value
Investment property	Fair value
Other fixed assets and intangible assets	Cost
Derivatives designated as hedging instruments	Fair value

c. Functional and presentation currency

The consolidated and separate financial statements are presented in Romanian Lei ("RON"), which is the functional and presentation currency. All values are rounded to the nearest RON thousands, except when otherwise indicated. The tables in these consolidated and separate financial statements may contain rounding differences.

d. Use of estimates and judgements

The preparation of the consolidated and separate financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgments made by management in applying accounting policies that have the most significant effect on the amount recognized in the consolidated and separate financial statements are described in notes 4 and 5.

e. Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the end of reporting period are translated to RON at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognized in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to RON at foreign exchange rates ruling at the dates when the fair value was determined.

The exchange rates of major foreign currencies were:

Currencies	31 December 2021	31 December 2020	Variation
Euro (EUR)	1: RON 4.9481	1: RON 4.8694	1.62%
Dollar USA (USD)	1: RON 4.3707	1: RON 3.9660	10.20%

2. BASIS OF PREPARATION *(continued)*

f. Accounting for the effect of hyperinflation

Romania has previously experienced relatively high levels of inflation and was considered to be hyperinflationary as defined by IAS 29 "Financial Reporting in Hyperinflationary Economies" ("IAS 29"). IAS 29 requires that the financial statements prepared in the currency of a hyperinflationary economy to be restated in terms of the measuring unit current at the end of reporting period (i.e. non-monetary items are restated using a general price index from the date of acquisition or contribution). As the characteristics of the economic environment of Romania indicate that hyperinflation has ceased, effective from 1 January 2004, the Group no longer applies the provisions of IAS 29.

Accordingly, the amounts expressed in the measuring unit current at 31 December 2003 are treated as the basis for the carrying amounts in these consolidated and separate financial statements.

g. Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an investee if and only if the investor has all of the following elements:

- power over the investee, the investor has existing rights that give it the ability to direct the relevant activities (the activities that significantly affect the investee's returns);
- exposure, or rights, to variable returns from its involvement with the investee;
- the ability to use its power over the investee to affect the amount of the investor's returns.

In assessing control, potential voting rights that presently are exercisable or convertible are taken into account.

The financial statements of subsidiaries are included in the consolidated and separate financial statements from the date that control commences until the date that control ceases.

As of 31 December 2021 The Group consists of the Bank and its subsidiaries UCFIN, UCLC, DEBO and UCIB.

As of 31 December 2020 The Group consists of the Bank and its subsidiaries UCFIN, UCLC, DEBO and UCIB.

The Group decided to measure non-controlling interest at its proportionate share of the recognised amount of the identifiable net assets at the acquisition date.

The financial statements of "DEBO" – the subsidiary of the Bank liquidated in 2021 – are consolidated according with IFRS 3.B1 exemption in respect of business combinations of entities under common control, using the pooling of interest method:

- for Financial Position statement: the carrying amount of assets and liabilities of DEBO are included in the consolidated balance sheet based on the individual Financial Statements prepared for 31 December 2020 but are not included in the consolidated balance sheet prepared for 31 December 2021;
- for Comprehensive Income and Cash Flow statements: revenues and expenses, respectively cash inflows and outflows of DEBO are consolidated both for 2020 and 2021 year.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized gains arising from intra-group transactions have been eliminated in preparing the interim condensed consolidated financial statements. Unrealized gains arising from transactions with associates are eliminated to the extent of the Group's interest in the enterprise. Unrealized gains arising from transactions with associates are eliminated against the investment in the associate. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies described below have been applied consistently over the periods presented in these consolidated and separate financial statements and have been consistently applied within the Group.

The Group reclassified certain amounts after publishing the consolidated and separate financial statements as at 31 December 2020 in order to ensure the comparability of the data and information with the current year presentation, as presented below.

The amount of 4,663 thousands RON for the Group/Bank representing other receivables upon the state budget was reclassified from the Statement of financial position sheet item “Other financial assets at amortized cost” to the Statement of financial position sheet item “Other assets”.

a. Financial instruments – initial recognition and initial measurement

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognized on the settlement date, i.e. the date on which the agreement is settled by delivery of assets that are subject of the agreement.

Any change in the fair value of the asset to be received during the period between the trade date and the settlement date is not recognized for assets carried at cost or amortized cost (other than impairment losses). For assets carried at fair value, however, the change in fair value shall be recognized in profit or loss or in other comprehensive income, as appropriate.

Derivatives are recognized on trade date basis, i.e. the date that the Group commits to purchase or sell the asset.

A financial asset or a financial liability is measured initially at fair value plus transaction costs that are directly attributable to its acquisition/issue (for an item which is not at fair value through profit or loss).

b. Financial instruments - Classification

Business model analysis was performed by mapping the areas of activity of the Group and the allocation of each particular business model. In this respect, the business fields that make up the Group's portfolio have been attributed business models "held to collect" or "held to collect and sell", depending on the ownership intentions and way of managing the portfolios.

The business areas that compose the Group's trading portfolio have been assigned an "other" business model in order to reflect trading intentions.

For the purposes of classifying financial instruments in the new categories envisaged by IFRS9, the business model analysis must be complemented by an analysis of contractual flows ("SPPI Test").

In this regard, the Group has developed systems and processes to analyse the portfolio of debt securities and loans in place and assess whether the characteristics of contractual cash flows allow for measurement at amortized cost (“held-to-collect” portfolio) or at fair value with effect on comprehensive income (“held-to-collect and sell” portfolio). The analysis in question was carried out both by contract and by defining specific clusters based on the characteristics of the transactions and using a specific internally developed tool ("SPPI Tool") to analyse the contract features with respect to IFRS 9 requirements.

In application of the rules, the Group's financial assets and liabilities have been classified as follows:

Financial assets

At inception date, a financial asset is classified in one of the following categories:
- at fair value through profit or loss - held for trading (see note 3.b1.i);
- designated at fair value through profit or loss (see note 3.b1.iii);
- at fair value through Other Comprehensive Income (see note 3.b3);
- at amortised cost (see note 3.b2).

Financial liabilities

At inception date, a financial liability is classified in one of the following categories:
- measured at amortised cost (see note 3.b2);
- at fair value through profit or loss - held for trading (see note 3.b1.ii);
- designated at fair value through profit and loss (see note 3.b1.iii).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b. Financial instruments - Classification *(continued)*

b1. Financial assets and financial liabilities at fair value through profit and loss account

(i) Financial assets held for trading

A financial asset is classified as held for trading if it is:

- acquired or incurred principally for the purpose of selling or repurchasing it in the short term;
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- a derivative contract not designated under hedge accounting, including derivatives with positive fair value embedded in financial liabilities other than those valued at fair value with recognition of income effects through profit or loss.

As other financial instruments, on initial recognition, at settlement date, a held-for-trading financial asset is measured at its fair value, usually equal to the amount paid, excluding transaction costs and revenue, which are recognized in profit and loss although directly attributable to the financial assets. Trading book derivatives are recognized at trade date. After initial recognition these financial assets are measured at their fair value through profit or loss.

A derivative is a financial instrument or other contract that has all three of the following characteristics:

- its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable (usually called the 'underlying') provided that in case of non-financial variable, this is not specific of one of the parties to the contract;
- it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors;
- it is settled at a future date.

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract, with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. When a hybrid contract contains a host that is a financial liability or a contract that is not in the scope of IFRS 9, the hybrid contract is assessed to determine whether the embedded derivative(s) is (are) required to be separated from the host contract (bifurcated) in accordance with IFRS 9. Embedded derivatives in such a hybrid contract are separated if: the economic characteristics and risks of the embedded derivative are not closely related to those of the host, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and, the hybrid contract is not measured at fair value through profit or loss.

An embedded derivative is separated from financial liabilities other than those measured at fair value through profit or loss and from non-financial instruments, and is recognized as a derivative, if:

- the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid (combined) instrument is not measured entirely at fair value through profit or loss.

When an embedded derivative is separated, the host contract is accounted for according to its accounting classification.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b. Financial instruments - Classification *(continued)*

b1. Financial assets and financial liabilities at fair value through profit and loss account *(continued)*

(ii) Financial liabilities held for trading

Financial liabilities held for trading include:

- derivatives that are not designated as hedging instruments;
- obligations to deliver financial assets borrowed by a short seller (i.e. an entity that sells financial assets it does not yet own);
- financial liabilities issued with an intention to repurchase them in the short term;
- financial liabilities that are part of a portfolio of financial instruments considered as a unit and for which there is evidence of a recent pattern of trading.

Financial liabilities held for trading, including derivatives, are measured at fair value on initial recognition and during the life of the transaction.

The Group has trading instruments at 31 December 2021 and 31 December 2020: held for trading financial instruments, derivative assets and derivative liabilities incurred in transactions with customers and economically covered with back - to - back transactions within UniCredit SpA Group.

(iii) Financial assets and financial liabilities designated at fair value through profit and loss account

A non-derivative financial asset can be designated at fair value through profit and loss account if the designation avoids accounting mismatches that arise from measuring assets and associated liabilities according to different measurement criteria.

Financial liabilities, like financial assets, may also be designated, according to IFRS 9, on initial recognition as measured at fair value through profit and loss account, provided that:

- this designation eliminates or considerably reduces an accounting or measurement inconsistency that would arise from the application of different methods of measurement to assets and liabilities and related gains or losses; or
- a group of financial assets, financial liabilities or both are managed and measured at fair value under risk management or investment strategy which is internally documented with the entity's key management personnel.

This category may also include financial liabilities represented by hybrid (combined) instruments containing embedded derivatives that otherwise should have been separated from the host contract. Financial assets and liabilities presented in this category are measured at fair value at initial recognition and for the life of the transaction.

The Group designates financial assets and liabilities at fair value through profit and loss when either:

- the assets and liabilities are managed, evaluated and reported internally on a fair value basis;
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

As of 31 December 2021 and 31 December 2020, the Group did not designate any assets or liabilities at fair value through profit and loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b. Financial instruments - Classification *(continued)*

b1. Financial assets and financial liabilities at fair value through profit and loss account *(continued)*

(iv) Other financial assets mandatorily at fair value

A financial asset is classified as financial asset mandatorily at fair value if it does not meet the conditions, in terms of business model or cash flow characteristics, for being measured at amortized cost or at fair value through other comprehensive income.

The following type of assets can be classified in this portfolio:

- debt instruments, securities and loans for which the business model is neither held to collect nor held to collect and sell but which are not part of the trading portfolio;
- debt instruments, securities and loans with cash flows that are not solely payment of principal and interest;
- units in investment funds;
- equity instruments for which the Group does not apply the option granted by the standard of valuing these instruments at fair value through other comprehensive income.

The Group classified as financial assets mandatorily at fair value through profit and loss account (FVTPL) the portfolio of VISA Inc Serias A and Series C preferred shares. The fair value is estimated using the methodology provided by the parent company UniCredit SpA and is based on the closing price of VISA Inc. common shares quoted on New York Stock Exchange. VISA Inc shares class *C were classified as "Debt Instruments – Financial assets at fair value through profit and loss"*. Please see note 3.o and note 20 for presentation and additional details.

b2. Financial assets and financial liabilities at amortized cost

A financial asset is classified within the financial assets measured at amortized cost if:

- its business model is held to collect;and
- its cash flows are solely the payment of principal and interest.

These items also include the net value of finance lease contracts for assets under construction or to be leased, provided that such contracts have the characteristics of contracts involving the transfer of risk.

Financial assets at amortised cost include loans and receivables with customers and banks, lease receivables and other financial assets such as sundry debtors, amounts in transit from customers and amounts in transit from banks.

On initial recognition, at settlement date, financial assets at amortized cost are measured at fair value, which is usually equal to the consideration paid, plus transaction costs and income directly attributable to the instrument.

After initial recognition at fair value, these assets are measured at amortized cost which requires the recognition of interest on an accrual basis by using the effective interest rate method over the duration of the loan.

Financial liabilities measured at amortized cost comprise financial instruments (other than liabilities held for trading or those designated at fair value) representing the various forms of third-party funding and other financial liabilities i.e. amounts in transit from customers and from other banks and amounts to be paid to suppliers.

These financial liabilities are recognized at settlement date initially at fair value, which is normally the consideration received less transaction costs directly attributable to the financial liability. Subsequently these instruments are measured at amortized cost using the effective interest method.

Hybrid debt instruments relating to equity instruments, foreign exchange, credit instruments or indexes, are treated as structured instruments. The embedded derivative is separated from the host contract and recognized as a derivative, if separation requirements are met, and recognized at fair value. The embedded derivative is recognized at its fair value, classified as financial assets or liabilities held for trading and subsequently measured at fair value through profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b. Financial instruments - Classification *(continued)*

b2. Financial assets and financial liabilities at amortized cost *(continued)*

The difference between the total amount received and the initial fair value of the embedded derivative is attributed to the host contract.

Securities in issue are recognized net of repurchased amounts; the difference between the carrying value of the liability and the amount paid to buy it in is recognized into profit and loss. Subsequent disposal by the issuer is considered as a new issue which doesn't produce gains or losses.

The Bank holds business model of "held to collect" (HTC), being dedicated for fixed income portfolio. The holdings pertain to the Replicating Portfolio, as the respective financial assets are associated to a particular product (Free funds and Non-maturing deposits) and the intention of the Bank is to hold those financial assets until maturity, designating them for the purpose of stabilizing the net interest income of the Bank in a multiyear horizon.

The accounting for the HTC fixed income portfolio is done in accordance with IFRS 9, being measured at amortized cost.

With reference to sales, these are usually not compatible with a business model "held to collect" because it would put in doubt the actual intention of the entity to held the instruments to collect interests and principal cash flows. As a result, there is a presumption that debt instruments classified as HTC are held until maturity or repayment. However, the following kind of sales do not jeopardize the business model held to collect:

- sales that do not determine the accounting derecognition of the financial assets such as in repo contracts;
- sales that occur as a result of a deterioration in credit standing of the financial assets;
- sales that are not significant in value (regardless of the frequency);
- sales that are made close to the maturity of the respective T-Bill;
- sales that are infrequent.

b3. Financial assets at fair value through comprehensive income

A financial asset is classified as at fair value through comprehensive income if:

- its business model is held to collect and sell;
- its cash flows are solely the payment of principal and interest.

This category also includes equity instruments for which the Group applies the option granted by the standard of valuing the instruments at fair value through other comprehensive income.

On initial recognition, at settlement date, a financial asset is measured at fair value, which is usually equal to the amount paid, plus transaction costs and revenues directly attributable to the instrument.

After initial recognition, the interests accrued on interest-bearing instruments are recorded in the income statement at amortized cost using effective interest rate method.

The gains and losses arising from changes in fair value are recognized in the Statement of comprehensive income and shown under Revaluation reserves in shareholders' equity.

Impairment losses are recorded in the income statement with counterparty in the statement of comprehensive income and shown under Revaluation reserves in shareholders' equity.

In the event of disposal, the accumulated profits and losses are recorded in the income statement.

With respect to equity instruments, earnings and losses arising from changes in fair value are recognized in the statement of comprehensive income and are presented in the revaluation reserves in equity. In the case of disposal, the accumulated profits and losses are recorded in other reserves in shareholders' equity.

In accordance with the provisions of IFRS9, no impairment losses on equity instruments are recognized in the income statement.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

c. Financial assets and liabilities – modification and de-recognition

Renegotiations of financial instruments which cause a change in contractual conditions are accounted for depending on the significance of the contractual change itself.

When renegotiations are not considered significant the gross exposure is re-determined through the calculation of the present value of cash flows following the renegotiation at the original effective interest rate. The difference between the gross exposure before and after renegotiation, adjusted to consider changes in the related loan loss provision, is recognized in P&L as modification gain or loss.

Conversely, renegotiations achieved both by amending the original contract or by closing the old one and opening a new one, are considered significant when there is a substantial modification of the terms of the instrument. A substantial modification may be indicated by several factors, including: a change in the currency, the modified terms are no longer solely payment of principal and interest, replacement of the original debtor with a new debtor, or present value of the new cash flows discounted at the original effective interest rate differs from the present value of the original cash flows by more than 10%.

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position but retains either all risks or rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the balance sheet.

Asset transfers with the retention of all or most significant risks and benefits are, for example, securities lending or sale transactions with a redemption clause.

The Group entered into several transactions with UniCredit SpA and other entities within UniCredit Group SpA whereby:

- either UniCredit SpA directly financed some corporate customers, while the Group undertook the role of agent or security agent and payment agent; or
- the Group transferred to UniCredit SpA by means of novation agreements the outstanding amount of certain loans already granted to Romanian corporate customers and also undertook the role of security agent and payment agent.

For most contracts concluded with UniCredit SpA, there is a risk participation agreement by which the Group is obliged to indemnify UniCredit SpA against costs, loss or liability suffered by UniCredit SpA in connection with the relevant contracts to the extent of an agreed percentage of the relevant amounts and up to a limit agreed on a case by case basis.

Loans financed by UniCredit SpA are not recognized in the Group's financial statements (see Note 42 – "COMMITMENTS AND CONTINGENCIES") because the Group has transferred the right to receive cash from these loans, has not retained substantially all the risks and rewards of ownership, and has relinquished control of the asset.

The direct decrease of loans value (write-off) represents the operation of diminishing directly the gross loan value fully covered by impairment allowances and their transfer in the off-balance sheet accounts, where they are monitored until recovered. At the time of depletion, the legal actions for recovery of receivables, the off-balance sheet is removed.

When on initial recognition an exposure, presented in "Financial assets at fair value through comprehensive income" or "Financial assets at amortized cost", is non-performing, it is qualified as "Purchased Originated Credit Impaired- POCI".

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

d. Purchased or Originated Credit Impaired - POCI

The amortized cost and the interest income generated by these assets are calculated by considering, in the estimate of future cash flows, the expected credit losses over the entire residual duration of the asset.

This expected loss of credit is subject to a periodic review, resulting in recognition of impairment or write backs.

Purchased Originated Credit Impaired assets are conventionally classified on initial recognition in Stage 3.

If, as a result of an improvement in the creditworthiness of the counterparty, the assets become "performing" they are classified under Stage 2.

These assets are never classified under Stage 1 because the expected credit loss is always calculated considering a time horizon equal to their residual duration.

Besides impaired assets acquired, the Group identified as POCI those credit exposures that arise from restructuring impaired exposures that led to the provision of new funding as significant either in absolute terms or in relative terms compared to the original exposure.

e. Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

f. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If a market for a financial instrument is not active, the Group establishes fair value using a valuation technique. Valuation techniques include using recent arm’s length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models.

The chosen valuation method should consider as much as possible the available market information, rely less on the Group's estimates, include all factors that market participants take into account in pricing and be in in line with the accepted economic methodologies used to determine the prices of financial instruments.

The data on which valuation techniques are based should reasonably reflect market expectations and assess the intrinsic risk-benefit factors of the rated financial instrument.

The best evidence of fair value of financial instruments at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of the instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only observable data from the market.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

When the fair value cannot be reliably estimated, unquoted equity instruments that do not have a quoted market price in an active market are measured at cost and periodically tested for impairment.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

g. Identification and measurement of impairment

(i) General topics

Loans and debt securities classified as financial assets at amortized cost, financial assets at fair value through comprehensive income (with the exception of equity instruments) and relevant off-balance sheet exposures are tested for impairment as required by IFRS9.

In this regard, these instruments are classified in stage 1, stage 2 or stage 3 according to their absolute or relative credit quality with respect to initial disbursement. Specifically:

- stage 1: includes (i) newly issued or acquired credit exposures, (ii) exposures for which credit risk has not significantly deteriorated since initial recognition, (iii) exposures having low credit risk (low credit risk exemption);
- stage 2: includes credit exposures that, although performing, have seen their credit risk significantly deteriorating since initial recognition;
- stage 3: includes impaired credit exposures.

For exposures in stage 1, impairment is equal to the expected loss calculated over a time horizon of up to one year. For exposures in stages 2 or 3, impairment is equal to the expected loss calculated over a time period corresponding to the entire duration of the exposure.

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:

- comparison, for each transaction, between PD as measured at the time of origination and PD as at the reporting date, both calculated according to internal models, through thresholds set in such a way as to consider all key variables of each transaction that can affect the Group's expectation of PD changes over time (e.g. age, maturity, PD level at the time of origination). In 2021, the transfer logic model was refined for local portfolios (Corporate, SME and Private Individuals) bringing a lifetime perspective with regard to risk of default and replaces the methodological approach that had a 1-year perspective, in order to better capture into stage allocation the significant increase in credit risk. Thus implementation did not have a significant impact on the loss allowances;
- absolute elements such as the law requirements (e.g. 30 days past-due);
- additional internal evidence (e.g. Forborne classification);
- 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.

Regarding debt securities, the Group choose the application of the low credit risk exemption on investment grade securities in full compliance with IFRS 9 accounting standard.

Allowances for impairment of loans and receivables are based on the present value of expected cash flows of principal and interest. In determining the present value of future cash flows, the basic requirement is the identification of estimated collections, the timing of payments and the discount rate used.

The amount of the loss on impaired exposures classified as non-performing loans and unlikely to pay, according to the categories specified below, is the difference between the carrying amount and the present value of estimated cash flows discounted at the original interest rate of the financial asset.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

g. Identification and measurement of impairment *(continued)*

(i) General topics (continued)

For all fixed rate positions, the interest rate thus determined is kept constant in subsequent financial years, while for floating rate positions the interest rate is updated according to contractual terms.

If the original interest rate cannot be found, or if finding it would be excessively burdensome, the rate that best approximates it is applied, also recurring to "practical expedients" that do not alter the substance and ensure consistency with the international accounting standards.

The time horizon for recovery is estimated based on business plans or forecasts based on historical recovery experience observed for similar classes of loans, considering the customer segment, the type of loan, the type of security and any other factors considered relevant.

Also, the impairment on impaired exposures was calculated as required by IFRS 9 to include (i) the adjustments necessary to arrive at the calculation of a point-in-time and forward-looking loss; and (ii) multiple scenarios applicable to this type of exposure.

(ii) Parameters and risk definitions used for calculating value adjustments

As mentioned in the previous paragraph, the Group has developed specific models for calculating the expected loss; such models are based on the parameters of PD, LGD and EAD and on the effective interest rate. In particular:

- the PD (Probability of Default), represents the probability of occurrence of an event of default of the credit exposure, in a defined time lag (i.e. 1 year);
- the LGD (Loss Given Default), represents the percentage of the estimated loss, and thus the expected rate of recovery, at the date of occurrence of the default event of the credit exposure;
- the EAD (Exposure at Default), represents the measure of the exposure at the time of the event of default of the credit exposure;
- the Effective interest rate is the discount rate that expresses of the time value of money.

Such parameters are calculated based on the corresponding parameters used for regulatory purposes, with specific adjustments in order to ensure consistency between accounting and regulatory treatment despite different regulatory requirements. Main adjustments were in regard of:

- removing conservatism required for regulatory purposes;
- introducing "point-in-time" adjustments to replace "through-the-cycle" adjustments required for regulatory purposes;
- including "forward looking" information;
- expanding credit risk parameters to a multiannual perspective.

With reference to lifetime PD, through-the-cycle PD curves obtained by adjusting observed cumulated default rates were calibrated in order to reflect point-in-time and forward-looking forecasts on portfolio default rates.

The recovery rate incorporated in LGD over the cycle has been adjusted to eliminate conservatism and to reflect the current trend in recovery rates as well as expectations of future discounted rates at the effective interest rate or best approximation.

The lifetime EAD has been obtained by extending the 1 year regulatory or managerial model, removing margin of conservatism and including expectation about future drawing levels.

With reference to the qualitative component of the model for stage allocation, the Bank has adopted a statistical approach based on a quantiles regression whose objective is to define a threshold in terms of maximum variation acceptable between the PD at the time of origination and the PD assessed at the reporting date. The variable objective of the regressive model is thus the change between the PD at the reporting date compared to the one at the date of origination while the explicative variables are factors such as the age of the transaction, the PD at the date of origination, etc.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

g. Identification and measurement of impairment *(continued)*

(ii) Parameters and risk definitions used for calculating value adjustments (continued)

A key component of the model is the definition of the quantile that identifies the amount of Stage 2 expected on average in the long-run and that affects the determination of the threshold of change in PD after which the transaction is classified in Stage 2. The average quantile in the long run is determined based on the expected average of deterioration of the portfolio determined by the rate of defaults as in any other deterioration stage (i.e.: 30 days past due).

The amount of exposures classified in Stage 2 at each reporting date will be around the quantile identified for the long run based on the economic conditions at the time and on the future expectations about the evolution of the economic cycle.

With reference to stage 3, it should be noted that it includes impaired exposures corresponding to the aggregate Non-Performing Exposures as ITS EBA (EBA/ ITS/ 2013/ 03/ rev1 24/7/2014).

EBA has defined as “Non-Performing” exposures that meet one or both of the following criteria:
- material exposures more than 90 days past due;
- exposures for which the bank values that is unlikely that the debtor would pay in full his credit obligations without recurring to enforcement and realization of collaterals, regardless of past due exposures and the number of days the exposure is past due;
- unpaid amount/instalments;

Starting with 2021, the Group 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. Thus implementation did not have a significant impact on the loss allowances.

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;

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.

(iii) Prospective information for the calculation of value adjustments

The expected credit loss deriving from the parameters described in the previous paragraph 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. The starting point was therefore fully aligned while the application is differentiated in order to comply with different requirements using internal scenarios only.

In particular, 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 55% for the baseline scenario, 40% for the negative (pandemic “mild”) scenario and 5% for the positive scenario.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

g. Identification and measurement of impairment *(continued)*

(iii) Prospective information for the calculation of value adjustments (continued)

The baseline scenario is the main scenario and indeed is expected to be the one with the highest likelihood of occurrence. The positive and the negative scenario represent alternative events, either better or worse when compared to the baseline scenario in terms of evolution of the economies of the countries where the Group operates.

The virus trajectory, possible mutations and vaccination rates will continue to play an important role in shaping the growth trajectory in 2022-24. The baseline scenario assumes that booster doses are accepted by a large majority of those that already got inoculated, that approved vaccines will remain able to neutralize possible virus mutations, and that new waves of the virus will tend to have progressively smaller impact on economic activity. The probability assigned to the negative scenario assumes a relatively low likelihood that virus mutation will jeopardize vaccine-led immunity on a large scale. The positive scenario envisages that all the negative effects of the COVID-19 crisis disperse by the end of 2022, when GDP would rise above its pre-pandemic trend level. Specifically:

In the baseline scenario (55% probability), the recovery in economic activity continues, showing resilience to any renewed intensification of the pandemic. This is consistent with the view that the economic damage of new waves of COVID-19 tends to become progressively smaller. Fiscal policy gradually normalizes while remaining supportive and households can count on high savings accumulated during the pandemic. Overall, the major economies would be on track for solid expansion in 2022, followed by a slowdown in growth rates towards potential in 2023-24. The current inflation spike proves largely transient. The ECB leaves policy rates on hold through 2024 and calibrates asset purchases to maintain yield curves under control.

The probability of "**Pandemic**" is assumed to be 40%. In this scenario, we assume that virus mutation will cause Europe to face a new severe wave of contagion. This will force governments to reintroduce restrictions to mobility and business activity. We assume that some sort of herd immunity is only reached towards the end of the forecasting horizon. Given these assumptions, the COVID-19 crisis dampens private demand by more than assumed in the baseline scenario, and scarring effects are larger. Governments will keep expansionary policies in place to mitigate the effects of the pandemic and to preserve social stability.

The probability of "**Positive**" is assumed to be 5%. In this scenario, higher vaccination rates boost confidence and GDP by more than we project in the baseline scenario. The pace of recovery turns out to be materially stronger as households significantly reduce precautionary savings while firms forcefully resume investment plans that have been put on hold. Driven by pent-up demand, Eurozone GDP is back to its pre-pandemic trend line before the end of 2022. Governments progressively scale back their support measures. As new debt issuance slows, there is less need for monetary policy to remain very expansionary. Policy rates remain unchanged throughout 2024.

The forecasts in terms of changes in the "Default rate" and in the "Recovery Rate" provided by the Stress Test functions are included within the PD and LGD parameters during calibration. Credit parameters indeed, are normally calibrated over a horizon that considers the entire economic cycle ("Through-the-cycle – TTC"), it is thus necessary a "Point-in-time – PIT" calibration and a "Forward-looking – FL" one that allows to reflect in those credit parameters the current situation and the expectations about the future evolution of the economic cycle .In this regard, the PD parameter is calculated through a normal calibration procedure, logistics or Bayesian, using as anchorage point an arithmetic average among the latest default rates observed on the portfolio and the insolvency rates foreseen by the Stress Test function. The PD determined in such way will lose his through the cycle nature in favour of a Point in time and Forward looking philosophy.

The LGD parameter is made Point in time through a scalar factor that allows to take into account the ratio between average recoveries throughout the period and recoveries achieved in previous years. The inclusion of forecast within the LGD parameter is performed by adjusting the yearly "recovery rate" implicit in this parameter to take into account the expectations of variations of recovery rates provided by the Stress Test function.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

h. Derivatives held for risk management purposes and hedge accounting

Derivative financial instruments include interest rate options and exchange rate options, interest rate swaps, currency swaps and forward transactions. The positive fair value of the derivatives is carried as asset and the negative fair value is carried as liability.

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the statement of financial position. The treatment of changes in their fair value depends on their classification into the following categories:

(i) Fair value hedges

When a derivative is designated as hedging within a fair value hedge relationship for an asset or liability or firm commitment that may affect the income statement, changes in the fair value of the financial instrument derivative are recognized immediately in the income statement together with changes in the fair value of the hedged instrument that are attributable to the hedged risk in the same position in the income statement and other comprehensive income as hedging items.

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively.

However, if the derivative is novated to a central counterparty by both parties because of laws or regulations without changes in its terms except for those that are necessary for the novation, then the derivative is not considered as expired or terminated. Any adjustment until the discontinuity of the hedged item for which the effective interest rate method is used is recorded in the income statement as part of its effective interest rate recalculated over the remaining lifetime.

The Group started to apply fair value hedge accounting starting with 2013. The Group designated interest rate swap contracts as hedging instruments and certain financial assets at fair value through other comprehensive income of the Group as hedged items.

Starting with June 2021, the Group/the Bank implemented Macro Fair Value Hedging in the context of replicating portfolio hedging of non-maturing deposits (the aim of a Macro hedge relationship is to offset changes in fair value of the hedged item included into a generic fixed rate portfolio of liabilities).

(ii) Other non-trading derivatives

When a derivative is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognized immediately in profit or loss.

(iii) Embedded derivatives

Derivatives may be embedded in another contractual arrangement (a “host contract”). The Group accounts for embedded derivatives separately from the host contract when the host contract is not itself carried at fair value through profit or loss, and the characteristics of the embedded derivative are not clearly and closely related to the host contract. Separated embedded derivatives are accounted for depending on their classification (i.e. at fair value through profit or loss) and are presented in the statement of financial position under Derivatives assets at fair value through profit or loss and derivatives liabilities at fair value through profit or loss.

(iv) Cash flow hedges

On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, as to whether the hedging instruments are expected to be highly effective in offsetting the changes in the cash flows of the respective hedged items during the period for which the hedge is designated. The Group makes an assessment for a cash flow hedge of a forecast transaction, as to whether the transaction is highly probable to occur and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

h. Derivatives held for risk management purposes and hedge accounting *(continued)*

(iv) Cash flow hedges (continued)

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in "Other comprehensive income". Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. In a discontinued hedge of a forecast transaction the cumulative amount recognized in "Other comprehensive income" from the period when the hedge was effective is reclassified from equity to profit or loss as a reclassification adjustment when the forecast transaction occurs and affects profit or loss. If the forecast transaction is no longer expected to occur, then the balance in "Other comprehensive income" is reclassified immediately to profit or loss as a reclassification adjustment.

The Group designated certain interest rate swaps as hedging instruments and deposits from banks and from customers of the Bank as hedged items. For hedge accounting purposes, only instruments that involve an external party to the Group (or intra-group transactions directly replicated with third parties outside the Group) are designated as hedging instruments. The foreign exchange gains or losses from these financial instruments are directly recognized in profit or loss account.

The Group has early adopted 'Interest Rate Benchmark Reform Amendments to IFRS 9, IAS 39 and IFRS 7'. The amendments provide temporary reliefs which enable the Bank's hedge accounting to continue during the period of uncertainty, before the replacement of an existing interest rate benchmark with an alternative nearly risk free interest rate.

i. Non-Current Assets Classified as Held for Sale / Discontinued Operations

A non-current asset (or disposal group) is classified as held for sale if its carrying amount will be recovered principally from the sale rather than from continuing use; the asset (or disposal group) must be available for immediate sale in its current state only under the normal conditions for the sale of those assets (or disposal groups) and the sale is highly probable.

In order for the sale to be highly probable, the Group's management must be engaged in a plan to sell the asset (or disposal group), and an active program to find a buyer is launched and the plan must be completed. The asset (or disposal group) must be actively promoted for sale at a reasonable price in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

The Group measures a non-current asset (or disposal group) classified as held for sale at the lower of it carrying amount and fair value less costs to sell. For the period the asset is classified as held for sale the depreciation ceases and is tested periodically for impairment.

The non-current asset is reclassified out of non-current assets held for sale when it is sold or the conditions to be recognized as held for sale are no longer met.

The repossessed assets of UniCredit Leasing Corporation IFN ("UCLC") represent assets sold or available for sale in the current business activity, in accordance with IAS 2. As a result, they are presented in the category Inventories - Other non-financial assets and valued at the minimum between cost and net realizable value.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

j. Interest

Interest income and expenses are recognized in profit or loss using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss on the net loan.

The calculation of the effective interest rate includes all fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Starting with November 2021, the Group implemented the practical expedient and recognises in Income statement up-front the costs and commissions related to revolving loans with a maturity below 18 months.

Interest income and expenses presented in the Statement of comprehensive income include:

a) interest on financial assets and financial liabilities measured at amortized cost calculated on an effective interest basis;

b) effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period that the hedged cash flows affect interest income/expense.

k. Fees and commissions

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Fees and commissions income and other operating income are accounted for in the income statement as the Group satisfies the performance obligation embedded in the contract, according to "IFRS15 Revenue from Contracts with Customers" rules. In particular:

- if the performance obligation is satisfied at a specific moment ("point in time"), the related revenue is recognized in income statement when the service is provided;
- if the performance obligation is satisfied over-time, the related revenue is recognized in income statement in order to reflect the progress of satisfaction of such obligation.

The Group provides banking services to retail and corporate customers, including account management, provision of overdraft facilities, foreign currency transactions, credit card and servicing fees. Fees for ongoing account management are charged to the customer's account on a monthly basis. Transaction-based fees for interchange, foreign currency transactions and overdrafts are charged to the customer's account when the transaction takes place. Servicing fees are charged on a monthly basis and are based on fixed rates reviewed annually by the Group.

Revenue from account service and servicing fees is recognised over time as the services are provided. Revenue related to transactions is recognised at the point in time when the transaction takes place.

The Group's investment banking segment provides various finance-related services, including loan administration and agency services, administration of a loan syndication, execution of client transactions with exchanges and securities underwriting. Transaction-based fees for administration of a loan syndication, execution of transactions, and securities underwriting are charged during the tenor of the transaction, according to the terms of the facility agreement.

If the timing of cash-in is not aligned to the way the performance obligation is satisfied, the Group accounts for a contract asset or a contract liability for the portion of revenue accrued in the period or to be deferred in the following periods.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

k. Fees and commissions *(continued)*

The amount of revenues linked to fees and commissions income and other operating income is measured based on contractual provisions. If the amount contractually foreseen is subject, totally or partially, to variability, a revenue has to be booked based on the most probable amount that the Group expects to receive. Such amount is determined on the basis of all facts and circumstances considered relevant for the evaluation, that depend on the type of service provided and, in particular, on the presumption that it is not highly probable that the revenue recognised will be significantly reversed. Nevertheless, for the services provided by the Group such a variability is not usually foreseen.

“Accrued income” includes the contract assets recognized in accordance with IFRS15. In this context accrued income represents the portion of the performance obligation already satisfied through the services provided by the Group and that will be settled in the future periods in accordance with contractual provisions.

“Deferred income” includes the contract liabilities recognised in accordance with IFRS15.

Deferred income represents the portion of performance obligations not yet satisfied through the services provided by the Group but already settled during the period or in previous periods. The majority of this amount relates to performance obligations expected to be satisfied by the following year end reporting date.

The Group also provides finance lease services granted mainly to finance purchases of cars, trucks and trailers, equipment and real estate for which related income from fees and commissions are accounted for in the profit and loss account as the Group fulfils the performance obligation incorporated in the contract. Commissions earned if the performance obligation is satisfied at a specific moment (“point in time”) are recognized in income statement when the service is provided; in this category are also included commissions from the intermediation of the insurance related to the leasing contracts. Commissions earned if the performance obligation is satisfied over-time are recognized in income statement as the services are provided or during the commitment period; in this category are included fees for the monthly administration of a financial lease or credit, other fees for services offered separately from the financing offered (GAP insurance service, road assistance service). Transaction revenues (as in the case of early termination of leases/credit) are recognized at the time of the transaction.

l. Net income from trading and other financial instruments at fair value through profit and loss

Net trading income includes all gains and losses from changes in the fair value of financial assets and financial liabilities held for trading. The Group has chosen to present all fair value changes of trade assets and liabilities, including any income or expense with interest and dividends.

These items are also impacted by valuation adjustments when using a certain valuation technique such as: fair value adjustments and additional valuation adjustments. Fair value adjustment is an adjustment that considers non-performance risk (the own credit risk – DVA or the credit risk of the counterparty to transaction – CVA OIS - expected difference from collateralized deals). The additional value adjustments are adjustments that take into account measurement of uncertainty (e.g. when there has been a significant decrease in the volume or level of activity when compared to normal market activity for the asset or liability, or similar assets or liabilities, and the Group has determined that the transaction price or quoted price does not represent fair value).

m. Dividends

Dividend income is recognized in the income statement on the date that the dividend is declared. Dividends are treated as an appropriation of profit in the period they are declared and approved by the General Assembly of Shareholders.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

n. Leases

Finance lease contracts where the Group is the lessor that substantially transfer all risks and benefits related to ownership over the leased asset to the lessee, are accounted for in accordance with IAS 17 Leases.

Net investments in leases are measured initially at fair value plus direct costs, are subsequently measured at amortised cost and are presented net after impairment allowance. This is booked based on the net investments in leases identified as impaired based on the continuous evaluation, to bring these assets at their recoverable amount.

A lease receivable is recognized over the leasing period at present values of minimum lease payments which are to be made by the lessee to the Group, using the implicit interest rate and including the guaranteed residual value. The resulted entire income from lease is included in the caption "Interest income" in the statement of comprehensive income.

Regarding the accounting treatment applied by the lessee, IFRS16 provides for all types of leases the recognition of an asset representing the right of use of the underlying asset, at the same time as recognizing a liability for future payments resulting from the lease contract.

At initial recognition, the asset is measured at the amount of lease liability plus payments made before the lease commencement date, initial direct costs, minus lease incentives received and plus eventually costs of restoring the asset to the initial state. After initial recognition, the right of use will be measured based on the rules on assets regulated by IAS 16 or IAS 40 and hence applying the cost model, less accumulated depreciation and any accumulated impairment losses. The right of use assets are depreciated over the duration of the lease contract.

The lease liability is initially measured at the present value of the lease payments payable over the lease term, using the rate implicit in the lease if it is readily determinable. If this rate cannot be easily determined, the lessee will use its incremental borrowing rate.

As previously under IAS 17, lessors classify leases as operating or financial. A lease is classified as a finance lease if it substantially transfers all the risks and rewards incidental to the ownership of an underlying asset. Otherwise, a lease is classified as an operating lease. For finance leases, a lessor recognizes financial income over the lease term, based on a pattern that reflects a constant periodic rate of return on net investment. The lessor recognizes operating lease payments as income on a straight-line basis or, if more representative of the pattern in which the profit from the use of the underlying asset is diminished, another systematic basis.

The Group has decided, as allowed by the standard, not to apply the provisions of IFRS 16 for intangible assets, short term lease agreements with a term of less than 1 year and those with a low value of the asset (less than EUR 5,000).

As a result, the Standard applies to contracts for the lease of tangible assets other than short-term assets and/or for which the underlying asset is of low value, such as property/office space, machinery, office equipment and other assets.

In order to calculate the lease liability related to the right to use the asset, the Group updates the future lease payments at an appropriate discount rate. In order to estimate the relevant incremental borrowing rate to be used for discounting purposes, the Group considers the UniCredit Group SpA secured funding curve, adjusted for country risk premium (the Country Funding Adjustment (CFA)). The CFA considers the differential cost of funding linked to the country funding market perception. In order to determine the fixed interest rate, for the relevant tenor, the Group applies the Cross Currency Swap (fixed vs floating) between EURO and that currency for non-EUR denominated cash flows, while for EUR-denominated cash flows, the Group applies the IRS for EURIBOR 3M.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

n. Leases *(continued)*

In this respect, the future leasing payments to be updated are determined on the basis of the net VAT provisions as a result of the obligation to pay the tax at the moment the invoice is issued by the lessor and not when the contract is entered into leasing.

In order to make this calculation, lease payments must be discounted using an implicit interest rate of the contract, or, if this is not available, at an incremental borrowing rate. The latter is established based on the cost of financing the liabilities of a similar duration and a guarantee similar to those implied in the lease.

In order to determine the lease term, it is necessary to consider the periods that cannot be cancelled in the contract, the period when the lessee has the right to use the asset support, also taking into account the renewal of the options if the tenant is reasonably entitled to renewal.

The re-measurement may occur as a result of either modification of the contract or by a change in the lease term not arising from a change in the lease contract. These latter changes shall be accounted for by re-measuring the lease liability by discounting the revised expected cash flows either at the original or at revised incremental borrowing rate depending on the reason for re-measurement.

o. Equity investments

(i) Subsidiaries

Subsidiaries are entities which are controlled directly or indirectly (through other subsidiaries), by the Bank, by holding more than half of the voting rights, unless in exceptional circumstances it can be proved that such ownership does not represent control.

Subsidiaries are entities in which the Bank holds half or less of voting rights and:

- The power over the majority of voting rights based on agreements concluded with the other shareholders;
- The power to govern the operational and financial policies of an entity based on its articles of association or other agreement;
- The power to appoint or to revoke the majority of board members or equivalent governing body, and the control over the entity is exercised by that body;
- The power to control the majority of voting rights in the board of directors or equivalent governing body and the control over the entity is exercised by that body.

Starting January 2013, the Bank owns 50.1% from UniCredit Consumer Financing IFN S.A., control over the company being transferred to the Bank after the transfer of an additional 4.4% stake. Previously, before the acquisition, UCFin was an associate.

In the 1st semester of 2014, the Bank has taken over the direct controlling stake in the following leasing entities: UCLC (99.90%) and UCLRO (99.99%) from the previous parent leasing company controlled by UniCredit Group. The merger process of UCLC and UCLRO started in 2014 has been finalized by June 2015 when UCLRO was fully absorbed by UCLC.

The Bank accounts for all its subsidiaries at cost in its separate financial statements in accordance with *IAS 27, Separate financial statements.*

UCLC is also a parent company which has direct control over Debo Leasing S.R.L.("DEBO"), real estate leasing entity, directly controlled by UCLC, holding 99.99% starting with April 2014 (the company was liquidated during December 2021) and over UniCredit Insurance Broker S.R.L. ("UCIB"), insurance brokerage entity, directly controlled by UCLC, holding 100% starting with December 2020.

(ii) Investment in associates

Associates are those entities in which the Group has significant influence, but no control, over the financial and operating policies.

The Group has no investment in associates as of 31 December 2021 and as of 31 December 2020.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

o. Equity investments *(continued)*

(iii) Equity instruments

The Group holds minor shareholdings in other entities providing auxiliary financial services that are classified as Financial assets at fair value through other comprehensive income (FVTOCI), with the exception of VISA shares. Unquoted equity securities whose fair value cannot be reliably measured, are carried at cost. Whenever new information is available on the market regarding the fair value of these equity instruments and the respective fair values can be measured reliably, these financial instruments are measured at fair value, recognising the changes in their fair values in appropriate item within other comprehensive income. The shareholdings are tested at least annualy for impairment, based on the the value of the net equity in the most recent financial statements compared with the carying amount of the respective instrument.

The VISA Inc. Series A preferred shares are accounted for as Financial assets at fair value through Profit and loss (FVTPL), the fair value being estimated using the methodology provided by the parent company UniCredit SpA and is based on the closing price of VISA Inc. common shares quoted on New York Stock Exchange. VISA Inc shares class A were classified as "Capital Instruments – Financial assets at fair value through profit and loss".

Please see notes 20 and 24 for presentation and additional details.

p. Income tax

The income tax expense for the year comprises current tax and deferred tax. Income tax is recognized in the income statement or in "Other comprehensive income" if the tax relates to "Other comprehensive income". Current income tax and deferred tax are recognized in profit or loss in the income statement except for tax on items that are recognized in the current period directly in equity accounts, such as earnings / losses on financial assets at fair value through other comprehensive income assets, changes in the fair value of cash flows for hedging instruments whose net change is recognized net of tax directly in 'Other comprehensive income'.

Current tax is the tax payable on the profit for the period, determined on the basis of the percentages applied at the balance sheet date and all adjustments relating to the previous periods.

Deferred tax is calculated using the balance sheet method for those temporary differences that arise between the tax base for the calculation of tax on assets and liabilities and their carrying amount used for reporting in the financial statements. Deferred tax is calculated on the basis of the expected manner of realization or settlement of the carrying amount of assets and liabilities using the tax rates provided by the applicable legislation that is applicable at the reporting date.

The deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available to allow for the asset to be offset. The deferred tax asset is reviewed at each reporting date and is diminished to the extent that the related tax benefit is unlikely to occur.

Additional taxes arising from the distribution of dividends are recognized on the same date as the dividend payment obligation.

The corporate tax rate used to calculate the current and deferred tax was 16% at 31 December 2021 (31 December 2020: 16%).

q. Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as the Group's trading activity.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

r. Cash and cash equivalents

Cash and cash equivalents include cash, current accounts with central banks, nostro accounts, loans and advances to other banks with an original maturity of less than 90 days and are recorded at amortized cost in the statement of financial position.

Cash and cash equivalents do not have a significant risk of change in fair value and are used by the Group to manage its short-term liabilities.

s. Property and equipment

(i) Initial recognition and measurement

All items of property, plant and equipment are initially recognized at cost.

Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Subsequent measurement

Land and buildings are carried at a revaluated amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with enough regularity; starting with 2020 revaluations are made semi-annually, as per UniCredit SpA instructions. The fair value of land and buildings is usually determined from market-based evidence by appraisal undertaken by professionally qualified valuators.

If an asset's carrying amount is increased as a result of a revaluation, the increase is recognized in other comprehensive income and accumulated in equity under “Other reserves”. However, the increase is recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss.

If an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognized in profit or loss. However, the decrease is recognized in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognized in other comprehensive income reduces the amount accumulated in equity under “Other reserves”.

For the other items of property, plant and equipment the cost model is used, in accordance with *IAS 16 Property, plant and equipment*. After initial recognition, computers and equipment, motor vehicles, furniture and other assets are carried at cost less any accumulated depreciation and any accumulated impairment losses.

(iii) Subsequent costs

The Group recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognized in the income statement as an expense as incurred.

(iv) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. Leased assets are depreciated over the shorter of the lease term and their useful lives.

The estimated rates of depreciation are as follows:

Buildings:	
- property	2% per year
- improvements (rentals)	6.25% - 100% per year
Office equipment and furniture	6.00% - 25% per year
Computer equipment	25% per year

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

t. Intangible assets

(i) Recognition

An intangible asset is an identifiable non-monetary asset without physical substance which is expected to be used for a period longer than one year and from which economic benefits will flow to the entity.

Intangible assets are mainly goodwill, software, brands and intangibles as list of customers.

Intangible assets, other than goodwill, are carried at acquisition cost, including any costs incurred to put the respective asset into function, less accumulated amortization and related impairment loss.

The acquisition costs and those for put into operation of IT systems acquired are capitalized including all costs incurred to bring the respective systems fully operational.

Costs associated with developing or maintaining computer software programs are recognized as an expense when incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Bank, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Direct costs include software development employee costs and an appropriate portion of relevant overheads.

(ii) Subsequent expenditure

Subsequent expenditure on capitalized intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(iii) Amortisation

Amortization is charged to the income statement on a straight-line basis over the estimated useful life of the software, from the next month after the date that it is available for use.

The estimated useful lives are:

- for software: 3-5 years;
- for list of customers: 5 years;
- for licenses: contractual lifetime, maximum 5 years.

u. Impairment of non – financial assets

The carrying amount of the Group's assets, other than deferred tax assets, is reviewed at each reporting date to determine whether there is any objective indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the yearly income statement.

v. Provisions

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation, whose value can be measured reliable, as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

w. Financial guarantees and loan commitments

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

The liability for financial guarantees is initially recognized at fair value and is amortized over the life of the financial guarantee. The liability for financial collateral is then measured at the highest of the amortized amount and the current value of the payments (when the payment became probable). Financial guarantees are disclosed in Note 42 from the consolidated and separate financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

w. Financial guarantees and loan commitments *(continued)*

The Group has entered into transactions with the UniCredit SpA Group and other entities within the UniCredit SpA Group for loans to non-bank clients funded by such entities within the UniCredit SpA Group (see Note 42). In accordance with the risk-sharing arrangements related to such loans, the Group shall indemnify the UniCredit Group SpA and the other entities within the UniCredit Group SpA as set out in Note 3 (c).

The provisions for these financial guarantees are determined using the Group's internal methodology for assessing impairment of loans and advances to customers and are presented in the Provisions category within the consolidated and separate financial position.

x. Employee benefits

(i) Short term service benefits

Short-term employee benefits include wages, salaries, bonuses and social security contributions. Short-term employee benefits are recognised as expense when services are rendered. The Group includes in short-term benefits the accruals for the employees' current year profit sharing payable within following months after the end of the year.

(ii) Other long-term employee benefits

Based on internal practice and policies, the Group has an obligation to pay to retiring employees a benefit equivalent of two salaries as at retirement date. The Group's net obligation in respect of the retirement benefit, i.e. the defined benefit obligation is established by a qualified actuary taking into account the estimated salary at the date of retirement and the number of years served by each individual. The actuarial valuation involves making assumptions about discount rates, future salary increases and mortality rates. The benefit is discounted to determine its present value, using as discount rate the yield on government bonds that have maturity dates approximating the terms of the Group's obligations.

(iii) Share-based payment transactions

The Group has in place incentive plans for its senior management, consisting in stock options and performance shares which provide that UniCredit SpA ("the Parent") shares will be settled to the grantees. The cost of this scheme is supported by the Group and not by its Parent, and as a consequence it is recognised as an employee benefit expense.

At Group level the expense is recognised against a liability which is measured at fair value.

The fair value of stock options is determined using the Hull and White Evaluation Model. Measurement inputs include share price on measurement date, exercise price, volatility (historical daily average volatility for a period equal to the duration of the vesting period), exit rate (annual percentage of Stock Options forfeited due to termination), dividend yield (last four years average dividend-yield, according to the duration of the vesting period).

The economic value (fair value) of Performance Shares, representing UniCredit SpA free ordinary shares to be granted on the achievement of performance targets set at Group and Division level in the Strategic Plan approved by the Board of UniCredit SpA, is measured considering the share market price at the grant date less the present value of the future dividends related to the period from the grant date to the share settlement date. Input parameters are market price (arithmetic mean of the official market price of UniCredit SpA ordinary shares during the month preceding the granting Board resolution) and economic value of vesting conditions (present value of the future dividends related to the period from the grant date to the share settlement date).

(iv) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancy are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, than they are discounted to their present value.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

y. Segment reporting

An operating segment is a component of an entity:

(a) that engages in business activities from which it may earn revenues and incur expenses;

(b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and

(c) for which discrete financial information is available.

The main reporting format for operational segmentation is based on the internal reporting structure of business segments, which reflects management responsibilities in the Group. Segment results that are reported to Group management include items directly attributable to a segment and items that can reasonably be allocated to that segment.

Unallocated items mainly comprise tangible and intangible assets and tax liabilities or assets.

For the purpose of optimal management of activities, the Group is organized into the following operating segments:

- **Retail** - the Bank provides individuals (except Private Banking customers) and small and medium-sized enterprises a large range of financial products and services, including loans (mortgages, personal loans, overdrafts, credit card facility and funds transfer), savings, payment services and transactions with securities. UCFIN is also included under "Retail" segment;
- **Corporate Investment Banking("CIB")** - The Group provide services and products through the Global Banking Transactions Division (including payment services, trade finance, liquidity management), Finance Direction (develops and offers financing products - Factoring, Real Estate Investments, European Funds - is also actively involved in initiating, structuring and promotion of specialized financing transactions, syndications and other specialized investment banking transactions, overflow portfolio management and financial analysis for complex and high-risk transactions), Corporate Financial Consulting Corporation (management consulting for merger and acquisition companies, to finance capital markets or other financial advisory services) and the Treasury Department. The services are provided to corporate clients, medium-sized companies, large companies, international companies, real estate companies, public sector and financial institutions.
- **Private Banking („PB") –** It focuses on individual clients and families with significant investments and / or VIP (VIP). The segment offers personalized banking products and services, including Asset Management and Custody solutions;
- **Leasing** - The Group, through UCLC and Debo, provides financial leasing contracts mainly for financing purchases of cars, transport vehicles, equipments and real estate. Rental contracts are mainly concluded in EUR, USD and RON, and are granted for a period of between 1 and 15 years, the transfer of ownership of the leased assets being made at the end of the lease;
- **Other -** segment ("Other") comprises of all elements not assigned to above mentioned segments such as equity investments, taxes and Assets and Liabilities Management ("ALM") activities.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

z. New Standards and Interpretations

Initial application of new amendments to the existing standards effective for the current reporting period

The following amendments to the existing standards issued by the International Accounting Standards Board (IASB) and adopted by EU are effective for the current reporting period:

- Amendments to **IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosures", IFRS 4 "Insurance Contracts"** and **IFRS 16 "Leases"** - Interest Rate Benchmark Reform — Phase 2 adopted by the EU on 13 January 2021 (effective for annual periods beginning on or after 1 January 2021);
- Amendments to **IFRS 16 "Leases"** - Covid-19-Related Rent Concessions beyond 30 June 2021 adopted by the EU on 30 August 2021 (effective from 1 April 2021 for financial years starting, at the latest, on or after 1 January 2021);
- Amendments to **IFRS 4 Insurance Contracts "Extension of the Temporary Exemption from Applying IFRS 9"** adopted by the EU on 16 December 2020 (the expiry date for the temporary exemption from IFRS 9 was extended from 1 January 2021 to annual periods beginning on or after 1 January 2023).

The adoption of these amendments to the existing standards has not led to any material changes in the Group's financial statements.

Standards and amendments to the existing standards issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements, the following amendments to the existing standards were issued by the International Accounting Standards Board (IASB) and adopted by the European Union (EU) and which are not yet effective:

- Amendments to **IAS 16 "Property, Plant and Equipment"** - Proceeds before Intended Use adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022);
- Amendments to **IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"** - Onerous Contracts - Cost of Fulfilling a Contract adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022;
- Amendments to **IFRS 3 "Business Combinations"** - Reference to the Conceptual Framework with amendments to IFRS 3 adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022);
- **IFRS 17 "Insurance Contracts"** including amendments to IFRS 17 adopted by the EU on 19 November 2021 (effective for annual periods beginning on or after 1 January 2023);
- Amendments to various standards due to **"Improvements to IFRSs (cycle 2018 -2020)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 28 June 2021 (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated.).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

z. New Standards and Interpretations *(continued)*

New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not endorsed for use in EU as at publishing date of these financial statements (the effective dates stated below is for IFRS as issued by IASB):

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard;
- Amendments to **IAS 1 "Presentation of Financial Statements"** - Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023);
- Amendments to **IAS 1 "Presentation of Financial Statements"** - Disclosure of Accounting Policies (effective for annual periods beginning on or after 1 January 2023);
- Amendments to **IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** - Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023);
- Amendments to **IAS 12 "Income Taxes"** - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023);
- Amendments to **IFRS 10 "Consolidated Financial Statements"** and **IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded);
- Amendments to **IFRS 17 "Insurance Contracts"** - Initial Application of IFRS 17 and IFRS 9 – Comparative Information (effective for annual periods beginning on or after 1 January 2023);

The Group has decided not to adopt these new standards in advance before the date of entry into force.

The Group anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of the Group in the period of initial application.

Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unregulated.

According to the Group estimates, the application of hedge accounting to a portfolio of financial assets or liabilities pursuant to **IAS 39: "Financial Instruments: Recognition and Measurement"** would not significantly impact the financial statements of the Group, if applied as at the balance sheet date.

4. RISK MANAGEMENT

a) Introduction and overview

The risks are managed through a continuous process of identification, measurement and monitoring, depending on the risk limits, segregation of duties and other controls.

The Group has exposure to the following significant risks:

- Credit risk (includes the risk for lease receivables);
- Liquidity risk;
- Market risks, including interest rate risk in the banking book;
- Operational risks;
- Reputational risk;
- Business risk;
- Financial investment risk;
- Real estate risk;
- Strategic risk;
- Risk of excessive leverage;
- Inter-concentration risk.

The Group also gives a special attention to the conformity risk and fiscal risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

b) Risk management framework

Objectives regarding risk management are correlated with the overall strategic objectives of the Group:

- Adequate and prudent management of risks and in particular, of significant risks;
- Increase of loan portfolio in a selective manner and achievement of a balanced structure of customers segments;
- Diversification of products;
- Maintaining of sustainable profitability level;
- Decrease – as much as possible – of the negative impact generated by the economic crisis;
- Identify optimum solutions adapted to the clients' needs which are confronting with the negative effects of economic-financial crisis;
- Training the Group's employees such that to offer quality services to the clients;
- Integrating locally of the Group standards through internal regulations and procedures.

The risks management within the Group implies:

- the culture regarding the risk management;
- the framework regarding risk management;
- the policy for the approval of new products.

4. RISK MANAGEMENT *(continued)*

b) Risk management framework (*continued)*

The culture regarding the risks within the Group is integrated and defined overall, being based on complete understanding of risks the Group is confronting with and of the manner they are managed, having a tolerance/risk appetite of the Group.

The Groups' strategic objectives include also the development of sound culture regarding the management of risks, extended both at the management level and also to the business lines with responsibilities in risk management area, by identifying through the set of activities performed and for each significant activity, of the ratio between risks and profits which Group considers acceptable within the conditions of a prudent and healthy ongoing business performance.

The Group aims to develop a holistic framework for the management of significant risks – credit risk, market risk, operational risk, liquidity risk, reputational risk, business risk, financial investment risk, strategic risks and real estate investment risk – taking into account the correlations and interdependences between different risk types.

The framework for risk management is based on:

- definition and set up of basic principles, of policies, procedures, limits and related controls for managing the risks;
- an organized structure specialized in the management and control of risks;
- strategies and specific techniques for measurement, evaluation, monitoring, decrease and reporting the risks.

The framework for management of significant risks is transposed clearly and transparently in internal norms, procedures, including manuals and codes of conduct, making a distinction between the overall standards applicable to all employees and the rules applied specifically to certain categories of personnel.

The governing structures playing the role in risks' management are:

The Supervisory Board has overall responsibility for the establishment and oversight of the Bank's risk management framework and to approve the Bank's risk profile.

The Management Board implements the risk management strategy and policies approved by Supervisory Board regarding the management for significant risks.

The **Operative Risk Management Committee set up by Supervisory Board** plays advisory role for the governing bodies' decisions regarding the risk appetite and overall strategy regarding the management of actual and future risks of the Bank, and ensures the support for the Supervisory Board in the oversight of the implementation by the top management of the overall strategy regarding actual and future risks of the Bank.

Implementation of the strategy for significant risks management at the Group level for the development and monitoring the policies for risks management is achieved through the following committees having responsibilities regarding risk management:

- Financial Risk Committee;
- Risk Management Operative Committee;
- Transactional Committee, with the two sessions: (i)Credit Subcommittee and (ii) Special Credit Subcommittee;
- Permanent Working Group on Fraud Risk Management;
- Operational Risk Permanent Work Group Committee.

The Group's **Audit Committee** is responsible for monitoring compliance with UniCredit Group's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

4. RISK MANAGEMENT *(continued)*

c) Credit risk

(i) Credit risk management

The Bank's policies for risk management are set up to identify and analyze the risks faced by the Bank, to set up the adequate limits for risk and control, as well as to monitor the risks and respecting the limits. Policies and systems for risks management are periodically reviewed in order to present the changes in market conditions, products and services provided. The Group, through standards and procedures for management and training, is targeting to develop a constructive and disciplined environment within all employees to understand their roles and obligations.

Credit risk represents the risk that an unexpected change of the credit quality of counterparty might generate a change in the value of the credit exposure towards it. This change in the credit exposure value might be due to the default of the counterparty, that is not able to respect its contractual obligations or by the reduction of the credit quality of the counterparty: this latest case is more relevant in assets subject to mark to market and classified in the trading book.

The Group has set up processes for risk management and has tools for identification, measurement, monitoring and control of the credit risk.

The Group's policy for the risk management promotes a set of principles and coherent practices, oriented toward the following objectives:

- Set up a framework and adequate parameters for credit risk;
- Promoting and operating a healthy and sound process for granting loans;
- Promoting and maitaining an adequate process for management, measurement and monitoring of loans;
- Ensuring a permanent control over the quality of granted loans portfolios.

Credit risk management is performed taking into account both individual loans and also entire portfolio and includes the quantitative and qualitative aspects related to risks.

The Group evaluates mainly the solvency of the entity/client which requests the loan facility. This evaluation is focused mainly on establishment of the manner in which the entity that is requesting the loan facility can respect its obligations by paying them autonomously, irrespective whether additional guarantees are provided or not (repayment capacity).

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

(ii) Forward looking information:

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 2021:

Country	Macroeconomic scenario	Base scenario		
		2022	2023	2024
Romania	Real GDP, yoy % change	5.0	4.0	4.0
Romania	Inflation (CPI) yoy, eop	3.3	3.4	2.5
Romania	Unemployment rate, %	4.5	4.0	3.8
Romania	Short term rate, eop	1.84	2.04	2.14
Romania	Long-term interest rates 10y (%)	4.0	3.7	3.5
Romania	House Price Index, yoy % change	7.0	5.0	5.0

The table below summarizes the main macroeconomic indicators included in the baseline economic scenarios used at 31 December 2020:

Country	Macroeconomic scenario	Base scenario		
		2021	2022	2023
Romania	Real GDP, yoy % change	4.0	3.8	3.4
Romania	Inflation (CPI) yoy, eop	3.1	3.0	2.5
Romania	Unemployment rate, %	5.6	5.3	5.0
Romania	Short term rate, eop	1.25	1.20	1.23
Romania	Long-term interest rates 10y (%)	3.6	3.5	3.5
Romania	House Price Index, yoy % change	8.0	5.0	5.3

Following first implementation during 2020 of Forward Looking Information concept per industries, in order to better capture the specific dynamic of each sector during COVID 19 pandemic period, the Bank continued the recurrent update of industry factor during 2021.

(iii) Exposure to credit risk

Throughout the “Exposure to credit risk” notes and disclosures, “Group” includes UniCredit Bank S.A. (“Bank”), UniCredit Consumer Financing IFN S.A. (“UCFIN”) and UniCredit Leasing Corporation IFN S.A. (“UCLC”) for loans to customers, both for on balance sheet exposures and off balance sheet exposures. Lease receivables, belonging to UniCredit Leasing Corporation IFN S.A. and Debo Leasing S.R.L., are separately reported due to the fact that the business model and the related credit risk drivers are significantly different as compared to the Bank’s and UCFIN’s.

Throughout this chapter all the amounts contain the effect of Interest adjustments for impaired loans (IRC). As such, gross value of the loans and Allowance for impairment are presented including IRC.

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

(iii) Exposure to credit risk *(continued)*

- **Loans and advances to customers, on and off balance – Asset Quality**

	Group				
In RON thousands	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI financial assets	Total
As of 31st of December 2021					
Gross exposure	**36,301,601**	**11,010,463**	**1,980,271**	**16,248**	**49,292,335**
On balance	22,096,135	7,407,010	1,761,324	16,248	31,264,469
Off balance	14,205,466	3,603,453	218,947	-	18,027,866
Allowance for impairment	**(216,468)**	**(411,783)**	**(1,437,454)**	**(856)**	**(2,065,705)**
On balance	(199,632)	(367,041)	(1,302,386)	(856)	(1,869,059)
Off balance	(16,836)	(44,742)	(135,068)	-	(196,646)
Carrying amount	**36,085,133**	**10,598,680**	**542,817**	**15,392**	**47,226,630**
On balance	21,896,503	7,039,969	458,938	15,392	29,395,410
Off balance*	14,188,630	3,558,711	83,879	-	17,831,220
As of 31st of December 2020					
Gross exposure	**30,499,910**	**9,583,400**	**2,220,730**	**22,967**	**42,304,040**
On balance	18,020,907	7,086,604	1,924,153	22,967	27,031,664
Off balance	12,479,003	2,496,796	296,577	-	15,272,376
Allowance for impairment	**(145,712)**	**(388,962)**	**(1,443,133)**	**(3,519)**	**(1,977,807)**
On balance	(132,275)	(355,093)	(1,314,981)	(3,519)	(1,802,349)
Off balance	(13,437)	(33,869)	(128,152)	-	(175,458)
Carrying amount	**30,354,198**	**9,194,438**	**777,597**	**19,448**	**40,326,233**
On balance	17,888,632	6,731,511	609,172	19,448	25,229,315
Off balance*	12,465,566	2,462,927	168,425	-	15,096,918

**) Carrying amount for off balance includes the provisions booked in balance sheet in line "Provisions".*

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

(iii) Exposure to credit risk *(continued)*

- **Loans and advances to customers, on and off balance – Asset Quality *(continued)***

RON thousands	Bank Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI financial assets	Total
As of 31st of December 2021					
Gross exposure	**34,324,996**	**10,418,508**	**1,816,010**	**16,248**	**46,559,514**
On balance	20,518,605	6,914,914	1,599,622	16,248	29,033,141
Off balance	13,806,391	3,503,594	216,388	-	17,526,373
Allowance for impairment	**(152,443)**	**(323,066)**	**(1,329,089)**	**(856)**	**(1,804,598)**
On balance	(136,959)	(273,961)	(1,194,648)	(856)	(1,605,568)
Off balance	(15,484)	(49,105)	(134,441)	-	(199,030)
Carrying amount	**34,172,553**	**10,095,442**	**486,921**	**15,392**	**44,754,916**
On balance	20,381,646	6,640,953	404,974	15,392	27,427,573
Off balance*	13,790,907	3,454,489	81,947	-	17,327,343
As of 31st of December 2020					
Gross exposure	**27,375,882**	**9,154,752**	**2,013,115**	**22,967**	**38,543,749**
On balance	15,422,207	6,685,083	1,733,525	22,967	23,840,815
Off balance	11,953,675	2,469,669	279,590	-	14,702,934
Allowance for impairment	**(96,791)**	**(325,637)**	**(1,308,010)**	**(3,519)**	**(1,730,438)**
On balance	(85,501)	(287,651)	(1,181,123)	(3,519)	(1,554,275)
Off balance	(11,290)	(37,986)	(126,887)	-	(176,163)
Carrying amount	**27,279,091**	**8,829,115**	**705,105**	**19,448**	**36,813,311**
On balance	15,336,706	6,397,432	552,402	19,448	22,286,540
Off balance*	11,942,385	2,431,683	152,703	-	14,526,771

**) Carrying amount for off balance includes the provisions booked in balance sheet in line "Provisions".*

- **Loans and advances to banks at amortised cost** - from asset quality point of view are disclosed in note 21.
- **Financial assets at fair value through other comprehensive income** - from asset quality point of view are disclosed in note 24

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

(iii) Exposure to credit risk *(continued)*

- **Lease receivables, on and off balance – Assets Quality**

UCLC (Unicredit Leasing Corporation)					
In RON thousands	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI financial assets	Total
As of 31st of December 2021					
Gross exposure	**3,518,946**	**317,482**	**305,909**	**-**	**4,142,337**
On balance	3,377,023	315,599	305,686	-	3,998,308
Off balance	141,923	1,883	223	-	144,029
Allowance for impairment	**(56,383)**	**(32,507)**	**(188,066)**	**-**	**(276,956)**
On balance	(55,467)	(32,495)	(188,044)	-	(276,006)
Off balance	(916)	(12)	(22)	-	(950)
Carrying amount	**3,462,563**	**284,975**	**117,843**	**-**	**3,865,381**
On balance	3,321,556	283,104	117,642	-	3,722,302
Off balance*	141,007	1,871	201	-	143,079
As of 31st of December 2020					
Gross exposure	**3,224,802**	**333,497**	**339,997**	**-**	**3,898,296**
On balance	3,134,267	333,132	338,193	-	3,805,592
Off balance	90,535	365	1,804	-	92,704
Allowance for impairment	**(69,929)**	**(45,178)**	**(175,947)**	**-**	**(291,054)**
On balance	(68,893)	(45,176)	(175,709)	-	(289,778)
Off balance	(1,036)	(2)	(238)	-	(1,276)
Carrying amount	**3,154,873**	**288,319**	**164,050**	**-**	**3,607,242**
On balance	3,065,374	287,956	162,484	-	3,515,814
Off balance*	89,499	363	1,566	-	91,428

**) Carrying amount for off balance includes the provisions booked in balance sheet in line "Provisions".*

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

(iii) Exposure to credit risk *(continued)*

Loan portfolio is assessed for credit risk based on internal rating models. Customers are assigned with a certain rating notch which indicates the one-year probability of default. Rating notches are mapped to the UniCredit Group wide Master Scale. The Master Scale provides a standard rating scale for the entire UniCredit Group loan portfolio and also ensures comparability with rating scales from external rating agencies, based on the one-year probabilities of default assigned to each rating notch (calibration).

The Master Scale contains 10 rating classes, which are subdivided in 27 rating notches. Customers in the rating notches 1+ to 8 are expected to default only with a low probability and are defined as non-impaired customers. Rating notches 8-, 9 and 10 contains impaired customers in accordance with regulatory definitions for impaired clients.

The Group's overall risk exposure is disclosed according to the amount of identifiable impairment into four main categories: individually significant impaired, other impaired loans, past due but not impaired and neither past due nor individually impaired according to the internal rating of the Group and the past due status.

Impaired loans (including leasing receivables)

Loans and receivables are impaired and impairment adjustment incur whether an objective impairment evidence exist as a result of:

- one or many triggers which appeared after initial recognition of the investment (default events);
- that default event has an impact on estimated future cash flow of the asset which can be reliable measured.

Individually significant impaired loans

Individually significant impaired loans comprise significant private individuals (more than EUR 250,000) which have at least one default event, as defined in the Bank's internal procedures, and significant corporate clients (more than EUR 1 million) with grade 8-, 9 or 10, as defined in the internal rating of the Bank; these two categories are individually assessed by the Group.

For all of them, the collaterals are divided between property, goods, and assignment of receivables and other. Other collateral includes pledge on stocks, machinery, cash and financial risk insurance.

Neither past due nor individually impaired

It includes all exposures not classified in the above categories and considered to be all performing.

Other impaired loans

Other impaired loans include all private individuals' exposures which are more than 90 days overdue and corporate and business clients' exposures with grade 8-, 9 and 10 which are not individually significant.

Past due but not impaired loans

Loans for which contractual interest or principal payments are past due but the Group believes that impairment is not appropriate on the basis of the level of security/collateral available and / or the stage of collection of amounts owed to the Group.

Allowances for impairment

The Group establishes an allowance for impairment losses based on the internal methodology as described in note 3g (*i*).

Restructured exposures are loan contracts for which restructuring measures have been applied, these are closely monitored by the Group.

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

(iii) Exposure to credit risk *(continued)*

Allowances for impairment *(continued)*

Any replacement operation of assets given to debtor that is facing or about to face financial difficulties in meeting financial commitments represents a concession granted to the borrower (forbearance), which wouldn't have been granted if the debtor wouldn't be in financial difficulties.

A concession refers to one of the following actions:

- a change in previous terms and conditions of a contract under which it is considered that the debtor cannot meet due to the financial difficulties ("problem asset"), in order to allow a sufficient capacity to service the debt, which would have not been granted if the debtor had not been in financial difficulty;
- a total or partial refinancing of a contract related to a problem asset, which would have not been granted the debtor had not been in financial difficulty.

A concession may generate a loss for the lender.

The replacement operations of the performing assets, that have been found objective evidence of impairment, lead to consider these exposures as problem assets only if there is a negative impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Collateral

To a large degree, the Group's exposure is in the form of traditional loans to non-financial companies and households. These loans may be secured by collateral (e.g., a mortgage on property or a charge over securities, movable property or receivables) or guarantees (usually provided by individuals or legal entities). Any form of collateral serves only as additional security for the secured loan and as such is taken into account at the time the creditworthiness of the entity requesting the credit facility is assessed. In order to protect against fluctuations in the market value of assets assigned to the Group as collateral, the value of the collateral should generally provide an adequate margin in excess of the current value of such assets, and this margin is properly adjusted as a function of the intrinsic characteristics of these assets.

When assessing collateral, special emphasis is placed on the enforceability of the collateral and its appropriateness. With regard to the former, as required by the BIS III Capital Accord the collateral obtained must be valid, effective and binding for the collateral provider, and it must be enforceable with respect to third parties in all jurisdictions, including in the event of the insolvency or receivership of the borrower and/or the collateral provider.

Due to the importance of this requirement, including for the purposes of mitigating the capital requirement for credit risk, the application procedure and related processes governing this area are particularly strict, to ensure that the documents obtained are complete and according to the procedure at a standalone level.

With regard to appropriateness, collateral is said to be appropriate when it is qualitatively and quantitatively sufficient with respect to the amount and nature of the credit facility, provided there are no significant risk elements associated with the provider of security.

The tables below present for the Group the breakdown of loans to customers by business segment and asset quality types, including also the allocated collaterals for the respective asset quality classes, separately for on balance sheet exposures and off balance sheet exposures.

The value of collaterals presented in the following tables from this chapter represents the market value capped at individual loan exposure level and further more adjusted (haircuts applied) as per internal procedure. The value of collaterals disclosed in the narrative disclosures under the above mentioned tables represents market value of collaterals before any haircuts applied.

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

(iii) Exposure to credit risk *(continued)*

2021		Group			
RON thousands	Total out of which*:	Corporate	SME	Private Individuals	Private banking
Individually significant impaired loans					
Stage 3	1,340,354	1,076,531	177,271	66,318	20,234
Gross amount	**1,340,354**	**1,076,531**	**177,271**	**66,318**	**20,234**
Allowance for impairment	(1,110,874)	(879,639)	(153,324)	(58,230)	(19,681)
Carrying amount	**229,480**	**196,892**	**23,947**	**8,088**	**553**
Fair value of collateral	**239,311**	**180,140**	**36,046**	**21,454**	**1,671**
Property	199,533	151,866	25,713	20,578	1,376
Goods	22,477	18,728	3,749	-	-
Assignment of receivables	4,058	3,883	175	-	-
Other collateral	13,243	5,663	6,409	876	295
Other impaired loans					
Stage 3	420,970	28,248	90,217	302,241	264
Gross amount	**420,970**	**28,248**	**90,217**	**302,241**	**264**
Allowance for impairment	(191,512)	(16,632)	(51,043)	(123,701)	(136)
Carrying amount	**229,458**	**11,616**	**39,174**	**178,540**	**128**
Fair value of collateral	**208,682**	**18,282**	**41,682**	**148,712**	**6**
Property	188,310	14,668	30,455	143,187	-
Goods	6,798	3,163	3,361	274	-
Assignment of receivables	343	343	-	-	-
Other collateral	13,231	108	7,866	5,251	6
Past due but not impaired					
Stage 1	2,074,800	282,450	95,371	1,696,967	12
Stage 2	1,151,246	385,091	83,369	681,393	1,393
Gross amount	**3,226,046**	**667,541**	**178,740**	**2,378,360**	**1,405**
Allowance for impairment	(188,589)	(6,573)	(7,538)	(174,435)	(43)
Carrying amount	**3,037,457**	**660,968**	**171,202**	**2,203,925**	**1,362**
Neither past due nor impaired					
Stage 1	20,021,336	12,641,917	2,344,063	5,020,695	14,661
Stage 2	6,255,763	4,269,216	650,916	1,303,180	32,451
Gross amount	**26,277,099**	**16,911,133**	**2,994,979**	**6,323,875**	**47,112**
Allowance for impairment	(378,084)	(271,449)	(54,776)	(51,419)	(440)
Carrying Amount	**25,899,015**	**16,639,684**	**2,940,203**	**6,272,456**	**46,672**
Total carrying amount	**29,395,410**	**17,509,160**	**3,174,526**	**8,663,009**	**48,715**

** Out of the total gross receivables of RON thousands 31,264,469 as at December 31, 2021, there are loans in amount of RON thousands 126,181 for which the Group has not recognized a loss allowance because of the collateral value. These collaterals held as security have a total market value in amount of RON thousands 875,093 as at December 31, 2021 and represent mainly immovable properties, movables assets (equipment and vehicles) and cash collaterals, which can be subject to a real guarantee/mortgage.*

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

(iii) Exposure to credit risk *(continued)*

2020		Group			
RON thousands	Total out of which*:	Corporate	SME	Private Individuals	Private banking
Individually significant impaired loans					
Stage 3	1,390,535	1,107,641	190,556	72,244	20,094
Gross amount	**1,390,535**	**1,107,641**	**190,556**	**72,244**	**20,094**
Allowance for impairment	(1,049,462)	(819,346)	(150,379)	(64,736)	(15,001)
Carrying amount	**341,073**	**288,295**	**40,177**	**7,508**	**5,093**
Fair value of collateral	**287,947**	**207,864**	**53,076**	**12,815**	**14,192**
Property	187,107	126,717	34,625	11,936	13,829
Goods	40,804	37,045	3,759	-	-
Assignment of receivables	29,946	29,946	-	-	-
Other collateral	30,090	14,156	14,692	879	363
Other impaired loans					
Stage 3	533,618	55,168	114,011	364,406	33
Gross amount	**533,618**	**55,168**	**114,011**	**364,406**	**33**
Allowance for impairment	(265,519)	(33,799)	(61,608)	(170,099)	(13)
Carrying amount	**268,099**	**21,369**	**52,403**	**194,307**	**20**
Fair value of collateral	**206,741**	**24,696**	**33,552**	**148,470**	**23**
Property	189,969	18,840	25,949	145,157	23
Goods	8,316	2,519	5,490	307	-
Assignment of receivables	1,417	1,417	-	-	-
Other collateral	7,039	1,920	2,113	3,006	-
Past due but not impaired					
Stage 1	557,194	305,920	161,802	89,472	-
Stage 2	652,983	285,844	99,401	266,611	1,127
Gross amount	**1,210,177**	**591,764**	**261,203**	**356,083**	**1,127**
Allowance for impairment	(68,946)	(14,025)	(10,831)	(44,049)	(41)
Carrying amount	**1,141,231**	**577,739**	**250,372**	**312,034**	**1,086**
Neither past due nor impaired					
Stage 1	17,463,713	9,113,407	2,092,561	6,238,609	19,136
Stage 2	6,433,621	4,387,691	524,923	1,487,537	33,470
Gross amount	**23,897,334**	**13,501,098**	**2,617,484**	**7,726,146**	**52,606**
Allowance for impairment	(418,422)	(253,502)	(49,164)	(115,425)	(331)
Carrying Amount	**23,478,912**	**13,247,596**	**2,568,320**	**7,610,721**	**52,275**
Total carrying amount	**25,229,315**	**14,134,999**	**2,911,272**	**8,124,570**	**58,474**

** Out of the total gross receivables of RON thousands 27,031,664 as at December 31, 2020, there are loans in amount of RON thousands 218,155 for which the Group has not recognized a loss allowance because of the collateral value. These collaterals held as security have a total market value in amount of RON thousands 1,077,720 as at December 31, 2020 and represent mainly immovable properties, movables assets (equipment and vehicles) and cash collaterals, which can be subject to a real guarantee/mortgage.*

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

(iii) Exposure to credit risk *(continued)*

2021		Group			
RON thousands	Total out of which:	Corporate	SME	Private Individuals	Private banking
Off balance - Loan commitments					
Stage 1	10,429,316	8,968,262	1,190,257	266,243	4,554
Stage 2	2,517,928	2,188,099	202,259	123,135	4,435
Stage 3	100,189	82,356	13,929	3,552	352
Gross amount	**13,047,433**	**11,238,717**	**1,406,445**	**392,930**	**9,341**
Allowance for impairment	(84,383)	(74,760)	(6,862)	(2,757)	(4)
Carrying amount*	**12,963,050**	**11,163,957**	**1,399,583**	**390,173**	**9,337**
Off balance - Letters of credit					
Stage 1	128,853	128,781	72	-	-
Stage 2	109,831	109,831	-	-	-
Stage 3	464	464	-	-	-
Gross amount	**239,148**	**239,076**	**72**	**-**	**-**
Allowance for impairment	(2,201)	(2,199)	(2)	-	-
Carrying amount*	**236,947**	**236,877**	**70**	**-**	**-**
Off balance - Guarantees issued					
Stage 1	3,647,297	3,587,000	59,154	839	304
Stage 2	975,694	944,815	23,044	2,048	5,787
Stage 3	118,294	108,200	9,567	527	-
Gross amount	**4,741,285**	**4,640,015**	**91,765**	**3,414**	**6,091**
Allowance for impairment	(110,062)	(102,124)	(7,571)	(211)	(156)
Carrying amount*	**4,631,223**	**4,537,891**	**84,194**	**3,203**	**5,935**
Total carrying amount	**17,831,220**	**15,938,725**	**1,483,847**	**393,376**	**15,272**

**) Carrying amount for off balance includes the provisions booked in balance sheet in line "Provisions".*

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

(iii) Exposure to credit risk *(continued)*

2020		Group			
RON thousands	Total out of which:	Corporate	SME	Private Individuals	Private banking
Off balance - Loan commitments					
Stage 1	9,517,088	8,155,417	1,035,308	322,415	3,948
Stage 2	1,515,983	1,269,874	164,124	77,353	4,632
Stage 3	143,735	104,640	32,397	6,461	237
Gross amount	**11,176,806**	**9,529,931**	**1,231,829**	**406,229**	**8,817**
Allowance for impairment	(67,636)	(60,492)	(4,380)	(2,762)	(2)
Carrying amount*	**11,109,170**	**9,469,439**	**1,227,449**	**403,467**	**8,815**
Off balance - Letters of credit					
Stage 1	58,352	58,216	136	-	-
Stage 2	49,992	49,992	-	-	-
Stage 3	1,001	1,001	-	-	-
Gross amount	**109,345**	**109,209**	**136**	**-**	**-**
Allowance for impairment	(1,706)	(1,705)	(1)	-	-
Carrying amount*	**107,639**	**107,504**	**135**	**-**	**-**
Off balance - Guarantees issued					
Stage 1	2,903,563	2,844,183	58,237	854	289
Stage 2	930,821	901,777	21,016	2,286	5,742
Stage 3	151,841	147,345	3,346	420	730
Gross amount	**3,986,225**	**3,893,305**	**82,599**	**3,560**	**6,761**
Allowance for impairment	(106,115)	(102,547)	(3,054)	(166)	(348)
Carrying amount*	**3,880,110**	**3,790,758**	**79,545**	**3,394**	**6,413**
Total carrying amount	**15,096,919**	**13,367,701**	**1,307,129**	**406,861**	**15,228**

**) Carrying amount for off balance includes the provisions booked in balance sheet in line "Provisions".*

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

(iii) Exposure to credit risk *(continued)*

The tables below present for the Bank the breakdown of loans to customers by business segment and asset quality types, including also the allocated collaterals for the respective asset quality classes, separately for on balance sheet exposures and off balance sheet exposures.

2021			Bank		
RON thousands	Total out of which*:	Corporate	SME	Private Individuals	Private banking
Individually significant impaired loans					
Stage 3	1,296,527	1,076,531	133,444	66,318	20,234
Gross amount	**1,296,527**	**1,076,531**	**133,444**	**66,318**	**20,234**
Allowance for impairment	(1,070,627)	(879,639)	(113,077)	(58,230)	(19,681)
Carrying amount	**225,900**	**196,892**	**20,367**	**8,088**	**553**
Fair value of collateral	**236,213**	**180,140**	**32,948**	**21,454**	**1,671**
Property	199,533	151,866	25,713	20,578	1,376
Goods	19,379	18,728	651	-	-
Assignment of receivables	4,058	3,883	175	-	-
Other collateral	13,243	5,663	6,409	876	295
Other impaired loans					
Stage 3	303,095	28,248	83,884	190,699	264
Gross amount	**303,095**	**28,248**	**83,884**	**190,699**	**264**
Allowance for impairment	(124,021)	(16,632)	(48,743)	(58,510)	(136)
Carrying amount	**179,074**	**11,616**	**35,141**	**132,189**	**128**
Fair value of collateral	**206,018**	**18,282**	**39,292**	**148,438**	**6**
Property	188,310	14,668	30,455	143,187	-
Goods	4,321	3,163	1,158	-	-
Assignment of receivables	343	343	-	-	-
Other collateral	13,044	108	7,679	5,251	6
Past due but not impaired					
Stage 1	400,358	282,450	67,638	50,258	12
Stage 2	710,949	385,091	77,672	246,793	1,393
Gross amount	**1,111,307**	**667,541**	**145,310**	**297,051**	**1,405**
Allowance for impairment	(35,140)	(6,573)	(7,338)	(21,186)	(43)
Carrying amount	**1,076,167**	**660,968**	**137,972**	**275,865**	**1,362**
Neither past due nor impaired					
Stage 1	20,118,247	13,412,049	1,659,988	5,031,549	14,661
Stage 2	6,203,965	4,269,216	599,361	1,302,937	32,451
Gross amount	**26,322,212**	**17,681,265**	**2,259,349**	**6,334,486**	**47,112**
Allowance for impairment	(375,780)	(275,158)	(48,812)	(51,370)	(440)
Carrying amount	**25,946,432**	**17,406,107**	**2,210,537**	**6,283,116**	**46,672**
Total carrying amount	**27,427,573**	**18,275,583**	**2,404,017**	**6,699,258**	**48,715**

** Out of the total gross receivables of RON thousands 29,033,141 as at December 31, 2021, there are loans in amount of RON thousands 125,994 for which the Bank has not recognized a loss allowance because of the collateral value. These collaterals held as security have a total market value in amount of RON thousands 871,730 as at December 31, 2021 and represent mainly immovable properties, movables assets (equipment and vehicles) and cash collaterals, which can be subject to a real guarantee/mortgage.*

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

(iii) Exposure to credit risk *(continued)*

2020	Bank				
RON thousands	Total out of which*:	Corporate	SME	Private Individuals	Private banking
Individually significant impaired loans					
Stage 3	1,355,689	1,107,641	155,710	72,244	20,094
Gross amount	**1,355,689**	**1,107,641**	**155,710**	**72,244**	**20,094**
Allowance for impairment	(1,018,565)	(819,346)	(119,482)	(64,736)	(15,001)
Carrying amount	**337,124**	**288,295**	**36,228**	**7,508**	**5,093**
Fair value of collateral	**285,956**	**207,864**	**51,085**	**12,815**	**14,192**
Property	187,107	126,717	34,625	11,936	13,829
Goods	38,813	37,045	1,768	-	-
Assignment of receivables	29,946	29,946	-	-	-
Other collateral	30,090	14,156	14,692	879	363
Other impaired loans					
Stage 3	377,836	55,168	100,835	221,800	33
Gross amount	**377,836**	**55,168**	**100,835**	**221,800**	**33**
Allowance for impairment	(162,558)	(33,799)	(56,684)	(72,062)	(13)
Carrying amount	**215,278**	**21,369**	**44,151**	**149,738**	**20**
Fair value of collateral	**201,207**	**24,696**	**28,376**	**148,112**	**23**
Property	189,969	18,840	25,949	145,157	23
Goods	3,173	2,519	654	-	-
Assignment of receivables	1,417	1,417	-	-	-
Other collateral	6,648	1,920	1,773	2,955	-
Past due but not impaired					
Stage 1	410,106	264,158	64,433	81,515	-
Stage 2	572,985	285,844	78,851	207,163	1,127
Gross amount	**983,091**	**550,002**	**143,284**	**288,678**	**1,127**
Allowance for impairment	(47,026)	(13,649)	(8,750)	(24,586)	(41)
Carrying amount	**936,065**	**536,353**	**134,534**	**264,092**	**1,086**
Neither past due nor impaired					
Stage 1	15,012,101	9,055,244	1,404,418	4,533,303	19,136
Stage 2	6,112,098	4,387,691	462,195	1,228,742	33,470
Gross amount	**21,124,199**	**13,442,935**	**1,866,613**	**5,762,045**	**52,606**
Allowance for impairment	(326,126)	(252,183)	(32,382)	(41,230)	(331)
Carrying amount	**20,798,073**	**13,190,752**	**1,834,231**	**5,720,815**	**52,275**
Total carrying amount	**22,286,540**	**14,036,769**	**2,049,144**	**6,142,153**	**58,474**

** Out of the total gross receivables of RON thousands 23,840,815 as at December 31, 2020, there are loans in amount of RON thousands 216,272 for which the Bank has not recognized a loss allowance because of the collateral value. These collaterals held as security have a total market value in amount of RON thousands 1,069,009 as at December 31, 2020 and represent mainly immovable properties, movables assets (equipment and vehicles) and cash collaterals, which can be subject to a real guarantee/mortgage.*

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

(iii) Exposure to credit risk *(continued)*

2021		Bank			
RON thousands	Total out of which:	Corporate	SME	Private Individuals	Private banking
Off balance - Loan commitments					
Stage 1	10,028,908	9,109,822	810,260	104,272	4,554
Stage 2	2,418,069	2,188,099	159,661	65,874	4,435
Stage 3	97,630	82,356	13,929	993	352
Gross amount	**12,544,607**	**11,380,277**	**983,850**	**171,139**	**9,341**
Allowance for impairment	(81,058)	(74,677)	(6,284)	(93)	(4)
Carrying amount*	**12,463,549**	**11,305,600**	**977,566**	**171,046**	**9,337**
Off balance - Letters of credit					
Stage 1	128,853	128,781	72	-	-
Stage 2	109,831	109,831	-	-	-
Stage 3	464	464	-	-	-
Gross amount	**239,148**	**239,076**	**72**	**-**	**-**
Allowance for impairment	(2,201)	(2,199)	(2)	-	-
Carrying amount*	**236,947**	**236,877**	**70**	**-**	**-**
Off balance - Guarantees issued					
Stage 1	3,648,630	3,588,333	59,154	839	304
Stage 2	975,694	944,815	23,044	2,048	5,787
Stage 3	118,294	108,200	9,567	527	-
Gross amount	**4,742,618**	**4,641,348**	**91,765**	**3,414**	**6,091**
Allowance for impairment	(115,771)	(107,833)	(7,571)	(211)	(156)
Carrying amount*	**4,626,847**	**4,533,515**	**84,194**	**3,203**	**5,935**
Total carrying amount	**17,327,343**	**16,075,992**	**1,061,830**	**174,249**	**15,272**

**) Carrying amount for off balance includes the provisions booked in balance sheet in line "Provisions".*

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

(iii) Exposure to credit risk *(continued)*

2020	Bank				
RON thousands	Total out of which:	Corporate	SME	Private Individuals	Private banking
Off balance - Loan commitments					
Stage 1	8,986,587	8,094,678	778,763	109,198	3,948
Stage 2	1,488,856	1,269,874	142,295	72,055	4,632
Stage 3	126,748	104,640	21,023	848	237
Gross amount	**10,602,191**	**9,469,192**	**942,081**	**182,101**	**8,817**
Allowance for impairment	(63,766)	(60,317)	(3,381)	(66)	(2)
Carrying amount*	**10,538,425**	**9,408,875**	**938,700**	**182,035**	**8,815**
Off balance - Letters of credit					
Stage 1	63,153	63,017	136	-	-
Stage 2	49,992	49,992	-	-	-
Stage 3	1,001	1,001	-	-	-
Gross amount	**114,146**	**114,010**	**136**	**-**	**-**
Allowance for impairment	(1,706)	(1,705)	(1)	-	-
Carrying amount*	**112,440**	**112,305**	**135**	**-**	**-**
Off balance - Guarantees issued					
Stage 1	2,903,935	2,844,555	58,237	854	289
Stage 2	930,821	901,777	21,016	2,286	5,742
Stage 3	151,841	147,345	3,346	420	730
Gross amount	**3,986,597**	**3,893,677**	**82,599**	**3,560**	**6,761**
Allowance for impairment	(110,691)	(107,123)	(3,054)	(166)	(348)
Carrying amount*	**3,875,906**	**3,786,554**	**79,545**	**3,394**	**6,413**
Total carrying amount	**14,526,771**	**13,307,734**	**1,018,380**	**185,429**	**15,228**

**) Carrying amount for off balance includes the provisions booked in balance sheet in line "Provisions".*

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

(iii) Exposure to credit risk *(continued)*

The tables below present the breakdown of **lease receivables** by business segment and asset quality types, including also the allocated collaterals for the respective asset quality classes, separately for on balance sheet exposures and off balance sheet exposures.

2021	UCLC (Unicredit Leasing Corporation)			
RON thousands	Total out of which*:	Corporate	SME	Private Individuals
Individually significant impaired loans				
Stage 3	234,548	48,615	184,730	1,203
Gross amount	**234,548**	**48,615**	**184,730**	**1,203**
Allowance for impairment	(162,241)	(30,653)	(130,385)	(1,203)
Carrying amount	**72,307**	**17,962**	**54,345**	**-**
Fair value of collateral	**69,832**	**17,662**	**52,170**	**-**
Property	37,767	-	37,767	-
Vehicles and equipment	32,065	17,662	14,403	-
Other impaired loans				
Stage 3	71,138	-	69,399	1,739
Gross amount	**71,138**	**-**	**69,399**	**1,739**
Allowance for impairment	(25,804)	-	(24,939)	(865)
Carrying amount	**45,334**	**-**	**44,460**	**874**
Fair value of collateral	**42,586**	**-**	**41,733**	**853**
Property	-	-	-	-
Vehicles and equipment	42,586	-	41,733	853
Past due but not impaired				
Stage 1	64,569	335	60,832	3,402
Stage 2	27,798	-	27,183	615
Gross amount	**92,367**	**335**	**88,015**	**4,017**
Allowance for impairment	(834)	(2)	(811)	(21)
Carrying amount	**91,533**	**333**	**87,204**	**3,996**
Neither past due nor impaired				
Stage 1	3,312,454	210,171	3,029,153	73,130
Stage 2	287,801	457	285,688	1,656
Gross amount	**3,600,255**	**210,628**	**3,314,841**	**74,786**
Allowance for impairment	(87,127)	(7,705)	(79,037)	(385)
Carrying Amount	**3,513,128**	**202,923**	**3,235,804**	**74,401**
Total carrying amount	**3,722,302**	**221,218**	**3,421,813**	**79,271**

** Out of the total gross receivables of RON thousands 3,998,308 as at December 31, 2021, there are lease receivables in amount of RON thousands 17,977 for which UniCredit Leasing has not recognized a loss allowance because of the collateral value. These collaterals held as security have a total market value in amount of RON thousands 50,702 as at December 31, 2021 and they represent Asset Property, Cash Collaterals and Immovable Mortgages.*

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

(iii) Exposure to credit risk *(continued)*

2020	UCLC (Unicredit Leasing Corporation)			
RON thousands	Total out of which*:	Corporate	SME	Private Individuals
Individually significant impaired loans				
Stage 3	224,407	55,408	168,045	954
Gross amount	**224,407**	**55,408**	**168,045**	**954**
Allowance for impairment	(144,223)	(33,630)	(109,639)	(954)
Carrying amount	**80,184**	**21,778**	**58,406**	**-**
Fair value of collateral	**78,602**	**21,067**	**57,535**	**-**
Property	51,231	-	51,231	-
Vehicles and equipment	27,246	21,067	6,179	-
Other collateral	125	-	125	-
Other impaired loans				
Stage 3	113,786	2,633	108,376	2,777
Gross amount	**113,786**	**2,633**	**108,376**	**2,777**
Allowance for impairment	(31,486)	(742)	(29,813)	(931)
Carrying amount	**82,300**	**1,891**	**78,563**	**1,846**
Fair value of collateral	**70,574**	**1,613**	**67,488**	**1,473**
Vehicles and equipment	70,494	1,613	67,408	1,473
Other collateral	80	-	80	-
Past due but not impaired				
Stage 1	134,458	2,928	127,063	4,467
Stage 2	19,735	-	19,010	725
Gross amount	**154,193**	**2,928**	**146,073**	**5,192**
Allowance for impairment	(3,125)	(16)	(3,026)	(83)
Carrying amount	**151,068**	**2,912**	**143,047**	**5,109**
Neither past due nor impaired				
Stage 1	2,999,809	254,404	2,671,031	74,374
Stage 2	313,397	1,703	310,907	787
Gross amount	**3,313,206**	**256,107**	**2,981,938**	**75,161**
Allowance for impairment	(110,944)	(9,281)	(101,066)	(597)
Carrying Amount	**3,202,262**	**246,826**	**2,880,872**	**74,564**
Total carrying amount	**3,515,814**	**273,407**	**3,160,888**	**81,519**

** Out of the total gross receivables of RON thousands 3,805,592 as at December 31, 2020, there are lease receivables in amount of RON thousands 21,553 for which UniCredit Leasing has not recognized a loss allowance because of the collateral value. These collaterals held as security have a total market value in amount of RON thousands 52,121 as at December 31, 2020 and they represent Asset Property, Cash Collaterals and Immovable Mortgages.*

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

(iii) Exposure to credit risk *(continued)*

2021	UCLC (Unicredit Leasing Corporation)			
RON thousands	Total out of which:	Corporate	SME	Private Individuals
Off balance - Loan commitments				
Stage 1	141,923	49,914	90,518	1,491
Stage 2	1,883	-	1,883	-
Stage 3	223	-	223	-
Gross amount	**144,029**	**49,914**	**92,624**	**1,491**
Allowance for impairment	(950)	(426)	(517)	(7)
Carrying amount*	**143,079**	**49,488**	**92,107**	**1,484**

**) Carrying amount for off balance includes the provisions booked in balance sheet in line Provisions.*

2020	UCLC (Unicredit Leasing Corporation)			
RON thousands	Total out of which:	Corporate	SME	Private Individuals
Off balance - Loan commitments				
Stage 1	90,536	13,656	76,021	859
Stage 2	365	-	365	-
Stage 3	1,805	110	1,695	-
Gross amount	**92,706**	**13,766**	**78,081**	**859**
Allowance for impairment	(1,276)	(220)	(1,052)	(4)
Carrying amount*	**91,430**	**13,546**	**77,029**	**855**

**) Carrying amount for off balance includes the provisions booked in balance sheet in line Provisions.*

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

(iii) Exposure to credit risk *(continued)*

The tables below present the breakdown of loans and advances to customers by risk grades, separately for on balance sheet exposures and off balance sheet exposures.

2021 RON thousands			Group		
Loans and advances to customers at amortized cost (on balance)	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI financial assets	Total
Grades 1-3 : performing (low risk)	2,301,796	553,545	-	-	2,855,341
Grades 4-6: performing (medium risk)	19,121,195	4,663,419	-	-	23,784,614
Grades 7-8 : performing (in observation & substandard)	665,729	2,170,101	-	16,248	2,835,830
Grade 8 : impaired	-	-	1,645,163	-	1,645,163
Grade 9: impaired	-	-	56,510	-	56,510
Grade 10: impaired	-	-	59,651	-	59,651
Unrated	7,415	19,945	-	-	27,360
Total gross amount	**22,096,135**	**7,407,010**	**1,761,324**	**16,248**	**31,264,469**
Loss allowance	(199,632)	(367,041)	(1,302,386)	(856)	(1,869,059)
Carrying amount	**21,896,503**	**7,039,969**	**458,938**	**15,392**	**29,395,410**

2020 RON thousands			Group		
Loans and advances to customers at amortized cost (on balance)	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI financial assets	Total
Grades 1-3 : performing (low risk)	1,358,143	62,324	-	-	1,420,467
Grades 4-6: performing (medium risk)	15,896,255	4,645,397	-	-	20,541,652
Grades 7-8 : performing (in observation & substandard)	762,103	2,366,718	5	19,861	3,128,826
Grade 8 : impaired	-	-	1,629,348	3,106	1,629,348
Grade 9: impaired	-	-	113,853	-	113,853
Grade 10: impaired	-	-	180,947	-	180,947
Unrated	4,406	12,165	-	-	16,571
Total gross amount	**18,020,907**	**7,086,604**	**1,924,153**	**22,967**	**27,031,664**
Loss allowance	(132,275)	(355,093)	(1,314,981)	(3,519)	(1,802,349)
Carrying amount	**17,888,632**	**6,731,511**	**609,172**	**19,448**	**25,229,315**

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

(iii) Exposure to credit risk *(continued)*

2021 RON thousands	Group				
Loans and advances to customers at amortized cost (off balance)	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI financial assets	Total
Grades 1-3 : performing (low risk)	4,765,176	1,156,604	(492)	-	5,921,288
Grades 4-6: performing (medium risk)	9,064,424	1,762,167	-	-	10,826,591
Grades 7-8 : performing (in observation & substandard)	372,869	676,451	-	-	1,049,320
Grade 8 : impaired	-	-	209,326	-	209,326
Grade 9: impaired	-	-	516	-	516
Grade 10: impaired	-	-	9,597	-	9,597
Unrated	2,997	8,231	-	-	11,228
Total gross amount	**14,205,466**	**3,603,453**	**218,947**	**-**	**18,027,866**
Loss allowance	(16,836)	(44,742)	(135,068)	-	(196,646)
Carrying amount*	**14,188,630**	**3,558,711**	**83,879**	**-**	**17,831,220**

**) Carrying amount for off balance includes the provisions booked in balance sheet in line Provisions.*

2020 RON thousands	Group				
Loans and advances to customers at amortized cost (off balance)	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI financial assets	Total
Grades 1-3 : performing (low risk)	4,078,561	427,916	5,613	-	4,512,090
Grades 4-6: performing (medium risk)	8,104,170	1,390,569	-	-	9,494,739
Grades 7-8 : performing (in observation & substandard)	292,025	669,985	-	-	962,010
Grade 8 : impaired	-	-	261,068	-	261,068
Grade 9: impaired	-	-	29,699	-	29,699
Grade 10: impaired	-	-	197	-	197
Unrated	4,247	8,326	-	-	12,573
Total gross amount	**12,479,003**	**2,496,796**	**296,577**	**-**	**15,272,376**
Loss allowance	(13,437)	(33,869)	(128,152)	-	(175,458)
Carrying amount*	**12,465,566**	**2,462,927**	**168,425**	**-**	**15,096,918**

**) Carrying amount for off balance includes the provisions booked in balance sheet in line Provisions.*

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

(iii) Exposure to credit risk *(continued)*

2021 RON thousands Loans and advances to customers at amortized cost (on balance)	Bank Stage 1 12-month ECL	 Stage 2 - Lifetime ECL	 Stage 3 - Lifetime ECL	 Of which: POCI financial assets	 Total
Grades 1-3 : performing (low risk)	2,299,273	551,443	-	-	2,850,716
Grades 4-6: performing (medium risk)	17,729,611	4,440,000	-	-	22,169,611
Grades 7-8 : performing (in observation & substandard)	482,306	1,903,526	-	16,248	2,385,832
Grade 8 : impaired	-	-	1,546,313	-	1,546,313
Grade 9: impaired	-	-	25,045	-	25,045
Grade 10: impaired	-	-	28,264	-	28,264
Unrated	7,415	19,945	-	-	27,360
Total gross amount	**20,518,605**	**6,914,914**	**1,599,622**	**16,248**	**29,033,141**
Loss allowance	(136,959)	(273,961)	(1,194,648)	(856)	(1,605,568)
Carrying amount	**20,381,646**	**6,640,953**	**404,974**	**15,392**	**27,427,573**

2020 RON thousands Loans and advances to customers at amortized cost (on balance)	Bank Stage 1 12-month ECL	 Stage 2 - Lifetime ECL	 Stage 3 - Lifetime ECL	 Of which: POCI financial assets	 Total
Grades 1-3 : performing (low risk)	1,273,946	56,334	-	-	1,330,280
Grades 4-6: performing (medium risk)	13,635,666	4,477,206	-	-	18,112,872
Grades 7-8 : performing (in observation & substandard)	508,189	2,139,378	-	19,861	2,647,567
Grade 8 : impaired	-	-	1,578,521	3,106	1,578,521
Grade 9: impaired	-	-	38,845	-	38,845
Grade 10: impaired	-	-	116,159	-	116,159
Unrated	4,406	12,165	-	-	16,571
Total gross amount	**15,422,207**	**6,685,083**	**1,733,525**	**22,967**	**23,840,815**
Loss allowance	(85,501)	(287,651)	(1,181,123)	(3,519)	(1,554,275)
Carrying amount	**15,336,706**	**6,397,432**	**552,402**	**19,448**	**22,286,540**

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

(iii) Exposure to credit risk *(continued)*

2021 RON thousands Loans and advances to customers at amortized cost (off balance)	Bank Stage 1 12-month ECL	 Stage 2 - Lifetime ECL	 Stage 3 - Lifetime ECL	 Of which: POCI financial assets	 Total
Grades 1-3 : performing (low risk)	4,670,710	1,152,257	-	-	5,822,967
Grades 4-6: performing (medium risk)	8,770,941	1,676,028	-	-	10,446,969
Grades 7-8 : performing (in observation & substandard)	361,743	667,078	-	-	1,028,821
Grade 8 : impaired	-	-	206,784	-	206,784
Grade 9: impaired	-	-	8	-	8
Grade 10: impaired	-	-	9,596	-	9,596
Unrated	2,997	8,231	-	-	11,228
Total gross amount	**13,806,391**	**3,503,594**	**216,388**	**-**	**17,526,373**
Loss allowance	(15,484)	(49,105)	(134,441)	-	(199,030)
Carrying amount*	**13,790,907**	**3,454,489**	**81,947**	**-**	**17,327,343**

**) Carrying amount for off balance includes the provisions booked in balance sheet in line Provisions.*

2020 RON thousands Loans and advances to customers at amortized cost (off balance)	Bank Stage 1 12-month ECL	 Stage 2 - Lifetime ECL	 Stage 3 - Lifetime ECL	 Of which: POCI financial assets	 Total
Grades 1-3 : performing (low risk)	4,026,374	427,133	-	-	4,453,507
Grades 4-6: performing (medium risk)	7,674,343	1,368,079	-	-	9,042,422
Grades 7-8 : performing (in observation & substandard)	248,711	666,131	-	-	914,842
Grade 8 : impaired	-	-	249,694	-	249,694
Grade 9: impaired	-	-	29,699	-	29,699
Grade 10: impaired	-	-	197	-	197
Unrated	4,247	8,326	-	-	12,573
Total gross amount	**11,953,675**	**2,469,669**	**279,590**	**-**	**14,702,934**
Loss allowance	(11,290)	(37,986)	(126,887)	-	(176,163)
Carrying amount*	**11,942,385**	**2,431,683**	**152,703**	**-**	**14,526,771**

**) Carrying amount for off balance includes the provisions booked in balance sheet in line Provisions.*

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

(iii) Exposure to credit risk *(continued)*

2021 In RON thousands	UCLC (Unicredit Leasing Corporation)				
Lease receivables (on balance)	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI financial assets	Total
Grades 1-3 : performing (low risk)	24,472	-	-	-	24,472
Grades 4-6: performing (medium risk)	2,915,221	264,749	-	-	3,179,970
Grades 7-8 : performing (in observation & substandard)	437,330	50,850	-	-	488,180
Grade 8 : impaired	-	-	247,101	-	247,101
Grade 10: impaired	-	-	58,585	-	58,585
Total gross amount	**3,377,023**	**315,599**	**305,686**	**-**	**3,998,308**
Loss allowance	(55,467)	(32,495)	(188,044)	-	(276,006)
Carrying amount	**3,321,556**	**283,104**	**117,642**	**-**	**3,722,302**

2020 In RON thousands	UCLC (Unicredit Leasing Corporation)				
Lease receivables (on balance)	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI financial assets	Total
Grades 1-3 : performing (low risk)	13,848	-	-	-	13,848
Grades 4-6: performing (medium risk)	2,304,637	274,368	-	-	2,579,005
Grades 7-8 : performing (in observation & substandard)	815,782	58,764	-	-	874,546
Grade 8 : impaired	-	-	235,749	-	235,749
Grade 10: impaired	-	-	102,444	-	102,444
Total gross amount	**3,134,267**	**333,132**	**338,193**	**-**	**3,805,592**
Loss allowance	(68,893)	(45,176)	(175,709)	-	(289,778)
Carrying amount	**3,065,374**	**287,956**	**162,484**	**-**	**3,515,814**

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

(iii) Exposure to credit risk *(continued)*

2021 In RON thousands	UCLC (Unicredit Leasing Corporation)				
Lease receivables (off balance)	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI financial assets	Total
Grades 1-3 : performing (low risk)	7,302	-	-	-	7,302
Grades 4-6: performing (medium risk)	125,172	702	-	-	125,874
Grades 7-8 : performing (in observation & substandard)	9,449	1,181	-	-	10,630
Grade 8 : impaired	-	-	223	-	223
Total gross amount	**141,923**	**1,883**	**223**	**-**	**144,029**
Loss allowance	(916)	(12)	(22)	-	(950)
Carrying amount*	**141,007**	**1,871**	**201**	**-**	**143,079**

**) Carrying amount for off balance includes the provisions booked in balance sheet in line Provisions.*

2020 In RON thousands	UCLC (Unicredit Leasing Corporation)				
Lease receivables (off balance)	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI financial assets	Total
Grades 1-3 : performing (low risk)	257	-	-	-	257
Grades 4-6: performing (medium risk)	79,821	259	-	-	80,080
Grades 7-8 : performing (in observation & substandard)	10,457	106	-	-	10,563
Grade 8 : impaired	-	-	1,725	-	1,725
Grade 10: impaired	-	-	79	-	79
Total gross amount	**90,535**	**365**	**1,804**	**-**	**92,704**
Loss allowance	(1,035)	(2)	(238)	-	(1,275)
Carrying amount*	**89,500**	**363**	**1,566**	**-**	**91,429**

**) Carrying amount for off balance includes the provisions booked in balance sheet in line Provisions.*

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

(iii) Exposure to credit risk *(continued)*

The tables below present the breakdown of loans and advances to banks by risk grades, separately for on balance sheet exposures and off balance sheet exposures.

2021 RON thousands	Group/Bank				
Loans and advances to banks at amortized cost	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI financial assets	Total
Grades 1-8 : performing	492,871	829	-	-	493,700
Total gross amount	**492,871**	**829**	**-**	**-**	**493,700**
Loss allowance	(89)	-	-	-	(89)
Carrying amount	**492,782**	**829**	**-**	**-**	**493,611**
Gross amount - off balance	**2,157,289**	**86,206**	**-**	**-**	**2,243,495**
Loss allowance - off balance	(211)	(23)	-	-	(234)
Carrying amount - off balance	**2,157,078**	**86,183**	**-**	**-**	**2,243,261**

2020 RON thousands	Group/Bank				
Loans and advances to banks at amortized cost	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI financial assets	Total
Grades 1-8 : performing	212,187	-	-	-	212,187
Total gross amount	**212,187**	**-**	**-**	**-**	**212,187**
Loss allowance	(57)	-	-	-	(57)
Carrying amount	**212,130**	**-**	**-**	**-**	**212,130**
Gross amount - off balance	**1,791,306**	**46,824**	**-**	**-**	**1,838,130**
Loss allowance - off balance	(172)	(30)	-	-	(202)
Carrying amount - off balance	**1,791,134**	**46,794**	**-**	**-**	**1,837,928**

The two tables above are the same also for the Bank.

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

(iii) Exposure to credit risk *(continued)*

The tables below present the breakdown of financial assets at fair value through other comprehensive income by risk grades.

2021 RON thousands			Group		
Financial assets at fair value through other comprehensive income	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI financial assets	Total
Grades 1-8 : performing	1,678,030	-	-	-	1,678,030
Total gross amount	**1,678,030**	**-**	**-**	**-**	**1,678,030**
Loss allowance	(615)	-	-	-	(615)
Carrying amount	**1,677,415**	**-**	**-**	**-**	**1,677,415**

2020 RON thousands			Group		
Financial assets at fair value through other comprehensive income	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI financial assets	Total
Grades 1-8 : performing	3,022,925	-	-	-	3,022,925
Total gross amount	**3,022,925**	**-**	**-**	**-**	**3,022,925**
Loss allowance	(2,552)	-	-	-	(2,552)
Carrying amount	**3,020,373**	**-**	**-**	**-**	**3,020,373**

2021 RON thousands			Bank		
Financial assets at fair value through other comprehensive income	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI financial assets	Total
Grades 1-8 : performing	1,675,684	-	-	-	1,675,684
Total gross amount	**1,675,684**	**-**	**-**	**-**	**1,675,684**
Loss allowance	(615)	-	-	-	(615)
Carrying amount	**1,675,069**	**-**	**-**	**-**	**1,675,069**

2020 RON thousands			Bank		
Financial assets at fair value through other comprehensive income	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI financial assets	Total
Grades 1-8 : performing	3,020,579	-	-	-	3,020,579
Total gross amount	**3,020,579**	**-**	**-**	**-**	**3,020,579**
Loss allowance	(2,552)	-	-	-	(2,552)
Carrying amount	**3,018,027**	**-**	**-**	**-**	**3,018,027**

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

(iii) Exposure to credit risk *(continued)*

The tables below present the breakdown of debt instruments at amortized cost by risk grades.

2021 RON thousands	Group/Bank				
Debt instruments at amortized cost	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI financial assets	Total
Grades 1-8 : performing	7,952,791	-	-	-	7,952,791
Total gross amount	**7,952,791**	**-**	**-**	**-**	**7,952,791**
Loss allowance	(2,162)	-	-	-	(2,162)
Carrying amount	**7,950,629**	**-**	**-**	**-**	**7,950,629**

2020 RON thousands	Group/Bank				
Debt instruments at amortized cost	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI financial assets	Total
Grades 1-8 : performing	6,153,873	-	-	-	6,153,873
Total gross amount	**6,153,873**	**-**	**-**	**-**	**6,153,873**
Loss allowance	(5,735)	-	-	-	(5,735)
Carrying amount	**6,148,138**	**-**	**-**	**-**	**6,148,138**

The table above is the same also for the Bank.

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

(iii) Exposure to credit risk *(continued)*

- **Concentration of credit risk related to loans and advances to customers**

The Group monitors concentrations of credit risk by sector of activity, client segment, products, ratings, geographical area on a quarterly basis. An analysis of concentrations of credit risk by industry at the reporting date is shown below:

RON thousands	Group		
Loans to customers at amortized cost - ON balance		2021	2020
Private entities (including individuals)		**9,139,809**	**8,592,739**
SME	G Commerce - wholesale and retail	1,385,982	1,306,236
	C Manufacturing	567,837	515,541
	A Agriculture - forestry - fisheries	470,136	422,895
	F Construction and civil engineering	254,176	182,684
	H Transport and storage services	443,591	444,495
	Other services	319,485	311,406
Total SME		**3,441,207**	**3,183,257**
Corporate	C Manufacturing	5,111,940	4,534,381
	G Commerce - wholesale and retail	5,040,812	3,973,897
	K Financial and insurance institutions	1,498,211	770,510
	L Real estate	1,733,698	1,751,353
	A Agriculture - forestry - fisheries	1,244,011	1,079,336
	Other services	4,054,781	3,146,191
Total Corporate		**18,683,453**	**15,255,668**
Total		**31,264,469**	**27,031,664**
Allowance for impairment		(1,869,059)	(1,802,349)
Carrying amount		**29,395,410**	**25,229,315**

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

(iii) Exposure to credit risk *(continued)*

- **Concentration of credit risk related to loans and advances to customers *(continued)***

RON thousands	Group		
Loans to customers at amortized cost - OFF balance		2021	2020
Private entities (including individuals)		**411,776**	**425,371**
Loans commitments			
SME	G Commerce - wholesale and retail	822,443	660,458
	C Manufacturing	202,028	178,381
	F Construction and civil engineering	119,667	107,129
	A Agriculture - forestry - fisheries	97,817	107,738
	H Transport and storage services	50,420	53,396
	Other industries	114,070	124,726
Total SME		**1,406,445**	**1,231,828**
Corporate	G Commerce - wholesale and retail	3,168,536	2,652,868
	C Manufacturing	2,808,030	2,671,977
	D Production and supply of electricity, gas, steam and air conditioning	1,406,382	1,326,094
	K Financial and insurance institutions	763,552	458,596
	F Construction and civil engineering	847,493	650,704
	Other industries	2,244,724	1,769,691
Total Corporate		**11,238,717**	**9,529,930**
Total loans commitments		**12,645,162**	**10,761,758**
Letters of credit			
SME	C Manufacturing	72	-
	Other industries	-	136
Total SME		**72**	**136**
Corporate	G Commerce - wholesale and retail	180,503	93,037
	C Manufacturing	33,713	12,806
	F Construction and civil engineering	20,600	170
	H Transport and storage services	3,796	3,195
	M Professional, scientific and technical activities	464	-
Total Corporate		**239,076**	**109,208**
Total letters of credit		**239,148**	**109,344**
Financial guarantees			
SME	G Commerce - wholesale and retail	31,053	26,937
	F Construction and civil engineering	16,443	13,431
	C Manufacturing	15,018	12,003
	N Administrative and support service activities	5,868	6,551
	J Information and communication	4,857	4,310
	Other industries	18,526	19,367
Total SME		**91,765**	**82,599**
Corporate	D Production and supply of electricity, gas, steam and air conditioning	1,428,139	793,680
	G Commerce - wholesale and retail	1,313,753	1,195,289
	F Construction and civil engineering	809,609	812,330
	C Manufacturing	294,234	235,265
	J Information and communication	250,233	172,330
	Other Industries	544,047	684,410
Total Corporate		**4,640,015**	**3,893,304**
Total financial guarantees		**4,731,780**	**3,975,903**
TOTAL Off balance sheet exposure for loans to customers		**18,027,866**	**15,272,376**
Allowance for impairment		(196,646)	(175,458)
Carrying amount		**17,831,220**	**15,096,918**

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

(iii) Exposure to credit risk *(continued)*

- **Concentration of credit risk related to loans and advances to customers *(continued)***

RON thousands	Bank		
Loans to customers at amortized cost - ON balance		2021	2020
Private entities (including individuals)		6,957,569	6,418,585
SME	G Commerce - wholesale and retail	1,046,779	888,870
	C Manufacturing	558,231	503,417
	A Agriculture - forestry - fisheries	293,729	275,067
	F Construction and civil engineering	250,051	178,033
	H Transport and storage services	159,059	115,755
	Other services	314,138	305,299
Total SME		2,621,987	2,266,441
Corporate	C Manufacturing	5,111,872	4,533,906
	G Commerce - wholesale and retail	4,959,045	3,904,754
	K Financial and insurance institutions	2,371,772	770,510
	L Real estate	1,733,698	1,751,353
	A Agriculture - forestry - fisheries	1,237,248	1,072,905
	Other services	4,039,950	3,122,361
Total Corporate		19,453,585	15,155,789
Total		29,033,141	23,840,815
Allowance for impairment		(1,605,568)	(1,554,275)
Carrying amount		27,427,573	22,286,540

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

(iii) Exposure to credit risk *(continued)*

- **Concentration of credit risk related to loans and advances to customers *(continued)***

RON thousands	Bank		
Loans to customers at amortized cost - OFF balance		2021	2020
Private entities (including individuals)		**189,985**	**201,242**
Loan commitments			
SME	G Commerce - wholesale and retail	404,721	372,262
	C Manufacturing	197,910	177,430
	F Construction and civil engineering	119,667	107,129
	A Agriculture - forestry - fisheries	97,817	107,738
	H Transport and storage services	50,420	53,396
	Other industries	113,315	124,125
Total SME		**983,850**	**942,080**
Corporate	G Commerce - wholesale and retail	3,096,290	2,548,237
	C Manufacturing	2,808,030	2,671,977
	D Production and supply of electricity, gas, steam and air conditioning	1,406,382	1,326,094
	K Financial and insurance institutions	977,358	458,596
	F Construction and civil engineering	847,493	650,704
	Other industries	2,244,724	1,813,584
Total Corporate		**11,380,277**	**9,469,192**
Total loans commitments		**12,364,127**	**10,411,272**
Letters of credit			
SME	C Manufacturing	72	-
	Other industries	-	136
Total SME		**72**	**136**
Corporate	G Commerce - wholesale and retail	180,503	93,037
	C Manufacturing	33,713	12,806
	F Construction and civil engineering	20,600	170
	H Transport and storage services	3,796	3,195
	M Professional, scientific and technical activities	464	-
	Other industries	-	4,801
Total Corporate		**239,076**	**114,009**
Total letters of credit		**239,148**	**114,145**
Financial guarantees			
SME	G Commerce - wholesale and retail	31,053	26,937
	F Construction and civil engineering	16,443	13,431
	C Manufacturing	15,018	12,003
	N Administrative and support service activities	5,868	6,551
	J Information and communication	4,857	4,310
	Other industries	18,526	19,367
Total SME		**91,765**	**82,599**
Corporate	D Production and supply of electricity, gas, steam and air conditioning	1,428,139	793,680
	G Commerce - wholesale and retail	1,313,753	1,195,289
	F Construction and civil engineering	809,609	812,330
	C Manufacturing	294,234	235,265
	J Information and communication	250,233	172,330
	Other Industries	545,380	684,782
Total Corporate		**4,641,348**	**3,893,676**
Total financial guarantees		**4,733,113**	**3,976,275**
TOTAL Off balance sheet exposure for loans to customers		**17,526,373**	**14,702,934**
Allowance for impairment		(199,030)	(176,163)
Carrying amount		**17,327,343**	**14,526,771**

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

(iii) Exposure to credit risk *(continued)*

- **Concentration of credit risk related to lease receivables**

RON thousands	UCLC (Unicredit Leasing Corporation)		
Lease receivables at amortized cost - ON balance		2021	2020
Private entities (including individuals)		**81,745**	**84,084**
SME	F Construction and civil engineering	607,972	497,635
	G Commerce - wholesale and retail	587,642	570,378
	H Transport and storage services	557,818	546,227
	C Manufacturing	504,201	496,453
	M Professional, scientific and technical activities	245,785	223,107
	Other services	1,153,567	1,070,632
Total SME		**3,656,985**	**3,404,432**
Corporate	C Manufacturing	120,770	153,539
	G Commerce - wholesale and retail	77,090	70,880
	A Agriculture - forestry - fisheries	18,507	13,244
	H Transport and storage services	17,598	40,516
	J Information and communication	14,308	18,881
	Other services	11,305	20,016
Total Corporate		**259,578**	**317,076**
Total		**3,998,308**	**3,805,592**
Allowance for impairment		(276,006)	(289,778)
Carrying amount		**3,722,302**	**3,515,814**

RON thousands	UCLC (Unicredit Leasing Corporation)		
Lease receivables at amortized cost - OFF balance		2021	2020
Private entities (including individuals)		**53**	**859**
Loan commitments			
SME	C Manufacturing	15,720	16,591
	G Commerce - wholesale and retail	13,544	6,068
	A Agriculture - forestry - fisheries	13,483	6,174
	F Construction and civil engineering	9,900	9,977
	L Real estate	8,740	10,469
	Other Industries	32,675	28,802
Total SME		**94,062**	**78,081**
Corporate	G Commerce - wholesale and retail	34,490	6,205
	C Manufacturing	7,957	7,560
	N Administrative and support service activities	7,171	-
	A Agriculture - forestry - fisheries	296	-
Total Corporate		**49,914**	**13,765**
Total		**144,029**	**92,705**
Allowance for impairment		(950)	(1,276)
Carrying amount		**143,079**	**91,429**

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

(iii) Exposure to credit risk *(continued)*

The movements of on balance exposures of the Group's financial assets are summarized in the below tables.

2021	Group				
RON thousands Loans and advances to customers at amortized cost (on balance)	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI Financial Assets	Total
Gross amount as at 31 December 2020	**18,020,907**	**7,086,604**	**1,924,153**	**22,967**	**27,031,664**
Changes in the gross amount					
-Transfer to stage 1	2,045,733	(2,038,839)	(6,894)	-	-
-Transfer to stage 2	(2,377,961)	2,442,536	(64,575)	-	-
-Transfer to stage 3	(222,478)	(248,552)	471,030	-	-
-Changes due to modifications that did not result in derecognition	(710,364)	(490,437)	(78,779)	-	(1,279,580)
New financial assets originated or purchased	8,371,432	1,541,766	104,256	(1)	10,017,454
Financial assets that have been derecognized	(3,150,788)	(964,684)	(413,823)	(2,846)	(4,529,295)
Write-offs	-	-	(190,524)	-	(190,524)
Other changes	119,654	78,616	16,480	(3,872)	214,750
Gross amount as at 31 December 2021	**22,096,135**	**7,407,010**	**1,761,324**	**16,248**	**31,264,469**
Loss allowance as at 31 December 2021	(199,632)	(367,041)	(1,302,386)	(856)	(1,869,059)
Carrying amount as at 31 December 2021	**21,896,503**	**7,039,969**	**458,938**	**15,392**	**29,395,410**

The movements of the Group's loss allowances of financial assets are summarized as follows:

2021	Group				
RON thousands Loss allowance – Loans and advances to customers at amortized cost (on balance)	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI Financial Assets	Total
Loss allowance as at 31 December 2020	**(132,275)**	**(355,093)**	**(1,314,981)**	**(3,519)**	**(1,802,349)**
Changes in the loss allowance					
-Transfer to stage 1	(60,133)	56,034	4,099	-	-
-Transfer to stage 2	22,042	(54,466)	32,424	-	-
-Transfer to stage 3	4,422	32,040	(36,462)	-	-
-Increases due to change in credit risk	(2,706)	(48,710)	(188,812)	-	(240,228)
-Decreases due to change in credit risk	29,637	23,178	140	-	52,955
-Write-offs	-	-	190,518	-	190,518
-Changes due to modifications that did not result in derecognition	12,376	7,941	(113,212)	(443)	(92,895)
New financial assets originated or purchased	(100,187)	(96,324)	(84,456)	-	(280,967)
Financial assets that have been derecognized	28,269	70,904	221,090	3,106	320,263
Foreign exchange and other movements	(1,077)	(2,545)	(12,734)	-	(16,356)
Loss allowance as at 31 December 2021	**(199,632)**	**(367,041)**	**(1,302,386)**	**(856)**	**(1,869,059)**

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

(iii) Exposure to credit risk *(continued)*

The movements of on balance exposures of the Group's financial assets are summarized as follows:

2020 RON thousands Loans and advances to customers at amortized cost (on balance)	Group Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI Financial Assets	Total
Gross amount as at 31 December 2019	**22,314,886**	**3,429,467**	**1,888,498**	**25,265**	**27,632,851**
Changes in the gross amount					
-Transfer to stage 1	518,903	(508,556)	(10,347)	-	-
-Transfer to stage 2	(3,957,045)	3,987,215	(30,170)	-	-
-Transfer to stage 3	(450,176)	(220,400)	670,575	-	(1)
-Changes due to modifications that did not result in derecognition	(1,512,140)	(375,862)	(210,593)	-	(2,098,595)
New financial assets originated or purchased	4,021,084	1,177,118	75,004	-	5,273,206
Financial assets that have been derecognized	(3,005,099)	(421,014)	(163,183)	(1,324)	(3,589,296)
Write-offs	-	-	(288,973)	-	(288,973)
Other changes	90,494	18,636	(6,658)	(974)	102,472
Gross amount as at 31 December 2020	**18,020,907**	**7,086,604**	**1,924,153**	**22,967**	**27,031,664**
Loss allowance as at 31 December 2020	(132,275)	(355,093)	(1,314,981)	(3,519)	(1,802,349)
Carrying amount as at 31 December 2020	**17,888,632**	**6,731,511**	**609,172**	**19,448**	**25,229,315**

The movements of the Group's loss allowances of financial assets are summarized as follows:

2020 RON thousands Loss allowance – Loans and advances to customers at amortized cost (on balance)	Group Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI Financial Assets	Total
Loss allowance as at 31 December 2019	**(120,093)**	**(50,554)**	**(1,448,399)**	**(4,106)**	**(1,619,046)**
Changes in the loss allowance					
-Transfer to stage 1	(10,535)	6,481	4,054	-	-
-Transfer to stage 2	28,733	(43,900)	15,166	-	(1)
-Transfer to stage 3	7,812	9,042	(16,854)	-	-
-Increases due to change in credit risk	(2,786)	(154,110)	(338,417)	-	(495,313)
-Decreases due to change in credit risk	5,797	10,106	968	-	16,871
-Write-offs	-	-	268,315	-	268,315
-Changes due to modifications that did not result in derecognition	(34,392)	(75,615)	97,257	327	(12,750)
New financial assets originated or purchased	(30,846)	(69,707)	(51,481)	-	(152,034)
Financial assets that have been derecognized	20,995	9,627	129,344	-	159,966
Foreign exchange and other movements	3,040	3,537	25,066	260	31,643
Loss allowance as at 31 December 2020	**(132,275)**	**(355,093)**	**(1,314,981)**	**(3,519)**	**(1,802,349)**

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

(iii) Exposure to credit risk *(continued)*

The movements, for Group, in loan commitments, letters of credit and financial guarantees of financial assets are summarized as follows:

2021 RON thousands Loan commitments, letters of credit and financial guarantees	Group Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI Financial Assets	Total
Gross amount as at 31 December 2020	**12,479,003**	**2,496,796**	**296,577**	**-**	**15,272,376**
Changes in the gross amount					
-Transfer to stage 1	566,476	(566,467)	(9)	-	-
-Transfer to stage 2	(1,355,268)	1,359,806	(4,538)	-	-
-Transfer to stage 3	(26,963)	(16,371)	43,334	-	-
-Changes due to modifications that did not result in derecognition	(2,333,187)	(521,568)	(150,358)	-	(3,005,113)
New financial assets originated or purchased	4,805,223	805,377	32,392	-	5,642,992
Write-offs	(35,565)	(1,061)	-	-	(36,626)
Other changes	105,747	46,941	1,549	-	154,237
Gross amount as at 31 December 2021	**14,205,466**	**3,603,453**	**218,947**	**-**	**18,027,866**
Loss allowance as at 31 December 2021	(16,836)	(44,742)	(135,068)	-	(196,646)
Carrying amount as at 31 December 2021	**14,188,630**	**3,558,711**	**83,879**	**-**	**17,831,220**

The movements, for Group, in loss allowances for off balance exposures is summarized as follows:

2021 RON thousands Loss allowance – Loan commitments, letters of credit and financial guarantees	Group Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI Financial Assets	Total
Loss allowance as at 31 December 2020	**(13,437)**	**(33,869)**	**(128,152)**	**-**	**(175,458)**
Changes in the loss allowance					
-Transfer to stage 1	(3,037)	2,962	75	-	-
-Transfer to stage 2	1,833	(4,575)	2,742	-	-
-Transfer to stage 3	102	401	(503)	-	-
-Increases due to change in credit risk	(396)	(10,900)	(20,248)	-	(31,544)
-Decreases due to change in credit risk	1,981	2,816	4	-	4,801
-Changes due to modifications that did not result in derecognition	436	11,240	27,645	-	39,321
New financial assets originated or purchased	(4,671)	(11,306)	(17,711)	-	(33,688)
Financial assets that have been derecognized	226	(2,084)	158	-	(1,700)
Foreign exchange and other movements	127	573	922	-	1,622
Loss allowance as at 31 December 2021	**(16,836)**	**(44,742)**	**(135,068)**	**-**	**(196,646)**

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

(iii) Exposure to credit risk *(continued)*

The movements, for Group, in off balance sheet exposures are summarized as follows:

2020	Group				
RON thousands Loan commitments, letters of credit and financial guarantees	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI Financial Assets	Total
Gross amount as at 31 December 2019	**12,167,252**	**1,606,574**	**226,420**	**-**	**14,000,246**
Changes in the gross amount					
-Transfer to stage 1	291,095	(291,008)	(87)	-	-
-Transfer to stage 2	(606,934)	644,672	(37,738)	-	-
-Transfer to stage 3	(60,417)	(64,338)	124,755	-	-
-Changes due to modifications that did not result in derecognition	(1,935,474)	829,768	39,100	-	(1,066,606)
New financial assets originated or purchased	2,600,030	664,622	39,070	-	3,303,722
Other changes	23,451	(893,494)	(94,943)	-	(964,986)
Gross amount as at 31 December 2020	**12,479,003**	**2,496,796**	**296,577**	**-**	**15,272,376**
Loss allowance as at 31 December 2020	(13,437)	(33,869)	(128,152)	-	(175,458)
Carrying amount as at 31 December 2020	**12,465,566**	**2,462,927**	**168,425**	**-**	**15,096,918**

The movements, for Group, in loss allowances for off balance exposures is summarized as follows:

2020	Group				
RON thousands Loss allowance – Loan commitments, letters of credit and financial guarantees	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI Financial Assets	Total
Loss allowance as at 31 December 2019	**(12,787)**	**(8,578)**	**(132,815)**	**-**	**(154,180)**
Changes in the loss allowance					
-Transfer to stage 1	(1,214)	1,109	3	-	(102)
-Transfer to stage 2	490	(22,119)	21,629	-	-
-Transfer to stage 3	37	1,744	(1,781)	-	-
-Increases due to change in credit risk	(246)	(3,788)	(22,513)	-	(26,547)
-Decreases due to change in credit risk	1,069	19,483	1,732	-	22,284
-Changes due to modifications that did not result in derecognition	806	(8,820)	33,191	-	25,177
New financial assets originated or purchased	(2,122)	(6,917)	(10,826)	-	(19,865)
Foreign exchange and other movements	530	(5,983)	(16,772)	-	(22,225)
Loss allowance as at 31 December 2020	**(13,437)**	**(33,869)**	**(128,152)**	**-**	**(175,458)**

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

(iii) Exposure to credit risk *(continued)*

The tables below presents, for Group and Bank, the analysis of the movements during the year per class of assets:

2021	Group/Bank		
RON thousands Stage 1 - 12 month ECL	Loans and advances to banks	Debt and equity investment securities at FVTOCI*	Debt instruments at amortized cost
Gross amount as at 31 December 2020	**212,187**	**3,022,925**	**6,153,873**
Changes in the gross amount			
Changes due to modifications that did not result in derecognition	209,978	(151,962)	1,887,234
New financial assets originated or purchased	76,643	1,211,940	61,323
Financial assets that have been derecognized	(6,809)	(2,415,064)	(149,639)
Other changes	1,701	10,191	-
Gross amount as at 31 December 2021	**493,700**	**1,678,030**	**7,952,791**
Loss allowance as at 31 December 2021	(89)	(615)	(2,162)
Carrying amount as at 31 December 2021	**493,611**	**1,677,415**	**7,950,629**

** The amounts include financial assets held at FVTOCI representing equity investments held by UniCredit Leasing in UniCredit Leasing Fleet Management, which are classified entirely in Stage 1 - 12 month ECL, with a gross amount of 2,346 RON thousands as at 31 December 2020 and as at 31 December 2021.*

2021	Group/Bank		
RON thousands Stage 1 - 12 month ECL	Loss allowance – Loans and advances to banks	Loss allowance – Debt and equity investment securities at FVTOCI	Loss allowance – Debt instruments at amortized cost
Loss allowance as at 31 December 2020	**(57)**	**(2,552)**	**(5,735)**
Changes in the loss allowance			
-Changes due to modifications that did not result in derecognition	(26)	-	3,516
New financial assets originated or purchased	(8)	(50)	(17)
Financial assets that have been derecognized	2	1,993	74
Foreign exchange and other movements	-	(6)	-
Loss allowance as at 31 December 2021	**(89)**	**(615)**	**(2,162)**

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

(iii) Exposure to credit risk *(continued)*

The tables below presents, for Group and Bank, the analysis of the movements during the year per class of assets:

2020 RON thousands Stage 1 - 12 month ECL	Group/Bank Loans and advances to banks	Debt and equity investment securities at FVTOCI*	Debt instruments at amortized cost
Gross amount as at 31 December 2019	**572,918**	**8,621,166**	**-**
Changes in the gross amount			
Changes due to modifications that did not result in derecognition	(270,936)	80,611	-
New financial assets originated or purchased	8,100	2,148,511	6,153,873
Financial assets that have been derecognized	(98,096)	(7,845,762)	-
Other changes	201	18,399	-
Gross amount as at 31 December 2020	**212,187**	**3,022,925**	**6,153,873**
Loss allowance as at 31 December 2020	(57)	(2,552)	(5,735)
Carrying amount as at 31 December 2020	**212,130**	**3,020,373**	**6,148,138**

** The amounts include financial assets held at FVTOCI representing equity investments held by UniCredit Leasing in UniCredit Leasing Fleet Management, which are classified entirely in Stage 1 - 12 month ECL, with a gross amount of 2,346 RON thousands as at 31 December 2019 and as at 31 December 2020.*

2020 RON thousands Stage 1 - 12 month ECL	Group/Bank Loss allowance – Loans and advances to banks	Loss allowance – Debt and equity investment securities at FVTOCI	Loss allowance – Debt instruments at amortized cost
Loss allowance as at 31 December 2019	**(351)**	**(6,526)**	**-**
Changes in the loss allowance			
-Changes due to modifications that did not result in derecognition	123	-	-
New financial assets originated or purchased	(5)	(46)	(5,735)
Financial assets that have been derecognized	173	4,032	-
Foreign exchange and other movements	3	(12)	-
Loss allowance as at 31 December 2020	**(57)**	**(2,552)**	**(5,735)**

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

(iii) Exposure to credit risk *(continued)*

The movements of on balance exposures of the Bank's financial assets are summarized as follows:

2021 RON thousands Loans and advances to customers at amortized cost (on balance)	Bank Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI Financial Assets	Total
Gross amount as at 31 December 2020	**15,422,207**	**6,685,083**	**1,733,525**	**22,967**	**23,840,815**
Changes in the gross amount					
-Transfer to stage 1	1,959,723	(1,959,189)	(534)	-	-
-Transfer to stage 2	(2,161,905)	2,211,743	(49,838)	-	-
-Transfer to stage 3	(187,981)	(208,893)	396,874	-	-
-Changes due to modifications that did not result in derecognition	(258,589)	(385,041)	(39,280)	-	(682,910)
New financial assets originated or purchased	7,875,925	1,327,166	86,082	(1)	9,289,173
Financial assets that have been derecognized	(2,249,618)	(834,554)	(359,127)	(2,846)	(3,443,299)
Write-offs	-	-	(184,557)	-	(184,557)
Other changes	118,843	78,599	16,477	(3,872)	213,919
Gross amount as at 31 December 2021	**20,518,605**	**6,914,914**	**1,599,622**	**16,248**	**29,033,141**
Loss allowance as at 31 December 2021	(136,959)	(273,961)	(1,194,648)	(856)	(1,605,568)
Carrying amount as at 31 December 2021	**20,381,646**	**6,640,953**	**404,974**	**15,392**	**27,427,573**

The movements, for Bank, in loss allowances of financial assets are summarized as follows:

2021 RON thousands Loss allowance – Loans and advances to customers at amortized cost (on balance)	Stage 1 12-month ECL	Bank Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI Financial Assets	Total
Loss allowance as at 31 December 2020	**(85,501)**	**(287,651)**	**(1,181,123)**	**(3,519)**	**(1,554,275)**
Changes in the loss allowance					
-Transfer to stage 1	(47,164)	46,988	176	-	-
-Transfer to stage 2	16,079	(39,066)	22,987	-	-
-Transfer to stage 3	3,339	20,985	(24,324)	-	-
-Increases due to change in credit risk	(2,706)	(48,709)	(183,959)	-	(235,374)
-Decreases due to change in credit risk	28,278	23,021	118	-	51,417
-Write-offs	-	-	184,551	-	184,551
-Changes due to modifications that did not result in derecognition	(6,422)	4,485	(113,488)	(443)	(115,425)
New financial assets originated or purchased	(56,982)	(40,817)	(69,837)	-	(167,636)
Financial assets that have been derecognized	14,965	49,248	182,408	3,106	246,621
Foreign exchange and other movements	(845)	(2,445)	(12,157)	-	(15,447)
Loss allowance as at 31 December 2021	**(136,959)**	**(273,961)**	**(1,194,648)**	**(856)**	**(1,605,568)**

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

(iii) Exposure to credit risk *(continued)*

The movements of on balance exposures of the Bank's financial assets are summarized as follows:

2020 RON thousands Loans and advances to customers at amortized cost (on balance)	Bank Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI Financial Assets	Total
Gross amount as at 31 December 2019	**18,836,183**	**3,321,623**	**1,687,120**	**25,265**	**23,844,926**
Changes in the gross amount					
-Transfer to stage 1	492,066	(486,019)	(6,047)	-	-
-Transfer to stage 2	(3,598,369)	3,620,278	(21,909)	-	-
-Transfer to stage 3	(339,063)	(189,580)	528,643	-	-
-Changes due to modifications that did not result in derecognition	(916,438)	(363,895)	(181,792)	-	(1,462,125)
New financial assets originated or purchased	3,296,398	1,092,346	64,587	-	4,453,331
Financial assets that have been derecognised	(2,420,873)	(377,062)	(66,320)	(1,324)	(2,864,255)
Write-offs	-	-	(286,272)	-	(286,272)
Other changes	72,303	67,392	15,515	(974)	155,210
Gross amount as at 31 December 2020	**15,422,207**	**6,685,083**	**1,733,525**	**22,967**	**23,840,815**
Loss allowance as at 31 December 2020	(85,501)	(287,651)	(1,181,123)	(3,519)	(1,554,275)
Carrying amount as at 31 December 2020	**15,336,706**	**6,397,432**	**552,402**	**19,448**	**22,286,540**

The movements, for Bank, in loss allowances of financial assets are summarized as follows:

2020 RON thousands Loss allowance – Loans and advances to customers at amortized cost (on balance)	Bank Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI Financial Assets	Total
Loss allowance as at 31 December 2019	**(49,836)**	**(35,658)**	**(1,276,169)**	**(4,106)**	**(1,361,663)**
Changes in the loss allowance					
-Transfer to stage 1	(6,477)	5,460	1,017	-	-
-Transfer to stage 2	15,617	(23,811)	8,194	-	-
-Transfer to stage 3	912	3,393	(4,305)	-	-
-Increases due to change in credit risk	(2,784)	(150,094)	(330,392)	-	(483,270)
-Decreases due to change in credit risk	5,118	7,904	331	-	13,353
-Write-offs	-	-	265,614	-	265,614
-Changes due to modifications that did not result in derecognition	(37,402)	(44,276)	145,345	327	63,667
New financial assets originated or purchased	(19,605)	(56,770)	(45,833)	-	(122,208)
Financial assets that have been derecognized	8,456	2,933	44,495	-	55,884
Foreign exchange and other movements	500	3,268	10,580	260	14,348
Loss allowance as at 31 December 2020	**(85,501)**	**(287,651)**	**(1,181,123)**	**(3,519)**	**(1,554,275)**

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

(iii) Exposure to credit risk *(continued)*

The movements, for Bank, in loan commitments, letters of credit and financial guarantees of financial assets are summarized as follows:

2021 RON thousands Loan commitments, letters of credit and financial guarantees	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI Financial Assets	Total
		Bank			
Gross amount as at 31 December 2020	**11,953,675**	**2,469,669**	**279,590**	**-**	**14,702,934**
Changes in the gross amount					
-Transfer to stage 1	542,585	(542,576)	(9)	-	-
-Transfer to stage 2	(1,280,221)	1,284,759	(4,538)	-	-
-Transfer to stage 3	(26,298)	(16,133)	42,431	-	-
-Changes due to modifications that did not result in derecognition	(2,288,287)	(538,774)	(134,934)	-	(2,961,995)
New financial assets originated or purchased	4,799,189	799,708	32,312	-	5,631,209
Other changes	105,748	46,941	1,536	-	154,225
Gross amount as at 31 December 2021	**13,806,391**	**3,503,594**	**216,388**	**-**	**17,526,373**
Loss allowance as at 31 December 2021	(15,484)	(49,105)	(134,441)	-	(199,030)
Carrying amount as at 31 December 2021	**13,790,907**	**3,454,489**	**81,947**	**-**	**17,327,343**

The movements, for Bank, in loss allowances for off balance exposures is summarized as follows:

2021 RON thousands Loss allowance – Loan commitments, letters of credit and financial guarantees	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI Financial Assets	Total
		Bank			
Loss allowance as at 31 December 2020	**(11,290)**	**(37,986)**	**(126,887)**	**-**	**(176,163)**
Changes in the loss allowance					
-Transfer to stage 1	(2,784)	2,784	-	-	-
-Transfer to stage 2	1,387	(3,940)	2,553	-	-
-Transfer to stage 3	94	364	(458)	-	-
-Increases due to change in credit risk	(392)	(10,888)	(20,248)	-	(31,528)
-Decreases due to change in credit risk	1,970	2,814	4	-	4,788
-Changes due to modifications that did not result in derecognition	(287)	8,388	27,369	-	35,470
New financial assets originated or purchased	(4,318)	(11,214)	(17,702)	-	(33,234)
Foreign exchange and other movements	136	573	928	-	1,637
Loss allowance as at 31 December 2021	**(15,484)**	**(49,105)**	**(134,441)**	**-**	**(199,030)**

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

(iii) Exposure to credit risk *(continued)*

The movements, for Bank, in loan commitments, letters of credit and financial guarantees of financial assets are summarized as follows:

2020	Bank				
RON thousands Loan commitments, letters of credit and financial guarantees	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI Financial Assets	Total
Gross amount as at 31 December 2019	**11,576,734**	**1,605,620**	**220,876**	**-**	**13,403,230**
Changes in the gross amount					
-Transfer to stage 1	318,407	(318,320)	(87)	-	-
-Transfer to stage 2	(606,934)	644,672	(37,738)	-	-
-Transfer to stage 3	(57,205)	(64,338)	121,543	-	-
-Changes due to modifications that did not result in derecognition	(1,937,341)	835,251	36,482	-	(1,065,608)
New financial assets originated or purchased	2,600,029	664,622	39,070	-	3,303,721
Other changes	59,985	(897,838)	(100,556)	-	(938,409)
Gross amount as at 31 December 2020	**11,953,675**	**2,469,669**	**279,590**	**-**	**14,702,934**
Loss allowance as at 31 December 2020	(11,290)	(37,986)	(126,887)	-	(176,163)
Carrying amount as at 31 December 2020	**11,942,385**	**2,431,683**	**152,703**	**-**	**14,526,771**

The movements, for Bank, in loss allowances for off balance exposures is summarized as follows:

2020	Bank				
RON thousands Loss allowance – Loan commitments, letters of credit and financial guarantees	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI Financial Assets	Total
Loss allowance as at 31 December 2019	**(10,220)**	**(18,316)**	**(149,747)**	**-**	**(178,283)**
Changes in the loss allowance					
-Transfer to stage 1	(1,160)	1,157	3	-	-
-Transfer to stage 2	490	(22,119)	21,629	-	-
-Transfer to stage 3	31	1,744	(1,775)	-	-
-Increases due to change in credit risk	(246)	(3,788)	(22,043)	-	(26,077)
-Decreases due to change in credit risk	1,069	19,479	1,732	-	22,280
-Changes due to modifications that did not result in derecognition	808	(8,824)	33,181	-	25,165
New financial assets originated or purchased	(2,122)	(6,917)	(10,826)	-	(19,865)
Foreign exchange and other movements	60	(402)	959	-	617
Loss allowance as at 31 December 2020	**(11,290)**	**(37,986)**	**(126,887)**	**-**	**(176,163)**

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

(iii) Exposure to credit risk *(continued)*

The movements of on balance exposures for the lease receivables are summarized as follows:

2021	UCLC (Unicredit Leasing Corporation)				
RON thousands Loans and advances to customers at amortized cost (on balance)	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI Financial Assets	Total
Gross amount as at 31 December 2020	**3,134,267**	**333,132**	**338,193**	**-**	**3,805,592**
Changes in the gross amount					
-Transfer to stage 1	47,287	(37,724)	(9,563)	-	-
-Transfer to stage 2	(117,536)	120,021	(2,485)	-	-
-Transfer to stage 3	(102,104)	(12,439)	114,543	-	-
-Changes due to modifications that did not result in derecognition	(714,877)	(86,636)	(99,527)	-	(901,040)
New financial assets originated or purchased	1,453,190	24,742	19,536	-	1,497,468
Financial assets that have been derecognized	(323,204)	(25,497)	(22,861)	-	(371,562)
Write-offs	-	-	(32,150)	-	(32,150)
Gross amount as at 31 December 2021	**3,377,023**	**315,599**	**305,686**	**-**	**3,998,308**
Loss allowance as at 31 December 2021	(55,467)	(32,495)	(188,044)	-	(276,006)
Carrying amount as at 31 December 2021	**3,321,556**	**283,104**	**117,642**	**-**	**3,722,302**

The movements in loss allowances for lease receivables are summarized as follows:

2021	UCLC (Unicredit Leasing Corporation)				
RON thousands Loss allowance – Loans and advances to customers at amortized cost (on balance)	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI Financial Assets	Total
Loss allowance as at 31 December 2020	**(68,893)**	**(45,176)**	**(175,709)**	**-**	**(289,778)**
Changes in the loss allowance					
-Transfer to stage 1	(5,300)	3,767	1,533	-	-
-Transfer to stage 2	4,650	(5,200)	550	-	-
-Transfer to stage 3	1,779	932	(2,711)	-	-
-Increases due to change in credit risk	(1)	(215)	(38,615)	-	(38,831)
-Decreases due to change in credit risk	5,047	1,812	22	-	6,881
-Write-offs	-	-	32,150	-	32,150
-Changes due to modifications that did not result in derecognition	22,894	5,344	3,809	-	32,047
New financial assets originated or purchased	(17,639)	(468)	(13,740)	-	(31,847)
Financial assets that have been derecognized	3,111	7,365	7,507	-	17,983
Foreign exchange and other movements	(1,115)	(656)	(2,840)	-	(4,611)
Loss allowance as at 31 December 2021	**(55,467)**	**(32,495)**	**(188,044)**	**-**	**(276,006)**

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

(iii) Exposure to credit risk *(continued)*

The movements of on balance exposures for the lease receivables are summarized as follows:

2020	UCLC (Unicredit Leasing Corporation)				
RON thousands Loans and advances to customers at amortized cost (on balance)	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI Financial Assets	Total
Gross amount as at 31 December 2019	**3,034,128**	**251,219**	**315,407**	**-**	**3,600,754**
Changes in the gross amount					
-Transfer to stage 1	126,892	(121,122)	(5,769)	-	1
-Transfer to stage 2	(169,379)	246,341	(76,962)	-	-
-Transfer to stage 3	(105,646)	(51,978)	157,624	-	-
-Changes due to modifications that did not result in derecognition	(642,289)	(47,817)	(40,123)	-	(730,229)
New financial assets originated or purchased	1,113,274	67,887	27,211	-	1,208,372
Financial assets that have been derecognized	(222,713)	(11,398)	(12,539)	-	(246,650)
Write-offs	-	-	(26,656)	-	(26,656)
Gross amount as at 31 December 2020	**3,134,267**	**333,132**	**338,193**	**-**	**3,805,592**
Loss allowance as at 31 December 2020	(68,893)	(45,176)	(175,709)	-	(289,778)
Carrying amount as at 31 December 2020	**3,065,374**	**287,956**	**162,484**	**-**	**3,515,814**

The movements in loss allowances for on balance exposures for the lease receivables are summarized as follows:

2020	UCLC (Unicredit Leasing Corporation)				
RON thousands Loss allowance – Loans and advances to customers at amortized cost (on balance)	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI Financial Assets	Total
Loss allowance as at 31 December 2019	**(49,397)**	**(11,843)**	**(215,998)**	**-**	**(277,238)**
Changes in the loss allowance					
-Transfer to stage 1	(5,696)	4,610	1,086	-	-
-Transfer to stage 2	2,138	(45,565)	43,427	-	-
-Transfer to stage 3	919	998	(1,917)	-	-
-Increases due to change in credit risk	(113)	(8,132)	(30,571)	-	(38,816)
-Decreases due to change in credit risk	1,516	22,644	20	-	24,180
-Write-offs	-	-	26,656	-	26,656
-Changes due to modifications that did not result in derecognition	13,912	(1,292)	11,489	-	24,109
New financial assets originated or purchased	(32,678)	(6,417)	(10,499)	-	(49,594)
Financial assets that have been derecognized	1,428	97	5,236	-	6,761
Foreign exchange and other movements	(922)	(276)	(4,638)	-	(5,836)
Loss allowance as at 31 December 2020	**(68,893)**	**(45,176)**	**(175,709)**	**-**	**(289,778)**

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

(iii) Exposure to credit risk *(continued)*

The movements for off balance lease receivables are summarized as follows:

2021 RON thousands Loan commitments, letters of credit and financial guarantees	UCLC (Unicredit Leasing Corporation) Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI Financial Assets	Total
Gross amount as at 31 December 2020	**90,535**	**365**	**1,804**	**-**	**92,704**
Changes in the gross amount					
-Transfer to stage 1	114	-	(114)	-	-
-Changes due to modifications that did not result in derecognition	(79,530)	(102)	(1,609)	-	(81,241)
New financial assets originated or purchased	130,804	1,620	142	-	132,566
Gross amount as at 31 December 2021	**141,923**	**1,883**	**223**	**-**	**144,029**
Loss allowance as at 31 December 2021	(916)	(12)	(22)	-	(950)
Carrying amount as at 31 December 2021	**141,007**	**1,871**	**201**	**-**	**143,079**

The movements in loss allowance for off balance lease receivables are summarized as follows:

2021 RON thousands Loss allowance – Loan commitments, letters of credit and financial guarantees	UCLC (Unicredit Leasing Corporation) Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI Financial Assets	Total
Loss allowance as at 31 December 2020	**(1,036)**	**(2)**	**(238)**	**-**	**(1,276)**
Changes in the loss allowance					
-Transfer to stage 1	(9)	-	9	-	-
-Decreases due to change in credit risk	8	-	-	-	8
-Changes due to modifications that did not result in derecognition	993	1	223	-	1,217
New financial assets originated or purchased	(855)	(11)	(12)	-	(878)
Foreign exchange and other movements	(17)	-	(4)	-	(21)
Loss allowance as at 31 December 2021	**(916)**	**(12)**	**(22)**	**-**	**(950)**

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

(iii) Exposure to credit risk *(continued)*

The movements for off balance lease receivables are summarized as follows:

2020	UCLC (Unicredit Leasing Corporation)				
RON thousands Loan commitments, letters of credit and financial guarantees	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI Financial Assets	Total
Gross amount as at 31 December 2019	**124,611**	**-**	**957**	**-**	**125,568**
Changes in the gross amount					
-Transfer to stage 1	185	-	(185)	-	-
-Transfer to stage 2	(254)	254	-	-	-
-Transfer to stage 3	(112)	-	112	-	-
-Changes due to modifications that did not result in derecognition	(107,174)	5	(549)	-	(107,718)
New financial assets originated or purchased	73,279	106	1,469	-	74,854
Gross amount as at 31 December 2020	**90,535**	**365**	**1,804**	**-**	**92,704**
Loss allowance as at 31 December 2020	(1,036)	(2)	(238)	-	(1,276)
Carrying amount as at 31 December 2020	**89,499**	**363**	**1,566**	**-**	**91,428**

The movements in loss allowance for off balance lease receivables are summarized as follows:

2020	UCLC (Unicredit Leasing Corporation)				
RON thousands Loss allowance – Loan commitments, letters of credit and financial guarantees	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI Financial Assets	Total
Loss allowance as at 31 December 2019	**(927)**	**-**	**(133)**	**-**	**(1,060)**
Changes in the loss allowance					
-Transfer to stage 1	1	-	(1)	-	-
-Transfer to stage 3	(16)	-	16	-	-
-Increases due to change in credit risk	-	-	(8)	-	(8)
-Decreases due to change in credit risk	15	-	1	-	16
-Write-offs	-	-	-	-	-
-Changes due to modifications that did not result in derecognition	803	(1)	95	-	897
New financial assets originated or purchased	(895)	(1)	(205)	-	(1,101)
Foreign exchange and other movements	(17)	-	(3)	-	(20)
Loss allowance as at 31 December 2020	**(1,036)**	**(2)**	**(238)**	**-**	**(1,276)**

4. RISK MANAGEMENT *(continued)*

d) Liquidity risk

The liquidity risk is the probability of the bank falling short of its due payments resulting from its contractual relations with clients and third parties. Under normal conditions of market functioning, the liquidity risk may materialize also through the need for the bank to pay a premium over market rates to be able to access liquidity. Among the main potential generators of liquidity risk are liquidity mismatch risk, liquidity contingency risk, market liquidity risk.

In line with the Group's liquidity framework, the main goal of the 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.

Hence, two main operating models for the liquidity management are defined: Going Concern Liquidity Management and the Contingent Liquidity Management.

From a liquidity risk governance perspective, the Bank keeps two layers of Managing Bodies acting as strategic decision taking functions and Operational units acting as operative liquidity management functions, i.e. Finance, Financial Risk and Markets – Treasury, respectively.

In accordance with the strategic goal of self-sufficient funding, Bank's medium and long term funding strategy is centered on:

- encouraging sticky client deposits;
- development of strategic funding through own bonds issues.

The liquidity cost benefit allocation is an important part of the liquidity management framework. Liquidity is a scarce resource and accordingly a proper management of costs and benefits is essential in order to support sound and sustainable business models. Therefore, the Bank has put in place proper funds transfer pricing mechanism.

Key measures used by the Group for measuring liquidity risk are:

- the daily short-term liquidity report, through which cash inflows and outflows mainly coming from inter-bank transactions are monitored;
- the structural liquidity ratios/gaps, used to assess the proportion of medium-long term assets sustained with stable funding;
- regulatory indicators: the Bank has to comply with the limits imposed by National Bank of Romania, such as the liquidity indicator calculated according to NBR Regulation no. 25/2011, Liquidity coverage ratio, Net stable funding ratio, Additional liquidity monitoring metrics;
- other key indicators for the management of liquidity and funding needs used to assess the liquid assets, the concentration of funding, the way in which loans to customers are financed by commercial funding.

The Group sets the limit and triggers levels for the main indicators used to measure the liquidity risk and in case a breach is observed or anticipated, specific requested actions are taken for correcting the structure of the asset and liability mix of the Group.

A regular stress testing assessment is done in order to evaluate the liquidity position of the Group. In case of a deteriorating position, liquidity stress tests are one of the main metrics in order to support management's decisions before and also during stress situations. In particular, liquidity stress test results are useful in order assess the "right" sizing and composition of a liquidity buffer on a regular basis. As such, liquidity stress testing serves as an essential tool of assessment of the liquidity risk in an on-going basis, rather than in a crisis situation only.

4. RISK MANAGEMENT *(continued)*

d) Liquidity risk *(continued)*

An analysis of financial assets and liabilities of the Group as at 31 December 2021 by residual contractual maturity at the reporting date is presented below:

31.12.2021	Group					
In RON thousands	Up to 3 months	3 months to 1 year	1-5 years	Over 5 years	No fixed maturity	Total carrying amount
Cash and cash equivalents	11,269,108	-	-	-	-	11,269,108
Financial assets at fair value through profit or loss	11,721	68,662	8,769	123,443	46,760	259,355
Derivatives assets designated as hedging instruments	11,709	-	-	540	-	12,249
Loans and advances to banks	1,040	226,827	265,744	-	-	493,611
Loans and advances to customers	3,190,105	9,267,688	10,127,086	6,810,531	-	29,395,410
Net Lease receivables	18,833	289,362	3,098,428	315,679	-	3,722,302
Debt instruments at amortized cost	86,331	633,378	3,663,909	3,567,011	-	7,950,629
Financial assets at fair value through other comprehensive income	29,868	20,589	791,938	826,591	8,429	1,677,415
Other financial assets	199,308	1,006	9,170	-	-	209,484
Total financial assets	**14,818,023**	**10,507,512**	**17,965,044**	**11,643,795**	**55,189**	**54,989,563**
Financial liabilities at fair value through profit or loss	5,934	5,609	10,314	10,272	-	32,129
Derivatives liabilities designated as hedging instruments	862	1,823	15,660	48,467	-	66,812
Deposits from banks	609,633	-	57,357	-	-	666,990
Loans from banks and other financial institutions, including subordinated liabilities	147,647	601,199	3,284,404	1,081,806	-	5,115,056
Debt securities issued	-	1,761,201	185,770	544,908	-	2,491,879
Deposits from customers	38,308,973	1,503,094	3,461	-	-	39,815,528
Other financial liabilities	465,001	-	35,898	-	-	500,899
Leasing Liabilities	22,843	35,760	103,767	6,421	-	168,791
Total financial liabilities	**39,560,893**	**3,908,686**	**3,696,631**	**1,691,874**	**-**	**48,858,084**
Liquidity surplus/ (shortfall)	**(24,742,870)**	**6,598,826**	**14,268,413**	**9,951,921**	**55,189**	**6,131,479**
Adjustment for investment securities available for refinancing*	1,639,118	(20,589)	(791,938)	(826,591)	-	-
Liquidity surplus/ (shortfall) adjusted	**(23,103,752)**	**6,578,237**	**13,476,475**	**9,125,330**	**55,189**	**6,131,479**

**) As part of its liquidity management the Group holds treasury bills and bonds which can easily be converted into cash in case of increasing liquidity risk. Also, most of these securities are available for refinancing in order to ensure quick access to funds.*

4. RISK MANAGEMENT *(continued)*

d) Liquidity risk *(continued)*

31.12.2021	Group					
In RON thousands	Up to 3 months	3 months to 1 year	1-5 years	Over 5 years	No fixed maturity	Gross nominal flow
Commitments						
Irrevocable commitments given outflow	(3,742,591)	(502,755)	(221,791)	-	-	(4,467,137)
Irrevocable commitments taken inflow	1,426,402	381,004	-	-	-	1,807,406
Issued financial guarantees outflow	-	(6,958,026)	-	-	-	(6,958,026)
Commitments surplus/ (shortfall)	**(2,316,189)**	**(7,079,777)**	**(221,791)**	**-**	**-**	**(9,617,757)**

The table disclosed above shows the undiscounted cash flows of the Group, including financial guarantee contracts, and unrecognized loan commitments on the basis of their earliest possible contractual maturity, under a highly prudential approach.

4. RISK MANAGEMENT *(continued)*

d) Liquidity risk *(continued)*

An analysis of financial assets and liabilities of the Group as at 31 December 2020 by residual contractual maturity at the reporting date is presented below:

31.12.2020	Group					
In RON thousands	Up to 3 months	3 months to 1 year	1-5 years	Over 5 years	No fixed maturity	Total carrying amount
Cash and cash equivalents	12,236,808	-	-	-	-	12,236,808
Financial assets at fair value through profit or loss	61,464	46,646	210,261	193,728	43,238	555,337
Loans and advances to banks	4,183	157,451	50,496	-	-	212,130
Loans and advances to customers	3,092,170	8,220,987	7,846,903	6,069,255	-	25,229,315
Net Lease receivables	72,740	186,568	2,943,703	312,803	-	3,515,814
Debt instruments at amortized cost	-	149,564	4,386,886	1,611,688	-	6,148,138
Financial assets at fair value through other comprehensive income	93,507	33,048	1,648,006	1,237,812	8,000	3,020,373
Other financial assets	126,270	-	12,507	-	-	138,777
Total financial assets	**15,687,142**	**8,794,264**	**17,098,762**	**9,425,286**	**51,238**	**51,056,692**
Financial liabilities at fair value through profit or loss	9,150	26,140	25,134	12,593	-	73,017
Derivatives liabilities designated as hedging instruments	846	1,785	16,812	61,773	-	81,216
Deposits from banks	519,812	-	75,264	-	-	595,076
Loans from banks and other financial institutions, including subordinated liabilities	249,606	1,016,591	4,185,529	1,042,534	-	6,494,260
Debt securities issued	-	284,492	1,637,544	-	-	1,922,036
Deposits from customers	34,014,824	1,691,768	65,770	3	-	35,772,365
Other financial liabilities	474,375	-	43,669	-	-	518,044
Leasing Liabilities	21,998	37,536	128,807	8,495	-	196,836
Total financial liabilities	**35,290,611**	**3,058,312**	**6,178,529**	**1,125,398**	**-**	**45,652,850**
Liquidity surplus/ (shortfall)	**(19,603,469)**	**5,735,952**	**10,920,233**	**8,299,888**	**51,238**	**5,403,842**
Adjustment for investment securities available for refinancing*	2,924,520	(33,048)	(1,648,006)	(1,243,466)	-	-
Liquidity surplus/ (shortfall) adjusted	**(16,678,949)**	**5,702,904**	**9,272,227**	**7,056,422**	**51,238**	**5,403,842**

**) As part of its liquidity management the Group holds treasury bills and bonds which can easily be converted into cash in case of increasing liquidity risk. Also, most of these securities are available for refinancing in order to ensure quick access to funds.*

4. RISK MANAGEMENT *(continued)*

d) Liquidity risk *(continued)*

31.12.2020			Group			
In RON thousands	Up to 3 months	3 months to 1 year	1-5 years	Over 5 years	No fixed maturity	Gross nominal flow
Commitments						
Irrevocable commitments given outflow	(2,083,092)	(394,379)	(224,128)	-	-	(2,701,599)
Irrevocable commitments taken inflow	243,470	1,578,647	365,205	-	-	2,187,322
Issued financial guarantees outflow	-	(5,793,497)	-	-	-	(5,793,497)
Commitments surplus/ (shortfall)	**(1,839,622)**	**(4,609,229)**	**141,077**	**-**	**-**	**(6,307,774)**

The table disclosed above shows the undiscounted cash flows of the Group, including financial guarantee contracts, and unrecognized loan commitments on the basis of their earliest possible contractual maturity, under a highly prudential approach.

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4. RISK MANAGEMENT *(continued)*

d) Liquidity risk *(continued)*

An analysis of financial assets and liabilities of the Bank as at 31 December 2021 by residual contractual maturity at the reporting date is presented below:

31.12.2021	Bank					
In RON thousands	Up to 3 months	3 months to 1 year	1-5 years	Over 5 years	No fixed maturity	Total carrying amount
Cash and cash equivalents	11,269,028	-	-	-	-	11,269,028
Financial assets at fair value through profit or loss	11,721	68,662	8,769	123,443	46,760	259,355
Derivatives assets designated as hedging instruments	11,709	-	-	540	-	12,249
Loans and advances to banks	1,040	226,827	265,744	-	-	493,611
Loans and advances to customers	3,377,101	8,457,008	8,846,729	6,746,735	-	27,427,573
Debt instruments at amortized cost	86,331	633,378	3,663,909	3,567,011	-	7,950,629
Financial assets at fair value through other comprehensive income	29,868	20,589	791,938	826,591	6,083	1,675,069
Other financial assets	192,123	-	-	-	-	192,123
Total financial assets	**14,978,921**	**9,406,464**	**13,577,089**	**11,264,320**	**52,843**	**49,279,637**
Financial liabilities at fair value through profit or loss	5,934	5,609	10,314	10,272	-	32,129
Derivatives liabilities designated as hedging instruments	862	1,823	15,660	48,467	-	66,812
Deposits from banks	609,633	-	57,357	-	-	666,990
Loans from banks and other financial institutions, including subordinated liabilities	47,564	170,634	352,391	835,657	-	1,406,246
Debt securities issued	-	283,713	185,770	544,908	-	1,014,391
Deposits from customers	38,562,588	1,503,094	3,461	-	-	40,069,143
Other financial liabilities	434,967	-	-	-	-	434,967
Leasing Liabilities	22,531	34,824	101,293	6,247	-	164,895
Total financial liabilities	**39,684,079**	**1,999,697**	**726,246**	**1,445,551**	**-**	**43,855,573**
Liquidity surplus/ (shortfall)	**(24,705,158)**	**7,406,767**	**12,850,843**	**9,818,769**	**52,843**	**5,424,064**
Adjustment for investment securities available for refinancing*	1,639,118	(20,589)	(791,938)	(826,591)	-	
Liquidity surplus/ (shortfall) adjusted	**(23,066,040)**	**7,386,178**	**12,058,905**	**8,992,178**	**52,843**	**5,424,064**

**) As part of its liquidity management the Bank holds treasury bills and bonds which can easily be converted into cash in case of increasing liquidity risk. Also, most of these securities are available for refinancing in order to ensure quick access to funds.*

4. RISK MANAGEMENT *(continued)*

d) Liquidity risk *(continued)*

31.12.2021	Bank					
In RON thousands	Up to 3 months	3 months to 1 year	1-5 years	Over 5 years	No fixed maturity	Gross nominal flow
Commitments						
Irrevocable commitments given outflow	(3,606,476)	-	-	-	-	(3,606,476)
Irrevocable commitments taken inflow	247,405	-	-	-	-	247,405
Issued financial guarantees outflow	-	(6,958,026)	-	-	-	(6,958,026)
Commitments surplus/ (shortfall)	**(3,359,071)**	**(6,958,026)**	**-**	**-**	**-**	**(10,317,097)**

The table disclosed above shows the undiscounted cash flows of the Bank, including financial guarantee contracts, and unrecognized loan commitments on the basis of their earliest possible contractual maturity, under a highly prudential approach.

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4. RISK MANAGEMENT *(continued)*

d) Liquidity risk *(continued)*

liabilities of the Bank as at 31 December 2020 by residual contractual maturity at the reporting date is presented below:

31.12.2020	Bank					
In RON thousands	Up to 3 months	3 months to 1 year	1-5 years	Over 5 years	No fixed maturity	Total carrying amount
Cash and cash equivalents	12,229,614	-	-	-	-	12,229,614
Financial assets at fair value through profit or loss	61,464	46,646	210,261	193,728	43,238	555,337
Loans and advances to banks	4,183	157,451	50,496	-	-	212,130
Loans and advances to customers	2,951,570	7,276,288	6,002,797	6,055,885	-	22,286,540
Debt instruments at amortized cost	-	149,564	4,386,886	1,611,688	-	6,148,138
Financial assets at fair value through other comprehensive income	93,507	33,048	1,648,006	1,237,812	5,654	3,018,027
Other financial assets	113,032	-	-	-	-	113,032
Total financial assets	**15,453,370**	**7,662,997**	**12,298,446**	**9,099,113**	**48,892**	**44,562,818**
Financial liabilities at fair value through profit or loss	9,150	26,140	25,134	12,593	-	73,017
Derivatives liabilities designated as hedging instruments	846	1,785	16,812	61,773	-	81,216
Deposits from banks	519,812	-	75,264	-	-	595,076
Loans from banks and other financial institutions, including subordinated liabilities	90,620	135,150	554,322	820,577	-	1,600,669
Debt securities issued	-	284,492	186,255	-	-	470,747
Deposits from customers	34,501,543	1,691,768	65,770	-	-	36,259,081
Other financial liabilities	453,359	-	-	-	-	453,359
Leasing Liabilities	22,025	36,150	126,047	8,495	-	192,717
Total financial liabilities	**35,597,355**	**2,175,485**	**1,049,604**	**903,438**	**-**	**39,725,882**
Liquidity surplus/ (shortfall)	**(20,143,985)**	**5,487,512**	**11,248,842**	**8,195,675**	**48,892**	**4,836,936**
Adjustment for investment securities available for refinancing*	2,924,520	(33,048)	(1,648,006)	(1,243,466)	-	-
Liquidity surplus/ (shortfall) adjusted	**(17,219,465)**	**5,454,464**	**9,600,836**	**6,952,209**	**48,892**	**4,836,936**

**) As part of its liquidity management the Bank holds treasury bills and bonds which can easily be converted into cash in case of increasing liquidity risk. Also, most of these securities are available for refinancing in order to ensure quick access to funds.*

4. RISK MANAGEMENT *(continued)*

d) Liquidity risk *(continued)*

31.12.2020	Bank					
In Thousand RON	Up to 3 months	3 months to 1 year	1-5 years	Over 5 years	No fixed maturity	Gross nominal flow
Commitments						
Irrevocable commitments given outflow	(1,990,387)	-	-	-	-	(1,990,387)
Irrevocable commitments taken inflow	243,470	-	-	-	-	243,470
Issued financial guarantees outflow	-	(5,793,497)	-	-	-	(5,793,497)
Commitments surplus/ (shortfall)	**(1,746,917)**	**(5,793,497)**	**-**	**-**	**-**	**(7,540,414)**

The table disclosed above shows the undiscounted cash flows of the Bank, including financial guarantee contracts, and unrecognized loan commitments on the basis of their earliest possible contractual maturity, under a highly prudential approach.

4. RISK MANAGEMENT *(continued)*

d) Liquidity risk *(continued)*

Future cash flows of financial liabilities

The maturity profile of the Group's financial liabilities at 31 December 2021 and 31 December 2020 which is based on contractual undiscounted future payments are listed below:

31.12.2021			Group		
In RON thousands	Up to 3 months	3 months to 1 year	1-5 years	Over 5 years	Total contractual amount
Financial liabilities at fair value through profit or loss	1,321,081	631,199	18,201	7,272	1,977,753
Deposits from banks	609,633	157	57,200	-	666,990
Loans from banks and other financial institutions, including subordinated liabilities	364,667	884,545	3,313,841	989,524	5,552,577
Deposits from customers	39,096,107	519,699	163,244	36,478	39,815,528
Debt securities issued	6,101	1,772,382	183,500	544,290	2,506,273
Leasing Liabilities	27,295	77,195	64,127	174	168,791
Total financial liabilities	**41,424,884**	**3,885,177**	**3,800,113**	**1,577,738**	**50,687,912**

31.12.2020			Group		
In RON thousands	Up to 3 months	3 months to 1 year	1-5 years	Over 5 years	Total contractual amount
Financial liabilities at fair value through profit or loss	655,707	611,044	22,262	6,776	1,295,789
Deposits from banks	521,477	210	75,054	-	596,741
Loans from banks and other financial institutions, including subordinated liabilities	507,899	1,661,184	3,789,084	959,115	6,917,282
Deposits from customers	35,383,589	158,138	210,337	35,516	35,787,580
Debt securities issued	7,329	30,748	1,953,613	-	1,991,690
Leasing Liabilities	41,483	85,941	81,006	-	208,430
Total financial liabilities	**37,117,484**	**2,547,265**	**6,131,356**	**1,001,407**	**46,797,512**

4. RISK MANAGEMENT *(continued)*

d) Liquidity risk *(continued)*

Future cash flows of financial liabilities (continued)

Maturity profile of financial liabilities at 31 December 2021 and 31 December 2020 which is based on contractual undiscounted future payments are listed below:

31.12.2021			Bank		
In RON thousands	Up to 3 months	3 months to 1 year	1-5 years	Over 5 years	Total contractual amount
Financial liabilities at fair value through profit or loss	1,321,081	631,199	18,201	7,272	1,977,753
Deposits from banks	609,633	157	57,200	-	666,990
Loans from banks and other financial institutions, including subordinated liabilities	8,271	49,308	705,634	887,138	1,650,351
Deposits from customers	39,349,722	519,699	163,244	36,478	40,069,143
Debt securities issued	6,101	280,500	183,500	544,290	1,014,391
Leasing Liabilities	26,983	76,259	61,653	-	164,895
Total financial liabilities	**41,321,791**	**1,557,122**	**1,189,432**	**1,475,178**	**45,543,523**

31.12.2020			Bank		
In RON thousands	Up to 3 months	3 months to 1 year	1-5 years	Over 5 years	Total contractual amount
Financial liabilities at fair value through profit or loss	655,707	611,044	22,262	6,776	1,295,789
Deposits from banks	521,477	210	75,054	-	596,741
Loans from banks and other financial institutions, including subordinated liabilities	50,289	32,637	885,521	873,028	1,841,475
Deposits from customers	35,875,593	158,138	210,337	35,516	36,279,584
Debt securities issued	7,329	21,987	476,038	-	505,354
Leasing Liabilities	26,285	85,309	81,006	-	192,600
Total financial liabilities	**37,136,680**	**909,325**	**1,750,218**	**915,320**	**40,711,543**

4. RISK MANAGEMENT *(continued)*

d) Liquidity risk *(continued)*

An analysis of notional amounts of the Group's and the Bank's derivative financial assets/liabilities by residual contractual maturity at the reporting date is presented below:

31.12.2021			Group/Bank				
In RON thousands	Carrying amount	Gross nominal inflow /(outflow)	Less than 1 month	1 to 3 Months	3 months to 1 year	1-5 years	Over 5 years
Derivative assets	**33,353**	**22,455**	**1,181**	**7,363**	**16,200**	**(9,657)**	**7,368**
Outflow		(1,765,035)	(352,027)	(419,391)	(921,652)	(79,237)	7,272
Inflow		1,787,490	353,208	426,754	937,852	69,580	96
Derivative liabilities	**(98,941)**	**(46,366)**	**(2,909)**	**(2,597)**	**4,146**	**(2,590)**	**(42,416)**
Outflow		(2,024,279)	(1,107,385)	(250,927)	(628,475)	6,703	(44,195)
Inflow		1,977,913	1,104,476	248,330	632,621	(9,293)	1,779

31.12.2020			Group/Bank				
In RON thousands	Carrying amount	Gross nominal inflow /(outflow)	Less than 1 month	1 to 3 Months	3 months to 1 year	1-5 years	Over 5 years
Derivative assets	**75,768**	**87,946**	**5,509**	**13,860**	**32,414**	**24,320**	**11,843**
Outflow		(2,939,972)	(1,089,955)	(1,022,105)	(843,222)	8,534	6,776
Inflow		3,027,918	1,095,464	1,035,965	875,636	15,786	5,067
Derivative liabilities	**(154,233)**	**(163,165)**	**(1,804)**	**(6,954)**	**(32,676)**	**(38,460)**	**(83,271)**
Outflow		(1,372,026)	(308,433)	(348,087)	(611,044)	(34,081)	(70,381)
Inflow		1,208,861	306,629	341,133	578,368	(4,379)	(12,890)

4. RISK MANAGEMENT *(continued)*

e) Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/ issuer's credit standing) will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Management of Market Risk

Organizational structure

The Supervisory Board lays down strategic guidelines for taking on market risks by calculating, depending on the propensity to risk and objectives of value creation in proportion to risks assumed, capital allocation for all business segments, in compliance with UniCredit Group strategies.

The Risk Management Committee provides advice and recommendations in respect of decisions taken by the Chief Executive Officer and in drawing up proposals made by the Chief Executive Officer to the Directorate or the Supervisory Board with regards to the following:

- guidance as to the methods to be used to realize models for the measurement and monitoring of Group risks;
- the Group's risk policies (identification of risk, analysis of the level of propensity to risk, definition of capital allocation objectives and the limits for each type of risk, assignment of related functional responsibilities to the relevant departments and divisions);
- corrective action aimed at rebalancing the Group's risk positions.

The overall authority for market risk is delegated towards Financial Risk Committee. The Financial Risk unit ensures the measurement and monitoring of risks assumed in accordance with the guidelines set out by UniCredit Group.

Asset and Liability Management ("Finance") unit, in coordination with Markets Treasury manages strategic and operational Balance sheet management, 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 Group's exchange rate, interest rate and liquidity risk.

The Group separates its exposure to market risk between trading and non-trading portfolios. Trading portfolio is held by Markets Trading unit, and includes positions arising from market making and proprietary position taking, together with most financial assets that are managed on a fair value basis. Also all foreign exchange risk is transferred and sold down by Assets and Liability Management to the Markets Trading unit. Accordingly, the foreign exchange position is treated as part of the Group's trading portfolios for risk management purposes.

Exposure to market risk – Value at Risk Tool

The main tool used to measure and control market risk exposure is Value at Risk (VaR). VaR is the maximum estimated loss that will arise on the entire portfolio over a specified period of time (holding period) from an adverse market movement with a specified probability (confidence level).

The VaR model used by the Group is based upon a 99 percentage confidence level and assumes a 1 day holding period. Use of a 1-day time-horizon makes it possible to make an immediate comparison between profits/losses realized.

4.RISK MANAGEMENT *(continued)*

e) Market risk *(continued)*

Exposure to market risks – Value at Risk Tool (continued)

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based do give rise to some limitations, including the following:

- A 1 day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period.
- A 99 percent confidence level does not reflect losses that may occur beyond this level. Even within the model used there is a one percent probability that losses could exceed the VaR.
- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day.
- The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature.
- The VaR measure is dependent upon the Group's position and the volatility of market prices. The VaR of an unchanged position reduces if the market price volatility declines and vice versa.

The Group uses a VaR warning limit for total market risk and banking book and a limit for trading book; this limit is subject to review and approval by UniCredit Group and ALCO. VaR is measured daily by a common system throughout the UniCredit Group; data is automatically upload from the core banking system and other front office systems.

A summary of the VaR position of the Group and of the Bank is as follows:

31.12.2021	Grup				Bank			
in EUR thousands	At 31 December	Average	Maximum	Minimum	At 31 December	Average	Maximum	Minimum
Foreign currency risk	10	35	85	3	10	36	86	4
Interest rate risk	4,540	4,880	6,048	3,226	4,058	4,590	5,467	3,098
Credit spread risk	7,825	10,209	24,257	5,820	7,825	10,209	24,257	5,820
Overall	**7,126**	**10,533**	**23,205**	**6,571**	**7,010**	**10,425**	**23,042**	**6,482**

31.12.2020	Grup				Bank			
In EUR thousands	At 31 December	Average	Maximum	Minimum	At 31 December	Average	Maximum	Minimum
Foreign currency risk	29	39	160	2	28	40	157	2
Interest rate risk	4,628	3,209	5,947	1,297	4,447	2,950	5,045	1,386
Credit spread risk	23,685	15,441	24,376	1,467	23,685	15,711	24,376	3,959
Overall	**22,529**	**15,097**	**23,300**	**4,239**	**22,428**	**15,064**	**23,198**	**4,275**

The limitations of the VaR methodology are recognized by supplementing VaR limits with other position and sensitivity limit analyses. The Group uses a range of stress tests to model the financial impact of a variety of exceptional market scenarios on the Group's positions.

4. RISK MANAGEMENT *(continued)*

e) Market risk *(continued)*

Foreign exchange (FX) analysis

The FX net open position limits are assigned by the Group and are lower than the prudential limits imposed by the National Bank of Romania.

The limits are expressed in EUR equivalent and the exposure to the limits is monitored on a daily basis by Market Risk department.

The table shows the average usage of the limits during 2021 and 2020, which correlate also with the stable FX VaR figure.

Foreign exchange (FX) Open Position of the Bank is as follows:

	Group			
in EUR thousands	31.12.2021		31.12.2020	
	Limits (EUR equivalent)	Average usage	Limits (EUR equivalent)	Average usage
EUR	60,000	26.73%	60,000	22.26%
USD	5,000	5.52%	5,000	8.52%

	Bank			
in EUR thousands	31.12.2021		31.12.2020	
	Limits (EUR equivalent)	Average usage	Limits (EUR equivalent)	Average usage
EUR	60,000	26.78%	60,000	22.39%
USD	5,000	4.06%	5,000	5.68%

Exposure to market risks – Interest Rate Gap tool

Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. ALCO is the monitoring body for compliance with these limits and it is assisted by Market Risk in its day to day monitoring activities.

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4. RISK MANAGEMENT *(continued)*

e) Market risk *(continued)*

A summary of the Group's interest rate gap position on interest earning assets and liabilities, based on the earlier date between contractual maturity and repricing date, as at 31 December 2021, is presented below:

31.12.2021			Group			
in RON thousands	Up to 3 months	3 months to 1 year	1-5 years	Over 5 years	No fixed maturity	Total carrying amount
Cash and cash equivalents	11,269,108	-	-	-	-	11,269,108
Financial assets held for trading	11,721	68,662	8,769	123,443	46,760	259,355
Derivatives assets designated as hedging instruments	11,709	-	-	540	-	12,249
Loans and advances to banks	130,960	226,827	135,824	-	-	493,611
Loans and advances to customers	17,881,698	6,427,618	4,865,582	220,512	-	29,395,410
Net Lease receivables	2,384,475	121,765	1,175,836	40,226	-	3,722,302
Debt instruments at amortized cost	86,331	633,378	3,663,909	3,567,011	-	7,950,629
Financial assets at fair value through other comprehensive income	29,868	20,589	791,938	828,937	6,083	1,677,415
Other financial assets	208,136	1,006	342	-	-	209,484
Total financial assets	**32,014,006**	**7,499,845**	**10,642,200**	**4,780,669**	**52,843**	**54,989,563**
Financial liabilities at fair value through profit or loss	5,935	5,609	10,314	10,271	-	32,129
Derivatives liabilities designated as hedging instruments	862	1,823	15,660	48,467	-	66,812
Deposits from banks	609,633	57,357	-	-	-	666,990
Loans from banks and other financial institutions, including subordinated liabilities	2,384,409	405,707	2,202,364	122,576	-	5,115,056
Deposits from customers	3,8308,973	1,503,094	3,461	-	-	39,815,528
Debt securities issued	-	2,491,879	-	-	-	2,491,879
Other financial liabilities	500,899	-	-	-	-	500,899
Leasing Liabilities	24,552	35,760	102,058	6,421	-	168,791
Total financial liabilities	**41,835,263**	**4,501,229**	**2,333,857**	**187,735**	**-**	**48,858,084**
Interest sensitivity surplus / (shortfall)	**(9,821,257)**	**2,998,616**	**8,308,343**	**4,592,934**	**52,843**	**6,131,479**

4. RISK MANAGEMENT *(continued)*

e) Market risk *(continued)*

A summary of the Group's interest rate gap position on interest earning assets and liabilities, based on the earlier date between contractual maturity and repricing date, as at 31 December 2020, is presented below:

31.12.2020		Group				
In Thousand RON	Up to 3 months	3 months to 1 year	1-5 years	Over 5 years	No fixed maturity	Total carrying amount
Cash and cash equivalents	12,236,808	-	-	-	-	12,236,808
Financial assets held for trading	61,464	46,646	210,261	193,728	43,238	555,337
Loans and advances to banks	14,283	157,451	40,396	-	-	212,130
Loans and advances to customers	13,983,502	6,713,052	3,004,776	1,527,985	-	25,229,315
Net Lease receivables	2,209,053	86,388	1,146,743	73,630	-	3,515,814
Debt instruments at amortized cost	-	149,564	4,386,886	1,611,688	-	6,148,138
Financial assets at fair value through other comprehensive income	93,507	33,048	1,648,006	1,237,812	8,000	3,020,373
Other financial assets	138,777	-	-	-	-	138,777
Total financial assets	**28,737,394**	**7,186,149**	**10,437,068**	**4,644,843**	**51,238**	**51,056,692**
Financial liabilities at fair value through profit or loss	9,150	26,140	25,134	12,593	-	73,017
Derivatives liabilities designated as hedging instruments	846	1,785	16,812	61,773	-	81,216
Deposits from banks	519,812	75,264	-	-	-	595,076
Loans from banks and other financial institutions, including subordinated liabilities	3,838,031	678,202	1,939,828	38,199	-	6,494,260
Deposits from customers	34,014,824	1,691,768	65,770	3	-	35,772,365
Debt securities issued	-	470,747	1,451,289	-	-	1,922,036
Other financial liabilities	518,044	-	-	-	-	518,044
Leasing Liabilities	22,630	37,536	128,175	8,495	-	196,836
Total financial liabilities	**38,923,337**	**2,981,442**	**3,627,008**	**121,063**	**-**	**45,652,850**
Interest sensitivity surplus / (shortfall)	**(10,185,943)**	**4,204,707**	**6,810,060**	**4,523,780**	**51,238**	**5,403,842**

4. RISK MANAGEMENT *(continued)*

e) Market risk *(continued)*

A summary of the Bank's interest rate gap position on interest earning assets and liabilities, based on the earlier date between contractual maturity and repricing date, as at 31 December 2021, is presented below:

31.12.2021			Bank			
in RON thousands	Up to 3 months	3 months to 1 year	1-5 years	Over 5 years	No fixed maturity	Total carrying amount
Cash and cash equivalents	11,269,028	-	-	-	-	11,269,02
Financial assets held for trading	11,721	68,662	8,769	123,443	46,760	259,35
Derivatives assets designated as hedging instruments	11,709	-	-	540	-	12,24
Loans and advances to banks	130,960	226,827	135,824	-	-	493,61
Loans and advances to customers	17,291,519	6,193,435	3,781,483	161,136	-	27,427,57
Debt instruments at amortized cost	86,331	633,378	3,663,909	3,567,011	-	7,950,62
Financial assets at fair value through other comprehensive income	29,868	20,589	791,938	826,591	6,083	1,675,06
Other financial assets	192,123	-	-	-	-	192,12
Total financial assets	**29,023,259**	**7,142,891**	**8,381,923**	**4,678,721**	**52,843**	**49,279,63**
Financial liabilities at fair value through profit or loss	5,935	5,609	10,314	10,271	-	32,12
Derivatives liabilities designated as hedging instruments	862	1,823	15,660	48,467	-	66,81
Deposits from banks	609,633	57,357	-	-	-	666,99
Loans from banks and other financial institutions, including subordinated liabilities	1,406,246	-	-	-	-	1,406,24
Deposits from customers	38,562,588	1,503,094	3,461	-	-	40,069,14
Debt securities issued	-	1,014,391	-	-	-	1,014,39
Other financial liabilities	434,967	-	-	-	-	434,96
Leasing Liabilities	22,531	34,824	101,293	6,247	-	164,89
Total financial liabilities	**41,042,762**	**2,617,098**	**130,728**	**64,985**	**-**	**43,855,57**
Interest sensitivity surplus / (shortfall)	**(12,019,503)**	**4,525,793**	**8,251,195**	**4,613,736**	**52,843**	**5,424,06**

4. RISK MANAGEMENT *(continued)*

e) Market risk *(continued)*

A summary of the Bank's interest rate gap position on interest earning assets and liabilities, based on the earlier date between contractual maturity and repricing date, as at 31 December 2020, is presented below:

31.12.2020		Bank				
In Thousand RON	Up to 3 months	3 months to 1 year	1-5 years	Over 5 years	No fixed maturity	Total carrying amount
Cash and cash equivalents	12,229,614	-	-	-	-	12,229,614
Financial assets held for trading	61,464	46,646	210,261	193,728	43,238	555,337
Loans and advances to banks	14,283	157,451	40,396	-	-	212,130
Loans and advances to customers	13,456,887	5,783,722	1,529,751	1,516,180	-	22,286,540
Debt instruments at amortized cost	-	149,564	4,386,886	1,611,688	-	6,148,138
Financial assets at fair value through other comprehensive income	93,507	33,048	1,648,006	1,237,812	5,654	3,018,027
Other financial assets	113,032	-	-	-	-	113,032
Total financial assets	**25,968,787**	**6,170,431**	**7,815,300**	**4,559,408**	**48,892**	**44,562,818**
Financial liabilities at fair value through profit or loss	9,150	26,140	25,134	12,593	-	73,017
Derivatives liabilities designated as hedging instruments	846	1,785	16,812	61,773	-	81,216
Deposits from banks	519,812	75,264	-	-	-	595,076
Loans from banks and other financial institutions, including subordinated liabilities	1,600,669	-	-	-	-	1,600,669
Deposits from customers	34,501,543	1,691,768	65,770	-	-	36,259,081
Debt securities issued	-	470,747	-	-	-	470,747
Other financial liabilities	453,359	-	-	-	-	453,359
Leasing Liabilities	22,025	36,150	126,047	8,495	-	192,717
Total financial liabilities	**37,107,404**	**2,301,854**	**233,763**	**82,861**	**-**	**39,725,882**
Interest sensitivity surplus / (shortfall)	**(11,138,617)**	**3,868,577**	**7,581,537**	**4,476,547**	**48,892**	**4,836,936**

4. RISK MANAGEMENT *(continued)*

e) Market risk *(continued)*

The following table shows the yearly average interest rates obtained or offered during 2021:

31.12.2021		Group			Bank	
	RON Average	EUR Average	USD Average	RON Average	EUR Average	USD Average
Assets						
Current accounts with the National Bank of Romania	0.09%	0.00%	-	0.09%	0.00%	-
Loans and advances to banks	1.73%	-0.59%	0.05%	1.73%	-0.59%	0.05%
Debt securities	4.52%	1.54%	-	4.52%	1.54%	-
Loans and advances to customers	4.89%	2.52%	2.82%	4.13%	2.47%	2.82%
Net lease receivables	5.72%	3.32%	6.75%	0.00%	0.00%	0.00%
Liabilities						
Deposits from banks	1.40%	0.22%	0.02%	1.40%	0.22%	0.02%
Deposits from customers	1.32%	0.13%	0.60%	1.32%	0.13%	0.60%
Loans from banks	3.19%	1.23%	0.00%	2.26%	0.31%	0.00%
Subordinated loans	-	3.34%	-	-	3.51%	-

The following table shows the yearly average interest rates obtained or offered during 2020:

31.12.2020		Group			Bank	
	RON Average	EUR Average	USD Average	RON Average	EUR Average	USD Average
Assets						
Current accounts with the National Bank of Romania	0.13%	0.00%	-	0.13%	0.00%	-
Loans and advances to banks	2.71%	-0.51%	0.55%	2.71%	-0.51%	0.55%
Debt securities	4.10%	1.83%	-	4.10%	1.83%	-
Loans and advances to customers	5.77%	2.68%	3.43%	4.90%	2.62%	3.43%
Net lease receivables	5.40%	3.33%	5.54%	0.00%	0.00%	0.00%
Liabilities						
Deposits from banks	1.95%	1.27%	1.11%	1.95%	1.27%	1.11%
Deposits from customers	2.17%	0.36%	0.85%	2.17%	0.36%	0.85%
Loans from banks	3.16%	1.38%	0.00%	3.04%	0.46%	0.00%
Subordinated loans	-	3.47%	-	-	3.65%	-

The interest rates related to the local currency and the major foreign currencies as at 31 December 2021 and 31 December 2020 were as follows:

Currencies	Interest rate	31.12.2021	31.12.2020
RON	Robor 3 months	3.01%	2.03%
RON	Robor 6 months	3.13%	2.10%
EUR	Euribor 3 months	-0.57%	-0.55%
EUR	Euribor 6 months	-0.55%	-0.53%
USD	Libor 3 months	0.21%	0.24%
USD	Libor 6 months	0.34%	0.26%

4. RISK MANAGEMENT *(continued)*

e) Market risk *(continued)*

The amounts of assets and liabilities held in RON and in foreign currencies for the Group as at 31 December 2021 are presented below:

31.12.2021		Group			
in RON thousands	RON	USD	EUR	Other	Total
Financial assets					
Cash and cash equivalents	3,046,913	937,288	7,226,343	58,564	11,269,108
Financial assets at fair value through profit or loss	159,304	47,881	52,156	14	259,355
Derivatives assets designated as hedging instruments	397	-	11,852	-	12,249
Loans and advances to banks	402,170	-	91,441	-	493,611
Loans and advances to customers	18,746,013	393,245	10,255,583	569	29,395,410
Net Lease receivables	184,964	367	3,536,971	-	3,722,302
Debt instruments at amortized cost	7,950,629	-	-	-	7,950,629
Financial assets at fair value through other comprehensive income	1,472,061	-	205,354	-	1,677,415
Other financial assets	179,541	565	29,375	3	209,484
Total financial assets	**32,141,992**	**1,379,346**	**21,409,075**	**59,150**	**54,989,563**
Financial liabilities					
Financial liabilities at fair value through profit or loss	13,418	1,121	17,576	14	32,129
Derivatives liabilities designated as hedging instruments	417	-	66,395	-	66,812
Deposits from banks	519,602	-	147,388	-	666,990
Loans from banks and other financial institutions at amortized cost	1,416,369	-	2,754,504	-	4,170,873
Subordinated liabilities	-	-	944,183	-	944,183
Deposits from customers	24,499,058	2,029,267	13,133,163	154,040	39,815,528
Debt securities issued	469,516	-	2,022,363	-	2,491,879
Other financial liabilities	271,024	43,642	177,692	8,541	500,899
Lease liabilities	4,079	405	164,307	-	168,791
Total financial liabilities	**27,193,483**	**2,074,435**	**19,427,571**	**162,595**	**48,858,084**
Net financial assets/(liabilities)	**4,948,509**	**(695,089)**	**1,981,504**	**(103,445)**	**6,131,479**

4. RISK MANAGEMENT *(continued)*

e) Market risk *(continued)*

The amounts of assets and liabilities held in RON and in foreign currencies for the Group as at 31 December 2020 are presented below:

31.12.2020		Group			
In Thousand RON	RON	USD	EUR	Other	Total
Financial assets					
Cash and cash equivalents	4,501,497	88,613	7,548,752	97,946	12,236,808
Financial assets at fair value through profit or loss	428,717	60,699	65,921	-	555,337
Loans and advances to banks	184,711	-	27,419	-	212,130
Loans and advances to customers	14,923,916	399,304	9,904,084	2,011	25,229,315
Net Lease receivables	190,181	600	3,325,033	-	3,515,814
Debt instruments at amortized cost	6,148,138	-	-	-	6,148,138
Financial assets at fair value through other comprehensive income	2,254,900	-	765,473	-	3,020,373
Other financial assets	117,324	(300)	21,736	17	138,777
Total financial assets	**28,749,384**	**548,916**	**21,658,418**	**99,974**	**51,056,692**
Financial liabilities					
Financial liabilities at fair value through profit or loss	18,926	16,644	37,447	-	73,017
Derivatives liabilities designated as hedging instruments	-	1,015	80,201	-	81,216
Deposits from banks	369,168	-	225,908	-	595,076
Loans from banks and other financial institutions at amortized cost	2,095,519	-	3,469,148	-	5,564,667
Subordinated liabilities	-	-	929,593	-	929,593
Deposits from customers	21,307,520	1,817,602	12,505,001	142,242	35,772,365
Debt securities issued	470,747	-	1,451,289	-	1,922,036
Other financial liabilities	291,169	32,280	184,493	10,102	518,044
Lease liabilities	4,492	836	191,508	-	196,836
Total financial liabilities	**24,557,541**	**1,868,377**	**19,074,588**	**152,344**	**45,652,850**
Net financial assets/(liabilities)	**4,191,843**	**(1,319,461)**	**2,583,830**	**(52,370)**	**5,403,842**

4. RISK MANAGEMENT *(continued)*

e) Market risk *(continued)*

The amounts of assets and liabilities held in RON and in foreign currencies for the Bank as at 31 December 2021 can be analysed as follows:

31.12.2021 in RON thousands	Bank RON	 USD	 EUR	 Other	 Total
Financial assets					
Cash and cash equivalents	3,046,831	937,288	7,226,345	58,564	11,269,028
Financial assets at fair value through profit or loss	159,304	47,881	52,156	14	259,355
Derivatives assets designated as hedging instruments	397	-	11,852	-	12,249
Loans and advances to banks	402,170	-	91,441	-	493,611
Loans and advances to customers	17,225,476	393,245	9,808,283	569	27,427,573
Debt instruments at amortized cost	7,950,629	-	-	-	7,950,629
Financial assets at fair value through other comprehensive income	1,469,715	-	205,354	-	1,675,069
Other financial assets	163,031	565	28,524	3	192,123
Total financial assets	**30,417,553**	**1,378,979**	**17,423,955**	**59,150**	**49,279,637**
Financial liabilities					
Financial liabilities at fair value through profit or loss	13,418	1,121	17,576	14	32,129
Derivatives liabilities designated as hedging instruments	417	-	66,395	-	66,812
Deposits from banks	519,602	-	147,388	-	666,990
Loans from banks and other financial institutions at amortized cost	95,017	-	475,904	-	570,921
Subordinated liabilities	-	-	835,325	-	835,325
Deposits from customers	24,650,465	2,029,289	13,235,349	154,040	40,069,143
Debt securities issued	469,516	-	544,875	-	1,014,391
Other financial liabilities	208,153	43,642	174,631	8,541	434,967
Lease liabilities	183	405	164,307	-	164,895
Total financial liabilities	**25,956,771**	**2,074,457**	**15,661,750**	**162,595**	**43,855,573**
Net financial assets/(liabilities)	**4,460,782**	**(695,478)**	**1,762,205**	**(103,445)**	**5,424,064**

4. RISK MANAGEMENT *(continued)*

e) Market risk *(continued)*

The amounts of assets and liabilities held in RON and in foreign currencies for the Bank as at 31 December 2020 can be analysed as follows:

31.12.2020			Bank		
In Thousand RON	RON	USD	EUR	Other	Total
Financial assets					
Cash and cash equivalents	4,499,339	88,613	7,543,716	97,946	12,229,614
Financial assets at fair value through profit or loss	428,717	60,699	65,921	-	555,337
Loans and advances to banks	184,711	-	27,419	-	212,130
Loans and advances to customers	12,943,889	399,304	8,941,336	2,011	22,286,540
Debt instruments at amortized cost	6,148,138	-	-	-	6,148,138
Financial assets at fair value through other comprehensive income	2,252,554	-	765,473	-	3,018,027
Other financial assets	91,747	(300)	21,568	17	113,032
Total financial assets	**26,549,095**	**548,316**	**17,365,433**	**99,974**	**44,562,818**
Financial liabilities					
Financial liabilities at fair value through profit or loss	18,926	16,644	37,447	-	73,017
Derivatives liabilities designated as hedging instruments	-	1,015	80,201	-	81,216
Deposits from banks	369,168	-	225,908	-	595,076
Loans from banks and other financial institutions at amortized cost	150,707	-	627,496	-	778,203
Subordinated liabilities	-	-	822,466	-	822,466
Deposits from customers	21,795,739	1,817,602	12,503,498	142,242	36,259,081
Debt securities issued	470,747	-	-	-	470,747
Other financial liabilities	229,596	32,280	181,381	10,102	453,359
Lease liabilities	373	836	191,508	-	192,717
Total financial liabilities	**23,035,256**	**1,868,377**	**14,669,905**	**152,344**	**39,725,882**
Net financial assets/(liabilities)	**3,513,839**	**(1,320,061)**	**2,695,528**	**(52,370)**	**4,836,936**

4. RISK MANAGEMENT *(continued)*

e) Market risk *(continued)*

IBOR reform

In view of the global benchmark reforms and the introduction of free-risk rates (IBOR Transition), the Bank is exposed to limited interest rate coming from USD exposures (with USD assets representing less than 5% of total assets), as it borrows funds in principle at fixed rates and grants loans at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings, and by the use of interest rate swap contracts.

The exposures in other currencies than RON, EUR and USD are insignificant, whilst for EUR the floating-rate financial assets and liabilities are linked almost exclusively to Euribor (exception being few sight deposits for collateral management for which the reference rate is Eonia).

The Bank is part of a UniCredit SpA (Italy) wide project managing the transition to new benchmark rates, aiming at closely monitoring the market and regulatory developments on the topic (including the output of various working group managing the transition), assessing the implications for the Bank and defining the relevant implementation/adoption strategies. Various areas are involved in the project (e.g. business, legal, compliance, IT/data governance, risk, finance, communication), whilst overall governing of the project is ensured at local level by Management Board representants for CFO and Business.

In light of the regulatory and market developments, the strategy of the Bank with regard to IBOR transition foresees:

- the adoption of the alternative reference rates for USD (i.e. Term SOFR), whilst for the other currencies (as GBP, CHF) a strategic decision not to extend business in floating currency was taken;
- amendment of the legacy contracts (fallback clauses) in accordance with benchmark reform and regulatory requirements (as Benchmark Regulation).

Risks arising from the interest rate benchmark reform

Given the limited exposures to USD & other IBORs, the potential financial risks (interest rate risk, liquidity risk) arising from the transitions are deemed as immaterial.

Other potential risk identified are:

- Market risk for hedge accounting relationship:
The Bank is not seeking to novate derivatives or close out derivatives and enter into new on-market derivatives where derivatives have been designated in hedging relationships.

- Legal (litigation) risk:
In case no agreement to implement interest rate reform (e.g. different interpretation of fallback clauses) is reached with the client on legacy contracts (even if limited as number), there is a risk of prolonged disputes with counterparties which could give rise to additional legal and other costs. The Bank is working closely with all counterparties to avoid this risk from occurring.

- Operational risk:
Relevant IT systems are upgraded in order to fully manage the transition to alternative rates in order with the Bank's strategy, nonetheless there is a risk that the developments are not fully functional in time, which would imply manual procedures giving rise to operational risk. The Bank is overseeing closely the planning & execution of necessary developments with internal/external IT providers and adopted an alternative strategy in order to prevent this operational risk.

4. RISK MANAGEMENT *(continued)*

e) Market risk *(continued)*

IBOR reform *(continued)*

The table below indicates the carrying amount of loans and advances to customers at amortized cost that will be affected by IBOR reform, i.e. those expressed in other currencies than EUR.

in RON thousands	Group 31.12.2021	
	Number of clients	Carrying amount
Loans to consumers	25	4,047
Commercial Loans	69	87,913
Total	**94**	**91,960**

The table below indicates the nominal amount and market value of interest rate swap derivatives that will be affected by IBOR reform, i.e. those expressed in other currencies than EUR.

Interest rate swap in RON thousands	Group 31.12.2021		
	Notional	Assets	Liabilities
Trading	5,004	-	(628)
Hedging	38,462	59	(59)
Total	**43,466**	**59**	**(687)**

f) Strategic risk

Strategic risk is part of the risks which are evaluated qualitatively within the evaluation process of risks initiated by UniCredit Group and by the Bank.

Strategic risk is analyzed taking into account the following:

- risk of changes in the business environment;
- risk of unsatisfactory implementation of decision;
- risk of lack of reaction.

The following three parameters are analyzed for the above risks: probability, severity and exposure.

The Group has implemented internal regulations and specific mechanisms for managing strategic risk.

g) Compliance risk

In accordance with the legal provisions and UniCredit Group policies, the management of compliance risk is performed by Compliance Function within UniCredit Bank SA through:

- providing advice on the provisions of the legal and regulatory framework and on the standards the Bank needs to meet;
- assessing the possible impact of any changes of the legal and regulatory framework on the Bank's activities;
- verifying that new products and procedures are in compliance with the regulatory framework;
- performing second level controls in the areas under Compliance Function's competence, based on specific control methodologies;
- evaluating, measuring and monitoring of compliance risk in the areas under Compliance Function's competence, as well as through appropriate reporting to the governing bodies of the Bank;
- managing the relationship with regulatory authorities, either directly by Compliance Function, or together with other functions within the Bank.

4. RISK MANAGEMENT *(continued)*

h) Taxation risk

The Group is committed to ensure sustainable performance of tax risk management maintaining an efficient, effective and transparent tax function within the organization. The Group strictly complies with the legal norms regarding taxes and duties. Differences between IFRS accounting treatment and fiscal requirements have been carefully identified and analysed, resulting in proper recognition of deferred tax effects in the financial statements.

The Group is focused permanently on monitoring the transfer price risks, including the proper documentation of intragroup transactions, through a proactive approach. Tax liabilities of the Group are opened to a general tax inspection for a period of five years.

At the Bank level there was a tax inspection for corporate income tax and withholding tax, for fiscal years 2013 – 2017, finalised in 2020, the results of which are presented in note 18.

i) Operating environment

The Romanian economy grew by 6.4% in 2021, fully recovering the contraction of 3.9% in 2020 caused by the COVID 19 pandemic. Although economic activity continued to be shaped by the coexistence with the virus, private consumption provided a strong boost to growth, supported by the release of pent-up demand with the easing of restrictions, falling savings rates, a 7% increase in the average wage and a rebound in consumer lending. At the same time, public investment remained strong, although private investment in exporting sectors, especially car manufacturing, was delayed due to the persistence of supply-chain bottlenecks. Among the sectors that performed well in 2021, we can mention the retail sector which benefitted from the strong consumption, the IT sector which grew double-digit and agriculture, which had a very good performance, supported by good weather conditions.

In 2022 the Group expects the economy to advance by 3.7% supported by private consumption. Public investment could fall short of the planned 7% of GDP due to smaller-than-planned outlays from the budget. The Group expects building projects to grow at a slower pace amid tightening financial conditions, with logistics and industrial buildings performing best. Private consumption could slow once pent-up demand is exhausted, probably in 1H22. Thereafter, labor-market conditions will be unfavorable for a fast rise in real income and pensions will increase less than living costs in 2022.

The budget deficit was around 8.3% of GDP in 2021, tempering from 9.2% in 2020 (both according to ESA standards), helped by a recovery of some of the forgone revenues during the pandemic, a lower need for anti-pandemic support and the recovery of economic activity. The level was in line with official forecasts and commitments. Thus, the public debt ended the year around 50% of GDP and could peak below 55% if Romania will respect its fiscal commitments in the following years. This level of public debt is lower than the post-COVID median for BBB-rated countries, preserving Romania's investment grade rating.

The annual inflation rate had a pronounced ascending path in 2021, as several supply-side shocks materialized at the global level, coupled with the liberalization of the electricity market for Romanian household consumers. The most important global pressures came from international oil, commodity and energy prices and high transport prices, along with shortages of raw materials and intermediate goods. In this context, the inflation rate reached 8.2% at the end of the year, sharply up from 2.1% at the end of 2020 and the Group expects a return within the 1.5%-3.5% target range only at the end of 2023. Food-price inflation accelerated to 6.7%yoy at the end of 2021 and is likely to rise at a rapid pace at least in 1H22 due to pricey fuels and energy. Commodity traders report that wholesale prices were 2-2.5 times higher in 2021 than in 2020, despite the better harvest.

After one last key rate cut in January 2021 to 1.25% as support during the crisis generated by the COVID-19 pandemic, the NBR joined the global trend to fight against the rapidly rising inflation and started to tighten monetary policy, at first through tight liquidity management as of June and subsequently by hiking the key rate as of October and adjusting the facility corridor. Thus, at the end of 2021, the NBR hiked the key rate by 0.5 percentage points (pp) to 1.75% and increased the facility corridor around the key rate by 0.25pp to ±0.75 pp, thus delivering an increase of the credit facility rate by 0.75pp. The Group expects additional monetary tightening during 2022 in line with the global trends, up to a policy rate of 3% which would bring Romania in line with its regional peers and would compensate for the slower fiscal adjustment in 2022. A corridor of ±1pp is likely to be associated to the key rate of 3%. In this context an upward trajectory is anticipated for the interbank interest rates (ROBOR), with the NBR managing liquidity to keep ROBOR rates close to the Lombard rate (which we see peaking at 4%).

4. RISK MANAGEMENT *(continued)*

i) Operating environment *(continued)*

The EUR-RON exchange fluctuated inside the 4.9-5.0 interval in 2021 with constant RON depreciation pressures due to unfavorable capital flows, political tensions and fiscal worries. The Group expects the EUR-RON to move to a 5.00-5.10 range in 2022, as Romania's outstanding imbalances and risks, mainly related to the current account and the fiscal policy, argue for a continuance of the gradual depreciation of the national currency.

One short-term effect of growth that relies on consumption is a wider current account deficit, as a high share of consumption is satisfied from imports. At the same time, exports were impaired by the lower price competitiveness and the persistent global supply bottlenecks. The external shortfall was already visible in 2020 and opened further in 2021, being only partly covered by EU funds and FDI. The current account deficit reached EUR 16.6 billion in 2021, the equivalent of 6.9% of GDP. For 2022, the Group estimates a current account deficit of around EUR 17.2 billion.

Loans had a surprisingly strong dynamic during 2021 for both companies and individuals, benefiting from strong demand facilitated by the high consumption, along with the IMM Invest program and other support programs for large companies. Thus, the yearly growth pace of non-governmental loans accelerated to 13.5% at the end of 2021 from 5.5% at the end of 2020 mainly due to the strong increase by 18% in local currency lending with the share of RON-denominated loans increasing to 71.7% in December 2021 from 69.5% in December 2020. On the deposits' side, the total savings of the residents increased by 13.4%YoY, as both the private individuals and companies registered significant increases. Although deposits continued to grow at a fast pace, it was slower than the one of loans, reflecting the improved sentiment and lower need for saving in light of the better pandemic situation.

The moratorium was available at the banking system level until March 2021 and along with the individual solutions found by banks for customers it was successful in preventing a rise in the NPL ratio, in spite of the expectations at the beginning of the pandemic crisis. This was also valid once the clients resumed the ordinary repayment schedules, with the NPL ratio down to 3.52% in December 2021 from 3.83% in December 2020.

j) Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognized and the Group aims to maintain a balance between the higher returns that may be possible with greater gearing and the advantages and security afforded by a sound capital position.

Regulatory capital

Starting with January 2014, Romanian banking system has applied the provisions of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 and the provisions of Regulation no.5/2013 regarding prudential requirements for the credit institutions issued by National Bank of Romania.

By application of the above mentioned requirements, the structure of own funds is redefined, as well as the eligibility criteria for the equity instruments to be included in the Level 1 Own Funds – Base, Supplementary and Level 2 Own funds. New liquidity and capital indicators are defined which have to be monitored above the minimum capital requirements specified by the respective regulations.

Credit Risk

In July 2012, National Bank of Romania ("NBR") authorized the Bank to calculate the credit risk capital requirement under Foundation IRB Approach for the following categories of clients: corporate (except for real estate clients), multinationals, banks and securities industries. For the rest of the portfolios, the Group is still applying the Standardized Approach. In 2020, the Bank received the approval for the application of the permanent partial use of the standardized approach for non-banking financial institutions.

4. RISK MANAGEMENT *(continued)*

j) Capital management (continued)

Market Risk

The Bank calculates the capital requirements for market risk for the held for trading portfolio using the standard method in accordance with Regulation (EU) No 575/ 2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/ 2012.

Operational Risk

UniCredit Group developed an internal model under the Advanced Measurement Approach (AMA) for the assessment of capital requirements for operational risk. The capital at risk method used for AMA calculation is obtained by modelling internal loss data, integrated with external loss data (operational loss events collected from the international consortium ORX), scenario generated data (a set of hypothetical, yet foreseeable, extreme operational loss events used to integrate internal and external loss data in the high impact/low frequency range) and key operational risk indicators. The AMA capital requirement is estimated at a 99,9% confidence level.

Own Funds

Level 1 own funds includes: equity instruments, share premiums,retained earnings, other items of comprehensive income, other reserves and a series of deductions (losses of the financial period, intangible assets, deferred tax asset which is based on future profits, negative amounts which results from the calculation of expected values and other adjustments required by laws). Level 2 own funds includes subordinated loans (for the Bank only).

4. RISK MANAGEMENT *(continued)*

j) Capital management (continued)

The solvency position of the Group and of the Bank is summarised below:

in RON thousands	Group		Bank	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Tier 1 capital-CET1				
Ordinary share capital	1,177,748	1,177,748	1,177,748	1,177,748
Share premium	621,680	621,680	621,680	621,680
Retained earnings*	3,482,871	3,028,984	3,122,143	2,757,923
Accumulated other comprehensive income	(30,506)	73,236	(30,506)	73,236
Other reserves	244,731	264,362	244,731	264,362
Funds for general banking risk	111,064	51,453	111,064	51,453
Adjustments to CET1 due to prudential filters	33,407	46,441	33,407	46,441
Deductions:				
(-) Value adjustments due to the requirements for prudent valuation	(8,544)	(1,254)	(8,544)	(1,254)
(-) Intangible assets	(222,166)	(143,255)	(214,687)	(137,373)
(-) IRB shortfall of credit risk adjustments to expected losses	(1,268)	(1,173)	(4,703)	(4,608)
(-) Insufficient coverage for non-performing exposures	(434)	-	(268)	-
Total Tier 1 capital-CET1	**5,408,583**	**5,118,222**	**5,052,065**	**4,849,608**
Total AT1 Capital	**-**	**-**	**-**	**-**
Total Tier 1 capital	**5,408,583**	**5,118,222**	**5,052,065**	**4,849,608**
Tier 2 capital				
Qualifying subordinated liabilities	833,755	820,494	833,755	820,494
Excess of ECL over regulatory credit losses	91,904	78,510	95,102	82,100
Total Tier 2 capital	**925,659**	**899,004**	**928,857**	**902,594**
Total own funds	**6,334,242**	**6,017,226**	**5,980,922**	**5,752,202**
Own funds requirements, of which:				
Credit risk	28,145,410	24,348,111	23,694,725	19,704,854
Market risk	85,726	159,815	85,726	159,815
Operational risk	2,868,367	2,645,093	2,134,232	1,892,892
Total requirements for own funds of which:	**31,099,503**	**27,153,019**	**25,914,683**	**21,757,561**
Capital indicators				
CET1	17.39%	18.85%	19.49%	22.29%
Tier 1 capital ratio	17.39%	18.85%	19.49%	22.29%
Total capital ratio	20.37%	22.16%	23.08%	26.44%
Leverage ratio	8.70%	9.00%	8.99%	9.67%

** In accordance with local regulations, net profit for the year is not included in the own funds calculations until it is distributed in accordance with General Shareholders' Meeting decision. For comparative purposes net profit for the year is not included in the own funds for both reporting periods.*

Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimization of the return achieved on the capital allocated. The amount of capital allocated to each business segment is determined as a percentage established by the UniCredit Group of the risk weighted assets.

4. RISK MANAGEMENT *(continued)*

k) Turnover

The Group has started to apply the requirements of NBR Regulation No 5/2013 regarding prudential requirements for credit institutions since January 2014.

The Group turnover at 2021 is RON thousands 2,633,748 (2020: RON thousands 2,672,214), which is computed and presented in accordance with provisions of art. 644 of the above mentioned Regulation no 5/2013 and consists of Operating income items excluding interest expense and fee expense.

The Bank turnover at 2021 is RON thousands 2,134,605 (2020: RON thousands 2,138,031), which is computed and presented in accordance with provisions of art. 644 of the above mentioned Regulation no 5/2013 and consists of Operating income items excluding interest expense and fee expense.

5. USE OF ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are periodically evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a) Key sources of estimation uncertainty

Allowances for loan losses

The Group reviews its loan portfolios to assess impairment at least on a monthly basis. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group.

The loan impairment assessment considers the visible effects on current market conditions on the individual/ collective assessment of loans and advances to customers' impairment. The Group has estimated the impairment loss provision for loans and advances to customers based on the internal methodology harmonized with UniCredit SpA policies. Because of the uncertainties on the local financial markets regarding assets valuation and operating environment of the borrowers, that Group's estimate could be revised after the date of the approval of the consolidated financial statements.

The impact in loss losses allowance has been computed in correlation with the LGD (loss given default) model typology used, therefore starting with 2020 when new LGD overall model has been implemented the impact has been computed by applying LGD overall down / up with 10%.

The impact in loan losses allowance of the increase/decrease by +/-10 percent of the probability of default and loss given default for collective assessment is presented below:

Entity / Impact RON thousands 2021	Impact PD up 10%	Impact PD down 10%	Impact LGD down 10%	Impact LGD up 10%
UCL	8,036	(8,482)	(8,929)	8,125
UCFIN	15,528	(15,525)	(22,090)	21,944
UCB	48,000	(48,000)	(60,609)	60,434
Consolidated	**71,564**	**(72,007)**	**(91,628)**	**90,503**

Entity / Impact RON thousands 2020	Impact PD up 10%	Impact PD down 10%	Impact LGD down 10%	Impact LGD up 10%
UCL	11,731	(12,382)	(13,034)	11,861
UCFIN	10,579	(10,046)	-	-
UCB	42,623	(42,623)	(56,436)	55,740
Consolidated	**64,933**	**(65,051)**	**(69,470)**	**67,601**

5. USE OF ESTIMATES AND JUDGEMENTS *(continued)*

a) Key sources of estimation uncertainty *(continued)*

Sensitivity analysis for assets at fair value through other comprehensive income (2021-2020).

The fair value of financial assets at fair value through other comprehensive income is directly dependent on the market yield variable and its changes impact the financial position and the net assets of the Group.

In case the market yield varies by +/-10 percent, the negative reserve recorded as at 31 December 2021 on financial assets at fair value through other comprehensive income would vary as follows:

31.12.2021	Bank	
In Thousand RON	Market Yield -10%	Market Yield +10%
Financial assets at fair value through other comprehensive income denominated in RON	26,307	(25,535)
Financial assets at fair value through other comprehensive income denominated in EUR	3,285	(3,217)
Financial assets at fair value through other comprehensive income	**29,592**	**(28,752)**

In case the market yield varies by +/-10 percent, the negative reserve recorded as at 31 December 2020 on financial assets at fair value through other comprehensive income would vary as follows:

31.12.2020	Bank	
In Thousand RON	Market Yield -10%	Market Yield +10%
Financial assets at fair value through other comprehensive income denominated in RON	27,100	(26,570)
Financial assets at fair value through other comprehensive income denominated in EUR	2,648	(2,621)
Financial assets at fair value through other comprehensive income	**29,748**	**(29,191)**

b) Critical accounting judgments in applying the Group’s accounting policies

Financial assets and liabilities classification

The Group’s accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories.

The classification and measurement of financial assets depends on the results of the SPPI and the business model test (please see financial assets sections of note 3). The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated.

Monitoring is part of the Group’s continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

When classifying financial assets or liabilities as “derivative assets / liabilities held for risk management”, the Group has determined that it meets the description set out in accounting policy 3 h).

5. USE OF ESTIMATES AND JUDGEMENTS *(continued)*

b) Critical accounting judgments in applying the Group's accounting policies *(continued)*

Qualifying hedge relationships

In designating financial instruments in qualifying hedge relationships, the Group has determined that it expects the hedges to be highly effective over the period of the hedging relationship.

In accounting for derivatives as cash flow hedges, the Group has determined that the hedged cash flow exposure relates to highly probable future cash flows.

Determining fair values

The fair value of financial instruments that are not traded in an active market (for example, unlisted treasury securities and certificates of deposit) is determined by using valuation techniques. The Group uses its judgment to select the valuation method and make assumptions that are mainly based on market conditions existing at each reporting date.

The classification of FVTOCI assets between quoted and unquoted financial instruments is presented below:

31.12.2021		Group			Bank	
In Thousand RON	Listed*	Unlisted	Total	Listed*	Unlisted	Total
Debt securities at fair value through other comprehensive income	1,639,118	29,868	1,668,986	1,639,118	29,868	1,668,986
Equity instruments at fair value through other comprehensive income	-	8,429	8,429	-	6,083	6,083
Total assets held at fair value through other comprehensive income	**1,639,118**	**38,297**	**1,677,415**	**1,639,118**	**35,951**	**1,675,069**

**) Listed financial instruments are those quoted on organized and regulated capital market*

31.12.2020		Group			Bank	
In Thousand RON	Listed*	Unlisted	Total	Listed*	Unlisted	Total
Debt securities at fair value through other comprehensive income	3,012,300	73	3,012,373	3,012,300	73	3,012,373
Equity instruments at fair value through other comprehensive income	-	8,000	8,000	-	5,654	5,654
Total assets held at fair value through other comprehensive income	**3,012,300**	**8,073**	**3,020,373**	**3,012,300**	**5,727**	**3,018,027**

**) Listed financial instruments are those quoted on organized and regulated capital market*

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- **Level 1:** Quoted market price (unadjusted) in an active market for an identical instrument to which the Bank has access at the measurement date. A quoted price on an active market provides the most reliable evidence (as for example the price) or indirect without other adjustments in determining the fair value anytime available.
- **Level 2:** Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- **Level 3:** Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category is for instruments that are valued based on unobservable assumptions.

5. USE OF ESTIMATES AND JUDGEMENTS *(continued)*

b) Critical accounting judgments in applying the Group's accounting policies *(continued)*

The table below presents the fair value of financial instruments measured at fair value, by the level in the fair value hierarchy into which the fair value measurement is categorized as of 31 December 2021:

31.12.2021			Group		
In RON thousands	Level 1	Level 2	Level 3	Total fair value	Total book value
Trading assets					
Financial assets held for trading at fair value through profit or loss	178,284	33,817	494	212,595	212,595
Derivatives financial instruments designated as hedging instruments	-	12,249	-	12,249	12,249
Total trading assets	**178,284**	**46,066**	**494**	**224,844**	**224,844**
Financial assets at fair value through other comprehensive income					
Debt instruments	1,622,693	-	46,293	1,668,986	1,668,986
Equity instruments (minority holdings)	-	-	8,429	8,429	8,429
Total assets at fair value through other comprehensive income	**1,622,693**	**-**	**54,722**	**1,677,415**	**1,677,415**
Non-transactional financial assets at fair value mandatorily through profit or loss					
VISA Shares	-	23,839	22,921	46,760	46,760
Total assets at fair value through profit or loss	**-**	**23,839**	**22,921**	**46,760**	**46,760**
Liabilities designated for trading and for hedging					
Financial liabilities at fair value through profit or loss	-	31,629	500	32,129	32,129
Derivatives financial instruments designated at hedging instruments	-	66,812	-	66,812	66,812
Total liabilities designated for trading and for hedging	**-**	**98,441**	**500**	**98,941**	**98,941**

5. USE OF ESTIMATES AND JUDGEMENTS *(continued)*

b) Critical accounting judgments in applying the Group's accounting policies *(continued)*

The table below presents the fair value of financial instruments measured at fair value, by the level in the fair value hierarchy into which the fair value measurement is categorized as of 31 December 2020:

31.12.2020			Group		
In RON thousands	Level 1	Level 2	Level 3	Total fair value	Total book value
Trading assets					
Financial assets held for trading at fair value through profit or loss	358,955	152,835	309	512,099	512,099
Total trading assets	**358,955**	**152,835**	**309**	**512,099**	**512,099**
Financial assets at fair value through other comprehensive income					
Debt instruments	2,308,731	703,642	-	3,012,373	3,012,373
Equity instruments (minority holdings)	-	-	8,000	8,000	8,000
Total assets at fair value through other comprehensive income	**2,308,731**	**703,642**	**8,000**	**3,020,373**	**3,020,373**
Non-transactional financial assets at fair value mandatorily through profit or loss					
VISA Shares	-	22,202	21,036	43,238	43,238
Total assets at fair value through profit or loss	**-**	**22,202**	**21,036**	**43,238**	**43,238**
Liabilities designated for trading and for hedging					
Financial liabilities at fair value through profit or loss	-	72,587	430	73,017	73,017
Derivatives financial instruments designated at hedging instruments	-	81,216	-	81,216	81,216
Total liabilities designated for trading and for hedging	**-**	**153,803**	**430**	**154,233**	**154,233**

5. USE OF ESTIMATES AND JUDGEMENTS *(continued)*

b) Critical accounting judgments in applying the Group's accounting policies *(continued)*

The table below presents the fair value of financial instruments measured at fair value, by the level in the fair value hierarchy into which the fair value measurement is categorized as of 31 December 2021:

31.12.2021			Bank		
In RON thousands	Level 1	Level 2	Level 3	Total fair value	Total book value
Trading assets					
Financial assets held for trading at fair value through profit or loss	178,284	33,817	494	212,595	212,595
Derivatives financial instruments designated as hedging instruments	-	12,249	-	12,249	12,249
Total trading assets	**178,284**	**46,066**	**494**	**224,844**	**224,844**
Financial assets at fair value through other comprehensive income					
Debt instruments	1,622,693	-	46,293	1,668,986	1,668,986
Equity instruments (minority holdings)	-	-	6,083	6,083	6,083
Total assets at fair value through other comprehensive income	**1,622,693**	**-**	**52,376**	**1,675,069**	**1,675,069**
Non-transactional financial assets at fair value mandatorily through profit or loss					
VISA Shares	-	23,839	22,921	46,760	46,760
Total assets at fair value through profit or loss	**-**	**23,839**	**22,921**	**46,760**	**46,760**
Liabilities designated for trading and for hedging					
Financial Liabilities at fair value through profit or loss	-	31,629	500	32,129	32,129
Derivatives financial instruments designated as hedging instruments	-	66,812	-	66,812	66,812
Total liabilities designated for trading and hedging	**-**	**98,441**	**500**	**98,941**	**98,941**

5. USE OF ESTIMATES AND JUDGEMENTS *(continued)*

b) Critical accounting judgments in applying the Group's accounting policies *(continued)*

The table below presents the fair value of financial instruments measured at fair value, by the level in the fair value hierarchy into which the fair value measurement is categorized as of 31 December 2020:

31.12.2020			Bank		
In RON thousands	Level 1	Level 2	Level 3	Total fair value	Total book value
Trading assets					
Financial assets held for trading at fair value through profit or loss	358,955	152,835	309	512,099	512,099
Total trading assets	**358,955**	**152,835**	**309**	**512,099**	**512,099**
Financial assets at fair value through other comprehensive income					
Debt instruments	2,308,731	703,642	-	3,012,373	3,012,373
Equity instruments (minority holdings)	-	-	5,654	5,654	5,654
Total assets at fair value through other comprehensive income	**2,308,731**	**703,642**	**5,654**	**3,018,027**	**3,018,027**
Non-transactional financial assets at fair value mandatorily through profit or loss					
VISA Shares	-	22,202	21,036	43,238	43,238
Total assets at fair value through profit or loss	**-**	**22,202**	**21,036**	**43,238**	**43,238**
Liabilities designated for trading and for hedging					
Financial Liabilities at fair value through profit or loss	-	72,587	430	73,017	73,017
Derivatives financial instruments designated as hedging instruments	-	81,216	-	81,216	81,216
Total liabilities designated for trading and hedging	**-**	**153,803**	**430**	**154,233**	**154,233**

5. USE OF ESTIMATES AND JUDGEMENTS *(continued)*

b) Critical accounting judgments in applying the Group's accounting policies *(continued)*

The table below presents an analysis of the movement of financial instruments held at fair value classified as Level 3, for the year ended 31 December 2021:

31.12.2021	Group						
In RON thousands	Balance at 31 December 2020	Gains / Losses in profit or loss	Gains / Losses in other comprehensive income	Additions	Disposals (-)	Foreign Currency Exchange Effect	Balance at 31 December 2021
Financial assets held for trading	**309**	**(432)**	**-**	**7,747**	**(7,130)**	**-**	**494**
Financial assets held for trading at fair value through profit or loss	309	(432)	-	7,747	(7,130)	-	494
Non-transactional financial assets at fair value mandatorily through profit or loss	**21,036**	**(261)**	**-**	**-**	**-**	**2,146**	**22,921**
VISA Shares	21,036	(261)	-	-	-	2,146	22,921
Financial assets at fair value through other comprehensive income	**8,000**	**-**	**429**	**-**	**-**	**-**	**8,429**
Equity instruments (minority holdings)	8,000	-	429	-	-	-	8,429
Total assets	**29,345**	**(693)**	**429**	**7,747**	**(7,130)**	**2,146**	**31,844**
Financial liabilities designated for trading	**430**	**(429)**	**-**	**8,418**	**(7,919)**	**-**	**500**
Derivatives financial instruments	430	(429)	-	8,418	(7,919)	-	500
Total liabilities	**430**	**(429)**	**-**	**8,418**	**(7,919)**	**-**	**500**

5. USE OF ESTIMATES AND JUDGEMENTS *(continued)*

b) Critical accounting judgments in applying the Group's accounting policies *(continued)*

The table below presents an analysis of the movement of financial instruments held at fair value classified as Level 3, for the year ended 31 December 2020:

31.12.2020				Group			
In RON thousands	Balance at 31 December 2019	Gains / Losses in profit or loss	Gains / Losses in other comprehensive income	Additions	Disposals (-)	Foreign Currency Exchange Effect	Balance at 31 December 2020
Financial assets held for trading	**849**	**(390)**	**-**	**15,020**	**(15,170)**	**-**	**309**
Financial assets held for trading at fair value through profit or loss	849	(390)	-	15,020	(15,170)	-	309
Non-transactional financial assets at fair value mandatorily through profit or loss	**39,620**	**-**	**-**	**-**	**(17,021)**	**(1,563)**	**21,036**
VISA Shares	39,620	-	-	-	(17,021)	(1,563)	21,036
Financial assets at fair value through other comprehensive income	**7,857**	**-**	**143**	**-**	**-**	**-**	**8,000**
Equity instruments (minority holdings)	7,857	-	143	-	-	-	8,000
Total assets	**48,326**	**(390)**	**143**	**15,020**	**(32,191)**	**(1,563)**	**29,345**
Financial liabilities designated for trading	**849**	**(388)**	**-**	**15,415**	**(15,446)**	**-**	**430**
Derivatives financial instruments	849	(388)	-	15,415	(15,446)	-	430
Total liabilities	**849**	**(388)**	**-**	**15,415**	**(15,446)**	**-**	**430**

5. USE OF ESTIMATES AND JUDGEMENTS *(continued)*

b) Critical accounting judgments in applying the Group's accounting policies *(continued)*

The table below presents an analysis of the movement of financial instruments held at fair value classified as Level 3, for the year ended 31 December 2021:

31.12.2021	Bank						
In RON thousands	Balance at 31 December 2020	Gains / Losses in profit or loss	Gains / Losses in other comprehensive income	Additions	Disposals (-)	Foreign Currency Exchange Effect	Balance at 31 December 2021
Financial assets held for trading	**309**	**(432)**	**-**	**7,747**	**(7,130)**	**-**	**494**
Financial assets held for trading at fair value through profit or loss	309	(432)	-	7,747	(7,130)	-	494
Non-transactional financial assets at fair value mandatorily through profit or loss	**21,036**	**(261)**	**-**	**-**	**-**	**2,146**	**22,921**
VISA Shares	21,036	(261)	-	-	-	2,146	22,921
Financial assets at fair value through other comprehensive income	**5,654**	**-**	**429**	**-**	**-**	**-**	**6,083**
Equity instruments (minority holdings)	5,654	-	429	-	-	-	6,083
Total assets	**26,999**	**(693)**	**429**	**7,747**	**(7,130)**	**2,146**	**29,498**
Financial liabilities designated for trading	**430**	**(429)**	**-**	**8,418**	**(7,919)**	**-**	**500**
Derivatives financial instruments	430	(429)	-	8,418	(7,919)	-	500
Total liabilities	**430**	**(429)**	**-**	**8,418**	**(7,919)**	**-**	**500**

5. USE OF ESTIMATES AND JUDGEMENTS *(continued)*

b) Critical accounting judgments in applying the Group's accounting policies *(continued)*

The table below presents an analysis of the movement of financial instruments held at fair value classified as Level 3, for the year ended 31 December 2020:

31.12.2020	Bank						
In RON thousands	Balance at 31 December 2019	Gains / Losses in profit or loss	Gains / Losses in other comprehensive income	Additions	Disposals (-)	Foreign Currency Exchange Effect	Balance at 31 December 2020
Financial assets held for trading	**849**	**(390)**	**-**	**15,020**	**(15,170)**	**-**	**309**
Financial assets held for trading at fair value through profit or loss	849	(390)	-	15,020	(15,170)	-	309
Non-transactional financial assets at fair value mandatorily through profit or loss	**39,620**	**-**	**-**	**-**	**(17,021)**	**(1,563)**	**21,036**
VISA Shares	39,620	-	-	-	(17,021)	(1,563)	21,036
Financial assets at fair value through other comprehensive income	**5,511**	**-**	**143**	**-**	**-**	**-**	**5,654**
Equity instruments (minority holdings)	5,511	-	143	-	-	-	5,654
Total assets	**45,980**	**(390)**	**143**	**15,020**	**(32,191)**	**(1,563)**	**26,999**
Financial liabilities designated for trading	**849**	**(388)**	**-**	**15,415**	**(15,446)**	**-**	**430**
Derivatives financial instruments	849	(388)	-	15,415	(15,446)	-	430
Total liabilities	**849**	**(388)**	**-**	**15,415**	**(15,446)**	**-**	**430**

6. ACCOUNTING CLASSIFICATION AND FAIR VALUE OF FINANCIAL ASSETS/LIABILITIES

The table below sets out the Group's carrying amounts of each class of financial assets and liabilities, and their fair values.

31.12.2021	Group					
In RON thousands	At fair value through profit or loss - held for trading	At amortized cost	Financial assets held at fair value through other comprehensive income	Designated at fair value through profit or loss	Total carrying amount	Fair value
Cash and cash equivalents	-	11,269,108	-	-	11,269,108	11,269,108
Financial assets at fair value through profit or loss	259,355	-	-	-	259,355	259,355
Loans and advances to banks at amortized cost	-	493,611	-	-	493,611	488,513
Loans and advances to customers at amortized cost	-	29,395,410	-	-	29,395,410	29,119,495
Net lease receivables	-	3,722,302	-	-	3,722,302	3,636,027
Debt instruments at amortized cost	-	7,950,629	-	-	7,950,629	7,509,988
Financial assets at fair value through other comprehensive income	-	-	1,677,415	-	1,677,415	1,677,415
Other financial assets at amortized cost	-	209,484	-	-	209,484	209,484
Total financial assets	**259,355**	**53,040,544**	**1,677,415**	**-**	**54,977,314**	**54,169,385**
Financial liabilities at fair value through profit or loss	32,129	-	-	-	32,129	32,129
Derivatives liabilities designated as hedging instruments	66,812	-	-	-	66,812	66,812
Deposits from banks	-	666,990	-	-	666,990	663,580
Loans from banks and other financial institutions, including subordinated liabilities	-	5,115,056	-	-	5,115,056	5,107,866
Debt securities issued	-	2,491,879	-	-	2,491,879	2,491,879
Deposits from customers	-	39,815,528	-	-	39,815,528	39,611,993
Other financial liabilities at amortized cost	-	500,899	-	-	500,899	500,899
Lease liabilities	-	168,791	-	-	168,791	168,791
Total financial liabilities	**98,941**	**48,759,143**	**-**	**-**	**48,858,084**	**48,643,949**

6. ACCOUNTING CLASSIFICATION AND FAIR VALUE OF FINANCIAL ASSETS/LIABILITIES *(continued)*

The table below sets out the Group's carrying amounts of each class of financial assets and liabilities, and their fair values.

31.12.2020			Group			
In RON thousands	At fair value through profit or loss - held for trading	At amortized cost	Financial assets held at fair value through other comprehensive income	Designated at fair value through profit or loss	Total carrying amount	Fair value
Cash and cash equivalents	-	12,236,808	-	-	12,236,808	12,236,808
Financial assets at fair value through profit or loss	555,337	-	-	-	555,337	555,337
Loans and advances to banks at amortized cost	-	212,130	-	-	212,130	213,807
Loans and advances to customers at amortized cost	-	25,229,315	-	-	25,229,315	25,047,716
Net lease receivables	-	3,515,814	-	-	3,515,814	3,574,683
Debt instruments at amortized cost	-	6,148,138	-	-	6,148,138	6,153,873
Financial assets at fair value through other comprehensive income	-	-	3,020,373	-	3,020,373	3,020,373
Other financial assets at amortized cost	-	138,777	-	-	138,777	138,775
Total financial assets	**555,337**	**47,480,982**	**3,020,373**	**-**	**51,056,692**	**50,941,372**
Financial liabilities at fair value through profit or loss	73,017	-	-	-	73,017	73,017
Derivatives liabilities designated as hedging instruments	81,216	-	-	-	81,216	81,216
Deposits from banks	-	595,076	-	-	595,076	593,643
Loans from banks and other financial institutions, including subordinated liabilities	-	6,494,260	-	-	6,494,260	6,483,303
Debt securities issued	-	1,922,036	-	-	1,922,036	1,922,036
Deposits from customers	-	35,772,365	-	-	35,772,365	35,685,036
Other financial liabilities at amortized cost	-	518,044	-	-	518,044	518,043
Lease liabilities	-	196,836	-	-	196,836	196,836
Total financial liabilities	**154,233**	**45,498,617**	**-**	**-**	**45,652,850**	**45,553,130**

6. ACCOUNTING CLASSIFICATION AND FAIR VALUE OF FINANCIAL ASSETS/LIABILITIES *(continued)*

The table below sets out the Bank's carrying amounts of each class of financial assets and liabilities, and their fair values.

31.12.2021			Bank			
In RON thousands	At fair value through profit or loss - held for trading	At amortized cost	Financial assets held at fair value through other comprehensive income	Designated at fair value through profit or loss	Total carrying amount	Fair value
Cash and cash equivalents	-	11,269,028	-	-	11,269,028	11,269,028
Financial assets at fair value through profit or loss	259,355	-	-	-	259,355	259,355
Loans and advances to banks at amortized cost	-	493,611	-	-	493,611	488,513
Loans and advances to customers at amortized cost	-	27,427,573	-	-	27,427,573	27,145,768
Debt instruments at amortized cost	-	7,950,629	-	-	7,950,629	7,509,988
Financial assets at fair value through other comprehensive income	-	-	1,675,069	-	1,675,069	1,675,069
Other financial assets at amortized cost	-	192,123	-	-	192,123	192,123
Total financial assets	**259,355**	**47,332,964**	**1,675,069**	**-**	**49,267,388**	**48,539,844**
Financial liabilities at fair value through profit or loss	32,129	-	-	-	32,129	32,129
Derivatives liabilities designated as hedging instruments	66,812	-	-	-	66,812	66,812
Deposits from banks	-	666,990	-	-	666,990	663,580
Loans from banks and other financial institutions, including subordinated liabilities	-	1,406,246	-	-	1,406,246	1,399,056
Debt securities issued	-	1,014,391	-	-	1,014,391	1,014,391
Deposits from customers	-	40,069,143	-	-	40,069,143	39,864,283
Other financial liabilities at amortized cost	-	434,967	-	-	434,967	434,967
Lease liabilities	-	164,895	-	-	164,895	164,895
Total financial liabilities	**98,941**	**43,756,632**	**-**	**-**	**43,855,573**	**43,640,113**

6. ACCOUNTING CLASSIFICATION AND FAIR VALUE OF FINANCIAL ASSETS/LIABILITIES *(continued)*

The table below sets out the Bank's carrying amounts of each class of financial assets and liabilities, and their fair values.

31.12.2020			Bank			
In RON thousands	At fair value through profit or loss - held for trading	At amortized cost	Financial assets held at fair value through other comprehensive income	Designated at fair value through profit or loss	Total carrying amount	Fair value
Cash and cash equivalents	-	12,229,61	-	-	12,229,614	12,229,614
Financial assets at fair value through profit or loss	555,337	-	-	-	555,337	555,337
Loans and advances to banks at amortized cost	-	212,130	-	-	212,130	213,807
Loans and advances to customers at amortized cost	-	22,286,54	-	-	22,286,540	22,060,028
Debt instruments at amortized cost	-	6,148,138	-	-	6,148,138	6,153,873
Financial assets at fair value through other comprehensive income	-	-	3,018,027	-	3,018,027	3,018,027
Other financial assets at amortized cost	-	113,032	-	-	113,032	113,032
Total financial assets	**555,337**	**40,989,45**	**3,018,027**	**-**	**44,562,818**	**44,343,718**
Financial liabilities at fair value through profit or loss	73,017	-	-	-	73,017	73,017
Derivatives liabilities designated as hedging instruments	81,216	-	-	-	81,216	81,216
Deposits from banks	-	595,076	-	-	595,076	593,643
Loans from banks and other financial institutions, including subordinated liabilities	-	1,600,669	-	-	1,600,669	1,596,814
Debt securities issued	-	470,747	-	-	470,747	470,747
Deposits from customers	-	36,259,08	-	-	36,259,081	36,171,751
Other financial liabilities at amortized cost	-	453,359	-	-	453,359	453,359
Lease liabilities	-	192,717	-	-	192,717	192,717
Total financial liabilities	**154,233**	**39,571,64**	**-**	**-**	**39,725,882**	**39,633,264**

7. NET INTEREST INCOME

In RON thousands	Group 31.12.2021	Group 31.12.2020	Bank 31.12.2021	Bank 31.12.2020
Interest income				
Interest and similar income arising from:				
Loans and advances to customers*	1,229,610	1,311,182	933,038	972,748
Net Lease receivables	130,503	129,245	-	-
Treasury bills and bonds at fair value through other comprehensive income	63,983	171,306	63,983	171,306
Debt instruments at amortized cost	251,414	109,100	251,414	109,100
Current accounts and placements with banks	17,284	38,257	17,277	38,119
Negative interest from financial liabilities	733	127	733	127
Total interest income	**1,693,527**	**1,759,217**	**1,266,445**	**1,291,400**
Interest expense				
Interest expense and similar charges arising from:				
Deposits from customers	106,741	196,852	106,904	197,262
Loans from banks and other financial institutions	139,447	167,528	34,485	38,760
Deposits from banks	6,055	15,758	6,055	15,758
Repurchase agreements	83	549	83	549
Interest related to the bonds issued	33,407	39,806	13,717	20,397
Hedging derivatives	-	-	-	-
Negative interest on financial assets	30,434	28,564	30,434	28,564
Debt from leasing operations	872	1,254	659	1,039
Defined benefit obligations	239	240	239	240
Total interest expense	**317,278**	**450,551**	**192,576**	**302,569**
Net interest income	**1,376,249**	**1,308,666**	**1,073,869**	**988,831**

**) Interest income as at December 2021 includes expenses with interest adjustments related to depreciated financial assets in the total amount of RON thousands 48,880 (31 December 2020: RON thousands 84,551) for the Group and RON thousands 29,357 (31 December 2020: RON thousands 43,524) for the Bank.*

Interest expense and income on assets and liabilities, other than those that are recognized at fair value through profit or loss, are calculated using the effective interest rate method.

8. NET FEES AND COMMISSIONS INCOME

	Group		Bank	
In RON thousands	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Fees and commissions income				
Payments transactions	351,433	280,791	351,433	278,146
Risk participation fee (refer to Note 43)	100	193	100	193
Guarantees and letters of credit	33,636	34,454	33,636	34,454
Loan administration	37,246	13,850	13,462	7,882
Commissions from other types of financial services	85,202	77,827	108,438	77,092
Commissions from insurance intermediation	62,205	40,532	8,251	7,643
Commissions on securities transactions	4,468	5,161	4,468	5,161
Total fees and commission income	**574,290**	**452,808**	**519,788**	**410,571**
Fees and commission expense				
Inter-banking fees	95,073	67,522	94,196	67,559
Payments transactions	65,321	57,570	61,494	53,030
Commitments and similar fees	223	471	223	471
Intermediary agents fees	8,924	5,048	3,467	3,088
Other	17,566	15,591	14,137	13,828
Total fees and commissions expense	**187,107**	**146,202**	**173,517**	**137,976**
Net fees and commissions income	**387,183**	**306,606**	**346,271**	**272,595**

9. NET INCOME FROM TRADING AND OTHER FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS

	Group		Bank	
In RON thousands	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Net gains from foreign exchange operations (including FX derivatives)	335,797	284,345	335,810	284,424
Net gains / (losses) from interest derivatives	(967)	(12,977)	(967)	(13,054)
Net income / (losses) from trading bonds	(19,610)	22,935	(19,610)	22,935
Net gains / (losses) from other derivatives	691	4,224	691	4,224
Net income from trading for financial instruments held at fair value through profit or loss	**315,911**	**298,527**	**315,924**	**298,529**
Net gains from non-transactional financial instruments held at fair value through profit or loss	**(589)**	**6,659**	**(589)**	**6,659**
Net income from financial instruments held at fair value through profit or loss	**315,322**	**305,186**	**315,335**	**305,188**

10. DIVIDENDS INCOME

The Group received dividends from the following companies:

in RON thousands	Group 31.12.2021	Group 31.12.2020	Bank 31.12.2021	Bank 31.12.2020
Transfond SA	1,992	1,698	1,992	1,698
Biroul de Credit SA	237	274	237	274
Total dividends income	**2,229**	**1,972**	**2,229**	**1,972**

*) Revenue from dividends on Visa shares is reported under earnings on non-trading financial assets, measured at fair value through profit or loss.

11. PERSONNEL EXPENSES

In RON thousands	Group 31.12.2021	Group 31.12.2020	Bank 31.12.2021	Bank 31.12.2020
Wages and salaries	445,146	414,974	393,772	366,136
Social security charges, unemployment fund and health fund	13,064	12,607	11,616	11,260
Other (income)/costs	9,347	1,087	6,728	(1,304)
Total	**467,557**	**428,668**	**412,116**	**376,092**

The number of employees of the Group at 31 December 2021 was 3,358 (31 December 2020: 3,390). The number of employees of the Bank at 31 December 2021 was 3,001 (31 December 2020: 3,024).

Remuneration of Board's members for 2021 was RON thousands 15,977 (2020: RON thousands 15,742).

The Group has in place incentive plans for its senior management, consisting in stock options and performance shares which provide that UniCredit SpA ("the Parent") shares will be settled to the grantees. The cost of this scheme is incurred by the Group and not by its Parent, and as a consequence, it is recognised as an employee benefit expense (please refer to Note 3 x (iii)). In 2021 the Bank paid in RON thousands equivalent 1,836 (2020: RON thousands equivalent 718), related to these benefits.

12. DEPRECIATION AND AMORTISATION

in RON thousands	Group 31.12.2021	Group 31.12.2020	Bank 31.12.2021	Bank 31.12.2020
Depreciation expenses related to tangible assets	35,325	34,897	32,708	31,967
Depreciation expenses related to the rights of use (please see Note 3n and Note 45)	64,253	63,578	59,013	58,641
Write-off of property, plant and equipment	942	260	942	260
Depreciation expenses of intangible assets	58,380	51,919	53,513	47,431
Net expenses/(income) from disposal of intangible assets	433	51	433	51
Total	**159,333**	**150,705**	**146,609**	**138,350**

13. OTHER ADMINISTRATIVE COSTS

	Group		Bank	
in RON thousands	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Office space expenses (rental, maintenance, other)	35,765	37,501	31,884	33,889
IT services	120,201	110,259	117,393	105,285
Other taxes and duties	78,665	56,064	78,665	56,064
Communication expenses	18,561	21,611	15,757	19,004
Advertising and promotional expenses	34,326	26,815	26,489	24,371
Consultancy, legal and other professional services	9,247	10,497	5,075	5,871
Materials and consumables	7,631	11,264	6,633	10,290
Personnel training and recruiting	1,692	1,859	1,135	1,222
Insurance expenses	3,959	3,836	3,222	3,083
Other	33,480	24,149	30,376	20,650
Total	**343,527**	**303,855**	**316,629**	**279,729**

The fees due by the Group for 2021 year to the auditing firm Deloitte and other companies from their group, without VAT, were as follows:

- audit and assurance services: RON thousands 2,902 (31 December 2020: RON thousands 3,000);
- tax services related to transfer price matters: RON thousands 0 (31 December 2020: RON thousands 88).
- other services: RON thousands 364 (31 December 2020: RON thousands 0).

The fees due by UniCredit Bank SA for 2021 year to the auditing firm Deloitte and other companies from their group, without VAT, were as follows:

- audit and assurance services: RON thousands 1,875 (31 December 2020: RON thousands 1,827)
- tax services related to transfer price matters: RON thousands 0 (31 December 2020: RON thousands 88);
- other services: RON thousands 85 (31 December 2020: RON thousands 0).

14. OTHER OPERATING EXPENSES

	Group		Bank	
in RON thousands	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Expenses with third party services for recovery of assets	14,149	5,731	-	-
Net income/expenses regarding repossessed assets	2,690	(7,438)	-	-
Other operating expenses	21,490	23,416	10,711	10,973
Total	**38,329**	**21,709**	**10,711**	**10,973**

15. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	Group		Bank	
In RON thousands	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Net provision charges for loans and advances to customers (Note 22)	263,897	520,506	204,271	409,596
Net provision charges for banks	(4,090)	525	(3,847)	931
Net provision charges for securities	(5,516)	1,749	(5,516)	1,749
Loans written-off	1,094	2,063	1,094	2,063
Net provision charges for lease receivables (Note 23)	11,124	33,359	-	-
Recoveries from loans previously written-off	(106,063)	(55,327)	(106,063)	(55,327)
Net provisions charges for other financial instruments	6,533	8,043	8,001	7,449
Total	**166,979**	**510,918**	**97,940**	**366,461**

16. NET PROVISIONS LOSSES

In RON thousands	Group		Bank	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Net provision charges/(releases) for financial guarantees and off-balance commitments (Note 38)	20,005	(1,915)	20,874	(3,313)
Net provision charges/(releases) for litigations (Note 38)	(24,980)	(17,262)	(1,117)	(317)
Other net charges of provisions (Note 38)	(937)	(733)	196	(23,713)
Net (gains)/losses from provisions	**(5,912)**	**(19,910)**	**19,953**	**(27,343)**

17. NET GAINS / (LOSSES) ON OTHER INVESTMENTS

	Group		Bank	
in RON thousands	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Gains on equity liquidation	(403)	-	-	-
Gains/ (losses) on disposals groups held for sale assets	78	-	78	-
Net Profit / (Loss) from other investment activities	**(325)**	**-**	**78**	**-**

18. INCOME TAX

The reconciliation of profit before tax to income tax expense in the income statement is presented below:

	Group		Bank	
In RON thousands	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Profit/ (Loss) before tax	**952,815**	**674,668**	**754,251**	**545,272**
Direct taxes at 16% (2020: 16%) of taxable profits determined in accordance with Romanian law	(143,663)	(95,951)	(106,182)	(59,931)
Additional tax expenses*	(6,891)	(79,015)	(7,500)	(79,015)
Deferred tax income	3,390	4,231	(1,263)	(2,664)
Income tax	**(147,164)**	**(170,735)**	**(114,945)**	**(141,610)**
Profit/ (Loss) before tax	**952,815**	**674,668**	**754,251**	**545,272**
Taxation at statutory rate of 16%	**(152,450)**	**(107,947)**	**(120,680)**	**(87,244)**
Non-deductible expenses	(88,535)	(80,922)	(68,017)	(54,147)
Non-taxable revenues	73,332	65,730	62,804	55,785
Origination and reversal of temporary differences	3,804	4,941	(1,263)	(2,664)
Fiscal credit	23,577	26,478	19,711	25,675
Additional tax expenses*	(6,891)	(79,015)	(7,500)	(79,015)
Taxation in the income statement	**(147,164)**	**(170,735)**	**(114,945)**	**(141,610)**

* In September 2020, the result of the tax audit for the period 2013 – 2017 was received by the Bank, consisting in additional tax expense of RON thousands 62,656 (additional CIT RON thousands 34,529 and additional WHT RON thousands 28,127). The analysis of the tax audit team was focused on the loans and deposits carried out by the Bank with its affiliated entities. Thus, following the checks and analyzes performed, the tax audit team proceeded to establish certain transfer pricing adjustments, as in their view certain interest rates did not fall within the market values. UniCredit Romania has challenged the findings of the tax audit through a tax appeal in a preliminary phase. Further, on April 28, 2021 the Bank received the Tax authority decision, according to which the amounts mentioned above should be reduced by MRON 1.2 (CIT: MRON 0.6, WHT: MRON 0.6). Given the results, the Bank decided to further appeal the decision of the RTA by going to the local court. This request was submitted on November 1, 2021. The local court file and its results will be further monitored and additional measures regarding the internal process and actions will be taken, if case.

19. CASH AND CASH EQUIVALENTS

	Group		Bank	
In RON thousands	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Accounts at NBR	3,105,944	4,554,747	3,105,944	4,554,747
Cash (including cash in ATMs)	1,972,680	1,695,242	1,972,673	1,695,232
Short term Money Market placements	6,112,033	5,915,625	6,112,033	5,915,625
Current balances with other banks	79,849	76,449	79,775	69,268
Total gross value	**11,270,506**	**12,242,063**	**11,270,425**	**12,234,872**
Impairment allowance	**(1,398)**	**(5,255)**	**(1,397)**	**(5,258)**
Total net book value	**11,269,108**	**12,236,808**	**11,269,028**	**12,229,614**

The balance of current accounts with the National Bank of Romania represents the minimum reserve maintained in accordance with the National Bank of Romania requirements. As at 31 December 2021, the minimum reserve level was settled as 8% (31 December 2020: 8%) for liabilities to customers in RON and 5% (31 December 2020: 5%) for liabilities to customers in foreign currency both with residual maturity less than 2 years from the end of reporting period and for liabilities with the residual maturity greater than 2 years with reimbursement, transfer and anticipated withdrawals clause or 0% for all the other liabilities included in the calculation base.

20. DERIVATIVE ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

- ***Financial assets at fair value through profit or loss***

	Group		Bank	
In RON thousands	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Derivatives	33,353	75,768	33,353	75,768
Investment securities held for trading	179,242	436,331	179,242	436,331
VISA Shares*	46,760	43,238	46,760	43,238
Total	**259,355**	**555,337**	**259,355**	**555,337**

*) VISA Inc shares class A are classified as "Capital Instruments – Financial assets at fair value through profit and loss" and VISA Inc shares class C are classified as "Debt Instruments – Financial assets at fair value through profit and loss" (as described in Note 3 b1) iv) and Note 3 o) iii).

	Group		Bank	
In RON thousands	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Equity instruments (Class A)	23,839	22,202	23,839	22,202
Debt instruments (Class C)	22,921	21,036	22,921	21,036
Total VISA Shares	**46,760**	**43,238**	**46,760**	**43,238**

	Group		Bank	
In RON thousands	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Investment-grade	236,100	517,280	236,100	517,280
No rating*	23,255	38,057	23,255	38,057
Total	**259,355**	**555,337**	**259,355**	**555,337**

*) The majority of these represent financial assets at fair value through profit or loss (derivatives contracts) for which the counterparties are Romanian companies.

The analysis is based on the ratings issued by Standard & Poor, if available, or by Moody's and Fitch converted to the nearest equivalent on the Standard rating scale. & Poor.

The investment-grade category includes financial assets at fair value through profit or loss (derivatives contracts, investment securities held for trading, VISA shares) for which the counterparties have the following ratings: A+, A, A-, BBB+, BBB, BBB-, BAA1 and BAA3.

The Non-investment grade category includes financial assets at fair value through profit or loss for which the counterparties have the following ratings: BB+, BB- and B+.

The No-rating category includes financial assets at fair value through profit or loss for which the counterparties have no ratings.

20. DERIVATIVE ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS *(continued)*

- ***Derivative assets/ liabilities***

In RON thousands	Group 31.12.2021 Notional amount	Group 31.12.2021 Present value Assets	Group 31.12.2021 Present value Liabilities	Bank 31.12.2021 Notional amount	Bank 31.12.2021 Present value Assets	Bank 31.12.2021 Present value Liabilities
Foreign currency Derivatives						
Forward contracts	3,424,330	11,781	5,414	3,424,330	11,781	5,414
Purchased options	157,886	638	-	157,886	638	-
Sold options	156,714	-	638	156,714	-	638
Total foreign currency derivatives	**3,738,930**	**12,419**	**6,052**	**3,738,930**	**12,419**	**6,052**
Interest rates derivatives						
Interest Rate Swaps	3,622,006	17,145	22,201	3,622,006	17,145	22,201
Purchased options	456,863	3,248	-	456,863	3,248	-
Sold options	456,863	-	3,335	456,863	-	3,335
Total interest rate derivatives	**4,535,732**	**20,393**	**25,536**	**4,535,732**	**20,393**	**25,536**
Other derivatives on purchased merchandise	2,217	541	-	2,217	541	-
Other derivatives on sold merchandise	2,217	-	541	2,217	-	541
Total derivatives - merchandise	**4,434**	**541**	**541**	**4,434**	**541**	**541**
Total	**8,279,096**	**33,353**	**32,129**	**8,279,096**	**33,353**	**32,129**

In RON thousands	Group 31.12.2020 Notional amount	Group 31.12.2020 Present value Assets	Group 31.12.2020 Present value Liabilities	Bank 31.12.2020 Notional amount	Bank 31.12.2020 Present value Assets	Bank 31.12.2020 Present value Liabilities
Foreign currency Derivatives						
Forward contracts	3,898,650	24,245	15,861	3,898,650	24,245	15,861
Purchased options	159,158	217	7	159,158	217	7
Sold options	159,158	-	217	159,158	-	217
Total foreign currency derivatives	**4,216,966**	**24,462**	**16,085**	**4,216,966**	**24,462**	**16,085**
Interest rates derivatives						
Interest Rate Swaps	2,339,452	24,687	29,330	2,339,452	24,687	29,330
Purchased options	558,310	10,179	9,679	558,310	10,179	9,679
Sold options	558,310	-	1,511	558,310	-	1,511
Total interest rate derivatives	**3,456,072**	**34,866**	**40,520**	**3,456,072**	**34,866**	**40,520**
Other derivatives on purchased merchandise	70,161	16,440	-	70,161	16,440	-
Other derivatives on sold merchandise	70,161	-	16,412	70,161	-	16,412
Total derivatives - merchandise	**140,322**	**16,440**	**16,412**	**140,322**	**16,440**	**16,412**
Total	**7,813,360**	**75,768**	**73,017**	**7,813,360**	**75,768**	**73,017**

As at 31 December 2021, the Bank has non-matured SPOT foreign currency transactions, as follows: assets notional amount RON thousands 742,484 (as at 31 December 2020: RON thousands 2,662,580) and liabilities notional amount RON thousands 742,305 (as at 31 December 2020: RON thousands 2,663,302). The net present value for SPOT transactions amounted to RON thousands 179 (asset) (as at 31 December 2020: RON thousands 722 (liability)).

21. LOANS AND ADVANCES TO BANKS

	Group		Bank	
In RON thousands	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Loans to banks - non-residents	493,611	209,464	493,611	209,464
Loans to banks - residents	-	2,666	-	2,666
Total	**493,611**	**212,130**	**493,611**	**212,130**

Loans to banks include money market deposits to domestic and foreign commercial banks. These exposures with grade from 1 to 7 (31 December 2020: 1 to 7) are assessed as performing according with Bank's internal rating as at 31 December 2021 and 31 December 2020.

	Group		Bank	
In RON thousands	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Investment-grade	493,611	212,130	493,611	212,130
Total	**493,611**	**212,130**	**493,611**	**212,130**

The analysis is based on the ratings issued by Standard & Poor, if available, or by Moody's and Fitch converted to the nearest equivalent on the Standard & Poor rating scale.

The investment-grade category includes loans to banks for which the debtor has the following ratings: A+, A, A-, BBB+, BBB, BBB-, BAA1 and BAA3.

The Non-investment grade category includes loans to banks for which the debtor has the following ratings: BB+, BB- and B+.

The No-rating category includes loans to banks for which the debtor has no ratings.

For further details on the asset quality of this portfolio please see Note 4.c.(iii) – Loans and advances to banks.

22. LOANS AND ADVANCES TO CUSTOMERS

The Group's commercial lending is concentrated on companies and individuals located mainly in Romania. The below amounts show gross book value and provision for impairment after including IRC.

The breakdown of loan portfolio by type of loan was as follows:

	Group			
in RON thousands	Stage 1 and Stage 2	Stage 3	Of which: POCI financial assets	31.12.2021
Mortgages	6,544,829	260,297	-	6,805,126
Personal loans and car loans	1,962,047	113,346	-	2,075,393
Credit cards and overdraft	224,516	15,251	-	239,767
Corporate loans	16,848,943	943,858	16,248	17,792,801
SME loans	3,170,565	266,491	-	3,437,056
Factoring, Discounting, Forfaiting	752,245	162,081	-	914,326
Loans and advances to customers before provisions	**29,503,145**	**1,761,324**	**16,248**	**31,264,469**
Less provision for impairment losses on loans	(566,673)	(1,302,386)	(856)	(1,869,059)
Net loans and advances to customers	**28,936,472**	**458,938**	**15,392**	**29,395,410**

	Group			
in RON thousands	Stage 1 and Stage 2	Stage 3	Of which: POCI financial assets	31.12.2020
Mortgages	5,951,808	297,752	-	6,249,560
Personal loans and car loans	1,932,773	143,422	-	2,076,195
Credit cards and overdraft	234,085	15,231	-	249,316
Corporate loans	13,516,103	921,243	22,967	14,437,346
SME loans	2,873,391	293,597	-	3,166,988
Factoring, Discounting, Forfaiting	599,351	252,908	-	852,259
Loans and advances to customers before provisions	**25,107,511**	**1,924,153**	**22,967**	**27,031,664**
Less provision for impairment losses on loans	(487,368)	(1,314,981)	(3,519)	(1,802,349)
Net loans and advances to customers	**24,620,143**	**609,172**	**19,448**	**25,229,315**

The Bank's commercial lending is concentrated on companies and individuals located in Romania mainly. The breakdown of loan portfolio by type of loan was as follows:

	Bank			
in RON thousands	Stage 1 and Stage 2	Stage 3	Of which: POCI financial assets	31.12.2021
Mortgages	6,544,830	260,297	-	6,805,127
Personal loans and car loans	23,707	6,549	-	30,256
Credit cards and overdraft	111,518	10,669	-	122,187
Corporate loans	17,619,075	943,857	16,248	18,562,932
SME loans	2,382,144	216,169	-	2,598,313
Factoring, Discounting, Forfaiting	752,245	162,081	-	914,326
Loans and advances to customers before provisions	**27,433,519**	**1,599,622**	**16,248**	**29,033,141**
Less provision for impairment losses on loans	(410,920)	(1,194,648)	(856)	(1,605,568)
Net loans and advances to customers	**27,022,599**	**404,974**	**15,392**	**27,427,573**

22. LOANS AND ADVANCES TO CUSTOMERS *(continued)*

	Bank			
in RON thousands	Stage 1 and Stage 2	Stage 3	Of which: POCI financial assets	31.12.2020
Mortgages	5,951,808	297,752	-	6,249,560
Personal loans and car loans	35,754	7,376	-	43,130
Credit cards and overdraft	116,851	9,043	-	125,894
Corporate loans	13,416,178	921,243	22,967	14,337,421
SME loans	1,987,348	245,203	-	2,232,551
Factoring, Discounting, Forfaiting	599,351	252,908	-	852,259
Loans and advances to customers before provisions	**22,107,290**	**1,733,525**	**22,967**	**23,840,815**
Less provision for impairment losses on loans	(373,152)	(1,181,123)	(3,519)	(1,554,275)
Net loans and advances to customers	**21,734,138**	**552,402**	**19,448**	**22,286,540**

The movements in loan allowances for impairment are summarized as follows:

	Group	
in RON thousands	31.12.2021	31.12.2020
Balance at the 31st of December	**1,802,349**	**1,619,046**
Net impairment charge for the period (Note 15)	263,897	520,506
Foreign currency exchange effect	16,368	14,490
Release of allowances for impairment of loans written-off and loans sold	(254,223)	(394,951)
Other adjustments	40,668	43,258
Final balance at 31 December	**1,869,059**	**1,802,349**

	Bank	
in RON thousands	31.12.2021	31.12.2020
Balance at the 31st of December	**1,554,275**	**1,361,663**
Net impairment charge for the period (Note 15)	204,271	409,596
Foreign currency exchange effect	15,446	13,817
Release of allowances for impairment of loans written-off and loans sold	(208,550)	(294,468)
Other adjustments	40,126	63,667
Final balance at 31 December	**1,605,568**	**1,554,275**

23. NET FINANCIAL LEASE RECEIVABLES

The Group acts as lessor for the finance lease granted mainly to finance purchases of cars, trucks and trailers, equipment and real estate. Lease contracts are mainly in EUR, USD and RON, and are offered for a period between 1 and 15 years, transferring the ownership on the leased assets at the end of lease contract. The interest is invoiced over the lease period using equal instalments. Lease receivables are guaranteed by the goods leased and other guarantees.

The values below indicate the gross carrying amount and the adjustment for impairment including IRC. The split of net lease receivable by stages and by maturities is presented in the following table below:

	UCLC (Unicredit Leasing Corporation) 31.12.2021			
in RON thousands	Total, of which	Stage 1	Stage 2	Stage 3
Lease receivables up to one year, gross	1,481,178	1,249,098	101,608	130,472
Lease receivables 1-2 years, gross	1,113,067	950,254	111,810	51,003
Lease receivables 2-3 years, gross	766,913	680,002	50,540	36,371
Lease receivables 3-4 years, gross	458,818	403,754	28,338	26,726
Lease receivables 4-5 years, gross	216,799	180,302	13,991	22,506
Lease receivables over 5 years, gross	206,170	98,005	37,006	71,159
Total contractual undiscounted lease payments receivable	**4,242,945**	**3,561,415**	**343,293**	**338,237**
Unearned finance income (future interest)	(244,637)	(184,392)	(27,694)	(32,551)
Discounted unguaranteed residual value	-	-	-	-
Total gross lease investment net of future interest and unguaranteed residual value	**3,998,308**	**3,377,023**	**315,599**	**305,686**
Impairment allowance for lease receivables	(276,006)	(55,468)	(32,494)	(188,044)
Total net lease investment	**3,722,302**	**3,321,555**	**283,105**	**117,642**

	UCLC (Unicredit Leasing Corporation) 31.12.2020			
in RON thousands	Total, of which	Stage 1	Stage 2	Stage 3
Lease receivables up to one year, gross	1,433,991	1,147,020	110,346	176,625
Lease receivables 1-2 years, gross	1,033,265	883,590	91,129	58,546
Lease receivables 2-3 years, gross	757,539	621,066	97,691	38,782
Lease receivables 3-4 years, gross	433,386	370,409	36,779	26,198
Lease receivables 4-5 years, gross	195,465	162,212	18,005	15,248
Lease receivables over 5 years, gross	196,547	138,543	3,847	54,157
Total contractual undiscounted lease payments receivable	**4,050,193**	**3,322,840**	**357,797**	**369,556**
Unearned finance income (future interest)	(244,601)	(188,574)	(24,665)	(31,362)
Discounted unguaranteed residual value	-	-	-	-
Total gross lease investment net of future interest and unguaranteed residual value	**3,805,592**	**3,134,266**	**333,132**	**338,194**
Impairment allowance for lease receivables	(289,778)	(68,893)	(45,176)	(175,709)
Total net lease investment	**3,515,814**	**3,065,373**	**287,956**	**162,485**

23. NET FINANCIAL LEASE RECEIVABLES (continued)

The movements in impairment allowances for lease receivables are summarized as follows:

	UCLC (Unicredit Leasing Corporation)	
in RON thousands	31.12.2021	31.12.2020
Balance at the 31st of December	**289,778**	**277,238**
Net impairment charge for the period (Note 15)	11,124	33,359
Foreign currency exchange effect	4,496	5,837
Release of allowances for impairment of loans written-off and loans sold	(32,150)	(26,656)
Unwinding effect on provisions	2,758	-
Balance at 31 December	**276,006**	**289,778**

The split between leas receivables on credit types was made as follows:

	UCLC (Unicredit Leasing Corporation)			
in RON thousands	Stage 1 and Stage 2	Stage 3	Of which: POCI financial assets	31.12.2021
Leasing receivables - real estate assets financed	312,793	94,739	-	407,532
Other leasing receivables - legal entities and retail	3,379,829	210,947	-	3,590,776
Leasing receivables before provisions	**3,692,622**	**305,686**	**-**	**3,998,308**
Less impairment allowance for lease receivables	(87,962)	(188,044)	-	(276,006)
Net lease receivables	**3,604,660**	**117,642**	**-**	**3,722,302**

	UCLC (Unicredit Leasing Corporation)			
in RON thousands	Stage 1 and Stage 2	Stage 3	Of which: POCI financial assets	31.12.2020
Leasing receivables - real estate assets financed	344,012	69,951	-	413,963
Other leasing receivables - legal entities and retail	3,123,387	268,242	-	3,391,629
Leasing receivables before provisions	**3,467,399**	**338,193**	**-**	**3,805,592**
Less impairment allowance for lease receivables	(114,069)	(175,709)	-	(289,778)
Net lease receivables	**3,353,330**	**162,484**	**-**	**3,515,814**

24. FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Group held the following financial assets at fair value through other comprehensive income:

	Group		Bank	
in RON thousands	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Investment securities held at fair value through other comprehensive income	1,668,986	3,012,373	1,668,986	3,012,373
Equity investments (minority holdings)	8,429	8,000	6,083	5,654
Total	**1,677,415**	**3,020,373**	**1,675,069**	**3,018,027**

As at 31 December 2021, the Group included in investment securities held at fair value through other comprehensive income bonds, T-bills issued by Romanian Government, bonds issued by the municipality of Bucharest and bonds issued by the Ministry of Public Finance in amount of RON thousands 1,668,986 (31 December 2020: RON thousands 3,012,373).

	Group		Bank	
in RON thousands	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Investment-grade	1,668,986	3,012,373	1,668,986	3,012,373
No rating*	8,429	8,000	6,083	5,654
Total	**1,677,415**	**3,020,373**	**1,675,069**	**3,018,027**

*) It represent the equity investments (minority holdings) in companies incorporated in Romania.

The analysis is based on the ratings issued by Standard & Poor, if available, or by Moody's and Fitch converted to the nearest equivalent on the Standard rating scale. & Poor.

The investment-grade category includes financial assets at fair value through other comprehensive income for which the debtor has the following ratings: A+, A, A-, BBB+, BBB, BBB-, BAA1 and BAA3.

The Non-investment grade category includes financial assets at fair value through other comprehensive income for which the debtor has the following ratings: BB+, BB- and B+.

The No-rating category includes financial assets at fair value through other comprehensive income for which the debtor has no ratings.

As at 31 December 2021, the investment securities held at fair value through other comprehensive income are pledged in amount of RON thousands 0 (31 December 2020: RON thousands 24,044).

The Group transferred to profit or loss during 2021 an amount of RON thousands 28,879 (2020: RON thousands 47,322) representing net gain from disposal of financial assets at fair value through other comprehensive income investment securities.

Equity investments

The Group held the following unlisted equity investments, financial assets held at fair value through other comprehensive income as at 31 December 2021 and 31 December 2020:

	Group		
31.12.2021 In RON thousands	Nature of business	% interest held	Fair value
UniCredit Leasing Fleet Management	Operational leasing	9.99%	2,346
Transfond SA	Other financial services	8.04%	4,355
Biroul de Credit SA	Financial services	6.80%	1,191
Fondul Roman de Garantare a Creditelor pentru Intreprinzatorii Privati IFN SA	Financial services	3.10%	537
Total			**8,429**

24. FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME *(continued)*

31.12.2020 In RON thousands	Group Nature of business	% Interest held	Fair value
UniCredit Leasing Fleet Management	Operational leasing	9.99%	2,346
Transfond SA	Other financial services	8.04%	3,882
Biroul de Credit SA	Financial services	6.80%	1,105
Fondul Roman de Garantare a Creditelor pentru Intreprinzatorii Privati IFN SA	Financial services	3.10%	667
Total			**8,000**

The above mentioned companies are incorporated in Romania.

The Bank held the following unlisted equity investments classified as FVTOCI as at 31 December 2021 and 31 December 2020:

31.12.2021 In RON thousands	Bank Nature of business	% interest held	Fair value
Transfond SA	Other financial services	8.04%	4,355
Biroul de Credit SA	Financial services	6.80%	1,191
Fondul Roman de Garantare a Creditelor pentru Intreprinzatorii Privati IFN SA	Financial services	3.10%	537
Total			**6,083**

31.12.2020 In RON thousands	Bank Nature of business	% Interest held	Fair value
Transfond SA	Other financial services	8.04%	3,882
Biroul de Credit SA	Financial services	6.80%	1,105
Fondul Roman de Garantare a Creditelor pentru Intreprinzatorii Privati IFN SA	Financial services	3.10%	667
Total			**5,654**

The above mentioned companies are incorporated in Romania.

25. FINANCIAL ASSETS (DEBT INSTRUMENTS) AT AMORTIZED COST

As at 31 December 2021, the Group and the Bank held debt instruments at amortized cost representing bonds and T-bills issued by Romanian Government in amount of RON thousands 7,950,629 (31 December 2020 RON thousands 6,148,138).

As at 31 December 2021, the debt instruments at amortized cost are pledged in amount of RON thousands 549,653 (31 December 2020: RON thousands 553,516).

As at 31 December 2021 and 31 December 2020, the Group and the Bank held debt instruments at amortized cost that can be included in the investment-grade category (debt instruments issued by debtors which have the following ratings: A+, A, A-, BBB+, BBB, BBB-, BAA1 and BAA3 issued by Standard & Poor, if available, or by Moody's and Fitch converted to the nearest equivalent on the Standard & Poor rating scale).

26. INVESTMENTS IN SUBSIDIARIES

			Bank			
			31.12.2021		31.12.2020	
In RON thousands	Nature of business	Country of incorporation	% interest held	Carrying amount	% interest held	Carrying amount
UniCredit Consumer Financing IFN S.A.	Consumer finance	Romania	50.10%	64,767	50.10%	64,767
UniCredit Leasing Corporation IFN S.A.	Leasing services	Romania	99.98%	78,349	99.98%	78,349
Total				**143,116**		**143,116**

The following information is taken from the individual financial statements of the subsidiaries, prepared in accordance with the accounting policies of the UniCredit Group, which is based on the IFRS standards adopted by the European Union:

31.12.2021			Bank		
In RON thousands	% Interest held	Total assets	Total liabilities	Operating income	Profit / (Loss)
31.12.2021					
UniCredit Consumer Financing IFN S.A.	50.10%	2,068,706	1,774,415	161,238	52,293
UniCredit Leasing Corporation IFN S.A.	99.98%	4,939,871	4,450,145	181,623	88,751
31.12.2020					
UniCredit Consumer Financing IFN S.A.	50.10%	2,149,898	1,907,900	185,182	21,933
UniCredit Leasing Corporation IFN S.A.	99.98%	5,025,517	4,624,569	182,350	58,873

27. PROPERTY, PLANT AND EQUIPMENT

31.12.2021	Group					
In RON thousands	Land and buildings	Computers and equipment	Motor vehicles	Furniture and other assets	Assets in course of production	Total
Cost						
Balance at 1 January 2021	**79,655**	**204,170**	**207**	**104,714**	**57,534**	**446,280**
Additions	11,154	17,047	-	20,091	14,173	62,465
Revaluation - cancel cumulated depreciation	(8,781)	-	-	-	-	(8,781)
Revaluation*	2,598	(175)	-	-	-	2,423
Disposals	(1,000)	(16,168)	(55)	(3,975)	(48,676)	(69,874)
Balance at 31 December 2021	**83,626**	**204,874**	**152**	**120,830**	**23,031**	**432,513**
Depreciation and impairment losses						
Balance at 1 January 2021	**(3,495)**	**(160,635)**	**(88)**	**(66,557)**	**-**	**(230,775)**
Charge for the year	(8,955)	(18,149)	(23)	(8,198)	-	(35,325)
Revaluation - cancel cumulated depreciation	8,781	-	-	-	-	8,781
Disposals	56	15,776	25	3,532	-	19,389
Balance at 31 December 2021	**(3,613)**	**(163,008)**	**(86)**	**(71,223)**	**-**	**(237,930)**
Carrying amounts						
At 1 January 2021	**76,160**	**43,535**	**119**	**38,157**	**57,534**	**215,505**
At 31 December 2021	**80,013**	**41,866**	**66**	**49,607**	**23,031**	**194,583**

** The most recent revaluation for the land and builings class was performed by SVN Research & Valuation Advisors S.R.L. as of 31 December 2021. In accordance with the International Standards for Valuation, the estimation of fair value was perfomed by the valuator using two alternative aprroaches, income approach and market approach, using the most approapriate one depending on the nature and purpose of each element.*

27. PROPERTY, PLANT AND EQUIPMENT *(continued)*

31.12.2020			Group			
In RON thousands	Land and buildings	Computers and equipment	Motor vehicles	Furniture and other assets	Assets in course of production	Total
Cost						
Balance at 1 January 2020 (**)	**83,699**	**191,775**	**137**	**100,930**	**34,710**	**411,251**
Additions	4,682	15,598	70	7,404	50,125	77,879
Revaluation - cancel cumulated depreciation	(9,048)	-	-	-	-	(9,048)
Revaluation*	322	-	-	-	-	322
Disposals	-	(3,203)	-	(3,620)	(27,301)	(34,124)
Balance at 31 December 2020	**79,655**	**204,170**	**207**	**104,714**	**57,534**	**446,280**
Depreciation and impairment losses						
Balance at 1 January 2020 (**)	**(3,379)**	**(144,406)**	**(43)**	**(63,055)**	**-**	**(210,883)**
Charge for the year	(9,163)	(18,760)	(45)	(6,930)	-	(34,898)
Revaluation - cancel cumulated depreciation	9,048	-	-	-	-	9,048
Disposals	(1)	2,531	-	3,428	-	5,958
Balance at 31 December 2020	**(3,495)**	**(160,635)**	**(88)**	**(66,557)**	**-**	**(230,775)**
Carrying amounts						
At 1 January 2020	**80,320**	**47,369**	**94**	**37,875**	**34,710**	**200,368**
At 31 December 2020	**76,160**	**43,535**	**119**	**38,157**	**57,534**	**215,505**

** The most recent revaluation for the land and builings class was performed by Coldwell Banker SRL as of 31 December 2020. In accordance with the International Standards for Valuation, the estimation of fair value was perfomed by the valuator using two alternative aprroaches, income approach and market approach, using the most approapriate one depending on the nature and purpose of each element.*

*** The Group reclassified during 2020, an amount of RON thousands 3,379 gross book value and of RON thousands 3,379 acummulated depreciation as at December 31, 2019 (total net book value is nill as at December 31, 2019) from Other assets to Land and Buildings in Property, Plant and Equipment caption, representing leasehold improvements.*

27. PROPERTY, PLANT AND EQUIPMENT *(continued)*

31.12.2021			Bank			
In RON thousands	Land and buildings	Computers and equipment	Motor vehicles	Furniture and other assets	Assets in course of production	Total
Cost						
Balance at 1 January 2021	**75,943**	**173,415**	**-**	**103,514**	**57,534**	**410,406**
Additions	11,148	16,447	-	20,077	14,173	61,845
Revaluation - cancel cumulated depreciation	(8,781)	-	-	-	-	(8,781)
Revaluation*	2,598	-	-	-	-	2,598
Disposals	(1,000)	(10,509)	-	(3,975)	(48,676)	(64,160)
Balance at 31 December 2021	**79,908**	**179,353**	**-**	**119,616**	**23,031**	**401,908**
Depreciation and impairment losses						
Balance at 1 January 2021	**-**	**(139,882)**	**-**	**(65,423)**	**-**	**(205,305)**
Charge for the year	(8,837)	(15,702)	-	(8,169)	-	(32,708)
Revaluation - cancel cumulated depreciation	8,781	-	-	-	-	8,781
Disposals	56	10,359	-	3,533	-	13,948
Balance at 31 December 2021	**-**	**(145,225)**	**-**	**(70,059)**	**-**	**(215,284)**
Carrying amounts						
At 1 January 2021	**75,943**	**33,533**	**-**	**38,091**	**57,534**	**205,101**
At 31 December 2021	**79,908**	**34,128**	**-**	**49,557**	**23,031**	**186,624**

** The most recent revaluation for the land and builings class was performed by SVN Research & Valuation Advisors S.R.L. as of 31 December 2021. In accordance with the International Standards for Valuation, the estimation of fair value was perfomed by the valuator using two alternative aprroaches, income approach and market approach, using the most approapriate one depending on the nature and purpose of each element.*

27. PROPERTY, PLANT AND EQUIPMENT *(continued)*

31.12.2020			Bank			
In RON thousands	Land and buildings	Computers and equipment	Motor vehicles	Furniture and other assets	Assets in course of production	Total
Cost						
Balance at 1 January 2020	**80,320**	**162,210**	**-**	**99,793**	**34,710**	**377,033**
Additions	4,349	13,819	-	7,341	50,125	75,634
Revaluation - cancel cumulated depreciation	(9,048)	-	-	-	-	(9,048)
Revaluation*	322	-	-	-	-	322
Disposals	-	(2,614)	-	(3,620)	(27,301)	(33,535)
Balance at 31 December 2020	**75,943**	**173,415**	**-**	**103,514**	**57,534**	**410,406**
Depreciation and impairment losses						
Balance at 1 January 2020	**-**	**(126,445)**	**-**	**(61,975)**	**-**	**(188,420)**
Charge for the year	(9,048)	(16,032)	-	(6,887)	-	(31,967)
Revaluation - cancel cumulated depreciation	9,048	-	-	-	-	9,048
Disposals	-	2,595	-	3,439	-	6,034
Balance at 31 December 2020	**-**	**(139,882)**	**-**	**(65,423)**	**-**	**(205,305)**
Carrying amounts						
At 1 January 2020	**80,320**	**35,765**	**-**	**37,818**	**34,710**	**188,613**
At 31 December 2020	**75,943**	**33,533**	**-**	**38,091**	**57,534**	**205,101**

** The most recent revaluation for the land and builings class was performed by Coldwell Banker SRL as of 31 December 2020. In accordance with the International Standards for Valuation, the estimation of fair value was perfomed by the valuator using two alternative aprroaches, income approach and market approach, using the most approapriate one depending on the nature and purpose of each element.*

28. INTANGIBLE ASSETS

31.12.2021		Group	
In RON thousands	Intangible assets	Intangible assets in progress	Total
Balance at 1 January 2021	**555,496**	**105,281**	**660,777**
Additions	40,045	106,557	146,602
Disposals	(77,559)	(31,911)	(109,470)
Balance at 31 December 2021	**517,982**	**179,927**	**697,909**
Depreciation and impairment losses			
Balance at 1 January 2021	**(414,843)**	**-**	**(414,843)**
Charge for the year	(58,380)	-	(58,380)
Disposals	76,066	-	76,066
Balance at 31 December 2021	**(397,157)**	**-**	**(397,157)**
Valoarea contabila neta			
At 1 January 2021	**140,653**	**105,281**	**245,934**
At 31 December 2021	**120,825**	**179,927**	**300,752**

31.12.2020		Group	
In RON thousands	Intangible assets	Intangible assets in progress	Total
Balance at 1 January 2020	**516,419**	**81,026**	**597,445**
Additions	77,176	91,269	168,445
Disposals	(38,099)	(67,014)	(105,113)
Balance at 31 December 2020	**555,496**	**105,281**	**660,777**
Depreciation and impairment losses			
Balance at 1 January 2020	**(401,161)**	**-**	**(401,161)**
Charge for the year	(51,919)	-	(51,919)
Disposals	38,237	-	38,237
Balance at 31 December 2020	**(414,843)**	**-**	**(414,843)**
Carrying amounts			
At 1 January 2020	**115,258**	**81,026**	**196,284**
At 31 December 2020	**140,653**	**105,281**	**245,934**

28. INTANGIBLE ASSETS *(continued)*

31.12.2021		Bank	
In RON thousands	Intangible assets	Intangible assets in progress	Total
Balance at 1 January 2021	**514,991**	**105,281**	**620,272**
Additions	31,490	106,557	138,047
Disposals	(68,514)	(31,911)	(100,425)
Balance at 31 December 2021	**477,967**	**179,927**	**657,894**
Depreciation and impairment losses			
Balance at 1 January 2021	**(388,296)**	**-**	**(388,296)**
Charge for the year	(53,513)	-	(53,513)
Disposals	68,513	-	68,513
Balance at 31 December 2021	**(373,296)**	**-**	**(373,296)**
Carrying amounts			
At 1 January 2021	**126,695**	**105,281**	**231,976**
At 31 December 2021	**104,671**	**179,927**	**284,598**

31.12.2020		Bank	
In RON thousands	Intangible assets	Intangible assets in progress	Total
Balance at 1 January 2020	**463,445**	**81,026**	**544,471**
Additions	68,807	91,269	160,076
Disposals	(17,261)	(67,014)	(84,275)
Balance at 31 December 2020	**514,991**	**105,281**	**620,272**
Depreciation and impairment losses			
Balance at 1 January 2020	**(357,955)**	**-**	**(357,955)**
Charge for the year	(47,431)	-	(47,431)
Disposals	17,090	-	17,090
Balance at 31 December 2020	**(388,296)**	**-**	**(388,296)**
Carrying amounts			
At 1 January 2020	**105,490**	**81,026**	**186,516**
At 31 December 2020	**126,695**	**105,281**	**231,976**

29. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and deferred tax liabilities at 31 December 2021 are attributable to the items detailed in the table below:

31.12.2021		Group			Bank	
In RON thousands	Assets	Liabilities	Net	Assets	Liabilities	Net
Net lease receivables	40,324	-	40,324	-	-	-
Property, equipment and intangible assets	1,040	9,381	(8,341)	1,040	9,381	(8,341)
Other assets	5,162	-	5,162	28	-	28
Provisions, other debts, forecasted expenses	99,779	801	98,978	61,386	154	61,232
Financial assets at amortized cost	1,012	-	1,012	1,012	-	1,012
Deferred tax asset/ (liability) at 16% through profit and loss account	**147,317**	**10,182**	**137,135**	**63,466**	**9,535**	**53,931**
FVTOCI instruments	2,577	598	1,979	2,577	598	1,979
Derivative financial instruments held for hedging	6,363	-	6,363	6,363	-	6,363
Tangible fixed assets revaluation reserve	-	2,590	(2,590)	-	2,590	(2,590)
Deferred tax asset/ (liability) at 16% through equity	**8,940**	**3,188**	**5,752**	**8,940**	**3,188**	**5,752**
Deferred tax asset/ (liability) at 16%	**156,257**	**13,370**	**142,887**	**72,406**	**12,723**	**59,683**

Deferred tax assets and deferred tax liabilities at 31 December 2020 are attributable to the items detailed in the table below:

31.12.2020		Group			Bank	
In RON thousands	Assets	Liabilities	Net	Assets	Liabilities	Net
Net lease receivables	42,463	-	42,463	-	-	-
Property, equipment and intangible assets	1,040	9,192	(8,152)	1,040	9,192	(8,152)
Other assets	4,708	-	4,708	68	-	68
Provisions, other debts, forecasted expenses	94,580	359	94,221	62,927	154	62,773
Deferred tax asset/ (liability) at 16% through profit and loss account	**142,791**	**9,551**	**133,240**	**64,035**	**9,346**	**54,689**
FVTOCI instruments	2,676	23,230	(20,554)	2,676	23,230	(20,554)
Derivative financial instruments held for hedging	8,846	-	8,846	8,846	-	8,846
Tangible fixed assets revaluation reserve	-	1,735	(1,735)	-	1,735	(1,735)
Deferred tax asset/ (liability) at 16% through equity	**11,522**	**24,965**	**(13,443)**	**11,522**	**24,965**	**(13,443)**
Deferred tax asset/ (liability) at 16%	**154,313**	**34,516**	**119,797**	**75,557**	**34,311**	**41,246**

Taxes recognized in other comprehensive income at 31 December 2021 are presented in the table below:

31.12.2021		Group			Bank	
In RON thousands	Before Tax	Deferred Tax	Net of tax	Before Tax	Deferred Tax	Net of tax
FVTOCI reserve i)	(12,368)	1,979	(10,389)	(12,368)	1,979	(10,389)
Cash flow hedging reserve ii)	(39,770)	6,363	(33,407)	(39,770)	6,363	(33,407)
Revaluation reserve on property, plant and equipment iii)	16,185	(2,590)	13,595	16,185	(2,590)	13,595

29. DEFERRED TAX ASSETS AND LIABILITIES *(continued)*

Taxes recognized in other comprehensive income at 31 December 2020 are presented in the table below:

31.12.2020		Group			Bank	
In RON thousands	Before Tax	Deferred Tax	Net of tax	Before Tax	Deferred Tax	Net of tax
FVTOCI reserve i)	128,462	(20,554)	107,908	128,462	(20,554)	107,908
Cash flow hedging reserve ii)	(55,287)	8,846	(46,441)	(55,287)	8,846	(46,441)
Revaluation reserve on property, plant and equipment iii)	14,457	(1,735)	12,722	14,457	(1,735)	12,722

i) The movements in the Reserve for financial assets at fair value through other comprehensive income at 31 December 2021 are presented below:

31.12.2021		Group			Bank	
In RON thousands	Before tax	Deferred Tax	Net of tax	Before tax	Deferred Tax	Net of tax
January 1	**128,462**	**(20,554)**	**107,908**	**128,462**	**(20,554)**	**107,908**
Transfer to profit and loss	(28,879)	4,621	(24,258)	(28,879)	4,621	(24,258)
Net change in other comprehensive income	(111,951)	17,912	(94,039)	(111,951)	17,912	(94,039)
December 31	**(12,368)**	**1,979**	**(10,389)**	**(12,368)**	**1,979**	**(10,389)**

The movements in the Reserve for financial assets at fair value through other comprehensive income at 31 December 2020 are presented below:

31.12.2020		Group			Bank	
In RON thousands	Before tax	Deferred Tax	Net of tax	Before tax	Deferred Tax	Net of tax
January 1	**24,203**	**(3,873)**	**20,330**	**24,203**	**(3,873)**	**20,330**
Transfer to profit and loss	(47,322)	7,572	(39,750)	(47,322)	7,572	(39,750)
Net change in other comprehensive income	151,581	(24,253)	127,328	151,581	(24,253)	127,328
December 31	**128,462**	**(20,554)**	**107,908**	**128,462**	**(20,554)**	**107,908**

ii) The movements in the Cash flow hedging reserve at 31 December 2021 are presented below:

31.12.2021		Group			Bank	
In RON thousands	Before tax	Deferred Tax	Net of tax	Before tax	Deferred Tax	Net of tax
1 January	**(55,287)**	**8,846**	**(46,441)**	**(55,287)**	**8,846**	**(46,441)**
Transfer to profit and loss	1,262	(202)	1,060	1,262	(202)	1,060
Net change in other comprehensive income	14,255	(2,281)	11,974	14,255	(2,281)	11,974
31 December	**(39,770)**	**6,363**	**(33,407)**	**(39,770)**	**6,363**	**(33,407)**

The movements in the Cash flow hedging reserve at 31 December 2020 are presented below:

31.12.2020		Group			Bank	
In RON thousands	Before tax	Deferred Tax	Net of tax	Before tax	Deferred Tax	Net of tax
1 January	**(56,944)**	**9,111**	**(47,833)**	**(56,944)**	**9,111**	**(47,833)**
Transfer to profit and loss	931	(149)	782	931	(149)	782
Net change in other comprehensive income	726	(116)	610	726	(116)	610
31 December	**(55,287)**	**8,846**	**(46,441)**	**(55,287)**	**8,846**	**(46,441)**

30. OTHER FINANCIAL AND NON-FINANCIAL ASSETS

	Group		Bank	
In RON Thousand	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Other financial assets				
Suspense accounts - banks	61,646	77,452	61,646	77,452
Suspense accounts - non-banks	98,595	8,224	98,595	8,224
Sundry debtors	54,136	54,221	34,336	26,954
Collateral deposits	1,813	2,214	1,853	2,194
Amounts receivables	21,141	18,986	23,540	20,528
Total gross amounts	**237,331**	**161,097**	**219,970**	**135,352**
Less impairment for sundry debtors	(27,847)	(22,320)	(27,847)	(22,320)
Total other financial assets	**209,484**	**138,777**	**192,123**	**113,032**
Other non-financial assets				
Sundry debtors	63,479	44,089	49,532	23,605
Prepaid Expenses	44,501	40,637	23,879	15,094
Inventories (including repossessed assets)*	22,312	15,003	1,264	1,498
Other	8,923	39,374	7,677	39,546
Total gross amounts	**139,215**	**139,103**	**82,352**	**79,743**
Less impairment for sundry debtors	(23,381)	(8,138)	(23,381)	(8,138)
Total other non-financial assets	**115,834**	**130,965**	**58,971**	**71,605**
Total other assets	**325,318**	**269,742**	**251,094**	**184,637**

The Group booked as prepayments, during 2021 and 2020 prepaid rents, local taxes, insurance for premises and bankers' blanket bond (insurance).

Repossessed assets

The Group and the Bank have the following assets from workout process arisen during normal course of business:

	Group			
In RON Thousand	Inventories*	Non-current assets and disposal groups classified as held for sale	Property, plant and equipment**	Total
Balance at 31 of December 2020	13,306	-	9,501	22,807
Balance at 31 of December 2021	20,955	-	7,224	28,179

	Bank			
In RON Thousand	Inventories*	Non-current assets and disposal groups classified as held for sale	Property, plant and equipment**	Total
Balance at 31 of December 2020	324	-	-	324
Balance at 31 of December 2021	292	-	-	292

** Repossessed assets are presented in Inventories line – Other non-financial assets from Statement of Financial Position.*
*** At 31 of December 2021 the carrying amount of inventories-repossessed assests reclassified to Property, Plant and Equipment is RON thousands 6,052 (gross book value RON thousands 18,621/cummulated depreciations and impairments RON thousands 12,569) and the carrying amount of inventories-repossessed assests reclassified to Motor vehicles is RON thousands 0 (gross book value RON thousands 0/cummulated depreciations and impairments RON thousands 0).*
At 31 of December 2020 the carrying amount of inventories-repossessed assests reclassified to Property, Plant and Equipment is RON thousands 7,643 (gross book value RON thousands 22,931/cummulated depreciations and impairments RON thousands 15,288) and the carrying amount of inventories-repossessed assests reclassified to Motor vehicles is RON thousands 32 (gross book value RON thousands 55/cummulated depreciations and impairments RON thousands 23).

30. OTHER FINANCIAL AND NON-FINANCIAL ASSETS *(continued)*

Inventories - Repossessed assets	Group	
In RON Thousand	31.12.2021	31.12.2020
Gross value at 01 January	**29,991**	**28,813**
Additions	37,434	19,723
Disposals	(21,107)	(18,541)
Other adjustments	(32)	(4)
Gross value at 31 December	**46,286**	**29,991**
Impairments	(25,331)	(16,685)
Carrying amount at 31 December	**20,955**	**13,306**

Impairments - Repossessed assets	Group	
In RON Thousand	31.12.2021	31.12.2020
Balance at 01 January	**16,685**	**16,385**
Charges with impairments - repossessed assets	17,263	10,204
Release of impairments - repossessed assets	(10,845)	(10,388)
Other adjustments	2,228	484
Balance at 31 December	**25,331**	**16,685**

Inventories - Repossessed assets	Bank	
In RON Thousand	31.12.2021	31.12.2020
Gross value at 01 January	**324**	**328**
Other adjustments	(32)	(4)
Gross value at 31 December	**292**	**324**
Impairments	-	-
Carrying amount at 31 December	**292**	**324**

31. DERIVATIVES ASSETS/LIABILITIES DESIGNATED AS HEDGING INSTRUMENTS

The Group uses interest rate swaps to hedge interest rate risks arising from customers' deposits, loans and securities.

The fair values of derivatives designated as cash flow hedges ("CFH") and fair value hedges ("FVH") are:

	Group					
in RON thousands	31.12.2021			31.12.2020		
	Notional	Assets	Liabilities	Notional	Assets	Liabilities
Interest rate swap - CFH	10,440	-	(46,744)	248,741	-	(60,749)
Interest rate swap - FVH	173,184	12,249	(20,068)	146,082	-	(20,467)
Total Interest rate swap - Hedges	**183,624**	**12,249**	**(66,812)**	**394,823**	**-**	**(81,216)**

The time periods in which the hedged cash flows are expected to occur and affect the statement of comprehensive income are as follows:

	Group					
in RON thousands	31.12.2021			31.12.2020		
	Within 1 year	1-5 years	Over 5 years	Within 1 year	1-5 years	Over 5 years
Cash inflow	(33)	(508)	1,875	-	-	-
Cash outflow	(829)	(12,108)	(36,923)	(845)	(13,155)	(49,769)

As 31 December 2021, all cash flow and fair value hedge relationships have been assessed as effective.

For cash flow hedges reserve please refer to Note 29.

32. DEPOSITS FROM BANKS

	Group		Bank	
In RON thousands	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Term deposits	246,498	242,942	246,498	242,942
Sight deposits	420,492	352,134	420,492	352,134
Total	**666,990**	**595,076**	**666,990**	**595,076**

33. LOANS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
In RON thousands	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Commercial Banks	2,735,047	4,202,693	18,957	81,405
Multilateral development banks	1,261,441	1,274,474	551,964	696,798
International financial institutions	174,385	87,500	-	-
Total	**4,170,873**	**5,564,667**	**570,921**	**778,203**

As at 31 December 2021, the final maturity of loans varies from February 2022 to September 2026.

UniCredit Consumer Financing IFN S.A. made during the year 2021 withdrawals from a facility approved in 2020 by the European Bank for Reconstruction and Development and the International Cooperation and Development Fund from Taiwan in the total amount of RON 72.6 million with a maturity of 4.5 years. The funds were withdrawn in order to finance investments projects aimed at energy efficiency measures for residential buildings. This product is intended for individuals through the product "Green Credit".

UniCredit Leasing Corporation IFN S.A. made during the year 2021 withdrawals in the total amount of EUR 52.5 million out of which 27.5 million due in 2025 from a facility approved in 2020 by the International Finance Corporation and 25 million due in 2026 from a facility approved in 2019 by the European Investment Bank. The funds were withdrawn for the purpose of granting leasing loans to the SME customer segment.

UniCredit Bank S.A. did not make during the year 2021 any withdrawals.

34. DEBTS ARISING FROM FINANCING ACTIVITIES

The Group's liabilities arising from the financing activities for the years 2021 and 2020 are presented below:

2021	Group					
In RON thousands	Balance at 01 January	Drawdowns	Repayments	Accumulated interest	Other changes*	Balance at 31 December
Loans from banks and other financial institutions at amortized cost	5,564,667	981,740	(2,427,549)	7,623	44,392	4,170,873
Debt securities issued	1,922,036	544,401	(8,279)	16,969	16,752	2,491,879
Subordinated liabilities	929,593	-	-	1,570	13,020	944,183
Lease liabilities	196,836	16,064	(64,523)	78	20,336	168,791
Total	**8,613,132**	**1,542,205**	**(2,500,351)**	**26,240**	**94,500**	**7,775,726**

*Other changes are the effect of the exchange rate change on the revaluation of balances.

34. DEBTS ARISING FROM FINANCING ACTIVITIES *(continued)*

2020	Group					
In RON thousands	Balance at 01 January	Drawdowns	Repayments	Accumulated interest	Other changes*	Balance at 31 December
Loans from banks and other financial institutions at amortized cost	6,483,236	1,522,235	(2,507,888)	11,006	56,078	5,564,667
Debt securities issued	2,044,046	-	(154,146)	17,458	14,678	1,922,036
Subordinated liabilities	912,449	-	-	1,972	15,172	929,593
Lease liabilities	163,898	13,116	(57,442)	129	77,135	196,836
Total	**9,603,629**	**1,535,351**	**(2,719,476)**	**30,565**	**163,063**	**8,613,132**

*Other changes are the effect of the exchange rate change on the revaluation of balances.

The Bank's liabilities arising from the financing activities for the years 2021 and 2020 are presented below:

2021	Bank					
In RON thousands	Balance at 01 January	Drawdowns	Repayments	Accumulated interest	Other changes*	Balance at 31 December
Loans from banks and other financial institutions at amortized cost	778,203	-	(216,638)	645	8,711	570,921
Debt securities issued	470,747	544,401	-	6,101	(6,858)	1,014,391
Subordinated liabilities	822,466	-	-	1,570	11,289	835,325
Lease liabilities	192,717	13,876	(62,429)	78	20,653	164,895
Total	**2,264,133**	**558,277**	**(279,067)**	**8,394**	**33,795**	**2,585,532**

*Other changes are the effect of the exchange rate change on the revaluation of balances.

2020	Bank					
In RON thousands	Balance at 01 January	Drawdowns	Repayments	Accumulated interest	Other changes*	Balance at 31 December
Loans from banks and other financial institutions at amortized cost	795,267	217,775	(245,879)	884	10,156	778,203
Debt securities issued	621,823	-	(146,000)	6,747	(11,823)	470,747
Subordinated liabilities	807,304	-	-	1,972	13,190	822,466
Lease liabilities	158,752	13,037	(57,000)	129	77,799	192,717
Total	**2,383,146**	**230,812**	**(448,879)**	**9,732**	**89,322**	**2,264,133**

*Other changes are the effect of the exchange rate change on the revaluation of balances.

35. DEPOSITS FROM CUSTOMERS

	Group		Bank	
In RON thousands	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Term deposits	7,124,232	8,215,363	7,139,262	8,215,363
Payable on demand	31,692,731	26,658,000	31,930,448	27,146,663
Collateral deposits	998,460	898,740	999,328	896,793
Certificates of deposits	105	262	105	262
Total	**39,815,528**	**35,772,365**	**40,069,143**	**36,259,081**

As of 31 December 2021, retail clients (individuals and small and medium companies) represents 39% of the portfolio, corporate accounts for 56% of the portfolio, while private banking clients represents 5% (31 December 2020: retail clients 38%, corporate clients 56%, private banking clients 6%).

36. DEBT SECURITIES ISSUED

In RON thousands	Group		Bank	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Debt securities issued	2,491,879	1,922,036	1,014,391	470,747
Total	**2,491,879**	**1,922,036**	**1,014,391**	**470,747**

To diversify its funding sources UNICREDIT LEASING CORPORATION IFN SA has issued senior, unsubordinated Eurobonds in October 2019 for a total amount of 300 million Euro that are admitted to trading on the Euro MTF market on the Luxembourg Stock Exchange. (ISIN: XS2066749461). The senior bonds have a maturity of 3 years (issue date 18 October 2019 and maturity date on 18 October 2022) and have a fixed coupon of 0.502% paid annually. The issue price was 100% out of face value and the whole issue is guaranteed by the parent group – UniCredit S.p.A.

In July 2017, the Bank issued RON denominated bonds in amount of RON thousands 610,000 with semi-annual coupon payments and the following maturities: 3, 5 and 7 years. The debt issuance from July 2017 was aderred to by classified investors. The initial nominal amount was oversubscribed, and 61,000 debt instruments for the maturities listed above were issued.

Out of the initial maturities the 3 years one (ISIN ROUCTBDB022) matured in Q3 2020 (15 July, 2020) and the principal of RON thousands 146,000 was repaid to the bond holders.

The remaining bonds are listed on Bucharest Stock Exchange (date of listing: 07.08.2017), having the following characteristics:

ISIN	BVB Code	Maturity	Notional amount in RON thousands	Interest rate
ROUCTBDB030	UCB22	15-Jul-22	280,500	ROBOR6M+ 0,85% p.a.
ROUCTBDB048	UCB24	15-Jul-24	183,500	ROBOR6M+ 1,05% p.a.

In order to cover the new internal minimum requirement for own funds and eligible liabilities (internal Minimum Requirement for own funds and Eligible Liabilities – „MREL”) UniCredit Bank S.A. has issued senior non preferred bonds in December 2021 for a total amount of 110 million EUR that were fully subscribed by UniCredit S.p.A. (the parent company) following the Single Point of Entry Strategy adopted at UniCredit Group level. The Senior Non preferred bonds have a maturity of 6 years with a call provision after 5 years.

37. SUBORDINATED LIABILITIES

In RON thousands	Group		Bank	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
UniCredit SPA	835,325	822,466	835,325	822,466
UniCredit Bank Austria AG	108,858	107,127	-	-
Total	**944,183**	**929,593**	**835,325**	**822,466**

As of 31 December 2021, the following agreements were in place:

- subordinated debt from UniCredit SPA, Italy, in amount of in eq. RON thousands 239,983 (EUR thousands 48,500), with maturity in July 2027, beneficiary UniCredit Bank S.A.;
- subordinated debt from UniCredit SPA, Italy, in amount of in eq. RON thousands 593,772 thousands (EUR thousands 120,000), with maturity in December 2027, beneficiary UniCredit Bank S.A.;
- subordinated debt from UniCredit Bank Austria AG, in amount of in eq. RON thousands 108,858 (EUR thousands 22,000), with maturity in July 2024, beneficiary Unicredit Leasing Corporation IFN S.A.;

Interest accrued amounts to eq. RON thousands 1,570 (EUR thousands 317).

The repayment of outstanding principal and accrued interest of the above-mentioned loans is subordinated to all other obligations of the Group.

38. PROVISIONS

In RON thousands	Group 31.12.2021	Group 31.12.2020	Bank 31.12.2021	Bank 31.12.2020
Provision for financial guarantees	110,298	106,322	116,006	110,894
Provision for legal disputes	15,087	23,931	9,792	10,686
Provision for off-balance commitments	87,536	70,613	83,261	65,472
Other provisions	7,203	22,710	7,142	6,822
Total	**220,124**	**223,576**	**216,201**	**193,874**

The movements in provisions during the year were as follows:

In RON thousands	Group 31.12.2021	Group 31.12.2020	Bank 31.12.2021	Bank 31.12.2020
Balance at 31 December	**223,576**	**240,959**	**193,874**	**218,819**
Net expense/(release) with provision for financial guarantees and off-balance commitments (Note 16)	20,005	(1,915)	20,874	(3,313)
Net expense/(release) with provision for legal disputes (Note 16)	(24,980)	(17,262)	(1,117)	(317)
Net expense/(release) with other provisions (Note 16)	(937)	(733)	196	(23,713)
FX effect	2,460	2,527	2,374	2,398
Balance at 31 December	**220,124**	**223,576**	**216,201**	**193,874**

39. OTHER LIABILITIES

In RON thousands	Group 31.12.2021	Group 31.12.2020	Bank 31.12.2021	Bank 31.12.2020
Other financial liabilities				
Suspense accounts - banks	205,161	197,393	205,161	197,393
Suspense accounts - non-banks	101,636	128,438	101,636	128,438
Accruals for third party services	35,482	44,095	25,374	31,112
Amounts payable to suppliers	65,331	53,429	11,008	4,700
Sundry creditors	93,289	94,689	91,788	91,716
Total other financial liabilities	**500,899**	**518,044**	**434,967**	**453,359**
Other non-financial liabilities				
Deferred income	120,687	118,958	86,416	81,735
Payable to state budget	49,685	46,655	24,662	23,495
Amounts due to employees	64,364	61,108	58,517	53,985
Other	13,700	16,643	2,176	5,100
Total other non-financial liabilities	**248,436**	**243,364**	**171,771**	**164,315**
Total other liabilities	**749,335**	**761,408**	**606,738**	**617,674**

40. ISSUED CAPITAL

The statutory share capital of the Bank as at 31 December 2021 is represented by 48,948,331 ordinary shares (31 December 2020: 48,948,331 ordinary shares) having a face value of RON 9.30 each and a share premium of RON 75.93 per share. The total value of the share premium is RON thousands 621,680.

The shareholders of the Bank are as follows:

	Bank	
	31.12.2021	31.12.2020
	%	%
UniCredit SpA*)	98.6298	98.6298
Other shareholders	1.3702	1.3702
Total	**100**	**100**

**) UniCredit SpA has taken over the CEE operations and subsidiaries from UniCredit Bank Austria AG since 1st of October 2016.*

The share capital comprises of the following:

	Bank	
In RON thousands	31.12.2021	31.12.2020
Statutory share capital	455,219	455,219
Effect of hyperinflation – IAS 29	722,529	722,529
Share capital under IFRS	**1,177,748**	**1,177,748**

41. OTHER RESERVES

The breakdown of other reserves is presented below:

	Group		Bank	
In RON thousands	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Statutory general banking risks	115,785	115,785	115,785	115,785
Statutory legal reserve	91,044	91,044	91,044	91,044
Effect of hyperinflation – IAS 29	19,064	19,064	19,064	19,064
Actuarial (gain)/loss	(833)	(953)	(833)	(953)
Other reserves*	140,556	100,576	140,556	100,576
Total	**365,616**	**325,516**	**365,616**	**325,516**

**) According to the decision of the General Meeting of Shareholders of 14 April 2021, it was decided to allocate a part of the Bank's net profit for 2020 (403,662 RON thousands) to the reinvested profit reserve amounting to 39,980 RON thousands, exempt from the payment of the profit tax according to art. 22 of Law 227/2015, and to reinvest of the net profit remained undistributed amounting to 363,682 RON thousands. Of the 2021 profit, the Bank will also propose to Supervisory Board and General Shareholders' Meeting the distribution in 2022 to the reinvested profit reserve, of an amount of RON 32,452 thousands, exempt from the payment of the profit tax according to article 22 of Law 227/2015.*

Reserves for general banking risks include amounts set aside for future losses and other unforeseen risks or contingencies. These reserves are not distributable.

Statutory legal reserves represent the accumulated transfers from retained earnings built in accordance with Company Law 31/1991, requiring to transfer maximum 5% of profit of the year, up to an amount equal to 20% of statutory share capital. These reserves are not distributable. As at 31 December 2018 the legal reserve recorded by the Bank reached the maximum level of 20% of the statutory share capital.

42. RELATED PARTY TRANSACTIONS

The Group entered into a number of banking transactions with UniCredit S.p.A and with members of the UniCredit Group in the normal course of business. These transactions were carried out on commercial terms and conditions and at market rate.

The following transactions took place between Group and UniCredit S.p.A and its subsidiaries:

In RON thousands	Group			
	31.12.2021		31.12.2020	
	Parent Company	Other related entities	Parent Company	Other related entities
Derivative assets at fair value through profit or loss	2	6,550	16,445	10,306
Derivatives assets designated as hedging instruments	-	540	-	-
Current accounts and deposits at banks	5,873,361	19,218	5,844,315	30,394
Loans and advances to banks	21,413	77,669	21,985	2,997
Loans and advances to customers	-	40,641	-	23,054
Other assets	17,650	15,684	10,754	23,528
Outstanding receivables	**5,912,426**	**160,302**	**5,893,499**	**90,279**
Derivative liabilities at fair value through profit or loss	9,735	16,315	17,578	24,632
Derivatives liabilities designated as hedging instruments	10,630	56,182	20,466	60,749
Current accounts	14,204	223,568	13,378	275,492
Deposit attracted	3,538	165,467	696	78,395
Loans received	2,249,110	238,288	3,256,835	659,508
Debts securities issued	544,291	-	-	-
Subordinated liabilities	835,325	108,858	822,466	107,127
Other liabilities	3,907	8,929	4,474	3,088
Outstanding payables	**3,670,740**	**817,607**	**4,135,893**	**1,208,991**
Interest income	66	481	154	631
Interest expense	(134,241)	(30,642)	(154,450)	(47,318)
Fee and commission income	3,438	6,960	824	13,443
Fee and commission expense	(92)	(2,084)	(137)	(3,463)
Other operating income	-	2,823	-	2,240
Operating expenses	(1,612)	(52,634)	(1,597)	(48,671)
Net revenue/(expense)	**(132,441)**	**(75,096)**	**(155,206)**	**(83,138)**
Commitments	**1,379,069**	**363,828**	**159,367**	**413,952**

42. RELATED PARTY TRANSACTIONS *(continued)*

	Bank					
In RON thousands	31.12.2021			31.12.2020		
	Parent Company	Subsidiaries	Other related entities	Parent Company	Subsidiaries	Other related entities
Derivative assets at fair value through profit or loss	2	-	6,550	16,445	18	10,306
Derivatives assets designated as hedging instruments	-	-	540	-	-	-
Current accounts and deposits at banks	5,873,361	-	19,215	5,844,315	-	23,292
Loans and advances to banks	21,413	-	77,669	21,985	-	2,997
Loans and advances to customers	-	869,083	40,641	-	-	23,054
Other assets	16,834	2,400	11,712	10,403	1,536	15,631
Outstanding receivables	**5,911,610**	**871,483**	**156,327**	**5,893,148**	**1,554**	**75,280**
Derivative liabilities at fair value through profit or loss	9,735	-	16,315	17,578	-	24,632
Derivatives liabilities designated as hedging instruments	10,630	-	56,182	20,466	-	60,749
Current accounts	14,204	242,541	223,568	13,378	465,116	275,492
Deposit attracted	3,538	16,363	165,467	696	372	77,688
Loans received	-	-	18,803	-	-	39,625
Debts securities issued	544,291	-	-	-	-	-
Subordinated liabilities	835,325	-	-	822,466	-	-
Other liabilities	3,390	-	8,903	4,474	-	3,088
Outstanding payables	**1,421,113**	**258,904**	**489,238**	**879,058**	**465,488**	**481,274**
Interest income	66	5,950	481	154	11	631
Interest expense	(60,053)	(193)	(1,706)	(58,826)	(540)	(12,624)
Fee and commission income	3,438	30,289	6,960	824	16,531	13,443
Fee and commission expense	(92)	-	(2,077)	(137)	-	(3,455)
Other operating income	-	4,849	321	-	4,551	407
Operating expenses	(1,612)	(1,701)	(51,613)	(1,597)	(35)	(47,682)
Net revenue/(expense)	**(58,253)**	**39,194**	**(47,634)**	**(59,582)**	**20,518**	**(49,280)**
Commitments	**200,072**	**215,126**	**363,828**	**159,367**	**49,040**	**413,952**

42. RELATED PARTY TRANSACTIONS *(continued)*

Transactions with key management personnel

A number of banking transactions are entered into with key management personnel (executive management, administrators and managers of the Group) in the normal course of business. These mainly include loans, current accounts and deposits. The volumes of these transactions as of year ends are presented in the below table:

In RON thousands	Group 2021	2020
Loans	6,788	9,270
Current accounts and deposits	16,163	17,681
Interest and similar income	292	121
Interest expenses and similar charges	(64)	(52)

In addition to wages, the Bank provides executive directors and executives with non-monetary benefits and participation in the UniCredit Holding's options scheme. The UniCredit Group's Scheme of Compliance fully complies with the Group's legal provisions and Compensation Policy.

43. COMMITMENTS AND CONTINGENCIES

i) Off-balance-sheet commitments

At any time, the Group has outstanding commitments to extend credit. These commitments take the form of approved loans and credit card limits and overdraft facilities. Outstanding loan commitments have a commitment period that does not extend beyond the normal underwriting and settlement period of one month to one year.

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to one year. Maturities are not concentrated in any period.

The contractual amounts of commitments and contingent liabilities are set out in the following table by category. The amounts reflected in the table for commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the end of reporting period if counterparties failed completely to perform as contracted.

The breakdown for off balance sheet exposures by IFRS 9 stages is presented below

In RON thousands	Group Stage 1 and Stage 2	Stage 3	Of which: POCI financial assets	31.12.2021
Loan commitments	**12,947,244**	**100,189**	**-**	**13,047,433**
committed	3,859,617	8,666	-	3,868,283
uncommitted	9,087,627	91,523	-	9,179,150
Letters of credit	238,684	464	-	239,148
Guarantees issued	4,622,991	118,294	-	4,741,285
Gross amount	**17,808,919**	**218,947**	**-**	**18,027,866**
Allowance for impairment - Loan commitments	(24,839)	(59,544)	-	(84,383)
Allowance for impairment - Letters of credit	(1,842)	(359)	-	(2,201)
Allowance for impairment - Guarantees issued	(34,897)	(75,165)	-	(110,062)
Total loss allowance	**(61,578)**	**(135,068)**	**-**	**(196,646)**
Carrying amount	**17,747,341**	**83,879**	**-**	**17,831,220**

43. COMMITMENTS AND CONTINGENCIES *(continued)*

i) Off-balance-sheet commitments (continued)

In RON thousands	Group Stage 1 and Stage 2	Stage 3	Of which: POCI financial assets	31.12.2020
Loan commitments	**11,033,071**	**143,735**	**-**	**11,176,806**
committed	2,383,535	53,523	-	2,437,058
uncommitted	8,649,536	90,212	-	8,739,748
Letters of credit	108,344	1,001	-	109,345
Guarantees issued	3,834,384	151,841	-	3,986,225
Gross amount	**14,975,799**	**296,577**	**-**	**15,272,376**
Allowance for impairment - Loan commitments	(14,079)	(53,557)	-	(67,636)
Allowance for impairment - Letters of credit	(963)	(743)	-	(1,706)
Allowance for impairment - Guarantees issued	(32,264)	(73,852)	-	(106,116)
Total loss allowance	**(47,306)**	**(128,152)**	**-**	**(175,458)**
Carrying amount	**14,928,493**	**168,425**	**-**	**15,096,918**

In RON thousands	Bank Stage 1 and Stage 2	Stage 3	Of which: POCI financial assets	31.12.2021
Loan commitments	**12,446,977**	**97,630**	**-**	**12,544,607**
committed	3,359,350	6,107	-	3,365,457
uncommitted	9,087,627	91,523	-	9,179,150
Letters of credit	238,684	464	-	239,148
Guarantees issued	4,624,324	118,294	-	4,742,618
Gross amount	**17,309,985**	**216,388**	**-**	**17,526,373**
Allowance for impairment - Loan commitments	(22,141)	(58,917)	-	(81,058)
Allowance for impairment - Letters of credit	(1,842)	(359)	-	(2,201)
Allowance for impairment - Guarantees issued	(40,606)	(75,165)	-	(115,771)
Total loss allowance	**(64,589)**	**(134,441)**	**-**	**(199,030)**
Carrying amount	**17,245,396**	**81,947**	**-**	**17,327,343**

In RON thousands	Bank Stage 1 and Stage 2	Stage 3	Of which: POCI financial assets	31.12.2020
Loan commitments	**10,475,443**	**126,747**	**-**	**10,602,190**
committed	1,825,907	36,536	-	1,862,443
uncommitted	8,649,536	90,211	-	8,739,747
Letters of credit	113,145	1,000	-	114,145
Guarantees issued	3,834,756	151,843	-	3,986,599
Gross amount	**14,423,344**	**279,590**	**-**	**14,702,934**
Allowance for impairment - Loan commitments	(11,473)	(52,292)	-	(63,765)
Allowance for impairment - Letters of credit	(964)	(743)	-	(1,707)
Allowance for impairment - Guarantees issued	(36,839)	(73,852)	-	(110,691)
Total loss allowance	**(49,276)**	**(126,887)**	**-**	**(176,163)**
Carrying amount	**14,374,068**	**152,703**	**-**	**14,526,771**

43. COMMITMENTS AND CONTINGENCIES *(continued)*

i) Off-balance-sheet commitments (continued)

The split into stages of the off-balance sheet exposure related to the commitments assumed within the financial leasing contracts offered is presented below:

In RON thousands	UCLC (Unicredit Leasing Corporation) Stage 1 and Stage 2	Stage 3	Of which: POCI financial assets	31.12.2021
Loan commitments	**143,806**	**223**	**-**	**144,029**
committed	143,806	223	-	144,029
Gross amount	**143,806**	**223**	**-**	**144,029**
Allowance for impairment - Loan commitments	(928)	(22)	-	(950)
Total loss allowance	**(928)**	**(22)**	**-**	**(950)**
Carrying amount	**142,878**	**201**	**-**	**143,079**

In RON thousands	UCLC (Unicredit Leasing Corporation) Stage 1 and Stage 2	Stage 3	Of which: POCI financial assets	31.12.2020
Loan commitments	**90,900**	**1,804**	**-**	**92,704**
committed	90,900	1,804	-	92,704
Gross amount	**90,900**	**1,804**	**-**	**92,704**
Allowance for impairment - Loan commitments	(1,038)	(238)	-	(1,276)
Total loss allowance	**(1,038)**	**(238)**	**-**	**(1,276)**
Carrying amount	**89,862**	**1,566**	**-**	**91,428**

The Bank acts as a security agent, payment agent and hedging agent for a series of loan contracts between UniCredit Bank SpA and other entities within UniCredit Group as lender and Romanian companies as borrowers. For each of these contracts there is a risk participation agreement by which the Bank is obliged to indemnify UniCredit SpA or the other entities within UniCredit Group. The total amount of such risk participation agreements in force as at 31 December 2021 is EUR 13,842,420 (31 December 2020: EUR 23,343,438).

As compensation for the financial guarantees assumed by the risk participation agreements and for providing security and payment agent services to UniCredit SpA, the Bank receives the commissions paid by the borrowers plus a portion of the interest margin collected from the borrowers. The Bank defers the commissions collected upfront from the risk participation agreements over the time period that remains until the maturity of the facilities.

The Bank concluded with UniCredit SpA a series of novation contracts through which loan contracts initially concluded by the Bank with Romanian companies were transferred to UniCredit SpA in exchange for full reimbursement of borrowers' exposure towards the Bank. According to these novation contracts, the Bank is still involved as guarantor and payment agent when the debtor performs its payments.

ii) Litigations

As at 31 December 2021, the Group was involved in several litigations (as a defendant) for which, based on legal advice, has assessed that a provision amounting to RON thousands 15,087 (31 December 2020: RON thousands 23,931) is neceessary to be booked.

As at 31 December 2021, the Bank was involved in several litigations (as a defendant) for which, based upon legal advice, has assessed that a provision amounting to RON thousands 5,942 (31 December 2020: RON thousands 6,836) is necessary to be booked for these claims. In addition, in 2016, a general provision of RON thousands 3,850 was set, being maintained both 2020 and 2021 to ensure a conservative approach to the related provisions.

44. OPERATING SEGMENTS

The segment report format is based on the internal reporting structure of business segments, which reflects management responsibilities in the Bank (Please refer to Note 3y).

44. OPERATING SEGMENTS *(continued)*

Segment reporting on Group's income statements as of 31 December 2021:

31.12.2021			Group			
In RON thousands	CIB	PB	Leasing	Retail	Other	Total
Net interest income	588,121	6,610	123,025	517,437	141,056	1,376,249
Net fee and commission income	163,042	3,395	60,013	158,049	2,684	387,183
Net income from trading and other financial instruments which are not at fair value through profit or loss	279,620	3,770	-	60,468	978	344,836
FX Gains/ (Losses)	(7,760)	-	22,373	(36)	-	14,577
Dividend income	-	-	-	-	2,229	2,229
Other operating income	1,316	2,359	4,856	5,254	(4,334)	9,451
Operating income	**1,024,339**	**16,134**	**210,267**	**741,172**	**142,613**	**2,134,525**
Operating expenses	(379,981)	(17,296)	(82,441)	(541,687)	12,659	(1,008,746)
Net operating income	**644,358**	**(1,162)**	**127,826**	**199,485**	**155,272**	**1,125,779**
Net impairment losses on financial assets	(56,232)	(2,442)	(5,488)	(104,805)	1,988	(166,979)
Losses on modifications of financial assets	-	-	-	(123)	-	(123)
Net provision losses	-	-	8,898	15,844	(18,830)	5,912
Net impairment losses on non-financial assets	-	-	(403)	-	(11,371)	(11,774)
Profit before taxation	**588,126**	**(3,604)**	**130,833**	**110,401**	**127,059**	**952,815**
Income tax	(94,100)	577	(22,128)	(18,548)	(12,965)	(147,164)
Net profit for the year	**494,026**	**(3,027)**	**108,705**	**91,853**	**114,094**	**805,651**

44. OPERATING SEGMENTS *(continued)*

Segment reporting on Group's income statements as of 31 December 2020:

31.12.2020			Group			
In RON thousands	CIB	PB	Leasing	Retail	Other	Total
Net interest income	565,521	9,786	118,421	511,872	103,066	1,308,666
Net fee and commission income	135,633	2,754	37,125	127,875	3,219	306,606
Net income from trading and other financial instruments which are not at fair value through profit or loss	273,776	3,824	-	59,595	24,415	361,610
FX Gains/ (Losses)	68,079	-	13,375	(137)	(77)	81,240
Dividend income	-	-	-	-	1,972	1,972
Other operating income	931	2,797	13,580	3,326	(1,915)	18,719
Operating income	**1,043,940**	**19,161**	**182,501**	**702,531**	**130,680**	**2,078,813**
Operating expenses	(319,800)	(15,099)	(57,149)	(521,198)	8,309	(904,937)
Net operating income	**724,140**	**4,062**	**125,352**	**181,333**	**138,989**	**1,173,876**
Net impairment losses on financial assets	(277,714)	322	(70,331)	(185,182)	21,987	(510,918)
Losses on modifications of financial assets	-	-	-	(2,673)	-	(2,673)
Net provision losses	-	-	16,369	(1,550)	5,091	19,910
Net impairment losses on non-financial assets	-	-	-	-	(5,527)	(5,527)
Profit before taxation	**446,426**	**4,384**	**71,390**	**(8,072)**	**160,540**	**674,668**
Income tax	(71,000)	(702)	(12,472)	(7,290)	(79,271)	(170,735)
Net profit for the year	**375,426**	**3,682**	**58,918**	**(15,362)**	**81,269**	**503,933**

44. OPERATING SEGMENTS *(continued)*

Segment reporting on Bank's income statements as of 31 December 2021:

31.12.2021			Bank		
In RON thousands	CIB	PB	Retail	Other	Total
Net interest income	588,121	6,610	338,513	140,625	1,073,869
Net fee and commission income	163,042	3,395	179,437	397	346,271
Net income from trading and other financial instruments which are not at fair value through profit or loss	279,620	3,770	60,046	978	344,414
FX Gains/ (Losses)	(7,760)	-	-	-	(7,760)
Dividend income	-	-	-	2,229	2,229
Other operating income	1,316	2,359	6,775	230	10,680
Operating income	**1,024,339**	**16,134**	**584,771**	**144,459**	**1,769,703**
Operating expenses	(379,981)	(17,296)	(493,554)	4,766	(886,065)
Net operating income	**644,358**	**(1,162)**	**91,217**	**149,225**	**883,638**
Net impairment losses on financial assets	(56,232)	(2,442)	(38,240)	(1,026)	(97,940)
Losses on modifications of financial assets	-	-	(123)	-	(123)
Net provision losses	-	-	-	(19,953)	(19,953)
Net impairment losses on non-financial assets	-	-	-	(11,371)	(11,371)
Profit before taxation	**588,126**	**(3,604)**	**52,854**	**116,875**	**754,251**
Income tax	(94,100)	577	(8,457)	(12,965)	(114,945)
Net profit for the year	**494,026**	**(3,027)**	**44,397**	**103,910**	**639,306**

44. OPERATING SEGMENTS *(continued)*

Segment reporting on Bank's income statements as of 31 December 2020:

31.12.2020			Bank		
In RON thousands	CIB	PB	Retail	Other	Total
Net interest income	565,521	9,786	310,506	103,018	988,831
Net fee and commission income	135,633	2,754	133,871	337	272,595
Net income from trading and other financial instruments which are not at fair value through profit or loss	273,776	3,824	53,067	24,338	355,005
FX Gains/ (Losses)	68,079	-	-	-	68,079
Dividend income	-	-	-	1,972	1,972
Other operating income	931	2,797	5,370	2,154	11,252
Operating income	**1,043,940**	**19,161**	**502,814**	**131,819**	**1,697,734**
Operating expenses	(319,800)	(15,099)	(472,116)	1,871	(805,144)
Net operating income	**724,140**	**4,062**	**30,698**	**133,690**	**892,590**
Net impairment losses on financial assets	(277,714)	322	(89,218)	149	(366,461)
Losses on modifications of financial assets	-	-	(2,673)	-	(2,673)
Net provision losses	-	-	-	27,343	27,343
Net impairment losses on non-financial assets	-	-	-	(5,527)	(5,527)
Profit before taxation	**446,426**	**4,384**	**(61,193)**	**155,655**	**545,272**
Income tax	(71,428)	(702)	9,791	(79,271)	(141,610)
Net profit for the year	**374,998**	**3,682**	**(51,402)**	**76,384**	**403,662**

44. OPERATING SEGMENTS *(continued)*

Segment reporting on Group's consolidated statement of financial position as of 31 December 2021:

31.12.2021			Group			
In RON thousands	CIB	PB	Leasing	Retail	Other	Total
Total assets	**20,417,067**	**48,714**	**4,996,474**	**11,086,513**	**19,364,091**	**55,912,859**
Total liabilities	22,078,753	2,146,943	4,461,885	15,783,708	4,896,823	49,368,112
Total equity	-	-	-	-	6,544,747	6,544,747
Total liabilities and equity	**22,078,753**	**2,146,943**	**4,461,885**	**15,783,708**	**11,441,570**	**55,912,859**

Segment reporting on Group's consolidated statement of financial position as of 31 December 2020:

31.12.2020			Group			
In RON thousands	CIB	PB	Leasing	Retail	Other	Total
Total assets	**17,888,013**	**58,474**	**5,073,671**	**10,199,566**	**18,748,816**	**51,968,540**
Total liabilities	19,931,658	2,059,869	4,647,146	13,860,311	5,627,607	46,126,591
Total equity	-	-	-	-	5,841,949	5,841,949
Total liabilities and equity	**19,931,658**	**2,059,869**	**4,647,146**	**13,860,311**	**11,469,556**	**51,968,540**

44. OPERATING SEGMENTS *(continued)*

Segment reporting on Bank's separate statement of financial position as of 31 December 2021:

31.12.2021			Bank		
In RON thousands	CIB	PB	Retail	Other	Total
Total assets	**20,417,067**	**48,714**	**9,103,262**	**20,606,456**	**50,175,499**
Total liabilities	22,078,753	2,146,943	15,743,014	4,309,970	44,278,680
Total equity	-	-	-	5,896,819	5,896,819
Total liabilities and equity	**22,078,753**	**2,146,943**	**15,743,014**	**10,206,789**	**50,175,499**

Segment reporting on Bank's separate statement of financial position as of 31 December 2020:

31.12.2020			Bank		
In RON thousands	CIB	PB	Retail	Other	Total
Total assets	**17,888,013**	**58,474**	**8,191,298**	**19,307,973**	**45,445,758**
Total liabilities	19,931,658	2,059,869	13,797,052	4,296,461	40,085,040
Total equity	-	-	-	5,360,718	5,360,718
Total liabilities and equity	**19,931,658**	**2,059,869**	**13,797,052**	**9,657,179**	**45,445,758**

45. IFRS 16 - „LEASE” (GROUP AS LESSEE)

The Group acts as the lessee in operating lease agreements for motor vehicles and rental of spaces. Leases are denominated in EUR, USD and RON and are signed for a period between 1 and 15 years.

The tables below present the movement of the Right of Use as result of applying IFRS 16:

31.12.2021	Group				Bank			
in RON thousands	Cars	Lands and buildings	Other equipment	Total	Cars	Lands and buildings	Other equipment	Total
Balance at 1 January 2021	**10,911**	**187,878**	**-**	**198,789**	**9,588**	**180,308**	**-**	**189,896**
New Contracts	5,731	9,941	387	16,059	3,549	9,941	387	13,877
Contracts Modifications	37	18,040	-	18,077	37	18,073	-	18,110
Depreciation during the period (-)	(4,813)	(59,415)	(25)	(64,253)	(3,686)	(55,302)	(25)	(59,013)
Balance at 31 December 2021	**11,866**	**156,444**	**362**	**168,672**	**9,488**	**153,020**	**362**	**162,870**

31.12.2020	Group				Bank			
in RON thousands	Cars	Lands and buildings	Other equipment	Total	Cars	Lands and buildings	Other equipment	Total
Balance at 1 January 2020	**14,916**	**159,320**	**-**	**174,236**	**12,763**	**147,683**	**-**	**160,446**
New Contracts	83	13,060	-	13,143	-	13,060	-	13,060
Contracts Modifications	6	74,982	-	74,988	81	74,950	-	75,031
Depreciation during the period (-)	(4,094)	(59,484)	-	(63,578)	(3,256)	(55,385)	-	(58,641)
Balance at 31 December 2020	**10,911**	**187,878**	**-**	**198,789**	**9,588**	**180,308**	**-**	**189,896**

45. IFRS 16 - „LEASE” (GROUP AS LESSEE) *(continued)*

The table below presents the movement of the Lease Liability as result of applying IFRS 16:

31.12.2021	Group				Bank			
in RON thousands	Cars	Lands and buildings	Other equipment	Total	Cars	Lands and buildings	Other equipment	Total
Balance at 1 January 2021	**11,083**	**185,753**	**-**	**196,836**	**9,720**	**182,997**	**-**	**192,717**
Interest Expense	129	743	-	872	8	651	-	659
Lease Payments – Principal	(5,130)	(59,361)	(32)	(64,523)	(3,816)	(58,581)	(32)	(62,429)
Lease Payments – Interest	(120)	(791)	-	(911)	(8)	(695)	-	(703)
New Contracts	5,735	9,941	387	16,063	3,549	9,941	387	13,877
Contracts Modifications	47	17,019	-	17,066	37	17,531	-	17,568
FX Impact	339	3,048	1	3,388	157	3,048	1	3,206
Balance at 31 December 2021	**12,083**	**156,352**	**356**	**168,791**	**9,647**	**154,892**	**356**	**164,895**

31.12.2020	Group				Bank			
in RON thousands	Cars	Lands and buildings	Other equipment	Total	Cars	Lands and buildings	Other equipment	Total
Balance at 1 January 2020	**14,892**	**149,008**	**-**	**163,900**	**12,712**	**146,040**	**-**	**158,752**
Interest Expense	99	1,155	-	1,254	16	1,023	-	1,039
Lease Payments – Principal	(4,126)	(53,316)	-	(57,442)	(3,287)	(53,713)	-	(57,000)
Lease Payments – Interest	(100)	(1,236)	-	(1,336)	(17)	(1,104)	-	(1,121)
New Contracts	79	13,037	-	13,116	-	13,037	-	13,037
Contracts Modifications	24	74,360	-	74,384	81	74,969	-	75,050
FX Impact	215	2,745	-	2,960	215	2,745	-	2,960
Balance at 31 December 2020	**11,083**	**185,753**	**-**	**196,836**	**9,720**	**182,997**	**-**	**192,717**

45. IFRS 16 - „LEASE” (GROUP AS LESSEE) *(continued)*

The table below presents the amounts recognized in the Income statement for IFRS 16 related positions and amounts for leases not included in IFRS 16 related positions (expenses relating to short-term leases and expenses relating to leases of low-value assets, excluding short-term leases of low-value assets).

31.12.2021	Group				Bank			
In RON thousands	Cars	Lands and buildings	Other equipment	Total	Cars	Lands and buildings	Other equipment	Total
Expenses with depreciation related to the rights of use	(4,813)	(59,415)	(25)	(64,253)	(3,686)	(55,302)	(25)	(59,013)
Expenses with interest on lease liabilities	(129)	(743)	-	(872)	(8)	(651)	-	(659)
Expenses related to short-term leases not included in IFRS 16 related positions	(1,172)	(3,833)	-	(5,005)	(652)	(3,833)	-	(4,485)
Expenses related to leases of low-value assets, excluding short-term lease of low-value assets, not included in IFRS 16 related positions	-	-	(742)	(742)	-	-	(742)	(742)
Total	**(6,114)**	**(63,991)**	**(767)**	**(70,872)**	**(4,346)**	**(59,786)**	**(767)**	**(64,899)**

31.12.2020	Group				Bank			
In RON thousands	Cars	Lands and buildings	Other equipment	Total	Cars	Lands and buildings	Other equipment	Total
Expenses with depreciation related to the rights of use	(4,094)	(59,484)	-	(63,578)	(3,256)	(55,385)	-	(58,641)
Expenses with interest on lease liabilities	(99)	(1,155)	-	(1,254)	(16)	(1,023)	-	(1,039)
Expenses related to short-term leases not included in IFRS 16 related positions	(1,517)	(3,276)	-	(4,793)	(844)	(3,276)	-	(4,120)
Expenses related to leases of low-value assets, excluding short-term lease of low-value assets, not included in IFRS 16 related positions	-	-	(1,400)	(1,400)	-	-	(1,400)	(1,400)
Total	**(5,710)**	**(63,915)**	**(1,400)**	**(71,025)**	**(4,116)**	**(59,684)**	**(1,400)**	**(65,200)**

45. IFRS 16 - „LEASE" (GROUP AS LESSEE) *(continued)*

Amounts recognised in Statement of Cash Flows for IFRS 16 related positions and for leases not included in IFRS 16 related positions

31.12.2021	Group				Bank			
in RON thousands	Cars	Lands and buildings	Other equipment	Total	Cars	Lands and buildings	Other equipment	Total
Lease Payments – Principal	5,130	59,361	32	64,523	3,816	58,581	32	62,429
Lease Payments – Interest	120	791	-	911	8	695	-	703
Payments for short-term leases not included in IFRS 16 related positions	1,172	3,833	-	5,005	652	3,833	-	4,485
Payments for leases of low-value assets, excluding short-term lease of low-value assets, not included in IFRS 16 related positions	-	-	742	742	-	-	742	742
Total cash outflow for leases	**6,422**	**63,985**	**774**	**71,181**	**4,476**	**63,109**	**774**	**68,359**

31.12.2020	Group				Bank			
in RON thousands	Cars	Lands and buildings	Other equipment	Total	Cars	Lands and buildings	Other equipment	Total
Lease Payments – Principal	4,126	53,316	-	57,442	3,287	53,713	-	57,000
Lease Payments – Interest	100	1,236	-	1,336	17	1,104	-	1,121
Payments for short-term leases not included in IFRS 16 related positions	1,517	3,276	-	4,793	844	3,276	-	4,120
Payments for leases of low-value assets, excluding short-term lease of low-value assets, not included in IFRS 16 related positions	-	-	1,400	1,400	-	-	1,400	1,400
Total cash outflow for leases	**5,743**	**57,828**	**1,400**	**64,971**	**4,148**	**58,093**	**1,400**	**63,641**

45. IFRS 16 - „LEASE” (GROUP AS LESSEE) *(continued)*

The table below presents the maturity analysis of the lease liability.

31.12.2021	Group				Bank			
mii RON	Cars	Lands and buildings	Other equipment	Total	Cars	Lands and buildings	Other equipment	Total
Up to 3 months	1,226	16,242	24	17,492	967	16,022	24	17,013
3 months to 1 year	3,548	38,102	73	41,723	2,794	37,441	73	40,308
1 to 2 years	4,412	39,235	97	43,744	3,676	38,656	97	42,429
2 to 3 years	2,549	34,187	97	36,833	1,988	34,186	97	36,271
3 to 4 years	346	16,382	65	16,793	221	16,382	65	16,668
4 to 5 years	-	6,098	-	6,098	-	6,098	-	6,098
Over 5 years	-	6,108	-	6,108	-	6,108	-	6,108
Total	**12,081**	**156,354**	**356**	**168,791**	**9,646**	**154,893**	**356**	**164,895**

31.12.2020	Group				Bank			
mii RON	Cars	Lands and buildings	Other equipment	Total	Cars	Lands and buildings	Other equipment	Total
Up to 3 months	1,024	16,011	-	17,035	830	15,745	-	16,575
3 months to 1 year	2,828	40,028	-	42,856	2,299	39,230	-	41,529
1 to 2 years	3,243	48,470	-	51,713	2,763	47,391	-	50,154
2 to 3 years	2,886	33,500	-	36,386	2,733	32,886	-	35,619
3 to 4 years	1,101	28,396	-	29,497	1,095	28,396	-	29,491
4 to 5 years	-	11,021	-	11,021	-	11,021	-	11,021
Over 5 years	-	8,328	-	8,328	-	8,328	-	8,328
Total	**11,082**	**185,754**	**-**	**196,836**	**9,720**	**182,997**	**-**	**192,717**

46. COVID IMPACT

46.1 Covid-19 - Measures taken by ECB, EBA and NBR

During 2020 and in the first half of 2021, the Board of Directors of the European Central Bank (ECB) has decided a number of measures to ensure that its directly supervised banks can continue to fulfil their role in funding the real economy given the economic effects of the Covid-19.

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

These measures are detailed in the transparency report (Pillar 3 report), published on the Bank's website in the Financial Reports section.

46.2. Measures taken by the Romanian State and related accounting impact on the Group

COVID support

Although the pandemic situation improved significantly during 2021 and had a lower impact on economic activity, most of the support measures from 2020 were efficient and were continued in order to avoid the potentially negative consequences of a too early withdrawal of stimulus. Thus, the government support measures for employers (such as furlough support, facilities for employing young graduates or unemployed over 45 years old and several other measures) were kept in place in 2021, while the moratorium on loans was extended until March 2021. At the same time, the “IMM Invest” program was allocated RON 15bn in 2021 in loans to SMEs, while large companies (turnover > EUR 20mn) benefitted as well from government support programs. Moreover, the first NRRP transfers arrived at the turn of 2021, totaling around EUR 3.8bn. Next Generation EU (NGEU) grants and delayed transfers from the 2014-2020 EU budget are expected to support public investment in 2022 and beyond.

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

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

The table below summarizes the impact from implementing the EGO 37/2020, as of 31 December 2021 and contains the total amounts due and postponed for repayment until 31 December 2021:

In RON thousands	Total suspended instalments 31.12.2021 Group	Total suspended instalments 31.12.2020 Group	Total suspended instalments 31.12.2021 Bank	Total suspended instalments 31.12.2020 Bank
Households, out of which:	**3,047**	**74,400**	**931**	**33,711**
Consumer loans	2,151	41,069	35	380
Mortgages	896	33,331	896	33,331
Legal entities (*), out of which,	**11,000**	**876,153**	**11,000**	**876,153**
SME Loans	11,000	380,095	11,000	380,095
Other Loans	-	496,058	-	496,058
Total	**14,047**	**950,553**	**11,931**	**909,864**

(*) Includes also "bullet" reimbursable amounts, without repayment schedule, related to revolving facilities in the total amount of RON thousands 7,607 (31 December 2020 RON thousands 305,405).

IMM Invest Romania program

Through the IMM Invest Romania program, the SMEs affected by COVID-19 outbreak can cover their liquidity needs for current operations or investment needs by accessing financing solutions (both working capital or investment loans) from the banks under FNGCIMM guarantee scheme (on behalf of Ministry of Public Finance). For 2021, the total ceiling of guarantees that can be granted is worth 15 billion lei, of which 1 billion lei is allocated for the AGRO

46. COVID IMPACT *(continued)*

46.2. Measures taken by the Romanian State and related accounting impact on the Group *(continued)*

IMM INVEST program. The period until which registrations can be made is December 31, 2021. At the same time, the program was changed in order to include IMM Factor and AGRO IMM Invest.

The maximum loan exposure toward a single beneficiary is RON 10mn with a maximum tenor of 72 months for investment loans and RON 5mn with a maximum tenor of 36 months for working capital loans.

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

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

Regarding **UCLC**, the negative impact of Covid-19 gradually decreased in 2021. The newly financed volumes signed are 27% above the previous year, while interest income was higher than the previous year, as were other types of operating income, contributing to a higher Gross Operating Profit than the previous year and the budgetary estimates.

In the context of Covid-19, **UCFIN** has taken a series of measures to protect its net assets and ensure the continuity of the lending activity in the future period. These measures (taken during 2020 and continued in 2021) implied new business calibration with credit risk policies assumed during the Covid-19 outbreak, leverage on UCB banking products (i.e. approving new customers only if their monthly income is cashed in the accounts opened with the UCB) and increased attention to debt collection area.

The Group has a limited estimate of the impact of Covid-19 on its future financial position due to significant uncertainties, but has analyzed several scenarios and considers that the assessment of the business continuity principle is appropriate and there is no risk in this regard over the next 12 months.

Liquidity & solvency position

During 2021 the Group continues regularly to assesses the impact of the Covid-19 outbreak in its business, risk profile and prudential and performance indicators. In this sense, the Group evaluates its performance based on stress testing scenarios on key performance and prudence indicators, strict monitoring of position and liquidity indicators (mainly liquidity coverage rate - "LCR" and liquidity quick ratio), monitoring the evolution of government interest rates due to the high level of market volatility and its impact on the capital base and monitoring the simulations of solvency indicators. The Group stress test results are comfortable; both in terms of solvency and in terms of liquidity UniCredit Romania Group expects to maintain a sound position as compared to regulatory minimum ratios.

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

Ratio	31 December 2020	31 March 2021	30 June 2021	30 September 2021	31 December 2021
	Group	Group	Group	Group	Group
LCR	181.32%	159.20%	154.68%	154.37%	156.60%
NSFR*	175.68%	165.40%	166.08%	159.55%	159.38%

Ratio	31 December 2020	31 March 2021	30 June 2021	30 September 2021	31 December 2021
	Bank	Bank	Bank	Bank	Bank
LCR	173.60%	157.58%	161.06%	150.73%	154.17%
NSFR*	190.04%	178.30%	179.38%	174.66%	171.27%

** Net Stable Funding Ratio*

46. COVID IMPACT *(continued)*

46.3 Financial impact of Covid-19 outbreak on the financial & prudential position of the Group *(continued)*

Solvency

During 2021 the Group it continued measures for capital preservation considering Covid-19 development such as:

- Strict monitoring of capital position;
- The planned distribution of dividends for the financial year ended 31 December 2020 did not take place, so the entire consolidated profit (RON 493 million) was kept in own funds;
- Periodic simulations at consolidated level by using stress testing methodologies regarding the increase of the exchange rate, the increase of the interest rate and the increase of the non-repayment probabilities.

47. SUBSEQUENT EVENTS

There is no significant subsequent event after the end of reporting period.

The consolidated and separate financial statements were approved by the Management Board on February 22, 2022 and were signed on its behalf by:

Mr. Catalin Rasvan Radu	**Mr. Philipp Gamauf**
Chief Executive Officer	**Chief Financial Officer**

UniCredit Bank S.A.

Management Board's report

Consolidated and Separate

for the financial year ended 31 December 2021

Content

1. General presentation

UniCredit Group (the "Group") consists of UniCredit Bank S.A. (the "Bank") as parent company, and its subsidiaries, UniCredit Consumer Financing IFN S.A. ("UCFIN"), UniCredit Leasing Corporation IFN S.A ("UCLC") and Debo Leasing SRL ("DEBO") and UniCredit Insurance Broker S.R.L ("UCIB"). Further details are available in the Reporting entity note presented in the notes to the consolidated financial statements for the period ended 31 December 2021.

UniCredit Bank S.A. (the "Bank"), is having its current registered office is in Bucharest, 1F Expozitiei Boulevard, District 1, Romania. The Bank was established as a Romanian commercial bank, Banca Comerciala Ion Tiriac S.A. in 1991, which merged with HVB Bank Romania SA on 01.09.2006, resulting Banca Comerciala HVB Tiriac S.A. As a result of the merger by absorption of the former UniCredit Romania S.A. (the absorbed bank) by Banca Comerciala HVB Tiriac S.A. (the absorbing bank), the Bank is licensed by the National Bank of Romania to conduct banking activities.

The Bank provides retail and commercial banking services in Romanian Lei ("RON") and in foreign currency for private individuals and companies. These are including: current accounts opening, domestic and international payments, foreign exchange transactions, working capital finance, medium and long term credit facilities, retail loans, bank guarantees, letter of credits and documentary collections.

UniCredit Bank S.A. is directly controlled by UniCredit SpA (Italy), with registered office in Milano, Piazza Gae Aulenti, 3.

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

- UniCredit Consumer Financing IFN S.A.("UCFIN"), having its current registered office at 23-25 Ghetarilor Street, 1st and 3rd floor, District 1, Bucharest, Romania, provides consumer finance loans to individuals. The Bank has a shareholding of 50.1% in UCFIN since January 2013.
- UniCredit Leasing Corporation IFN ("UCLC"), having its headquarters in Ghetarilor Street no. 23-25, 1st, 2nd and 4th floors, Sector 1, Bucharest, Romania, provides financial leasing services to corporate clients and individuals. UCLC, the former associate, has become the Bank's subsidiary since April 2014 when the Bank obtained indirect control of 99.95% (direct control: 99.90%). The Bank's indirect controlling interest as of 31 December 2020 is 99.98% (direct control: 99.96%), as a result of the merger of UniCredit Leasing Romania SA ("UCLRO") with UCLC, finalized in June 2015, the date when UCLRO was absorbed by UCLC.
- Debo Leasing S.R.L. ("DEBO"), having its current registered office in 23-25 Ghetarilor Street, 2nd floor, 1st district, Bucharest, Romania, is a real estate finance lease entity and became a subsidiary of the Bank beginning with April 2014. The Bank has an indirect controlling interest of 99.97% through UCLC. Debo Leasing S.R.L. is the new name of Debo Lesing IFN S.A. beginning with October 2018, when the company was erased from the General Register of Financial Non-Banking Institutions. Considering

that Debo's portfolio contracts expired in May 2021, the company was liquidated during December 2021.

- UniCredit Insurance Broker S.R.L. ("UCIB"), having its current registered office in 23-25 Ghetarilor Street, 2nd floor, 1st district, Bucharest, Romania, intermediates insurance policies related to leasing activities to legal entities and individuals, and became a subsidiary of the Bank beginning with 31 December 2020. The Bank has an indirect controlling interest of 99.98% through UCLC which owns 100% UCIB.

As of 31 December 2021 the Group carried out its activity in Romania through the Head Office located in Bucharest and its network of 147 branches (31 December 2020: 148) located in Bucharest and all over the country.

2. 2021 Activity Overview

The very good recovery pace of the economy during 2021 supported the recovery of the private consumption and, implicitly, of the financing activities, which, in turn, led to a very good evolution of the activity of UniCredit. Along this whole period, the solid position allowed the Group to continue in supporting its customers with diversified financing products, and also with measures for those customers who were affected by the Covid19 pandemic. UniCredit Bank S.A also sought to contribute to the recovery of the economy through special financing terms offered within the context of the various guarantee agreements it is part of, and by participating in the state aid schemes, in order to offer support to the companies affected by the consequences of the pandemic; for instance, credit facilities were offered using own funds and state guarantees to companies in many business sectors through the IMM Invest Programme and the AGRO IMM Invest Sub-programme. UniCredit's approach to digitalisation continued to be proactive in promoting innovative digital solutions to customers.

In the retail field, UniCredit Bank S.A continued to expand the range of products and services by adding new solutions and offers for savings, lending, insurance products, as well as new digital solutions addressing the specific needs of the Bank's individual customers.

The Mobile Banking application has become a key channel for interacting with the Bank and, as a result, a central digital tool offered by UniCredit Bank. A number of new features were launched in 2021 to facilitate 100% digital interaction, among which Google Pay payments (in addition to Apple Pay, which was already available); the "Add Money" feature that allows customers to transfer money from their accounts opened with other banks to UniCredit Bank, using a debit card or a credit card issued by those banks; card-less cash withdrawals from the Bank's ATMs (the mCash feature in Mobile Banking); the possibility to withdraw Euro from some of the Bank's ATMs using the card; the issuing of virtual debit cards and, last but not least, the ShopSmart cashback programme, which helps customers access discounts with more than 100 famous retailers when paying by UniCredit card.

One of the star products in 2021 was the mortgage loan, given the developments on the real estate market. UniCredit supported its customers in their important decision to buy

Breaking new ground: In supporting ethical fashion brand Quid, we are not only helping the company reduce its environmental impact, but also take concrete steps towards greater job inclusion.

Our Clients
Quid
Italy

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a new home, providing several solutions, such as the Green Mortgage Loan (a real estate financing product with a fixed interest rate for the first five years); participation in the Noua Casa guarantee programme; the campaign offering a gift on the occasion of buying a new home present – in amount of net 2,000 Lei offered to customers meeting the requirements of the campaign, or the promotional offer available as of September 1 for the mortgage loans with variable interest rates, offering one of the best interest margins on the market. In November 2021, UniCredit Bank launched the first Mortgage Center in Bucharest - a branch exclusively dedicated to mortgage loans and mortgage services. Mortgage Center has a dedicated team of banking specialists that have a vast experience with the complex flows related to purchasing real estate and mortgage services, and a very good knowledge of the related market. The opening of the branch dedicated to mortgage financing comes in addition to the services related to granting the mortgage loans offered by the bank in all its branches everywhere in the country. All these actions came as a consequence to the needs identified among the customers of having a one-stop-shop to manage their banking service needs and to solve their application benefiting from dedicated expertise, considering that mortgage products are more complex, and the lending process requires a higher level of expertise.

Furthermore, two new products were launched during the year for the Bank's customers, developed by Allianz-Tiriac under its strategic partnership with UniCredit:Premium Invest, the life insurance with an investment component, in Euro - (available as of February 2021), and Umbrella, the life insurance with a cost starting at 10 Lei per month - (available as of November 2021).

Concerning the commercial activity in the business segment, UniCredit Bank continued to offer special financing conditions in 2021 within the context of the various guarantee agreements that the Bank is operating; thus, customers could benefit from the advantages, in terms of costs and collaterals required, to help them better respond to the challenges brought by the pandemic context.

In the same time, the European Investment Fund extended the period for granting the financial support measures within the context of Covid-19 by 31st December 2021; these measures includeed the possibility to grant working capital loans to SMEs and mid-cap companies in the Central and East European region, with 80% EIF guarantees and simplified eligibility criteria. These new measures extended the applicability of the InnovFin guarantee to include large mid-caps, extending the eligibility base covering the already envisaged companies (SMEs or mid-cap companies). In addition, with a view for supporting the efforts of embracing digital technologies, the InnovFin guarantee was extended to cover financing for the digital transformation of companies. The transaction benefited from the support of Horizon 2020, the EU framework programme for research and innovation, and of the European Fund for Strategic Investments - the essence of the Investment Plan for Europe. These new measures allowed UniCredit to offer support for companies in Romania and 8 other countries in Central and Eastern Europe: Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Hungary, Serbia, Slovakia and Slovenia.

Ecological sustainability: Identifying a problem is the first step in solving it. Bank Austria has provided a home to more than a million bees over the past two years.

Our People
Bee Centre
Austria

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In addition, in 2021, UniCredit Bank S.A continued to:

- provide access for small and medium-sized companies for financing with 60% of the loan value guaranteed through the SME Initiative - a guarantee instrument accessed by UniCredit Bank from the European Union. The transactions are supported by the European Union through the SME Initiative Programme, funded by the EU through the EAFRD and Horizon 2020, by the European Investment Fund, and by the European Investment Bank. Thus, eligible companies have access to financing guaranteed through a financial guaranteeing instrument, and can use bank financing under convenient terms for setting up new companies, expanding their current activity, strengthening their activity or implementing new projects, including by approaching new markets;
- offer farmers, agricultural holdings and agricultural cooperative companies, and groups of farmers working capital and investment financing products, with a Fund of Funds guarantee of 50%, amounts from the EAFRD, through the National Agriculture and Rural Development Programme, together with funds from the national budget;
- provide micro companies with a Lei financing programme to fund running expenses, amounting to maximum 25,000 Eur (Lei equivalent), with 80% of the credit amount guaranteed through EaSI (an instrument accessed by UniCredit Bank from the EU through the European Investment Fund, part of European Investment Bank Group);
- finance small and medium-sized company customers who have a turnover up to 3 million Euro by providing loans for their running expenses, with a reimbursement schedule and a 50% COSME Loan Guarantee Facility. COSME is a financial guarantee instrument offered by the EIF, supporting the growth of companies and the research and innovation process.

Furthermore, in 2021, UniCredit Bank S.A. started implementing the credit facility with a Cultural and Creative Sector guarantee scheme through the European Investment Fund, which is a financial guarantee instrument supporting convenient financing for SME customers operating in the eligible sectors. Within the context of the Covid19 pandemic, the EIF implemented some improvements in terms of the guaranteeing percentage for the standard products: 90% in the case of transactions carried out during the Covid19 support period (up to 31.12.2021), compared to 70% for the transactions performed outside the Covid-19 support period.

One significant line of development in the Bank's activity is the participation in the local risk sharing schemes provided by the Romanian state to offer support to the companies impacted by the consequences of the pandemic. Thus, in 2021, through the IMM Invest Programme and the AGRO IMM Invest Sub-programme, credit facilities using own funds and state guarantees were granted to companies operating in several business sectors such as production, constructions, agriculture, food industry, IT, transports and others. Furthermore, the Bank funded the SME and large enterprise customers through the EximBank Guarantee, which is a state aid granted under the provisions of the EC Communication on the Temporary framework for state aid measures to support the economy within the context of the current Covid19 pandemic. The guarantee percentage is 50% or 90%, depending on the type of the loan. One example in this sense is the financial package structured by UniCredit Bank and EximBank to ensure the necessary cash for the current activity of Pigna Romania Impex, a leader on the Central

Fine-tuning the skills of tomorrow: through RenewAcad, UniCredit Bank Romania helped over a thousand miners to retrain as specialists in wind energy and electricity distribution – thereby supporting the transition.

Our Clients
Wind Power Energy
Romania

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and Eastern European market of school notebooks and office supply production. Specifically, in May 2021, the company received a 5-million Lei loan from UniCredit Bank, 90% of which guaranteed by EximBank, within the Covid-19 state aid scheme for large companies.

In the corporate segment, UniCredit Bank S.A., through its Corporate Finance Advisory team, proved its capacity to serve the customers and by being a leader on the Romanian M&A market, providing advisory services for Brasil Foods regarding the sale of its subsidiary Banvit Foods SRL to Aaylex System Group SA, one of the largest vertically integrated producers of poultry in Romania. Furthermore, UniCredit Group, through the CEE Corporate Finance Advisory team and with the support of the local team at UniCredit Bank S.A., provided advice to Credit Agricole SA regarding the sale of its Romanian branch to VISTA Bank.

UniCredit Bank S.A. obtained an important award in 2021 in recognition of the banking services it offers. Thus, for the third consecutive year, the Euromoney Cash Management Survey 2021 acknowledged UniCredit as the best cash management service provider in eight countries, including Romania. Moreover, the Group maintained its market leader position on the Central and Eastern European market, and improved its ranking compared to 2020 and its leader position in nine countries, including Romania. The results came from a multiannual investment strategy envisaging investments in service digitalisation, the e-commerce platform of UniCredit and the e-payment platform, in line with the strategic goals of the Group to optimise digital instruments, following the industry trends, while remaining open and responsive to the changing needs of its customers. Other honouring awards that reinforce our powerful position on the banking services market came from Euromoney - within the 2021 Excellence Awards, where UniCredit was acknowledged as the "Best bank for consulting services in Central and Eastern Europe", and also within 2021 Euromoney's Trade Finance Survey, where, for Romania, UniCredit obtained recognition in the "Market Leader" and "All Services" categories.

Regarding **UniCredit Consumer Financing IFN S.A.** activity, the company focused in 2021 on digitalisation, cross sell, efficiency improvement, aiming to increase electronic signature usage rates, increase automated processes and the cross-sell rate on other products. As a result, the dynamic price process was launched (monthly change of interest rates depending on the customer collecting or not their salary in UniCredit), and the POS channel strategy was reviewed to ensure expansion of the network and increase profitability. Furthermore, cross sell processes (cross selling of cards and loans), as well as campaigns were launched. Concerning loyalty schemes for our customers, a new module of special offers on UniCredit Consumer Financing credit cards (Shop Smart) was launched. In preparing for 2022, the focus will be on increasing the number of strategic partners and sale channels (brokers, contact center), simplifing digital flows and adding new digital features, with a view to improving customer experience.

In 2021, **UniCredit Leasing Corporation IFN S.A.** maintained its leading position on the financial leasing market, and digitalization continued to be an essential direction for the company. Thus, UniCredit Leasing Corporation IFN SA became the first leasing company

Lending a voice to the voiceless: We believe in equal opportunities, UniCredit Bank Slovenia's long-standing collaboration with charity ZPM Ljubljana Moste-Polje has led to improved outcomes for children for well over a decade.

Our Clients
Zveza Prijateljev Mladine (ZPM)
Ljubljana Mo'ste – Polje
Slovenia

Curious to know more? Check out the entire story (and others) on annualreport.unicredit.eu/en in Romania to offer its corporate clients the possibility to obtain a qualified electronic signature, the enrollment for qualified electronic certificates valid for 3 months being facilitated by the company without additional costs for the clients. These qualified certificates allow the clients to quickly sign the contractual documentation using a qualified electronic signature issued by an authorized provider in Romania, with the clients having the opportunity to choose how they want to interact with the company, in the branch or remotely, through alternative channels. Thus, UniCredit Leasing customers benefit from time and cost advantages and a modern and context-appropriate way to interact.

In 2021, the main performance indicators of UniCredit Bank Group evolved as follows:

- Total assets increased by 7.59%, up to RON thousands 55,912,859;
- Net profit: increased by 59.87%, mainly due to the decrease in credit risk provisions and higher operating income;
- Customer loan portfolio (including lease receivables) increased by 15.21% compared to 2020.

UniCredit Bank Group had a solid financial position in 2021:

Indicator (%)	Group		Bank	
	2021	2020	2021	2020
ROE	13.30	9.29	11.36	7.89
ROA	1.49	0.97	1.34	0.90
Solvency ratio[1]	20.37	22.16	23.08	26.44
Cost/Income ratio	47.26	43.53	50.07	47.42
Loans to deposits	88.61	86.27	72.50	65.81
Loan portfolio provision coverage	6.07	6.78	5.53	6.53

As of 31 December 2021, total assets of the UniCredit Bank Group are RON 55,912,859 thousands (Bank: RON 50,175,499 thousands). The net profit for 2021 is RON 805,651 thousands (Bank: RON 639,306 thousands), out of which non-controlling interest amounts to RON 26,120 thousands.

During 2021, the members of the Management Board acted in accordance with statutory laws and regulations in force and ruling UniCredit Bank Group and Bank's regulations. The Supervisory Board and Management Board members also acted according to their responsibilities as defined in the Constitutive Act of the Bank and within the limits of their competences assigned by the General Shareholders Meeting. The Management Board has acted under the supervision and control of the Supervisory Board.

The activity of the Management Board as the main decision making corporate body in the Bank has been consistently and efficiently supported by staff of the Bank, in accordance with their responsibilities and competences operating in compliance with their authorities and set of responsibilities.

[1] *KPI's include non-controlling interests*

Climate neutrality: we stood alongside family-run Steinecke, a leading manufacturer of dried herbs and vegetables, when it decided to build one of Germany's first agrophotovoltaic plants.

Our Clients
Steinicke
Germany

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The Management Board has coordinated the Bank's activity and has taken all necessary measures for the proper management of it, in compliance with the Constitutive Act of UniCredit Bank.

The Bank's main subsidiaries are non-banking financial institutions which are governed in a two tiered system by Management Board and Supervisory Board. The members of the Management Board acted in accordance with statutory laws and regulations in force and ruling UniCredit Bank Group and Bank's regulations. The Supervisory Board and Management Board members also acted according to their responsibilities as defined in the Constitutive Act of the Bank and within the limits of their competences assigned by the General Shareholders Meeting. The Management Board has acted under the supervision and control of the Supervisory Board.

3. Consolidated and separate financial statements of UniCredit Bank S.A. as at 31 December 2021

3.1. Legal framework

The separate financial statements of UniCredit Bank S.A and the consolidated financial statements of the UniCredit Bank Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union and with the provisions of Order 27/2010 issued by National Bank of Romania, for approval of accounting regulations in accordance with International Financial Reporting Standards as endorsed by European Union, with subsequent changes.

The duties stipulated by law, related to the organization and management of the accounting activity, including the accounting principles (prudence, permanence of methods, continuity, independence, intangibility, non-compensation, separate evaluation of assets and liabilities', materiality, substance over form) have been followed. The provisions of the Accounting Law no. 82/1991, with subsequent changes, the accounting regulations and the methods stipulated by regulations in force, were abided by the Bank.

The annual consolidated and separate financial statements provide a true and fair view on the assets and liabilities. The economic and financial position of UniCredit Bank Group is audited by the external auditor, Deloitte Audit SRL.

3.2. The Consolidated Statement of financial position

The IFRS Consolidated Statement of financial position of UniCredit Bank SA as of 31.12.2021 is presented below:

	Group			Bank		
In RON thousands	2021	2020	2021/ 2020 (%)	2021	2020	2021/ 2020 (%)
Assets:						
Cash and cash equivalents	11,269,108	12,236,808	-7.9%	11,269,028	12,229,614	-7.9%
Financial assets at fair value through profit or loss	259,355	555,337	-53.3%	259,355	555,337	-53.3%
Derivatives assets designated as hedging instruments	12,249	-	100%	12,249	-	100%
Loans and advances to customers at amortized cost	29,395,410	25,229,315	16.5%	27,427,573	22,286,540	23.1%
Net lease receivables	3,722,302	3,515,814	5.9%	-	-	-
Loans and advances to banks at amortized cost	493,611	212,130	>100.0%	493,611	212,130	>100.0%
Other financial assets at amortized cost	209,484	138,777	51.0%	192,123	113,032	70.0%
Financial assets at fair value through other comprehensive income	1,677,415	3,020,373	-44.5%	1,675,069	3,018,027	-44.5%
Debt instruments at amortized cost	7,950,629	6,148,138	29.3%	7,950,629	6,148,138	29.3%
Investment in subsidiaries	-	-	-	143,116	143,116	-
Property, plant and equipment	194,583	215,505	-9.7%	186,624	205,101	-9.0%
Right of use assets	168,672	198,789	-15.2%	162,870	189,896	-14.2%
Intangible assets	300,752	245,934	22.3%	284,598	231,976	22.7%
Current tax assets	568	858	-33.8%	-	-	-
Deferred tax assets	142,887	119,797	19.3%	59,683	41,246	44.7%
Other assets	115,834	130,965	-11.6%	58,971	71,605	-17.6%
Total assets	**55,912,859**	**51,968,540**	**7.6%**	**50,175,499**	**45,445,758**	**10.4%**

	Group			Bank		
In RON thousands	2021	2020	2021/ 2020 (%)	2021	2020	2021/ 2020 (%)
Liabilities:						
Financial liabilities at fair value through profit or loss	32,129	73,017	-56.0%	32,129	73,017	-56.0%
Derivatives liabilities designated as hedging instruments	66,812	81,216	-17.7%	66,812	81,216	-17.7%
Deposits from banks	666,990	595,076	12.1%	666,990	595,076	12.1%
Loans from banks and other financial institutions at amortized cost	4,170,873	5,564,667	-25.0%	570,921	778,203	-26.6%
Deposits from customers	39,815,528	35,772,365	11.3%	40,069,143	36,259,081	10.5%
Debt securities issued	2,491,879	1,922,036	29.6%	1,014,391	470,747	>100.0%
Other financial liabilities at amortized cost	500,899	518,044	-3.3%	434,967	453,359	-4.1%
Subordinated liabilities	944,183	929,593	1.6%	835,325	822,466	1.6%
Lease liabilities	168,791	196,836	-14.2%	164,895	192,717	-14.4%
Current tax liabilities	41,468	6,801	>100.0%	35,135	969	>100.0%
Provisions	220,124	223,576	-1.5%	216,201	193,874	11.5%
Other non-financial liabilities	248,436	243,364	2.1%	171,771	164,315	4.5%
Total liabilities	**49,368,112**	**46,126,591**	**7.0%**	**44,278,680**	**40,085,040**	**10.5%**

	Group			Bank		
In RON thousands	2021	2020	2021/ 2020 (%)	2021	2020	2021/ 2020 (%)
Equity						
Share capital	1,177,748	1,177,748	0.0%	1,177,748	1,177,748	0.0%
Share premium account	621,680	621,680	0.0%	621,680	621,680	0.0%
Cash flow hedging reserve	(33,407)	(46,441)	-28.1%	(33,407)	(46,441)	-28.1%
Reserve on financial assets at fair value through other comprehensive income	(10,389)	107,908	>100.0%	(10,389)	107,908	>100.0%
Revaluation reserve on property, plant and equipment	14,122	12,722	11.00%	14,122	12,722	11.00%
Other reserves	365,616	325,516	12.3%	365,616	325,516	12.3%
Retained earnings	4,262,398	3,521,959	21.0%	3,761,449	3,161,585	19.0%
Total equity for parent company	**6,397,768**	**5,721,092**	**11.8%**	**5,896,819**	**5,360,718**	**10.0%**
Non-controlling interest	146,979	120,857	21.61%	-	-	-
Total equity	**6,544,747**	**5,841,949**	**12.0%**	**5,896,819**	**5,360,718**	**10.0%**
Total liabilities and equity	**55,912,859**	**51,968,540**	**7.6%**	**50,175,499**	**45,445,758**	**10.4%**

A more detailed explanation on several captions of the Statement of Financial Position is presented below.

3.3. Assets

Cash and due from Central Banks - The balance of current accounts with the National Bank of Romania represents the minimum reserve maintained in accordance with the National Bank of Romania requirements. As at 31 December 2021, the minimum reserve level was at the level of as 8% (31 December 2020: 8%) for liabilities to customers in RON and 5% for liabilities to customers in foreign currency (31 December 2020: 8%), both with residual maturity less than 2 years from the end of reporting period and for liabilities with the residual maturity longer than 2 years with reimbursement, transfer and anticipated withdrawals clause or 0% for all the other liabilities included in the calculation.

Loans and advances to customers and net lease receivables are in amount of RON 33,117,712 thousands for the Group (Bank: RON 27,427,573 thousands), corresponding to 59.23% of total assets (Bank: 54.66%).

The outstanding loans balance as at 31.12.2021 is distributed as follows:

	Group		Bank	
	2021	2020	2021	2020
Corporate	53.5%	50.1%	66.6%	63.0%
SME	19.9%	21.1%	8.8%	9.2%
Private Individual	26.4%	28.5%	24.4%	27.6%
Private Banking	0.1%	0.2%	0.2%	0.3%

Term loans granted to customers are classified according to the remaining maturity into the following time buckets:

		Up to 1 Year	1 Year to 5 Years	Over 5 Years
Group	2021	42.4%	34.5%	23.2%
	2020	45.7%	30.2%	24.1%
Bank	2021	43.1%	32.3%	24.6%
	2020	45.9%	26.9%	27.2%

Loans are collateralized mainly by mortgages, assignments of receivables, pledges, corporate guarantees from parent company and letters of guarantee.

The high level risk structure of the loan portfolio (including individuals and companies) at the end of 2021 and 2020 is as follows:

	Group		Bank	
	2021	2020	2021	2020
Neither past due nor impaired	88.8%	92.8%	94.6%	93.3%
Past due but not impaired	9.4%	4.5%	3.9%	4.2%
Other impaired loans	0.8%	1.2%	0.7%	1.0%
Individually significant impaired loans	0.9%	1.5%	0.8%	1.5%

Other assets of RON 115,834 thousands decreased by 8% compared with December 2020 (Group level).

In RON thousands	Group		Bank	
	2021	2020	2021	2020
Sundry debtors	63,478	44,089	49,531	23,605
Prepaid Expenses	44,501	40,637	23,879	15,094
Inventories	22,312	15,003	1,264	1,498
Other	8,923	39,375	7,677	39,547
Less impairment for sundry debtors	(23,380)	(8,139)	(23,380)	(8,139)
Total other non-financial assets	**115,834**	**130,965**	**58,971**	**71,605**

3.4. Liabilities

Deposits and loans from banks balance is RON 4,837,863 thousands (Bank RON 1,237,911 thousands), representing 8.7% of total liabilities and equity.

In RON thousands	Group		Bank	
	2021	2020	2021	2020
Deposits				
Term deposits	246,498	242,942	246,498	242,942
Sight deposits	420,492	352,134	420,492	352,134
Total deposits	**666,990**	**595,076**	**666,990**	**595,076**
Loans				
Commercial Banks	2,735,047	4,202,693	18,957	81,405
Multilateral development banks	1,261,441	1,274,474	551,964	696,798
International financial institutions	174,385	87,500	-	-
Total borrowings	**4,170,873**	**5,564,667**	**570,921**	**778,203**
Total	**4,837,863**	**6,159,743**	**1,237,911**	**1,373,279**

The balance of **deposits from customers** is totaling RON 39,815,528 thousands at Group level (Bank RON 40,069,143 thousands), representing 71% of total liabilities and equity. At the end of 2021 almost 80% of deposits are payable on demand.

In RON thousands	Group		Bank	
	2021	2020	2021	2020
Term deposits	7,124,232	8,215,363	7,139,262	8,215,363
Payable on demand	31,692,731	26,658,000	31,930,448	27,146,663
Collateral deposits	998,460	898,740	999,328	896,793
Certificates of deposits	105	262	105	262
Total	**39,815,528**	**35,772,365**	**40,069,143**	**36,259,081**

Other non-financial liabilities balance is RON 248,436 thousands include:

In RON thousands	Group		Bank	
	2021	2020	2021	2020
Deferred income	120,687	118,958	86,416	81,735
Payable to state budget	49,685	46,655	24,662	23,495
Payable to employees	64,364	61,108	58,517	53,985
Other	13,700	16,643	2,176	5,100
Total other non-financial liabilities	**248,436**	**243,364**	**171,771**	**164,315**

Provisions of RON 220,124 thousands are split by type as presented below:

In RON thousands	Group		Bank	
	2021	2020	2021	2020
Provision for financial guarantees	110,298	106,322	116,006	110,894
Provision for legal disputes	15,087	23,931	9,792	10,686
Provision for off-balance commitments	87,536	70,613	83,261	65,472
Other provisions	7,203	22,710	7,142	6,822
Total	**220,124**	**223,576**	**216,201**	**193,874**

Subordinated loans of RON 944,183 thousands represent the outstanding balance of subordinated loans borrowed from UniCredit SPA (88.5%) and UniCredit Bank Austria AG (11.5%).

In RON thousands	Group		Bank	
	2021	2020	2021	2020
UniCredit SPA	835,325	822,466	835,325	822,466
UniCredit Bank Austria AG	108,858	107,127	-	-
Total	**944,183**	**929,593**	**835,325**	**822,466**

3.5. Off-balance-sheet exposures

The outstanding off-balance-sheet gross exposure at Group level at the end of 2021 totaling RON 20,415,390 thousands is presented below, 89% representing exposures to non-banking customers and 45% revocable commitments (Bank: RON 19,769,868 thousands, of which 46% revocable commitments).

In RON thousands	Group		Bank	
	2021	2020	2021	2020
Off balance sheet exposures to nonbanking customers	18,171,895	15,365,081	17,526,373	14,702,934
Off balance sheet exposures to banks	2,243,495	1,838,130	2,243,495	1,838,130
Total	**20,415,390**	**17,203,211**	**19,769,868**	**16,541,063**
Uncommitted exposures	**45%**	**51%**	**46%**	**53%**

3.6. Consolidated Profit and loss account

2021 Consolidated and Separate IFRS Income Statement of UniCredit Bank is presented below:

	Group			Bank		
In RON thousands	2021	2020	2021/ 2020 (%)	2021	2020	2021/ 2020 (%)
Interest income	1,693,527	1,759,217	-3.7%	1,266,445	1,291,400	-1.9%
Interest expense	(317,278)	(450,551)	-29.6%	(192,576)	(302,569)	-36.4%
Net interest income	**1,376,249**	**1,308,666**	**5.2%**	**1,073,869**	**988,831**	**8.6%**
Fee and commission income	574,290	452,808	26.8%	519,788	410,571	26.6%
Fee and commission expense	(187,107)	(146,202)	28.0%	(173,517)	(137,976)	25.8%
Net fee and commission income	**387,183**	**306,606**	**26.3%**	**346,271**	**272,595**	**27.0%**
Net income from instruments at fair value through profit and loss	315,322	305,186	3.3%	315,335	305,188	3.3%
Net gain/(loss) from foreign exchange	14,577	81,240	-82.1%	(7,760)	68,079	-111.4%
Fair value adjustments in hedge accounting	(651)	(2,504)	-74.0%	(651)	(2,504)	-74.0%
Net gain/(loss) from derecognition of financial assets measured at amortised cost*	1,286	11,606	-88.9%	851	4,999	-83.0%
Net gain/(loss) from derecognition of financial assets measured at FVTOCI*	28,879	47,322	-39.0%	28,879	47,322	-39.0%
Dividend income	2,229	1,972	13.0%	2,229	1,972	13.0%
Other operating income	9,451	18,719	-49.5%	10,680	11,252	-5.1%
Operating income	**2,134,525**	**2,078,813**	**2.68%**	**1,769,703**	**1,697,734**	**4.2%**
Personnel expenses	(467,557)	(428,668)	9.1%	(412,116)	(376,092)	9.6%
Depreciation and impairment of tangible assets	(100,520)	(98,735)	1.8%	(92,663)	(90,868)	2.0%
Amortisation and impairment of intangible assets	(58,813)	(51,970)	13.2%	(53,946)	(47,482)	13.6%
Other administrative costs	(343,527)	(303,855)	13.1%	(316,629)	(279,729)	13.2%
Other operating costs	(38,329)	(21,709)	76.6%	(10,711)	(10,973)	-2.4%
Operating expenses	**(1,008,746)**	**(904,937)**	**11.47%**	**(886,065)**	**(805,144)**	**10.1%**

	Group			Bank		
In RON thousands	2021	2020	2021/ 2020 (%)	2021	2020	2021/ 2020 (%)
Net operating income	**1,125,779**	**1,173,876**	**-4.1%**	**883,638**	**892,590**	**-1.0%**
Net impairment losses on financial assets*	(166,979)	(510,918)	-67.3%	(97,940)	(366,461)	-73.3%
Losses on modification of financial assets*	(123)	(2,673)	-95.4%	(123)	(2,673)	-95.4%
Net impairment losses on non-financial assets	(11,449)	(5,527)	>100.0%	(11,449)	(5,527)	>100.0%
Net provision gains/ (losses)	5,912	19,910	-70.3%	(19,953)	27,343	<100.0%
Net gains/(loss) from other investment activities	(325)	-	100.0%	78	-	100.0%
Profit before tax	**952,815**	**674,668**	**41.2%**	**754,251**	**545,272**	**38.3%**
Income tax expense	(147,164)	(170,735)	-13.8%	(114,945)	(141,610)	-18.8%
Net profit for the year	**805,651**	**503,933**	**59.9%**	**639,306**	**403,662**	**58.4%**
Attributable to:						
Equity holders of the parent company	779,531	492,974	58.1%	639,306	403,662	58.4%
Non-controlling interests	26,120	10,959	>100.0%	-	-	-
Net profit for the year	**805,651**	**503,933**	**59.87%**	**639,306**	**403,662**	**58.38%**

4. Equity accounts and profit distribution

4.1. Equity accounts of the Bank as of 31 December 2021

As of 31 December 2021, the Bank's equity is in amount of RON 5,896,819 thousands and the composition is presented below:

In RON thousands	Bank
Paid-in capital	455,219
Hyperinflation effect – IAS 29	722,529
Subscribed Share capital	**1,177,748**
Share premium	**621,680**
Cash flow hedge reserve	**(33,407)**
Reserve on financial assets at fair value through other comprehensive income	**(10,389)**
Revaluation reserve on property and equipment	**14,122**
Other reserves	**365,616**
- Statutory general banking risks	115,785
- Statutory legal reserve	91,044
- Effect of hyperinflation – IAS 29	19,064
- Actuary profit/loss	(833)
- Other reserves	140,556
Retained earnings	**3,122,143**
Net profit for the period	**639,306**
Total equity of the Bank	**5,896,819**

At 31 December 2021 the paid-in capital of the Bank was RON 455,219,478.30, split into 48,948,331 shares at RON 9.3 per value each. The structure of the Bank's shareholders as at 31 December 2021 is the following:

Shareholder	Shares' number	Value (RON)	%
UniCredit S,p,A,	48,277,621	448,981,875.30	98.6298
Romanian Individuals	626,053	5,822,292.90	1.2790
Romanian Legal Entities	21,606	200,935.80	0.0441
Foreign Individuals	15,711	146,112.30	0.0321
Foreign Legal Entities	7,340	68,262.00	0.0150
TOTAL	**48,948,331**	**455,219,478.30**	**100.0000**

4.2. Profit distribution

The net profit of the Bank for the financial year ended at 31 December 2021, in amount of RON 639,306,413.70 will be distributed according to the law. The Supervisory Board proposes to the General Meeting of Shareholders the distribution of 2021 net profit as follows:

Bank	2021
Reserve related to the reinvested profit of the year 2021*	32,452,104
Dividend distribution	583,928,747
Reinvestment of the remaining net profit	22,925,562
Total	**639,306,414**

** According to article 22 of Law 227/2015, the amounts are exempt from the payment of corporate income tax.*

5. Forecast related to the future macroeconomic environment

The Romanian economy grew by 6.4% in 2021, fully recovering the contraction of 3.9% in 2020 caused by the Covid-19 pandemic. Although economic activity continued to be shaped by the coexistence with the virus, private consumption provided a strong boost to growth, supported by the release of pent-up demand with the easing of restrictions, falling savings rates, a 7% increase in the average wage and a rebound in consumer lending. At the same time, public investment remained strong, although private investment in exporting sectors, especially car manufacturing, was delayed due to the persistence of supply-chain bottlenecks. Among the sectors that performed well in 2021, we can mention the retail sector which benefitted from the strong consumption, the IT sector which grew double-digit and agriculture, which had a very good performance, supported by good weather conditions.

In 2022 the Group expects the economy to advance by 3.7% supported by private consumption. Public investment could fall short of the planned 7% of GDP due to smaller-than-planned outlays from the budget. The Group expects building projects to grow at a slower pace amid tightening financial conditions, with logistics and industrial buildings performing best. Private consumption could slow once pent-up demand is exhausted, probably in 1H22. Thereafter, labor-market conditions will be unfavorable for a fast rise in real income and pensions will increase less than living costs in 2022.

The budget deficit was around 8.3% of GDP in 2021, tempering from 9.2% in 2020 (both according to ESA standards), helped by a recovery of some of the forgone revenues during the pandemic, a lower need for anti-pandemic support and the recovery of economic activity. The level was in line with official forecasts and commitments. Thus, the public debt ended the year around 50% of GDP and could peak below 55% if Romania will respect its fiscal commitments in the following years. This level of public debt is lower than the post-COVID median for BBB-rated countries, preserving Romania's investment grade rating.

The annual inflation rate had a pronounced ascending path in 2021, as several supply-side shocks materialized at the global level, coupled with the liberalization of the electricity market for Romanian household consumers. The most important global pressures came from international oil, commodity and energy prices and high transport prices, along with shortages of raw materials and intermediate goods. In this context, the inflation rate reached 8.2% at the end of the year, sharply up from 2.1% at the end of 2020 and the Group expects a return within the 1.5%-3.5% target range only at the end of 2023. Food-price inflation accelerated to 6.7%yoy at the end of 2021 and is likely to rise at a rapid pace at least in 1H22 due to pricey fuels and energy. Commodity traders report that wholesale prices were 2-2.5 times higher in 2021 than in 2020, despite the better harvest.

After one last key rate cut in January 2021 to 1.25% as support during the crisis generated by the COVID-19 pandemic, the NBR joined the global trend to fight against the rapidly rising inflation and started to tighten monetary policy, at first through tight liquidity management as of June and subsequently by hiking the key rate as of October and adjusting the facility corridor. Thus, at the end of 2021, the NBR hiked the key rate by 0.5 percentage points (pp) to 1.75% and increased the facility corridor around the key rate by 0.25pp to ±0.75pp, thus delivering an increase of the credit facility rate by 0.75pp. The Group expects additional monetary tightening during 2022 in line with the global trends, up to a policy rate of 3% which would bring Romania in line with its regional peers and would compensate for the slower fiscal adjustment in 2022. A corridor of ±1pp is likely to be associated to the key rate of 3%. In this context, an upward trajectory is anticipated for the interbank interest rates (ROBOR), the NBR managing liquidity to keep ROBOR rates close to the Lombard rate (which we see peaking at 4%).

The EUR-RON exchange fluctuated inside the 4.9-5.0 interval in 2021 with constant RON depreciation pressures due to unfavorable capital flows, political tensions and fiscal worries. The Group expects the EUR-RON to move to a 5.00-5.10 range in 2022, as Romania's outstanding imbalances and risks, mainly related to the current account and the fiscal policy, argue for a continuance of the gradual depreciation of the national currency.

One short-term effect of growth that relies on consumption is a wider current account deficit, as a high share of consumption is satisfied from imports. At the same time, exports were impaired by the lower price competitiveness and the persistent global supply bottlenecks. The external shortfall was already visible in 2020 and opened further in 2021, being only partly covered by EU funds and FDI. The current account deficit reached EUR 16.6 billion in 2021, the equivalent of 6.9% of GDP. For 2022, the Group estimates a current account deficit of around EUR 17.2 billion.

Loans had a surprisingly strong dynamic during 2021 for both companies and individuals, benefiting from strong demand facilitated by the high consumption, along with the SME Invest program and other support programs for large companies. Thus, the yearly growth pace of non-governmental loans accelerated to 13.5% at the end of 2021 from 5.5% at the end of 2020 mainly due to the strong increase by 18% in local currency lending. Thus, the share of RON-denominated loans increased to 71.7% in December 2021 from 69.5% in December 2020. On the deposits' side, the total savings of the residents increased by 13.4%yoy, as both the private individuals and companies registered significant increases. Although deposits continued to grow at a fast pace, it was slower than the one of loans, reflecting the improved sentiment and lower need for saving in light of the better pandemic situation.

The moratorium was available at the banking system level until March 2021 and along with the individual solutions found by banks for customers it was successful in preventing a rise in the NPL ratio, in spite of the expectations at the beginning of the pandemic crisis. This was also valid once the clients resumed the ordinary repayment schedules, with the NPL ratio down to 3.52% in December 2021 from 3.83% in December 2020.

6. Research and development activity

The research and development activity of UniCredit Bank Group, including the know-how received from UniCredit Spa Group, was mainly directed to improvement of efficiency and productivity of:

- Products and services offered to customers;
- Risks management systems;
- Internal control systems;
- Financial accounting systems;
- Management information system;
- IT systems;
- Human resources management programs;
- Decision making systems.

7. Risk Management

The UniCredit Bank Group developed a solid risk culture at all Bank's levels, business lines and subsidiaries. UniCredit Bank established a comprehensive and independent risk management function 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.

Within the risk management processes, the Internal Capital Adequacy Assessment Process ("ICAAP") has an important role being focused on the development and maintenance of sound internal procedures and systems which allow the evaluation of the bank capital adequacy, respectively, ensuring the balance between the assumed risks and the available capital. ICAAP is an integral part of management and decision-making processes.

The risk management framework is clearly and transparently transposed in internal norms, procedures, manuals and codes of conduct, distinctively mentioning the standards applicable for all employees and those applicable only to specific categories of employees.

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 and with focus on risk management;
- Specific strategies and techniques for risk measuring and monitoring.

Based on the internal analysis performed with the Holding guidance, UniCredit Bank S.A. identified the following significant risks:

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

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

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

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

Unicredit Bank S.A. 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.

Unicredit Bank S.A. defines periodically the risk appetite, respectively the level of risk that UniCredit Bank S.A. 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 body reviews and approves the risk appetite on a yearly basis to ensure its consistency with the UniCredit Group's Strategy, business environment and stakeholder requirements, as defined in the budget process.

Unicredit Bank S.A. 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.

7.1. Credit risk

UniCredit Bank Group is exposed to credit risk representing the risk of negative impact on revenues generated by debtors not fulfilling the contractual obligations of loans granted on short, medium or long run.

UniCredit Bank Group manages this risk through a set of comprehensive measures, both at transaction and debtor, and at global level, related to:

- Identifying, measurement and adequately management both of credit risk in general, and sub-categories of credit risk in particular;
- Adequate credit risk management by applying risk mitigation techniques and by optimizing risk-weighted assets;
- Periodically monitoring of credit products in order to identify high-risk products and take specific measures to reduce the risk;
- Monitoring, based on its polices and processes of the counterparties risk profiles to which the Bank grants credits, and any other factor that can trigger the default, including the foreign currency risk for unhedged borrowers.
- Set up of the flow of expected credit loss (ECL) under IFRS9 (credit risk provisions) in UniCredit Bank in accordance with the legislation in force on international financial reporting standards and in conjunction with the provisions contained in the policies of UniCredit Bank Group;
- Capital allocation for credit risk unexpected losses in accordance with the regulatory and UniCredit Bank Group regulations;
- Regular monitoring of the credit risk profile of the Bank in order to ensure framing the specific indicators for measuring credit risk within the limits established in risk appetite framework.

7.2. Market risk and Interest risk

UniCredit Bank S.A faces interest rate risk that could be a result of exposure to unfavorable fluctuations on the market. The change of the interest rates on the market directly influences the income and expenses related to the financial assets and liabilities bearing variable interests, as well as the effective value of those bearing fixed interest rate.

For the financial receivables and financial liabilities in RON, UniCredit Bank S.A. aims to correlate the current interest rates on the market and to obtain a positive interest margin.

For the financial assets and liabilities denominated in other currencies than RON, Unicredit Bank S.A. and its subsidiaries aim to maintain a positive net position. Most of the interest-earning assets and interest-bearing liabilities in foreign currencies have variable interest rates which could be exchanged at the Bank initiative or that are related to a reference variable interest rate on the inter-banking market.

Unicredit Bank S.A. monitors the exposure to interest rate risk by using a system of indicators and associated limits: duration gap, basis point value, VaR component for the interest rate risk in the banking book, net interest income sensitivity and economic value sensitivity. The two indicators: net interest income sensitivity and economic value sensitivity are included in the Bank's risk appetite.

7.3. Liquidity risk

The liquidity risk is the probability of the bank falling short of its due payments resulting from its contractual relations with clients and third parties. Under normal conditions of market functioning, the liquidity risk may materialize also through the need for the bank to pay a premium over market rates to be able to access liquidity. Among the main potential generators of liquidity risk, the Bank distinguishes between liquidity mismatch risk/refinancing risk; liquidity contingency risk; market liquidity risk.

Management of liquidity risk

In line with the UniCredit Bank Group's liquidity framework, the main goal of the overall liquidity management is to keep the liquidity exposure at such a level that UniCredit Bank S.A 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.

Hence, two main operating models for the liquidity management are defined: going concern liquidity management and the contingent liquidity management.

From a liquidity risk governance perspective, the Bank has two layers of governance bodies: managing bodies acting as strategic decision taking functions and operational units acting as operative liquidity management functions, i.e. Finance, Financial Risk, and Markets – Treasury respectively.

In accordance with the strategic goal of self-sufficient funding, the Bank's liquidity and funding strategy is centered on:

- encouraging sticky client deposits;
- development of strategic funding through own bonds issues;

The liquidity cost/benefit allocation is an important part of the liquidity management framework. Liquidity is a scarce resource and accordingly a proper management of costs and benefits is essential in order to support sound and sustainable business models. Therefore, the Bank has put in place a proper mechanism for internal funds transfer pricing.

Exposure to liquidity risk

Key indicators used by UniCredit Bank S.A. for measuring liquidity risk are:

- the daily short-term liquidity report, through which cash inflows and outflows mainly coming from inter-bank transactions are monitored;
- the structural liquidity ratios/gaps, used to assess the proportion of medium-long term assets sustained with stable funding;
- regulatory indicators: UniCredit Bank S.A has to comply with the limits imposed by National Bank of Romania, such as the liquidity indicator calculated according to NBR Regulation no. 25/2011 and the, Liquidity coverage ratio; calculated according

with to the provisions of Regulation (EU) 575/2013, as amended by Regulation (EU) no. 61/2015.

- other key indicators for the management of liquidity and funding needs used to assess, the concentration of funding and the way in which loans to customers are sustained by commercial funds

UniCredit Bank S.A. sets the limit and triggers levels for the main indicators used to measure the liquidity risk and in case a breach is observed or anticipated, specific requested actions are taken for correcting the structure of the asset and liability mix of UniCredit Bank S.A.

Regular stress testing assessments are performed in order to evaluate the liquidity position of UniCredit Bank S.A. In case of a deteriorating position, liquidity stress tests are one of the main metrics in order to support management's decisions before and also during stress situations. In particular, liquidity stress test results are useful in order assess the "right" sizing and composition of a liquidity buffer on a regular basis. As such, liquidity stress testing serves as an essential tool of assessment of the liquidity risk in an on-going basis, rather than in a crisis situation only.

7.4. Operational risk

Operational risk means the risk of loss resulting either from the use pf 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 is the risk of losses as a result of fines, penalties and sanctions for which the credit institution is liable due to failure to apply or deficiently applying legal or contractual provisions, as well as due to the fact that contractual rights and obligations of the bank and / or counterparty are not appropriately provided.

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

The operational risk management system is integrated into the internal processes defined for the management of significant risks. The main tools used for identification, assessment, monitoring, mitigation, reporting of operational risk, are: loss data collection and analysis, risk indicators monitoring, scenario analysis, Permanent Workgroup analyses, evaluations of processes and activities from the perspective of operational risk, mitigation actions definition (independently or as part of the previously mentioned tools), management and Group reporting. Moreover, products, projects and internal regulations are analyzed before approval and feedback is provided by all relevant areas including Legal, Compliance, Operational and Reputational Risk.

7.5. Compliance risk

Within a complex legal framework, UniCredit Bank Group is subject also to compliance risk, defined as the actual or future risk to impact the profits and capital, which may lead to fines, claims and/or cancellation of contracts or which may affect the reputation of a credit institution, as a result of breaching or non-compliance with its own rules and standards, agreements, recommended practices or ethical standards.

In order to meet the legal requirements compliance function, supported Management Board to manage the conformity risk. It also gives support to identify, evaluate, monitor and report the compliance risk associated to different activities, including consultancy regarding compliance with legal internal and UniCredit SPA requirements.

7.6. Reputational Risk

Reputational risk is the current or prospective risk to earnings and capital arising from adverse perception of the image of the Bank on the part of customers, counterparties, shareholders/investors, regulators or employees (stakeholders). In particular, it is the risk arising from negative perception on the part of customers, counterparties, shareholders, investors, debt-holders, market analysts, other relevant parties (such as civil society - NGOs, media, etc) or regulators that can adversely affect the ability to maintain existing, or establish new, business relationships and continued access to sources of funding. Reputational risk triggered by business relationships with clients / partners or transactions connected with reputational risk sensitive sectors.

UniCredit Bank S.A has implemented a series of policies, processes, methods, specific indicators and systems for controlling the reputational risk, in order to evaluate, monitor, reduce and report periodically to relevant bodies.

For reputational risk transactions in the lending activity identified under the scope of specific reputational risk policies or which by their nature involves reputational risk (weapons/defense industry, nuclear energy, water infrastructure (dam), mining, coal fired power, etc.), the working flow established in specific procedure is followed, also including reputational risk opinion issued by Operational & Reputational Risk Dept., local approval by the competent approval level for reputational risk according to regulations in force, obtaining non-binding opinion (NBO) from Group (if the case).

7.7. Business Risk

Business risk is defined as adverse, unexpected changes in business volume and/or margins that are not due to credit, market and operational risks. It can lead to serious losses in earnings, thereby diminishing the market value of a company.

Business risk can result above all from a serious deterioration in the market environment, changes in the competitive situation or customer behavior, but may also result from changes in the legal framework.

7.8. Real Estate Risk

Real Estate Risk is defined as potential losses due to fluctuations in the market value of the real estate investment portfolio held by the Group's/ UniCredit Bank's.

7.9 Strategic Risk

The strategic risk is the risk of suffering potential losses due to decisions or radical changes in the business environment, improper implementation of decisions, lack of responsiveness to changes in the business environment, with negative impact on the risk profile and consequently on capital, earnings as well as the overall direction and scope of a bank on the long run.

7.10 Risk of Excessive Leverage

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.

7.11 Inter-concentration Risk

Within the Bank, the following approaches relating to concentration risk are applicable

- *Intra-concentration risk* is considered in the risk management processes for each significant risk
- *The risk of inter-concentration* is considered both in the risk management processes for individual risks and integrated when performing stress testing and evaluation of capital adequacy

8. Corporate Governance

UniCredit Bank Group is responsible for the existence of a rigorous management framework designed to include at least the following aspects:

- organizational structure and organization;
- business model and related strategy;
- the Bank's management, respectively: attributions and responsibilities, its composition and functioning, including the establishment, composition, procedures and responsibilities of the committees of the Bank's management in its supervisory function;
- the culture regarding the risks and the conduct in carrying out the activity;
- internal control and related mechanisms, respectively: the risk management framework and internal control functions, the policy of approving new products and significant changes to existing products, processes and systems;
- managing the continuity of the activity;
- transparency requirements.

UniCredit Bank S.A. has a comprehensive range of internal regulations regarding management of the business.

8.1. UniCredit Bank's corporate governance

Corporate governance statement

UniCredit Bank S.A., as a two tier governed bank, operates in a corporate governance framework that respects all the legal and regulatory requirements of the Romanian legal framework, UniCredit Bank Group rules, and the best international practices in the field.

Corporate governance of the bank is the set of rules and processes that establish the relationship between shareholders, management, clients, employees, suppliers and other parties involved in defining the bank's objectives, how they are met, and monitoring the performance of the bank. This highlights the efficiency of management systems, namely the role of the Supervisory Board and the Management Board, the responsibilities and remuneration of the members of these structures, the credibility of the financial statements and the efficiency of the control functions.

The governance principles are defined in the:

- Constitutive Act;
- Internal functioning and organization regulation of the bank;
- The Bank's management framework (CAR);
- Management Board regulation (Annex to CAR);
- Supervisory Board regulation (Annex to CAR);
- Regulations of the Committees subordinated to the Supervisory Board (Annexes to CAR);
- Regulations of the Committees subordinated the Management Board.

The sections below include details of the main features of internal control, risk management systems in relation to the financial reporting process, the manner in which the general meeting of shareholders or associates takes place and its key attributions, the rights of shareholders or associates and the structure and how to operate the administrative, management and supervisory bodies and their committees.

8.1.1. General Shareholders' Meeting ('GSM')

The General Shareholders' Meeting is constituted as the **supreme authority** of the Bank.

The rights, responsibilities and working methods of the GSM are established in the Constitutive Act of the Bank and they are carried out in compliance with the applicable Romanian laws and regulations.

The detailed tasks and responsibilities are set forth in the Bank's Constitutive Act.

The General Shareholders' Meeting could delegate a part of its competences to Supervisory Board and Management Board in the cases mentioned in the Constitutive Act and in compliance with the applicable laws.

The roles and responsibilities are detailed in the specific regulation/rule of procedure.

The **General Meetings of the Shareholders** shall be convened at least once a year, within maximum 5 months since the financial year end in accordance with the legal requirements, and at any time it is needed to make decisions in its area of responsibility, in accordance with the provisions of law or the Constitutive Act.

Extraordinary General Meeting of Shareholders shall be convened whenever decisions in its responsibilities must be adopted.

The **Ordinary General Meeting of Shareholders** shall:

- discuss, approve or modify the annual financial statements, based upon the reports of the Management Board, Supervisory Board and financial auditor, and shall approve the dividends;
- appoint and revoke the Supervisory Board members;
- appoint and revoke the financial auditor;
- establish the minimum duration of the financial audit contract following the proposal of the Supervisory Board;
- approve the remuneration of the Bank's Supervisory Board' members;
- express its opinion about the Management Board's activity;
- approve the budget of income and expenses, and the program of activity for the next financial year as established by the Management Board and after preapproval by the Supervisory Board.

The conduct of General Meetings Shareholders is in accordance with legal requirements of the applicable laws regarding capital market, with a special attention to meet the rights and obligations of the shareholders.

8.1.2. Supervisory Board

The Supervisory Board is the statutory body of the Bank responsible for supervision and control of the Bank, in supervising the exercise of powers by the Management Board and the conduct of the Bank's business activities.

The Supervisory Board shall supervise the financial and business activities of the Bank and shall control the observance of the provisions of the Constitutive Act and of any relevant legal provisions by the Bank's management bodies. The Supervisory Board shall further review the annual financial statements including the proposal for the distribution of profits, and the annual report prior to submitting them to the Ordinary General Meeting of Shareholders for approval.

The competences of the Supervisory Board are established by the Constitutive Act and the Romanian laws and regulations in force.

The Supervisory Board acted in 2021 through the Audit Committee, Remuneration Committee, Risk Administration Committee, Nomination Committee.

8.1.3. Management Board

The Management Board is the statutory body responsible for current management of the Bank.

The Management Board is the statutory body of the Bank which is responsible for the management and execution of all activities of the Bank, including monitoring and control of the business objectives of the Bank. The Management Board takes decisions on any matters of the Bank, unless such decisions are reserved to other bodies according to legal regulations or this Constitutive Act.

The Management Board manages and coordinates collectively the Bank's activity in accordance with the competences assigned by the Constitutive Act and the Rules of Procedure of the Management Board.

The members of the Management Board are appointed and/or revoked by the Supervisory Board.

The mechanism of the functioning of Management Board's meetings is described in the Rules of Procedure regarding the preparation and holding of the Management Board's meetings.

Both Supervisory Board and Management Board operate through specialized committees, whose role is to assist the management structure in specific areas.

8.1.4. Committees subordinated to Supervisory Board

Committees subordinated to Supervisory Board are:

- Audit Committee
- Remuneration Committee
- Nomination Committee
- Risk Administration Committee

8.1.4.1. Audit Committee

The Audit Committee is directly subordinated to the Supervisory Board.

The Audit Committee is a consulting body of the Supervisory Board, with specialized attributions.

The Audit Committee will be composed of 3 elected non-executive members of the Supervisory Board. The members of the Audit Committee and the Chairman will be elected by the Supervisory Board.

The roles, responsibilities and functioning mechanisms of the Audit Committee are detailed in the Audit Committee Regulation/rule of procedure.

8.1.4.2. Remuneration Committee

The Remuneration Committee is directly subordinated to the Supervisory Board.

The Remuneration Committee is set up to:

- determine the compensation (fixed and variable part) to be paid to each of the Bank's Management Board members, as well as Heads of Audit, Compliance and Risk Management;
- approve the terms and conditions of the management contracts to be concluded between the Bank and the members of the Management Board;
- approve the goals of the Management Body and Head of Audit, Compliance and Risk Management.

The remuneration Committee is formed of 3 (three) members selected from the Supervisory Board members. The Chairman of the Remuneration Committee is appointed by the Supervisory Board. The Remuneration Committee members shall be appointed for the period of three years, reappointments being allowed.

The roles and responsibilities and functioning mechanisms of the Remuneration Committee are detailed in the Remuneration Committee Rules of Procedure.

8.1.4.3. Nomination Committee

The Nomination Committee is a permanent committee established by the Supervisory Board having as main duties:

- to identify and recommend to the Supervisory/Management Board, for approval, candidates to occupy the vacant seats within the management body;
- to assess the balance of knowledge, skills, diversity and experience within the management body;
- to assess on a regular basis, but at least once a year, the structure, size, composition and performance of the management body and to make recommendations to the management body with respect to any changes;
- to assess on a regular basis, but at least once a year, the knowledge, skills and experience of each member of the management body and of the management body as a whole and report to the management body accordingly;
- to decide with respect to a target concerning the representation of the male or female gender, poorly represented in the structure of the management body and draw up a policy concerning the means for increasing the number of these individuals in the structure of the management body in order to achieve the target concerned.

The nomination committee consists of minimum 3 (three) and maximum 5 (five) members selected from amongst the Supervisory Board members. The roles and responsibilities and functioning mechanisms of the Committee are detailed in the specific regulation.

8.1.4.4. Risk Management Committee

Risk Management Committee is directly subordinated to the Supervisory Board. Risk Management Committee is a permanent committee of UniCredit Bank having a consultative and support function to the Management Body.

The RMC shall be composed of minimum 3 (three) and maximum 5 (five) members among of the SB's members.

The roles, responsibilities and functioning mechanisms of the Committee are detailed in the specific regulation/rule of procedure.

8.1.5. Committees subordinated to Management Board

Committees subordinated to Management Board are:

- Risk Management Operative Committee;
- Transactional Committee, with two sessions: (i) Credit Subcommittee and (ii) Special Credit Subcommittee;
- Financial Risk Committee;
- Projects & Expenses Committee, with two sessions: (i) Project Subcommittee and (ii) Cost Subcommittee;
- Occupational Safety and Health Committee;
- Crisis Committee and working teams;
- Non-Financial Risk Committee, with two sessions: (i) ICT, Security and Cyber Risk and Subcommittee (ii) Reputational Risk. Subcommittee;

The organization, composition, functioning and attributions of these committees are described in the Organization and Functioning Regulation and in specific documents (rules of procedure).

Activities of the most important committees subordinated to the Management Board are bellow.

8.1.5.1 Risk Management Operative Committee

Risk Management Operative Committee has a consultative role, its mission being to analyze the aspects regarding the risks (including risk of conduct and risk of fraud), other than those subject to the responsibilities of other committees and to issue consultative decisions, opinions and recommendations to the Management Board in connection with the analysed aspects, including in connection with the outsourcing process of some activities of the Bank and the management of the non-performing exposures' portfolio.

8.1.5.2 Transactional Committee, with two sessions: (i) Credit Subcommittee and (ii) Special Credit Subcommittee

Transactional Committee has a decision-making role and is the main approval authority in relation to individual credit exposures / credit lending transactions, based on the delegated powers based on the delegated authorities of the Directorate, within the limits established by it, in with respect to all segments of their bank customers, its main mission being organized in order to analyse, approve, recommend, approve and / or reject applications for loan applications and related Memoirs for changes to previously approved transactions, including attributions related to:

- Validation of clients' transfer to Restructuring and Workout Departments;

- Arbitration in cases of disagreements between different departments/ organizational structures related with the transfer of a customer to / from Restructuring / Workout Department (according to specific procedures);
- Validation of clients' transfer from Restructuring or Workout classification to Performing classification;
- Approval of credit risk provisions and write-offs for restructuring and workout clients/exposures.

Transactional Committee meets in two sessions:

- Credit Sub-Committee (for performing exposures)
- Special Credit Sub-Committee (for non performing exposures).

and is structured on several levels of decision, regulated in the Rules of Procedure of the Committee.

8.1.5.3 Financial Risk Committee

The Financial Risk Committee has a consultative or decision-making role, depending on the aspects that form the object of its analysis and based on the competence delegated by the Management Board, its mission being to:

- ensure the adequate administration of the bank balance sheet, in a proactive manner
- to monitor the financial risk position in order to optimize the bank's profit within the approved risk limits
- advise strategies, policies, methodologies for market risk, counterparty credit risk, liquidity risk, FX and banking book interest rate risks, fund transfer pricing, minimum margins in the customer business and setting limits accordingly
- advise the Funding Plan and Contingency Funding Plan and evaluate the impact of transactions significantly affecting the overall financial risk portfolio profile
- approve market risk limits, liquidity and interest rates, as well as new Treasury products (subject to the approval of the Management Board)
- approve the internal transfer prices, including methodological aspects, as well as the external prices of the products
- any other aspects related to Financial Risk, Treasury or Strategic Finance

8.1.5.4 Projects & Expenses Committee, with two sessions: (i) Project Subcommittee and (ii) Cost Subcommittee

Project & Expenses Committee has a consultative or decision-making role, depending on the subjects submitted for analysis according to its responsibilities and based on the competence delegated by the MB, regarding to the all projects at the Bank's level and related costs, as well as the non-HR costs (OPEX) and capital expenditure (CAPEX) of the Bank and of the UniCredit Subsidiaries.

Project & Expense Committee meets within two sessions:

- Project Sub-Committee Session (involved in issues related to the management of the bank's portfolio of projects, including the initiation and monitoring of project implementation. This CPC session will also approve project costs, according to the delegated approval powers) and;

- Cost Sub-Committee (having a decision-making role, approving OPEX costs and capital expenditures (CAPEX), according to the delegated approval powers, other than those related to projects, while ensuring operational monitoring, estimation and optimization of OPEX and CAPEX costs, both for the Bank but and for its subsidiaries).

8.1.5.5. Crisis Committee and working teams

The Crisis Committee has a decision-making role, based on the competence delegated by the MB, both the Crisis Committee and the related work teams being established by decision of the MB, their mission being to coordinate and ensure operational support in crisis situations. adopt the necessary operational decisions.

8.1.5.6 Non-Financial Risk Committee, with two sessions: (i) ICT, Security and Cyber Risk and Subcommittee (ii) Reputational Risk. Subcommittee

NFRC has an advisory role, with the possibility to issue opinions, as appropriate, on major incidents affecting ICT and information security services, as well as on the reputational risks associated with lending or non-lending cases / initiatives / transactions.

NFRC meets within two sessions:

- NFRC - ICT, Security, Cyber Risk Sub-Committee involved in the analysis of major incidents affecting ICT services in the reference area, as well as those with potential major impact, in order to identify and take corrective action to effectively resolve ongoing incidents and to prevent new incidents and, and to monitor information security management in all areas defined by internal regulations and group policies),
- NFRC - Reputational Risk Sub-Committee - having the role of analyzing and issuing of opinions in relation to the reputational risk associated with credit cases / initiatives / transactions, as well as for non-credit activities and it is involved with priority, before any other committee / other official decision. For the lending activity, the opinion issued within this sub-committee is followed by the decision on reputational risk, the analysis of the lending opportunity and the final lending decision, according to the established decision-making powers. For transactions other than lending, the opinion of this sub-committee is requested before the analysis and approval of the respective transaction.

8.1.6 Internal Control

The UniCredit Bank's internal control is based on:

- the existence of the Internal Control framework
- the existence of the independent internal control function.

In the internal control functions, which must be independent, are included:

- risk management function, being composed by risk control function on each business line;
- compliance function and

- internal audit function.

The internal control framework is adapted at individual level to the specifics of the activity, to the complexity and to the related risks, taking into account the organization of the UCB Group.

Internal control afferent framework represent the framework that ensure the development effective and efficient operations, prudent development of the activity, identification, measurement and mitigation of risks, credibility of financial and non-financial information reported internally and externally, sound administrative and accounting procedures, compliance with the applicable legal framework, including supervisory requirements, as well as the credit institution's internal policies, processes, rules and decisions.

The internal control framework covers all structures of the Bank as a whole, including the activities of all operational units, support and control functions.

Internal control functions submit periodically to the Bank's management, official reports on the major deficiencies identified. This reports include, for any new major deficiency identified, the relevant risks involved, an impact assessment, recommendations and remedial measures to be taken.

8.2. Corporate Governance UniCredit Bank's subsidiaries (UCFIN and UCLC)

UniCredit Bank S.A., as a parent credit institution, takes into account and balances the interests of all its subsidiaries and analyses the way in which those interests concur to the common objective and interests of the whole UniCredit Bank Group, on long term.

8.2.1. UniCredit Consumer Financing IFN SA

Committees subordinated to Supervisory Board are:

- Audit Committee;
- Risk Management Committee.

Committees subordinated to Management Board are:

- Permanent Working Group for Operational Risk Management;
- Inventory Committee;
- Credit Committee;
- Disciplinary Committee;
- Prioritization (Project) Committee;
- Labor Security and Health Committee;
- Business Continuity & Crisis Management Crisis Committee;
- Price and Product Committee;
- Managerial Committee for Unacceptable Behavior Reporting;
- Professional Evaluation Committee.

8.2.2. UniCredit Leasing Corporation

Committees subordinated to Supervisory Board are:

- Audit Committee;
- Risk Management Committee.

Committees subordinated to Management Board are:

- Credit Committee;
- Special Credit Committee;
- Security and Health Committee;
- Business Continuity & Crisis Management Crisis Committee;
- Disciplinary Committee;
- Anti-Fraud Committee;
- Permanent Working Group for Operational Risk Management;
- Reputational Risk Committee;
- Remarketing and Asset Management Committee;
- Unacceptable Conduct Reporting Management Committee.

9. Non-financial declaration

In this chapter the Group presents information on the development, performance and position of the UniCredit Bank Group and its impact on aspects related to environment protection, social and personnel, human rights, the fight against corruption and bribery.

9.1. Short description of business strategy

In its activity, the Bank continues to actively target the following areas:

- Profitability: revenues, net profit and ROAC (Return on Allocated Capital), through an adequate mix of business actions;
- Customers: net active customer growth and customer experience;
- Cost discipline: continuous attention to efficiency, simplification and digitization; being even more disciplined with respect to cost management is crucial for the sustainability of our current business model;
- Risk discipline: constant focus on risk management and mitigation of high risk exposures;
- Maintain strong capital position and improve funding self-sufficiency, by achievement of a well-diversified commercial base;
- Compliance and compliance culture, as a prerequisite to maintain high reputation;
- Our People, on which the Bank keeps investing, also by ensuring continuous trainings and career growth opportunities.

9.2. Protection of the environment

The UniCredit Bank Group is compliant with the applicable legal framework regarding the environmental protection and is concerned to decrease the impact of its operational activities on environment.

9.3. Social and HR activity

Learning & Development

Throughout 2021, various actions were implemented in line with HR strategy:

- Off-site Management Boards: performed online
- Seniority Gifts: We gladly celebrated loyalty of 440 colleagues that reached 5, 10, 15, 20 and 25 years in the Group;
- 4U Concept: fairs, discounts, blood donation campaigns, sports & Our Kids, Our future - a traditional concept that bring work-life to life through multiple initiatives:
- In addition to the 4U concept and the initiatives presented, this year Unicredit Bank continued to focus on helping colleagues manage the new hybrid reality of remote work;
- WeMatter Program with the purpose of bringing topics related to wellbeing g& emotional support. There were 7 live webinars which have gathered approximately 1.500 participants:
- Boost Your Future: in 2021 we continued with the third edition of the Boost Your Future program for 90 colleagues identified as "talents";
- Middle Management Program: maximizing the role of our managers in implementing the bank's strategy and increasing management skills by developing the managerial skills;
- Sales Branch Managers Program (Retail & Corporate): program launched in November for Retail and Corporate Branch Managers (approx. 160 colleagues) with the direct involvement of Regional Retail and Corporate Managers (20 colleagues) to define the concept and align it the current business strategy.
- Customer experience for Retail Network: Supporting employees in our branches to create memorable experiences for all customers in daily interactions, increasing customer relationship skills. Pilot program launched in September for Universal Tellers & Relationship Managers (approx. 120 colleagues).
- Trainers Community: Trainers in the community delivered courses on Time Management, Rediscover the Value of Feedback, Emotional Intelligence, Public Speaking and First Time Manager to approximately 280 colleagues. In addition, this year we focused on expanding the actual number of internal trainers and developing a new course "Public Speaking";
- Growth Program for the Retail Network: periodically refreshing technical skills for colleagues in the retail network, focusing on product and service updates,

Protecting our most vulnerable: Doubravčice's Centrum péče Doubrava is a pillar of its local community, providing dignity in old age and peace of mind for families; we helped the facility expand.

Our Clients
Centrum Péče Doubrava
Czech Republic

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procedural changes, key KYC and anti-fraud issues and using of technical applications;

- Onboarding program for the Retail Network: updating the program in terms of the technical topics included in the agenda and the delivery method (we encourage participants to work from home during the sessions);
- Retail Branch Manager Onboarding: A structured integration process that consists in a week of interactions with headquarters experts to ensure the full technical and business integration of the new Retail Branch Managers;
- Financial education: 7 webinars on Financial Education open for participation to all colleagues. The actual number of participants was about 600 colleagues;
- Other specific trainings for colleagues in the Retail and Corporate network: Customer Care, Inside Sales, Risk Academy, Esign, Customer Profiling, Influencing without authority, MIFID etc;
- Performance management process where we continued with: the calibration sessions to the management in all LEs. It was our way to make sure that we have a common approach when evaluating all colleagues;
- Bonus allocation methodology: clear and consistent principles, unified across all legal entities;
- Salary review process: based on predefined criteria we run a full review of the salaries. In June 2021 35% of population got a salary increase;
- Closer to the academic environment. In 2021, UCB continued to improve relationship with universities and student associations across the country.

Integrity and Corporate Social Responsibility

Along the 20 years of activity in supporting communities, UniCredit Bank S.A. supported some of the most important financial and entrepreneurship educational projects, social initiatives and cultural development events at national level. The Bank carries out projects that set a bridge between the business environment and the communities, meeting the company's strategic needs and the needs of the community at the same time.

In 2021, UniCredit Bank S.A. continued all its traditional projects and stayed with its partners when times were difficult for them, and it specifically engaged in steps to relaunch the economy by supporting entrepreneurs in various projects. Furthermore, the bank acted quickly and responsibly from the onset of the crisis, and encouraged all its subsidiaries to join the measures taken at Group level.. All this time, people's health was the main focus, and all decisions were made with this priority in mind, whether it was about colleagues, customers, partners or the general population.

Entrepreneurial & Digital Education

UniCredit Bank and its employees have supported communities and its projects developed in 2021 in the field of education such as World Vision - excellence scholarships for access to online school for 20 pupils in disadvantaged areas, so that they can complete high school and continue into higher education; Teach for Romania - the La Fata Locului podcast and the

The road back: after a difficult year for leisure and tourism, UniCredit Zagrebacka's #FirstTime project put Ranč Ramarin back in the public eye where it belongs.

Our Clients
Ranč Ramarin d.o.o
Croatia

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Leadership Digital Academy, which trains future teachers; Future Artistic Requirements - educational platform for pupils and students who want to discover new media art as their future profession; Societatea Omului Sanatos - the Habits series of conferences for physical and emotional health; Future Talks - conferences on what the future we are living in looks like; Techsylvania - online conference on IT, fintech and digital; Decat o Revista - online educational programmes, DoR Live; EIDOS Talks - a series of online talks about journalism professional deontology, its role in the society and democracy; Recorder - the content platform that brings to light some of the sore points of the country we live in; Brand Minds - the global conference which adapted to online master-classes during the pandemic; Brio Olimpiada Digitala Matematica – digital classes and testing for scolars in the field of mathematics.

Also starting in 2021, UniCredit Bank S.A. joined the Horeca Business Accelerator programme, a community of businesspeople discussing and configuring new food & drinks concepts and technologies for the hospitality industry. Approximately 120 businesspeople enrolled in the second cohort of the HoReCa Business Accelerator (2021 edition). Only nine of them were accepted in the programme and received more than 100 hours of workshops and mentoring provided by some of the most famous Romanian hospitality industry businesspeople and by top specialists in the related industries.

Cultural & Creative Communities Development

UniCredit Group has a long tradition in supporting cultural and creative communities, and holds the belief that culture is a way to promote social and economic progress and encourage dialogue on innovation, social cohesion and belonging. At a local level, the Bank was involved in supporting some of the most significant cultural events in Romania, such as: Sibiu International Theatre Festival FITS, for 18 years (where the Bank is involved in supporting the location where the famous FAUST plays - Fabrica de Cultura UniCredit); Romanian Design Week - the greatest multidisciplinary platform dedicated to creative industries supporting entrepreneurship in product design, and Diploma - the festival of the alumni of creative universities in Romania, for 9 years; RADAR New Media Art; Amural Visual Festival Brașov; Mushuroi Creative Hub & Entrepreneurial Rezidencies Cluj-Napoca; Faber Timisoara Building Community & Entrereuneurial Residencies; Jazz TM Timișoara Fesival; Plai Festival; Cochilia Plaja Culturala Constanta; Romanian Creative Week & Creative Collective in Iasi; World Press Photo Bucuresti, Cluj-Napoca, Timisoara; educational programmes at MARe Museum for Contemporary Art for children; Atelierele Mal Maison – residencies for artists and art galleries; Arcen Nocturnele de Poezie; Roditor entrepreneurial platform & Weekend Sessions Gradina Botanica; Teatrul Grivita 53; Sonoro Interferente scholarships; VeniceArchitecture & Art Biennial – Romanial Pavilion.

Health & Sports & Social Care

For UniCredit Bank S.A, 2021 was a continuation in supporting the projects that are vital for the communities where it operates, such as: INSMC children hospital, Elias,and Ploiesti City Hospital for acquiring medical equipment the building of the modular hospital in Bicaz, The Annual platform of Asociatia Zi de Bine with monthly social projects in the country, Merci

Caring for our communities: When an earthquake devastated the Croatian region of Banija, the UniCredit Foundation sprang into action and launched a fundraising initiative to support those most affected.

Our People
Earthquake
Croatia

Curious to know more? Check out the entire story (and others!) on annualreport.unicredit.eu/en

Charity Boutique mobile clinic for disadvantaged areas, Asociatia Invingem Autismul supporting children with autism Oameni in Alb free therapy for doctors programme Fundatia Regina Maria educational project for disadvantaged children and building of the social clinic, Brutaria Sociala Concordia d. Also in 2021 UniCredit Bank became the official partner of The Romanian Rowing Federation and The Romanian Fencing Federation, two of the of the most successful sports federations and Romania that had amazing achievements in the last Olimpic Games and also amazing results in the International Sports Competitions.

Social Impact Banking

The Social Impact Banking (SIB) programme, which is UniCredit's commitment to building a fair, more inclusive society continued in 2021, aiming to identify, finance and promote people and businesses that have a positive social impact. This approach seeks to generate economic benefits, as well as wider benefits in the society. Through SIB, projects and organisations which in general are excluded from accessing banking products and services can receive financing, as well as the financial and business expertise provided by UniCredit through educational programmes dedicated to micro businesspeople, social businesses, vulnerable or disadvantaged groups, including young people, elders and other categories at risk of social exclusion. The engagement of UniCredit employees is a significant component in carrying out the actions under the SIB, and support building valuable networks in the communities, by bringing people together to share positive experience and increase awareness of the projects.

9.4. Diversity on company boards

Size: the number of members of the Management body must be adequate to the Bank's/its subsidiaries' size and organizational complexity in order to ensure effective oversight of all their operations as concerns management and control.

Educational and professional background: the competent bodies within the Bank and its subsidiaries assess the adequacy and suitability of their Management body members based on criteria provided by local applicable legislation and also based on internal/group rules of procedure, where applicable.

In terms of professional qualifications, the members of the governing bodies must have a good reputation and knowledge, abilities and experience adequate to the operational complexity and size of the Bank/its subsidiary and they must devote sufficient time and resources to discharging their duties and must act the company's interest and consistently with the objectives of sound and prudent management.

The Management body's members are selected according to technical competence, adequate seniority, with the observance of the representativeness and independence requirements, to be able to ensure a constructive dialog within the body of the management body to which they belong; the composition of the Management body reflects in its entirety a wide range of professional experience.

Age: Management body of the Bank and of its subsidiaries contains a balanced gender mix of people with various ages, from people in their 40s to people in their 60s.

Code of conduct: Management body of the Bank/its subsidiaries promotes high professional and ethical standard. The Management body's members are required by internal relevant policies to avoid conflicts of interests and to abstain from participating in the taking of a decision related to which they are in a situation of conflict of interests.

Gender balance: for the purpose of increasing the number of women on the management body and with the aim of reaching at least one third of the members of the boards, the Bank and its subsidiaries adopted the promotion of women in the management body as best practice within their companies, in line with the best practice within the Group.

10. Communication calendar for 2022

The Bank prepares every year a financial communication schedule, for information of their shareholders; this schedule will be published also on Bucharest Stock Market site.

The schedule for 2022 is the following:

Annual General Shareholders' Meeting (GSM) for 2021 local financial results approval	06.04.2022
Presentation of the separate and consolidated financial results for the 2021 year, on the official website of the Bank	06.04.2022
Presentation of the half-yearly report and the consolidated financial results for the first half of 2022, on the official website of the Bank	12.08.2022

11. Members of the Management Board of the Bank, UCFIN and UCLC during 2021

Members of the Management Board of the Bank, the parent company:

1. **Catalin Rasvan Radu**, citizen, born , Executive President (CEO), Chairman of the Management Board, starting 17.04.2008;
2. **Tzvetanka Gueorguieva Mintcheva,** citizen, born , Executive First Vice-President (Deputy CEO), member of the Management Board, staring 19.06.2020 until 30.06.2021;
3. **Philipp Gamauf**, citizen, born , Executive Vice-President, member of the Management Board, starting 03.01.2018;
4. **Nicola Longo Dente**, citizen, born , Executive Vice-President, member of the Management Board starting 27.11.2018;
5. **Andrei Bratu**, citizen, born , Executive Vice-President, member of the Management Board, starting with 01.01.2019;
6. **Carlo Driussi**, citizen, born , Executive Vice-President, member of the Management Board starting 24.05.2019;
7. **Antoaneta Curteanu**, citizen, born , Executive Vice-President, member of the Management Board starting 25.11.2019.
8. **Diana Ciubotariu**, citizen, born , Executive Vice-President, member of the Management Board starting 03.03.2021.

9. **Dragos Birlog**, citizen, born , Executive Vice-President, member of the Management Board starting 15.06.2021.
10. **Feza Tan**, citizen, born , Executive First Vice-President, (Deputy CEO), member of the Management Board, staring 26.11.2021.

Members of the Management Board of UCFIN, the subsidiary:

1. **Sorin Dragulin**, citizen, President of the Management Board, starting 01.05.2021;
2. **Ana Maria Duțu**, citizen, member of the Management Board, starting 01.07.2018;
3. **Eugenia Bolboros**, Citizen, member of the Management Board, starting 01.05.2019
4. **Ani Cirstea**, citizen, member of the Management Board, starting 15.03.2020;
5. **Daniel Ghiulea**, citizen, member of the Management Board, starting 01.06.2018.

Members of the Management Board of UCLC, the subsidiary:

1. **Daniela Bodirca**, citizen, President of Management Board, starting 01.01.2019;
2. **Claudia Mocanu**, citizen, Vice-President of the Management Board, starting 01.03.2020;
3. **Razvan-Florin Vedel**, citizen, Vice-President of the Management Board, starting 01.06.2021;
4. **Loredana-Elena Nedelcu-Popescu**, citizen, Vice-President of the Management Board, starting 16.03.2020;
5. **Daniela Panaitescu**, citizen, Vice-President of the Management Board, starting 01.12.2016.

In their activity, the Management Board members acted in compliance with specific economic legislation in force, norms and regulations issued by National Bank of Romania, Group rules and internal rules and regulations of UniCredit Bank SA.

The Management Board members' activity had as primary goal the effective and efficient management of the Bank's patrimony in full compliance with the law and statutory regulations.

In conclusion, the main focus of the Management Board members was on:

- Strong financial standing of the UniCredit Bank Group, including solid capital base and liquidity;
- Prudent risk management, including credit, market and operational risks;
- Strict and effective internal control of activity and operations, carried out in accordance with the legal provisions in force;

- Value added of all types of businesses, geographies and operations;
- Completion of the targets set in the budget;
- Business sustainability;
- Corporate social responsibility;
- Increase the productivity and efficiently functioning organizational structure of the Bank, focused on rendering qualitative and competitive banking services and products to the clients of the Bank;
- Increased efficiency of logistical organization and infrastructure;
- Higher automation and systems development, through improvement of banking software performances, risk management and specialized applications in order to satisfy the bank's operating needs, acting accounting and legal requirements, and enhance decision making process;
- Continuous development and professional training of the bank's employees.

12. Conclusion

Although the market conditions and the local and international economic environment continued to be challenging, in 2021 UniCredit Bank Group proved to be one of the Unicredit Group's growth engines in Eastern Europe, having remarkable results.

The future development objectives will continue to focus on a more rapid growth of operations in retail, alongside with the strengthening of corporate activity. The Group continues to focus on delivering of value-added services, on risk management, profitability, productivity and strengthening of market position through higher service quality, enriching the range of products and services, as well as strict compliance with the acting laws and by-laws. Last but not least, the Group remains consistent with its mission of being close to its clients and supporting them in accomplishing the things that matter to them.

Catalin Rasvan Radu

Executive President

Empowering
Communities to Progress.

UniCredit

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