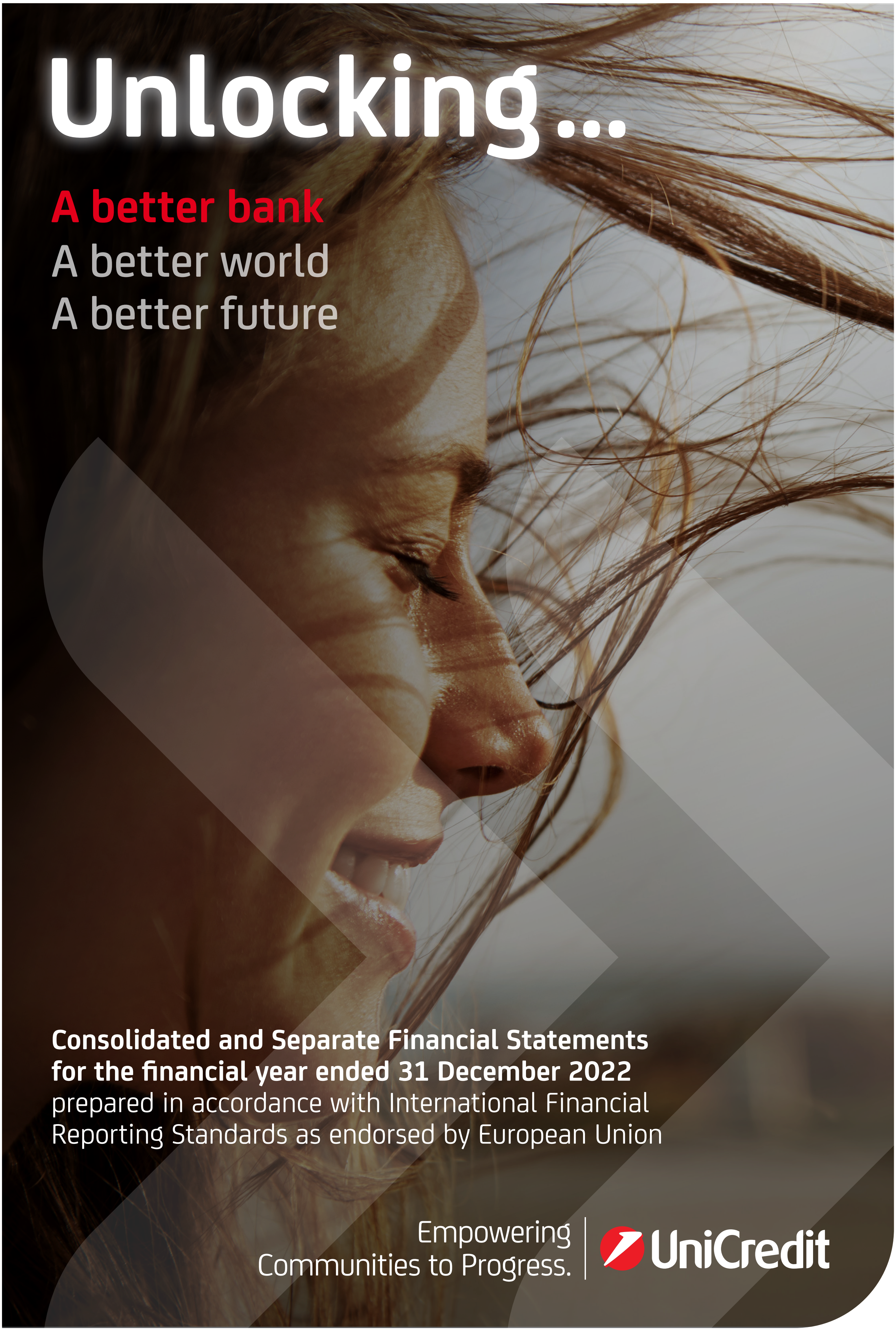

Unlocking...

A better bank
A better world
A better future

Consolidated and Separate Financial Statements for the financial year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards as endorsed by European Union

Empowering
Communities to Progress.

UniCredit

UniCredit Bank S.A.

Consolidated and Separate
Financial Statements
for the financial year ended
31 December 2022

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

Contents

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Independent Auditors' Report

(free translation[1])

To the Shareholders of UNICREDIT BANK SA

No. 1F, Bulevardul Expozitiei, District 1, Bucharest
Unique Registration Code: 361536

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

1. We have audited the accompanying:

   - consolidated financial statements of UNICREDIT BANK SA ("the Bank") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information; and

   - separate financial statements of the Bank, which comprise the separate statement of financial position as at 31 December 2022, the separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

2. The consolidated and separate financial statements as at and for the year ended 31 December 2022 are identified as follows:

• Consolidated equity:	lei 7,242,575 thousand
• Consolidated net profit for the year:	lei 997,899 thousand
• Separate equity:	lei 6,475,648 thousand
• Separate net profit for the year:	lei 879,240 thousand

[1] TRANSLATOR'S EXPLANATORY NOTE: The above translation of the auditors' report is provided as a free translation from Romanian which is the official and binding version and refers to the Romanian version of the consolidated and separate financial statements. The English version of the consolidated and separate financial statements is a convenience translation from the Romanian official version. In case of discrepancies, the Romanian official version will prevail.

Fiscal registration code RO12997279
Trade Registry no.J40/4439/2000
Share Capital 2.000 RON

3. In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and unconsolidated financial position of, respectively, the Group and Bank as at 31 December 2022, and of their respective consolidated and unconsolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS") and with the National Bank of Romania's Order no. 27/2010 for the approval of the accounting regulations in acordance with IFRS, with subsequent changes („NBR Order no. 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 of the Council ("the Regulation") and Law no. 162/2017 ("the Law"). Our responsibilities under those standards and regulations are further described in the *Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the Group and the Bank in accordance with *International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code")* together with the ethical requirements that are relevant to our audit of the consolidated and individual 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 consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Collective impairment of loans and advances to customers

As at 31 December 2022, the consolidated financial statements include:

- Gross loans and advances to customers subject to collective impairment assessment: RON 33,885,500 thousand (31 December 2021: RON 29,924,115 thousand)
- Collective impairment allowance: RON 1,193,680 thousand (31 December 2021: RON 758,185 thousand)

and, for the year then ended, total net impairment losses (including in respect of the net collective impairment losses) of RON 282,879 thousand (2021: total net impairment losses of RON 263,897 thousand).

As at 31 December 2022, the separate financial statements include:

- Gross loans and advances to customers subject to collective impairment assessment: RON 31,836,220 thousand (31 December 2021: RON 27,736,614 thousand)
- Collective impairment allowance: RON 938,749 thousand (31 December 2021: RON 534,941 thousand)

and, for the year then ended, total net impairment losses (including the net collective impairment losses) of RON 214,012 thousands (2021: net impairment losses of RON 204,271 thousand).

Refer to the following notes to the consolidated and separate financial statements: note 3 *Significant accounting policies – sections 3.b2) Financial assets and liabilities at amortised cost, 3.g) Identification and measurement of impairment, note 4c Risk management – credit risk, note 5 Use of estimates and judgements, note 15 Net impairment losses on financial instruments, note 21 Loans and advances to customers.*

The key audit matter	How the matter was addressed in our audit
➢ Impairment allowances represent management's best estimate of the expected credit losses ("ECLs") within loans and advances to customers (collectively, "loans", "exposures") at amortized cost at the reporting date. ➢ Impairment allowances for the performing exposures (stage 1 and stage 2 in the IFRS 9 hierarchy) as well as non-performing exposures (stage 3), with amounts not exceeding certain pre-determined thresholds individually, are determined by highly complex modelling techniques, relying on key parameters such as the probability of default (PD), exposure at default (EAD), credit conversion factor (CCF) and loss given default (LGD), taking into account historical experience, identification of exposures with a significant increase in credit risk ("SICR"), forward-looking information and management judgment (together "collective impairment allowance"). ➢ In the wake of the geopolitical volatility following the outbreak of the Russia-Ukraine war, and given the adverse macroeconomic effects of the increase in energy and other commodity prices, resulting inflationary pressures and disruptions in the global supply chains, as well as of the rise in interest rates, measurement of collective impairment allowance was associated with additional complexities and an increased estimation uncertainty. Among other things, the application of post-model adjustments was required from management in arriving at the year-end estimate of collective impairment losses. ➢ Considering the above factors, we determined collective impairment of loans and advances to customers to be associated with a significant risk of material misstatement in the consolidated and separate financial statements. Therefore, the area required our increased attention in the audit and, as such, was determined to be a key audit matter.	Our audit procedures, performed, where relevant, with the assistance from our own financial risk management and information technology (IT) specialists, included, among others: ➢ Inspecting the Bank's and its subsidiaries' ECL impairment methods and models and evaluating, among others, the following: o Compliance of key model elements with the impairment policy and methodological standards for credit risk model development adopted at the Group level; o The models' conceptual soundness, against the requirements of IFRS 9 and industry practice; o The sophistication level of the methods and models based on the assessment of both entity-level and loan portfolio-level factors; ➢ Considering the outcome of the preceding procedure, assessing, by means of reperformance on a sample basis, whether the models analyzed, respectively the PD, LGD, EAD and CCF models, are appropriately applied in the collective ECL computation; ➢ Testing, on a sample basis, the relevance and reliability of the data important to the models, such as the amounts of recoveries, default flag and client rating, by reference to credit risk memoranda, including client financial data, debt service status, repayment schedules, restructuring operations and data for collections after default; ➢ Testing the design, implementation and, where relevant, operating effectiveness of selected controls within the impairment process: o approval of loan exposures o model validation and model monitoring o system computation of past-due days o system computation of ratings o system computation of collective ECLs o system configuration for staging allocation of loan exposures. As part of the procedure, we also tested the IT control environment for data security and access. ➢ Challenging key assumptions underlying macroeconomic forecasts used in the ECL models. As part of the procedure, we challenged the consideration of the economic uncertainty relating to the increase in energy and other commodity prices and resulting inflationary pressures and disruptions

	in the global supply chains, as well as the rise in interest rates, by means of inquiries of the management board members and inspection of publicly available information; ➢ Assessing the consistency of application of the following SICR criteria: 30 past-due days, forborne flag, Watch-List flag; and of the criteria for identification of objective evidence of impairment, such as: 90 past-due days, insolvency flag and client rating. As part of the procedure, we also, for a sample of exposures, independently assessed the loans' classification into the stages prescribed by IFRS 9; ➢ Challenging significant post-model adjustments, by: • Inspecting the development documentation for post-model adjustments; • Evaluating key underlying assumptions • Evaluating the post-model adjustment completely and accurately capture all relevant loan exposures. ➢ Evaluating the collective ECL-related disclosures in the consolidated and separate financial statements against the qualitative and quantitative requirements of the relevant financial reporting standards.

Emphasis of Matter - comparative information

6. We draw attention *to Note 3 Significant accounting policies - Restatement of amounts presented in the consolidated and separate financial statements* of the consolidated and separate financial statements which indicates that the comparative information presented as at and for the year ended 31 December 2021 has been restated. Our opinion is not modified in respect of this matter.

Other matter - comparative information

7. The consolidated and separate financial statements as at and for the year ended 31 December 2021, excluding the adjustments described in *Note 3 Significant accounting policies - Restatement of amounts presented in the consolidated and separate financial statements* to the consolidated and separate financial statements, were audited by another auditor who expressed an unmodified opinion on those financial statements on 25 February 2022.

   As part of our audit of the consolidated and separate financial statements as at and for the year ended 31 December 2022, we audited the adjustments described in *Note 3 Significant accounting policies - Restatement of amounts presented in the consolidated and separate financial statements* that were applied to restate the comparative information presented as at and for the year ended 31 December 2021. We were not engaged to audit, review, or apply any procedures to the consolidated and separate financial statements for the year ended 31 December 2021, other than with respect to the adjustments described in *Note 3 Significant accounting policies - Restatement of amounts presented in the consolidated and separate financial statements* to the consolidated and separate financial statements. Accordingly, we do not express an opinion or any other form of assurance on those respective financial statements taken as a whole. However, in our opinion, the adjustments described in *Note 3 Significant accounting policies - Restatement of amounts presented in the consolidated and separate financial statements* are appropriate and have been properly applied.

Other information

8. The Directorate of the Bank is responsible for the preparation and presentation of other information. The other information comprises the consolidated and separate Management Board Report (which also includes the Non-Financial Statement) and the Annual Report prepared as per the requirements of the Financial Supervisory Authority Regulation 5/2018), but does not include the consolidated and separate financial statements and our auditors' report thereon.

   Our opinion on the consolidated and separate financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

   In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. We have nothing to report in this regard.

   Other Reporting Responsibilities Related to Other Information – the consolidated and separate Management Board Report

   With respect to the consolidated and separate Management Board Report we read and report whether the consolidated and separate Management Board Report is prepared, in all material respects, in accordance with NBR Order no. 27/2010, article 32 and NBR Order no. 27/2010, articles 12, 13, 15, 16 and 17 of the accounting regulations in accordance with International Financial Reporting Standards applicable to credit institutions.

   Based solely on the work required to be undertaken in the course of the audit of the consolidated and separate financial statements, in our opinion:

   a) The information given in the consolidated and separate Management Board Report for the financial year for which the consolidated and separate financial statements are prepared is consistent, in all material respects, with the consolidated and separate financial statements;

   b) The consolidated and separate Management Board Report has been prepared, in all material respects, in accordance with NBR Order no. 27/2010, article 32 and NBR Order no. 27/2010, articles 12, 13, 15, 16 and 17 of the Accounting regulations in accordance with International Financial Reporting Standards applicable to credit institutions.

   In addition, in light of the knowledge and understanding of the Bank and of the Group and its environment obtained in the course of our audit we are required to report if we have identified material misstatements in the consolidated and separate Management Board Report. We have nothing to report in this regard.

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

9. Management of the Bank is responsible for the preparation of consolidated and separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with National Bank of Romania's Order no. 27/2010 for the approval of the accounting regulations in acordance with IFRS, with subsequent changes and for such internal control as management determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

10. In preparing the consolidated and separate financial statements, management is responsible for assessing the Bank's and 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 Bank and the Group or to cease operations, or has no realistic alternative but to do so.

11. Those charged with governance of the Bank ("those charged with governance") are responsible for overseeing the Bank's and Group's financial reporting process.

Auditors' Responsibility for the Audit of the Consolidated and Separate Financial Statements

12. Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated and separate financial statements.

13. 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 consolidated and separate 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 Bank's and Group's internal control.

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

    - 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 Bank's and 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 auditors' report to the related disclosures in the consolidated and separate 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 auditors' report. However, future events or conditions may cause the Bank and the Group to cease to continue as a going concern.

    - Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate 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 and separate financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

14. 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.

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

16. 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 auditors' 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 - Report on Compliance with the ESEF Regulation

17. In accordance with Law no. 162/2017 on statutory audits of annual financial statements and consolidated and separate financial statements and amendment of certain regulations, we are required to express an opinion on compliance of the consolidated and separate financial statements, with the requirements of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "RTS on ESEF").

Responsibilities of Management

18. Management is responsible for the preparation of the consolidated and separate financial statements in a digital format, issued in Romanian, that complies with the RTS on ESEF. This responsibility includes:

- The preparation of the consolidated and separate financial statements in the applicable xHTML format, issued in Romanian;
- The selection and application of appropriate iXBRL tags, in the preparation of the consolidated financial statements, using judgment where necessary;
- Ensuring consistency between the tagged data and the consolidated financial statements of the Group presented in human-readable format;
- Ensuring consistency between digitised information in human-readable format and the signed separate and consolidated financial statements; and
- The design, implementation and maintenance of internal controls relevant to the application of the RTS on ESEF.

Auditors' Responsibilities

19. Our responsibility is to express an opinion on whether the consolidated and separate financial statements, issued in Romanian, comply, in all material respects, with the RTS on 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 the RTS on ESEF. The nature, timing and extent of procedures selected depend on the auditor's judgment, including the assessment of the risks of material departures from the requirements set out in the RTS on ESEF, whether due to fraud or error. Our procedures included, among other things:

    ➢ With respect to the consolidated financial statements:

    - Obtaining an understanding of the tagging process;
    - Evaluating the design and implementation of relevant controls over the tagging process;
    - Tracing the tagged data to the consolidated financial statements of the Group presented in human-readable digital format and to the signed and audited consolidated financial statements, stamped by us for identification purposes;
    - Evaluating the completeness of the Group's tagging of the consolidated financial statements;
    - Evaluating the appropriateness of the Group's use of iXBRL elements selected from the ESEF taxonomy and creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
    - Evaluating the use of anchoring in relation to the extension elements;

    ➢ With respect to the separate and consolidated financial statements:

    - Evaluating the appropriateness of the digital format of the consolidated and separate financial statements; and

- Assessing consistency between the digitised information in the machine and human-readable formats and the signed and audited consolidated and separate financial statements, stamped by us for identification purposes.

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

Opinion

20. In our opinion, the consolidated and separate financial statements of the Group and, respectively, of the Bank, issued in Romanian, as at and for the year ended 31 December 2022 have been prepared, in all material respects, in accordance with the requirements of the RTS on ESEF.

Report on Other Legal and Regulatory Requirements

21. We were appointed by the General Shareholders' Meeting on 14 April 2021 to audit the consolidated and separate financial statements of UNICREDIT BANK SA for the year ended 31 December 2022. Our total uninterrupted period of engagement is of 1 year, covering the period ended 31 December 2022.

22. We confirm that:

- Our audit opinion is consistent with the additional report presented to the Audit Committee of the Bank, which we issued on 15 February 2023. We also remained independent of the audited entity in conducting the audit.
- We have not provided to the Bank and Group the prohibited non-audit services (NASs) referred to in Article 5(1) of EU Regulation (EU) No 537/2014.

The engagement partner on the audit resulting in this independent auditors' report is Grecu Tudor Alexandru.

Refer to the original signed Romanian version

For and on behalf of KPMG Audit S.R.L.:

Grecu Tudor Alexandru	**KPMG Audit SRL**
registered in the electronic public register of financial auditors and audit firms under no AF2368	registered in the electronic public register of financial auditors and audit firms under no FA9

Bucharest, 23 February 2023

CONSOLIDATED AND SEPARATE STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 December 2022

In RON thousands	Note	Group 31.12.2022	Group 31.12.2021 *Restated	Bank 31.12.2022	Bank 31.12.2021 *Restated
Interest income using effective interest rate method		2,428,686	1,563,024	2,158,078	1,266,445
Other interest income		142,630	130,503	10	-
Interest expense		(897,030)	(327,379)	(772,856)	(202,677)
Net interest income	**7**	**1,674,286**	**1,366,148**	**1,385,232**	**1,063,768**
Fee and commission income		680,157	574,290	621,832	519,788
Fee and commission expense		(252,427)	(187,107)	(237,423)	(173,517)
Net fee and commission income	**8**	**427,730**	**387,183**	**384,409**	**346,271**
Net income from instruments at fair value through profit and loss	9	347,676	325,423	347,795	325,436
Net gain/(loss) from foreign exchange		46,155	14,577	23,494	(7,760)
Fair value adjustments in hedge accounting		10,799	(651)	10,799	(651)
Net gain/(loss) from derecognition of financial assets measured at amortised cost		20,596	1,286	8,759	851
Net gain/(loss) from derecognition of financial assets measured at FVTOCI		-	28,879	-	28,879
Dividend income	10	3,196	2,229	33,184	2,229
Other operating income		8,780	9,451	12,577	10,680
Operating income		**2,539,218**	**2,134,525**	**2,206,249**	**1,769,703**
Personnel expenses	11	(525,288)	(467,557)	(463,572)	(412,116)
Depreciation and impairment of tangible assets	12	(109,209)	(100,520)	(100,048)	(92,663)
Amortization and impairment of intangible assets	12	(60,946)	(58,813)	(55,166)	(53,946)
Other administrative costs	13	(398,782)	(343,527)	(370,212)	(316,629)
Other operating costs	14	(17,355)	(38,329)	(11,072)	(10,711)
Operating expenses		**(1,111,580)**	**(1,008,746)**	**(1,000,070)**	**(886,065)**
Net impairment losses on financial instruments	15	(276,609)	(186,984)	(187,669)	(118,814)
Losses on modification of financial assets		207	(123)	207	(123)
Net operating income		**1,151,236**	**938,672**	**1,018,717**	**764,701**
Net impairment losses on non-financial assets		9,842	(11,449)	9,842	(11,449)
Net provision gains/ (losses)	16	4,108	25,917	(2,163)	921
Net gains/(loss) from other activities		-	(325)	-	78
Profit before tax		**1,165,186**	**952,815**	**1,026,396**	**754,251**
Income tax expense	17	(167,287)	(147,164)	(147,156)	(114,945)
Net profit for the year		**997,899**	**805,651**	**879,240**	**639,306**
Attributable to:					
Equity holders of the parent company		984,455	779,531	-	-
Non-controlling interests		13,444	26,120	-	-
Net profit for the year		**997,899**	**805,651**	**-**	**-**

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

CONSOLIDATED AND SEPARATE STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 December 2022

In RON thousands	Note	Group 31.12.2022	Group 31.12.2021 *Restated	Bank 31.12.2022	Bank 31.12.2021 *Restated
Other comprehensive income, net of tax					
Items that will not be reclassified subsequently to profit or loss					
Re-measurement of defined benefit liability		2,268	142	2,268	142
Revaluation of property, plant and equipment	28iii)	2,061	1,728	2,061	1,728
Movement in investment revaluation reserve for equity instruments at FVTOCI	28i)	8,729	430	8,729	430
Income tax relating to items that will not be reclassified subsequently to profit or loss		(767)	(419)	(767)	(419)
Total items that will not be reclassified subsequently to profit or loss		**12,291**	**1,881**	**12,291**	**1,881**
Items that may be reclassified subsequently to profit or loss					
Movement in reserve for debt instruments at FVTOCI:					
Gains/(losses) arising during the period	28i)	(125,436)	(112,380)	(125,436)	(112,380)
Reclassification of (gains)/losses included in profit or loss	28i)	-	(28,879)	-	(28,879)
Net changes in cash flow hedging reserve:					
Gains/(losses) arising during the period	28ii)	29,686	14,255	29,686	14,255
Reclassification of (gains)/losses included in profit or loss	28ii)	1,154	1,262	1,154	1,262
Income tax relating to items that may be reclassified subsequently to profit or loss		15,136	20,118	15,136	20,118
Total items that may be reclassified subsequently to profit or loss		**(79,460)**	**(105,624)**	**(79,460)**	**(105,624)**
Other comprehensive income for the year, net of tax		**(67,169)**	**(103,743)**	**(67,169)**	**(103,743)**
Total comprehensive income for the year		**930,730**	**701,908**	**812,071**	**535,563**
Attributable to:					
Shareholders of parent – company		917,286	675,788	-	-
Non-controlling interests		13,444	26,120	-	-

** The comparative information have been restated as described in Note 3.*

The consolidated and separate financial statements were approved by the Management Board on February 17, 2023 and were signed on its behalf by:

Mr. Andrei Florin Bratu
Executive Vice-President

Mrs. Feza Tan
First Executive Vice-President

In RON thousands	Note	Group 31.12.2022	Group 31.12.2021 *Restated	Bank 31.12.2022	Bank 31.12.2021 *Restated
Assets:					
Cash and cash equivalents	18	16,456,169	11,269,108	16,455,940	11,269,028
Financial assets at fair value through profit or loss	19	214,714	259,355	214,714	259,355
Derivatives assets designated as hedging instruments	30	310,229	12,249	310,229	12,249
Loans and advances to banks at amortized cost	20	399,455	493,611	399,455	493,611
Loans and advances to customers at amortized cost	21	32,849,251	29,395,410	31,054,544	27,427,573
Net lease receivables	22	3,788,693	3,635,303	11,342	-
Debt instruments at amortized cost	24	8,856,966	7,950,629	8,856,966	7,950,629
Other financial assets at amortized cost	29	319,475	241,250	250,620	209,956
Financial assets at fair value through other comprehensive income	23	1,922,518	1,677,415	1,920,172	1,675,069
Investment in subsidiaries	25	-	-	143,116	143,116
Property, plant and equipment	26	179,752	194,583	176,415	186,624
Right of use assets	44	199,230	168,672	181,355	162,870
Intangible assets	27	362,782	300,752	344,366	284,598
Current tax assets		8,109	568	-	-
Deferred tax assets	28	163,726	142,887	73,999	59,683
Other assets	29	175,767	218,841	50,866	41,138
Total assets		**66,206,836**	**55,960,633**	**60,444,099**	**50,175,499**
Liabilities:					
Financial liabilities at fair value through profit or loss	19	176,965	32,129	176,966	32,129
Derivatives liabilities designated as hedging instruments	30	262,514	66,812	262,514	66,812
Deposits from banks	31	1,050,418	666,990	1,050,418	666,990
Loans from banks	32	5,653,932	3,995,917	849,329	570,921
Deposits from customers	34	45,310,940	39,985,660	45,404,198	40,069,143
Debt securities issued	35	3,502,834	2,491,879	3,502,834	1,014,391
Other financial liabilities at amortized cost	38	1,307,973	508,155	1,239,449	434,967
Subordinated liabilities	36	945,604	944,183	836,761	835,325
Lease liabilities	44	198,403	168,791	193,362	164,895
Current tax liabilities		24,969	41,468	24,969	35,135
Provisions	37	250,064	220,124	250,737	216,201
Other non-financial liabilities	38	279,645	293,778	176,914	171,771
Total liabilities		**58,964,261**	**49,415,886**	**53,968,451**	**44,278,680**

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

In RON thousands	Note	Group 31.12.2022	Group 31.12.2021 *Restated	Bank 31.12.2022	Bank 31.12.2021 *Restated
Equity					
Share capital	39	1,177,748	1,177,748	1,177,748	1,177,748
Share premium account	39	621,680	621,680	621,680	621,680
Cash flow hedging reserve		(7,501)	(33,407)	(7,501)	(33,407)
Reserve on financial assets at fair value through other comprehensive income		(108,424)	(10,389)	(108,424)	(10,389)
Revaluation reserve on property, plant and equipment		17,177	14,122	17,177	14,122
Other reserves	40	399,973	365,616	399,973	365,616
Retained earnings		4,981,500	4,262,398	4,374,995	3,761,449
Total equity for parent company		**7,082,153**	**6,397,768**	**6,475,648**	**5,896,819**
Non-controlling interest		160,422	146,979	-	-
Total equity		**7,242,575**	**6,544,747**	**6,475,648**	**5,896,819**
Total liabilities and equity		**66,206,836**	**55,960,633**	**60,444,099**	**50,175,499**

** The comparative information has been restated as described in Note 3.*

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Mr. Andrei Florin Bratu
Executive Vice-President

Mrs. Feza Tan
First Executive Vice-President

31.12.2022	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 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**
Comprehensive income for the year										
Net profit for the year**	-	-	-	-	-	-	984,455	984,455	13,444	997,899
Other comprehensive income net of tax										
Revaluation of property, plant and equipment, net of tax	-	-	-	3,055	-	-	-	3,055	-	3,055
Net change in fair value of financial assets through other comprehensive income, net of tax	-	(98,035)	-	-	-	-	-	(98,035)	-	(98,035)
Net change in cash flow hedging reserve, net of tax	-	-	25,906	-	-	-	-	25,906	-	25,906
Actuarial gains/(losses) on defined benefit liability/pension plans	-	-	-	-	1,905	-	-	1,905	-	1,905
Total other comprehensive income	**-**	**(98,035)**	**25,906**	**3,055**	**1,905**	**-**	**-**	**(67,169)**	**-**	**(67,169)**
Total comprehensive income for the year	**-**	**(98,035)**	**25,906**	**3,055**	**1,905**	**-**	**984,455**	**917,286**	**13,444**	**930,730**
Transactions with shareholders										
Transfer to other reserves*	-	-	-	-	32,452	-	(32,452)	-	-	-
Dividends distributed*	-	-	-	-	-	-	(233,859)	(233,859)	-	(233,859)
Other movements	-	-	-	-	-	-	958	958	(1)	957
Balance at 31 December 2022	**1,177,748**	**(108,424)**	**(7,501)**	**17,177**	**399,973**	**621,680**	**4,981,500**	**7,082,153**	**160,422**	**7,242,575**

** According to the decisions of the General Meeting of Shareholders of 06 April 2022 and of 21 October 2022, it was decided to allocate a part of the Bank's net profit for 2021 (639,306 RON thousands) in the form of dividends amounting to 233,859 RON thousands, to the reinvested profit reserve (exempt from the payment of the profit tax according to art. 22 of Law 227/2015) of an amount of 32,452 RON thousands, and to reinvest of the net profit remained undistributed amounting to 372,995 RON thousands.*
*** Of the 2022 profit, the Bank will propose to Supervisory Board and General Shareholders' Meeting the distribution in 2023 of an amount of 34,246 RON thousands to the reinvested profit reserve (exempt from the payment of the profit tax according to art. 22 of Law 227/2015).*

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Mr. Andrei Florin Bratu
Executive Vice-President

Mrs. Feza Tan
First Executive Vice-President

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**
Transactions with shareholders										
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 (exempt from the payment of the profit tax according to art. 22 of Law 227/2015) amounting to 39,980 RON thousands, and to reinvest of the net profit remained undistributed amounting to 363,682 RON thousands;*
*** Of the 2021 profit, the Bank proposed to Supervisory Board and General Shareholders' Meeting the distribution in 2022 in the form of dividends of an amount of RON 233,859 RON thousands, to allocate to the reinvested profit reserve (exempt from the payment of the profit tax according to art. 22 of Law 227/2015) of an amount of 32,452 RON thousands, and to reinvest of the net profit remained undistributed amounting to 372,995 RON thousands.*

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31.12.2022			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 2021	**1,177,748**	**(10,389)**	**(33,407)**	**14,122**	**365,616**	**621,680**	**3,761,449**	**5,896,819**
Comprehensive income for the year								
Net profit for the year**	-	-	-	-	-	-	879,240	879,240
Other comprehensive income net of tax								
Revaluation of property, plant and equipment, net of tax	-	-	-	3,055	-	-	-	3,055
Net change in fair value of financial assets through other comprehensive income, net of tax	-	(98,035)	-	-	-	-	-	(98,035)
Net change in cash flow hedging reserve, net of tax	-	-	25,906	-	-	-	-	25,906
Actuarial gains/(losses) on defined benefit liability/pension plans	-	-	-	-	1,905	-	-	1,905
Total other comprehensive income	**-**	**(98,035)**	**25,906**	**3,055**	**1,905**	**-**	**-**	**(67,169)**
Total comprehensive income for the year	**-**	**(98,035)**	**25,906**	**3,055**	**1,905**	**-**	**879,240**	**812,071**
Transactions with shareholders								
Transfer to other reserves*	-	-	-	-	32,452	-	(32,452)	-
Dividends distributed*	-	-	-	-	-	-	(233,859)	(233,859)
Other movements	-	-	-	-	-	-	617	617
Balance at 31 December 2022	**1,177,748**	**(108,424)**	**(7,501)**	**17,177**	**399,973**	**621,680**	**4,374,995**	**6,475,648**

** According to the decisions of the General Meeting of Shareholders of 06 April 2022 and of 21 October 2022, it was decided to allocate a part of the Bank's net profit for 2021 (639,306 RON thousands) in the form of dividends amounting to 233,859 RON thousands, to the reinvested profit reserve (exempt from the payment of the profit tax according to art. 22 of Law 227/2015) of an amount of 32,452 RON thousands, and to reinvest of the net profit remained undistributed amounting to 372,995 RON thousands.*
*** Of the 2022 profit, the Bank will propose to Supervisory Board and General Shareholders' Meeting the distribution in 2023 of an amount of 34,246 RON thousands to the reinvested profit reserve (exempt from the payment of the profit tax according to art. 22 of Law 227/2015).*

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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**
Transactions with shareholders								
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 (exempt from the payment of the profit tax according to art. 22 of Law 227/2015) amounting to 39,980 RON thousands, and to reinvest of the net profit remained undistributed amounting to 363,682 RON thousands;*
*** Of the 2021 profit, the Bank proposed to Supervisory Board and General Shareholders' Meeting the distribution in 2022 in the form of dividends of an amount of RON 233,859 RON thousands, to allocate to the reinvested profit reserve (exempt from the payment of the profit tax according to art. 22 of Law 227/2015) of an amount of 32,452 RON thousands, and to reinvest of the net profit remained undistributed amounting to 372,995 RON thousands.*

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In RON thousands	Note	Group 31.12.2022	Group 31.12.2021 *Restated	Bank 31.12.2022	Bank 31.12.2021 *Restated
Profit for the year before tax	17	1,165,186	952,815	1,026,396	754,251
Adjustments for non-cash items:					
Depreciation and amortization of property, plant and equipment and of intangible assets	12	169,822	159,333	155,212	146,609
Net impairment loss on property, plant and equipment		-	-	-	-
Net impairment losses on financial instruments		312,009	271,479	222,485	203,562
Fair value (gain)/loss on derivatives and other financial assets held for trading		47,281	1,797	47,281	1,797
Other items for which the cash effects are investing or financing		53,013	101,433	993	17,775
Accrued interest and unwinding effect		45,926	88,901	44,914	82,598
Impairment of assets and provisions		88,976	70,829	21,531	35,283
FX impact		32,250	104,958	32,348	110,226
Other non–cash items		(70,168)	(26,957)	(29,511)	9,528
Operating profit before changes in operating assets and liabilities		**1,844,295**	**1,724,588**	**1,521,649**	**1,361,629**
Change in operating assets:					
(Decrease)/Increase in financial assets at fair value through profit and loss		102,023	208,686	102,023	208,686
Acquisition of debt instruments at amortized cost		(861,100)	(1,767,886)	(861,100)	(1,767,886)
(Decrease)/Increase in loans and advances to banks		95,485	(276,750)	95,001	(280,887)
(Decrease)/Increase in loans and advances to customers		(3,762,234)	(4,427,580)	(3,855,224)	(5,347,061)
(Decrease)/Increase in lease investments		(183,508)	(246,588)	(11,305)	-
(Increase)/Decrease in other assets		(73,222)	(66,513)	(41,669)	(76,810)
Change in operating liabilities:					
(Increase)/Decrease in deposits from banks		382,540	71,938	382,540	71,938
(Decrease)/Increase in deposits from customers		5,224,225	3,678,686	5,161,250	3,445,611
(Increase)/Decrease in other liabilities		815,331	(30,213)	810,943	(25,085)
Income tax paid		(203,123)	(115,570)	(157,269)	(79,516)
Net cash from/ (used in) operating activities		**3,380,712**	**(1,247,202)**	**3,146,839**	**(2,489,381)**
Investing activities					
(Decrease)/Increase in financial assets at fair value through other comprehensive income		(354,592)	1,217,176	(354,592)	1,217,176
Proceeds on disposal of property, plant and equipment		246	-	171	-
Acquisition of property, plant and equipment and intangible assets		(140,026)	(127,820)	(135,356)	(120,730)
Loss from sale of equity investments		-	(724)	-	-
Dividends received		3,463	2,301	33,451	2,301
Net cash used in investing activities		**(490,909)**	**1,090,933**	**(456,326)**	**1,098,747**

** The comparative information have been restated as described in Note 3.*

.

In RON thousands	Note	Group 31.12.2022	31.12.2021 *Restated	Bank 31.12.2022	31.12.2021 *Restated
Financing activities					
Dividends paid		(231,745)	(229)	(231,745)	(229)
Proceeds from bonds issued		2,751,896	544,401	2,751,896	544,401
Payments of bonds issued		(1,768,432)	(8,279)	(280,500)	-
Repayments of loans from financial institutions		(1,347,756)	(2,341,878)	(218,175)	(216,317)
Drawdowns from loans from financial institutions		2,914,975	894,284	492,947	-
Repayment of the lease liabilities	44	(73,630)	(64,523)	(70,135)	(62,429)
Net cash from/ (used in) financing activities		**2,245,308**	**(976,224)**	**2,444,288**	**265,426**
Net increase/(decrease) in cash and cash equivalents		**5,135,111**	**(1,132,493)**	**5,134,801**	**(1,125,208)**
Cash and cash equivalents at 1 January - gross value		**11,270,506**	**12,242,063**	**11,270,425**	**12,234,872**
Effect of foreign exchange rate changes		53,435	160,936	53,596	160,761
Cash and cash equivalents at 31 December - gross value	**18**	**16,459,052**	**11,270,506**	**16,458,822**	**11,270,425**
Impairment allowance		(2,883)	(1,398)	(2,882)	(1,397)
Cash and cash equivalents at 31 December - net value	**18**	**16,456,169**	**11,269,108**	**16,455,940**	**11,269,028**

** The comparative information have been restated as described in Note 3.*

	Note	Group 31.12.2022	31.12.2021 *Restated	Bank 31.12.2022	31.12.2021 *Restated
Cash flow from operating activities include:					
Interest received		2,420,080	1,661,460	2,052,992	1,273,694
Interest paid		(706,784)	(306,797)	(619,477)	(200,734)

** The comparative information have been restated as described in Note 3.*

The consolidated and separate financial statements were approved by the Management Board on February 17, 2023 and were signed on its behalf by:

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Executive Vice-President

Mrs. Feza Tan
First Executive Vice-President

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") 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 Bank is exercising direct and indirect control over the following subsidiaries:

- UniCredit Consumer Financing IFN S.A., having its current registered office at 1F, Expozitiei Boulevard, 6th floor, District 1, Bucharest, Romania, provides consumer finance loans to individual clients. The Bank has a shareholding of 50.10% in UCFIN since January 2013.
- UniCredit Leasing Corporation IFN ("UCLC"), having its headquarters in 1F, Expozitiei Boulevard, 1st, 7th and 8th floor, District 1, Bucharest, Romania, provides financial leasing services to corporate clients and individuals. UCLC, the former associate, has become the Bank's subsidiary since April 2014 when the Bank gained indirect control of 99.95% (direct control: 99.90%). The Bank's indirect controlling interest as of 31 December 2022 is 99.98% (direct control: 99.96%) as a result of the merger by absorption of UniCredit Leasing Romania SA ("UCLRO") by UCLC finalized in June 2015, the date at which UCLRO was absorbed by UCLC.
- UniCredit Insurance Broker S.R.L. ("UCIB"), having its current registered office in 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 that owns 100% UCIB.

As at 31 December 2022 the Group carried out its activity in Romania through its Head Office located in Bucharest and through its network, having 164 branches/.Bank 162 branches (31 December 2021: Group 147 branches/ Bank 145 branches) in Bucharest and in the country.

UniCredit Bank S.A. is directly cosolidated by UniCredit SpA (Italy), with registered office in Milano, Piazza Gae Aulenti, 3, and a copy of Financial Statements of the UniCredit S.p.A. can be found at following address: https://www.unicreditgroup.eu/en/investors/financial-reporting/financial-reports.html.

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
Financial assets and financial liabilities designated as hedged items in qualifying fair value hedging relationships	Amortized cost adjusted for hedging gain or loss

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 2022**	**31 December 2021**	**Variation**
Euro (EUR)	1: RON 4.9474	1: RON 4.9481	-0.01%
Dollar USA (USD)	1: RON 4.6346	1: RON 4.3707	6.04%

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 2022 The Group consists of the Bank and its subsidiaries UCFIN, UCLC and UCIB.

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

Debo Leasing S.R.L("DEBO") was a real estate finance lease entity and became a subsidiary of the Bank beginning with April 2014. The Bank had an indirect controlling interest of 99.97% through UCLC. Considering that Debo's portfolio contracts expired in May 2021, the company was liquidated during December 2021.

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.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized gains arising from intra-group transactions have been eliminated in preparing the 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.

Restatement of amounts presented in the consolidated and separate financial statements

The Group reclassified certain amounts after publishing the consolidated and separate financial statements as at 31 December 2021 in order to ensure the comparability of the data and information with the current year presentation, as presented below. The group did not include the Consolidated and Separate Statement of the Financial Position restated as of 31.12.2020, because the reclassifications carried out on December 31, 2021, in order to ensure the comparability of data and information with the presentation of the current year, are not significant as of 31.12.2020.

- **Consolidated and separate statement of financial position**

In RON thousands	Group			Bank		
	31.12.2021 Published	31.12.2021 Restatement	31.12.2021 *Restated	31.12.2021 Published	31.12.2021 Restatement	31.12.2021 *Restated
Net lease receivables	3,722,302	(86,999)	3,635,303	-	-	-
Other financial assets at amortized cost	209,484	31,766	241,250	192,123	17,833	209,956
Other assets	115,834	103,007	218,841	58,971	(17,833)	41,138
Loans from banks	(4,170,873)	174,956	(3,995,917)	(570,921)	-	(570,921)
Deposits from customers	(39,815,528)	(170,132)	(39,985,660)	(40,069,143)	-	(40,069,143)
Other financial liabilities at amortized cost	(500,899)	(7,256)	(508,155)	(434,967)	-	(434,967)
Other non-financial liabilities	(248,436)	(45,342)	(293,778)	(171,771)	-	(171,771)

(i) "Net lease receivables" caption has been recalculated at value of 3,635,303 RON thousands for the Group (compared to the amount presented previously 3,722,302 RON thousands for the Group) by reclassifying to "Other assets" caption of leasing receivables related to contracts not paid 100% to suppliers;

(ii) "Other financial assets at amortized cost" caption has been recalculated at value of 241,250 RON thousands for the Group/ 209,956 RON thousands for the Bank (compared to the amount presented previously 209,484 RON thousands for the Group/ 192,123 RON thousands for the Bank) by reclassifying amounts from "Other assets" caption;

(iii) "Other assets" caption has been recalculated at value of 218,841 RON thousands for the Group/ 41,138 RON thousands for the Bank (compared to the amount presented previously 115,834 RON thousands for the Group/ 58,971 RON thousands for the Bank) mainly by reclassifying from "Net lease receivables" caption of leasing receivables related to contracts not paid 100% to suppliers;

(iv) "Loans from banks" caption has been recalculated at value of 3,995,917 RON thousands for the Group (compared to the amount presented previously 4,170,873 RON thousands for the Group) by excluding withdrawn amounts from IFC (International Finance Corporation) and designated for the granting of financings to the customers;

(v) "Deposits from customer" caption has been recalculated at value of 39,985,660 RON thousands for the Group (compared to the amount presented previously 39,815,528 RON thousands for the Group) by including withdrawn amounts from IFC (International Finance Corporation) and designated for the granting of financings to the customers;

(vi) "Other financial liabilities at amortized cost" caption has been recalculated at value of 508,155 RON thousands for the Group (compared to the amount presented previously 500,899 RON thousands for the Group) by reclassifying amounts from "Other non-financial liabilities";

(vii) "Other non-financial liabilities" caption has been recalculated at value of 293,778 RON thousands for the Group (compared to the amount presented previously 248,436 RON thousands for the Group).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

- **Consolidated and separate statement of comprehensive income**

In RON thousands	Group			Bank		
	31.12.2021 Published	31.12.2021 Restatement	31.12.2021 *Restated	31.12.2021 Published	31.12.2021 Restatement	31.12.2021 *Restated
Interest income	1,693,527	(1,693,527)	-	1,266,445	(1,266,445)	-
Interest income using EIR		1,563,024	1,563,024		1,266,445	1,266,445
Other interest income		130,503	130,503		-	-
Interest expense	(317,278)	(10,101)	(327,379)	(192,576)	(10,101)	(202,677)
Net interest income	1,376,249	(10,101)	1,366,148	1,073,869	(10,101)	1,063,768
Net income from instruments at fair value through profit and loss	315,322	10,101	325,423	315,335	10,101	325,436
Net impairment losses on financial instruments	(166,979)	(20,005)	(186,984)	(97,940)	(20,874)	(118,814)
Net operating income	1,125,779	(187,107)	938,672	883,638	(118,937)	764,701
Net provision gains/ (losses)	5,912	20,005	25,917	(19,953)	20,874	921

(i) "Interest Income" caption in amount of 1,693,527 RON thousands for the Group/ 1,266,445 RON thousands for the Bank, was split between:
- "Interest income using EIR" caption in amount of 1,563,024 RON thousands for the Group/ 1,266,445 RON thousands for the Bank;
- "Other interest income" in amount of 130,503 RON thousands for the Group/ 0 RON thousands for the Bank;

(ii) "Interest expense" caption in amount of -317,278 RON thousands for the Group/ -192,576 RON thousands for the Bank has been recalculated at value of -327,379 RON thousands for the Group/ -202,677 RON thousands for the Bank by including net expense/revenue form interest rate derivatives;

(iii) "Net interest income" has been recalculated at value of 1,366,148 RON thousands for the Group/ 1,063,768 RON thousands for the Bank (compared to the amount presented previously 1,376,249 RON thousands for the Group/ 1,073,869 RON thousands for the Bank);

(iv) "Net income from instruments at fair value through profit and loss" caption in amount of 315,322 RON thousands for the Group/ 315,335 RON thousands for the Bank has been recalculated at value of 325,423 RON thousands for the Group/ 325,436 RON thousands for the Bank by excluding of net expense/revenue form interest rate derivatives;

(v) "Net impairment losses on financial instruments" caption in amount of -166,979 RON thousands for the Group/ -97,940 RON thousands for the Bank has been recalculated at value of -186,984 RON thousands for the Group/ -118,814 RON thousands for the Bank by including the net expense/income with provisions for financial guarantees and off-balance sheet commitments;

(vi) "Net operating income" caption has been recalculated at value of 938,672 RON thousands for the Group/ 764,701 RON thousands for the Bank (compared to the amount presented previously 1,125,779 RON thousands for the Group/ 883,638 RON thousands for the Bank);

(vii) "Net provision gains/(losses)" caption in amount of 5,912 RON thousands for the Group/ -19,953 RON thousands for the Bank has been recalculated at value of 25,917 RON thousands for the Group/ 921 RON thousands for the Bank, by excluding the net expense/income with provisions for financial guarantees and off-balance sheet commitments.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

- **Consolidated and separate statement of cash flows**

In RON thousands	Group 31.12.2021 Published	31.12.2021 Restatement	31.12.2021 *Restated	Bank 31.12.2021 Published	31.12.2021 Restatement	31.12.2021 *Restated
Accrued interest and unwinding effect		88,901	88,901		82,598	82,598
Impairment of assets and provisions		70,829	70,829		35,283	35,283
FX impact		104,958	104,958		110,226	110,226
Other non–cash items	237,731	(264,688)	(26,957)	237,635	(228,107)	9,528
(Decrease)/Increase in financial assets at fair value through profit and loss	1,425,862	(1,217,176)	208,686	1,425,862	(1,217,176)	208,686
(Increase)/Decrease in other liabilities	(905,442)	875,229	(30,213)	(25,085)	-	(25,085)
Net cash from/ (used in) operating activities	(905,255)	(341,947)	(1,247,202)	(1,272,205)	(1,217,176)	(2,489,381)
(Decrease)/Increase in financial assets at fair value through other comprehensive income	-	1,217,176	1,217,176		1,217,176	1,217,176
Net cash used in investing activities	(126,243)	1,217,176	1,090,933	(118,429)	1,217,176	1,098,747
Drawdowns from loans from financial institutions	1,855,938	(961,654)	894,284	-	-	-
Repayments of loans from financial institutions	(2,428,303)	86,425	(2,341,878)	(216,317)	-	(216,317)
Net cash from/ (used in) financing activities	(100,995)	(875,229)	(976,224)	265,426	-	265,426

(i) "Other non–cash items" caption in amount of 237,731 RON thousands for the Group / 237,635 RON thousands for the Bank, was split between:
- "Accrued interest and unwinding effect" caption in amount of 88,901 RON thousands for the Group/82,598 RON thousands for the Bank;
- "Impairment of assets and provisions" caption in amount of 70,829 RON thousands for the Group/ 35,283 RON thousands for the Bank;
- "FX impact" caption in amount of 104,958 RON thousands for the Group/ 110,226 RON thousands for the Bank;
- "Other non–cash items" caption in amount of -26,957 RON thousands for the Group/ 9,528 RON thousands for the Bank;

(ii) "(Decrease)/Increase in financial assets at fair value through profit and loss/ through other comprehensive income" caption in amount of 1,425,862 RON thousands for the Group/ Bank, was split between:
- "(Decrease)/Increase in financial assets at fair value through profit and loss" caption in amount of 208,686RON thousands for the Group/ Bank;
- "(Decrease)/Increase in financial assets at fair value through other comprehensive income" caption in amount of 1,217,176 RON thousands for the Group/ Bank;

(iii) "(Increase)/Decrease in other liabilities" caption has been recalculated at value of -30,213 RON thousands for the Group (compared to the amount presented previously -905,442 RON thousands for the Group);

(iv) "Net cash from/ (used in) operating activities" caption has been recalculated at value of -1,247,202 RON thousands for the Group/ -2,489,381 RON thousands for the Bank (compared to the amount presented previously -905,255 RON thousands for the Group/ -1,272,205 RON thousands for the Bank);

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) "Net cash from/ (used in) investing activities" caption has been recalculated at value of 1,090,933 RON thousands for the Group/ 1,098,747 RON thousands for the Bank (compared to the amount presented previously -126,243 RON thousands for the Group/ -118,429 RON thousands for the Bank);

(vi) "Drawdowns from loans from financial institutions" caption has been recalculated at value of 894,284 RON thousands for the Group (compared to the amount presented previously 1,855,938 RON thousands for the Group);

(vii) "Repayments of loans from financial institutions" caption has been recalculated at value of -2,341,878RON thousands for the Group (compared to the amount presented previously -2,428,303 RON thousands for the Group);

(viii) "Net cash from/ (used in) financing activities" has been recalculated at value of -976,224 RON thousands for the Group (compared to the amount presented previously -100,995 RON thousands for the Group);

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).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b. Financial instruments - Classification *(continued)*

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).

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.

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 2022 and 31 December 2021: 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.

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

As of 31 December 2022 and 31 December 2021, 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. Series A prefered shares were obtined through partial conversion of Series C prefered shares following instructions received from VISA Inc. VISA Inc shares class *C are classified as "Debt Instruments – Financial assets at fair value through profit and loss"* at the date of the conversion. Please see note 3.o and note 19 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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b. Financial instruments - Classification *(continued)*

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

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

Modifications 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.

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.

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”.

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 presented under Stage 2.

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 observable data from the market and unobservable inputs were the case may be applicable.

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

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

Regarding debt securities, the Group choose the application of the low credit risk exemption on investment grade securities. Therefore, on securities portfolio, considering the fact that the instruments are under investment grade, a classification under stage 1 is performed (from quantitative approach). Still, in case of presence of any qualitative criteria, the transactions must be allocated to stage 2.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

(i) General topics (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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.

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

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

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

a) the level of the relative component of the materiality threshold is 1 %;

b) the level of the absolute component of the materiality threshold is 150 lei;

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

a) the level of the relative component of the materiality threshold is 1 %;

b) the level of the absolute component of the materiality threshold is 1 000 lei;

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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 60% for the baseline scenario, 40% for the negative scenario and 0% for the positive scenario (31 December 2021: 55% for the baseline scenario, 40% for the negative (pandemic "mild") scenario and 5% for the positive scenario).

The baseline scenario ("Baseline") is the main scenario and, indeed, is expected to be the one with the highest likelihood of occurrence and is coherent with the assumptions used in the planning processes. The positive and the negative scenario represent alternative occurrences, 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 baseline scenario ("Mild Recession") (probabilities set at 60%) considering the followings:

Baseline scenario reflects the decline of Russian gas export, in line with recent recorded trends. It is assumed no material gas rationing in most of countries. Country's counter actions (high storage level and gas savings) in total are assumed to be able to compensate a very low (also a shutdown at a certain moment) gas supply from Russia.

The scenario is characterized by high energy prices, weak global trade and persistent supply shortage, impacting also on food and commodities prices.

A restrictive ECB policy is considered.

This scenario considers a deteriorating growth outlook with subdue global growth in 2022 and a still lower growth in 2023. The weakening reflects tighter financial conditions, surging energy bills in Europe and the spill over effect from reduced economic momentum across the US, Europe, and China. The manufacturing sector is under pressure, the boost to services from the reopening of the economy is declining, and consumer confidence is low. Supply constraints have eased but remain elevated compared to before the pandemic. High excess savings and the tight labour market should mean any recession is mild.

The table below summarizes the main macroeconomic indicators included in the baseline economic scenarios used at 31 December 2022:

Country	Macroeconomic scenario	Base scenario		
		2023	2024	2025
Romania	Real GDP, yoy % change	1.0	3.2	4.0
Romania	Inflation (CPI) yoy, eop	8.4	3.5	3.0
Romania	Unemployment rate, %	4.8	5.2	5.0
Romania	Short term rate, eop	6.38	5.33	3.00
Romania	Long-term interest rates 10y (%)	7.3	5.5	4.8
Romania	House Price Index, yoy % change	4.8	4.5	4.5

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

The Negative Scenario ("Severe Recession") has a probability set at 40% and considering the following:

- In the Recession scenario a complete stop of Russia gas supply is considered with lower substitutions with other sources, generating disruptions in the supply chain. The scenario severity is consistent with a further escalation of the Russia-Ukraine conflict.
- Higher energy prices vs. 'Baseline' (ca. 25%-30% higher oil price on avg. in '23-'25), food and other commodities price rise strongly, fuelling inflation.
- High uncertainty, erosion of real incomes and further supply disruption on top of those related to COVID-19 push the European economy in a recession in 2023.

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, such as logistic regression, 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 favor of a Point in time and Forward looking philosophy.

The LGD parameter is made Point in time through a scalar factor that allows taking 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.

Within 2021 Forward Looking information per each industry has been applied in order to properly capture the specific effect on each sector due to COVID19 context. Within 2022 no specific impact driven by Forward Looking Information on industries has been applied.

Geopolitical overlay resulting from Russia-Ukraine crisis

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

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

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

As of 31 December 2022 the geopolitical overlay amount to 149 million RON on standalone basis and 223 million RON on consolidated basis, additional impact in LLP, and is broken-down according to the following components:

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

• Corporate energy-intensive industry sectors prone to be more affected by spill over effects linked to Russia - Ukraine crisis, specifically affecting the energy supply and related price soaring.

• Retail clients, for: (i) floating rate mortgages (not having overdue instalments), given the sensitiveness in this context of increasing interest rate / inflation, and (ii) at least 1 unpaid instalment on their exposures, considered a perimeter with already difficulties in payments and as such particularly vulnerable in this specific contingency.

With the aim of maintaining the Geo-political overlay for the months following its implementation, calculated as of November 2022, the following approach is being applied:

- November 2022 Additional ECL is used as a starting point for the computation of the overlay to be applied in the subsequent months.
- Each month the additional ECL corresponding to exposures shifted to default are identified and the corresponding additional ECL is deducted from the total additional ECL computed as of November 2022. An updated additional ECL value is then computed.
- Based on the updated additional ECL value and on each month ECL (ECL value pre-application of the geo-political overlay) the overlay value should be recomputed.

As far as the calculation is concerned, credit exposures belonging to the above categories are identified according to their specific features. Starting from this, satellite models are run by applying - as macro-economic conditions - the Multi Year Plan recessive scenario to determine the adjustment to be applied to the default rate. Such adjusted default rate is then applied to the relevant categories to estimate the expected new inflows of defaulted exposure, whose LLPs are then calculated according to the average coverage rate applied to Unlikely to Pay.

Bullet and balloon methodology

Bullet and balloon products are defined as the products for which the payment of principal (or a significant part of the initial principal granted) is performed at end of the maturity of the financial instrument, whereas the payment of interests (or payment of the interest and low level of principal) is performed during amortization schedule.

In order to cope with the characteristics of the Bullet / Balloon products, a correction to the PD Lifetime is applied by keeping fixed the full maturity at inception (thus sterilizing the time effect assuming that the lifetime riskiness does not reduce as time passes, as per amortizing loan). In this way the PD Lifetime results higher thus recognizing:

• the significant loan payment close to maturity -> the adoption of higher PD Lifetime will be prone to make higher the allocation in Stage 2. Furthermore, the EAD fractioning has been removed since these products are characterized by a significant loan payment close to maturity.

• the potential re-financing risk -> by keeping fixed the PD Lifetime over the initial full maturity, that will be representative of the lifetime risk over the full maturity of the instrument, the risk of a re-financing at portfolio level will be inherently considered.

The impact of this change is only on Bank standalone side of about RON 35.9 million additional LLP as of December 2022, implemented via a dedicated overlay (with no stage reclassification).

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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.

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 instrument 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 hedged 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). The Group/the Bank applies requirements of IAS 39 Financial Instruments for Macro Fair Value Hedge transactions.

(ii) Other non-trading derivatives

When a derivative is not held for trading, and is not designated in a qualifying hedging 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 hybrid contracts that contain a host that is an asset by applying the classification and measurement requirements of IFRS 9 Financial instruments to the entire hybrid contract. If a hybrid contract contains a host that it is not an asset within the scope of IFRS 9 Financial instruments, The Group will separate the embedded derivative if and only if:

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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.

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.

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 measured at lower of 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.

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. However, if a customer terminates the contract before December 31, then, upon termination, the fee for the services provided up to now is charged. 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- guaranteed asset protection insurance service - by which it will compensate the good, in case of total damage in the first 3 years, at its purchase value, 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.

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 IFRS 16 Leases.

At commencement, the lessor recognizes a finance lease receivable at an amount equal to its net investment in the lease, which comprises the present value of the lease payments and any unguaranteed residual value accruing to the lessor. The present value is calculated by discounting the lease payments and any unguaranteed residual value, at the interest rate implicit in the lease.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

n. Leases *(continued)*

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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

o. Equity investments

(i) Subsidiaries

Subsidiaries are entities which are controlled directly or indirectly (through other subsidiaries), by the Bank, by holding power over the entities, by having exposure, or rights, to variable returns from its involvement with the entity and by having the ability to affect the amount of the investor's returns.

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.

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

(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 2022 and as of 31 December 2021.

(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.

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". The fair value of minority shareholdings measured at cost are estimated by applying the discounted dividend model method.

Please see notes 19 and 23 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

p. Income tax *(continued)*

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 2022 (31 December 2021: 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.

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

s. Property and equipment Income tax *(continued)*

(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.

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 income statement.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 loss allowance determined in accordance with IFRS 9. Financial guarantees are disclosed in Note 42 from the consolidated and separate financial statements.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

x. Employee benefits *(continued)*

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.

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, 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 new and amended standards issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- Amendments to IFRS 3 Business Combinations;
- IAS 16 Property, Plant and Equipment;
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets;
- Annual Improvements 2018-2020.

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 / new standards nor interpretations issued by the International Accounting Standards Board (IASB) and not yet effective were adopted by the European Union.

- Non-current Liabilities with Covenants (Amendments to IAS 1);
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1);
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies);
- Definition of Accounting Estimates (Amendments to IAS 8);
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12);
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16);
- IFRS 17 Insurance contracts and amendments to IFRS 17 Insurance contracts.

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):

Amendments to IAS 1 Presentation of Financial Statements:

- Classification of Liabilities as Current or Non-current Date;
- Classification of Liabilities as Current or Non-current - Deferral of Effective Date;
- Non-current Liabilities with Covenants.

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.

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).

(ii) 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. 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)*

(ii) 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 31 of December 2022					
Gross exposure	**42,693,607**	**10,656,586**	**1,375,878**	**9,161**	**54,726,071**
On balance	26,218,761	7,344,476	1,139,951	9,161	34,703,188
Off balance	16,474,846	3,312,110	235,927	-	20,022,883
Allowance for impairment	**(343,127)**	**(716,758)**	**(1,023,739)**	**(812)**	**(2,083,624)**
On balance	(317,295)	(677,225)	(859,417)	(812)	(1,853,937)
Off balance	(25,832)	(39,533)	(164,322)	-	(229,687)
Carrying amount	**42,350,480**	**9,939,828**	**352,139**	**8,349**	**52,642,447**
On balance	25,901,466	6,667,251	280,534	8,349	32,849,251
Off balance*	16,449,014	3,272,577	71,605	-	19,793,196
As of 31 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

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

In light of the highly uncertain macro context because of the Russia - Ukraine crises and the relevant potential future effects, the forward looking parameters used as input for LLP calculation were reviewed (within usual half yearly process update) with an impact as of December2022 of 274 Mio RON on Bank standalone.

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

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

		Bank			
RON thousands	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI financial assets	Total
As of 31 of December 2022					
Gross exposure	**41,148,397**	**9,627,729**	**1,275,882**	**9,161**	**52,052,008**
On balance	25,188,398	6,403,296	1,042,083	9,161	32,633,777
Off balance	15,959,999	3,224,433	233,799	-	19,418,231
Allowance for impairment	**(273,098)**	**(587,416)**	**(952,122)**	**(812)**	**(1,812,636)**
On balance	(248,052)	(542,730)	(788,451)	(812)	(1,579,233)
Off balance	(25,046)	(44,686)	(163,671)	-	(233,403)
Carrying amount	**40,875,299**	**9,040,313**	**323,760**	**8,349**	**50,239,372**
On balance	24,940,346	5,860,566	253,632	8,349	31,054,544
Off balance*	15,934,953	3,179,747	70,128	-	19,184,828
As of 31 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

**) 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 20.
- **Financial assets at fair value through other comprehensive income** - from asset quality point of view are disclosed in note 23.

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

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

In RON thousands	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI financial assets	Total
	UCLC (Unicredit Leasing Corporation)				
As of 31 of December 2022					
Gross exposure	**3,328,331**	**481,910**	**270,024**	**-**	**4,080,265**
On balance	3,328,331	481,910	270,024	-	4,080,265
Allowance for impairment	**(76,458)**	**(29,225)**	**(185,889)**	**-**	**(291,572)**
On balance	(76,458)	(29,225)	(185,889)	-	(291,572)
Carrying amount	**3,251,873**	**452,685**	**84,135**	**-**	**3,788,693**
On balance	3,251,873	452,685	84,135	-	3,788,693
As of 31 of December 2021					
Gross exposure	**3,290,024**	**315,599**	**305,686**	**-**	**3,911,309**
On balance	3,290,024	315,599	305,686	-	3,911,309
Allowance for impairment	**(55,467)**	**(32,495)**	**(188,044)**	**-**	**(276,006)**
On balance	(55,467)	(32,495)	(188,044)	-	(276,006)
Carrying amount	**3,234,557**	**283,104**	**117,642**	**-**	**3,635,303**
On balance	3,234,557	283,104	117,642	-	3,635,303

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

(ii) 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 and companies with turnover lower than 3 Mio EUR (having exposure more than EUR 250,000) which have at least one default event, as defined in the Bank's internal procedures, and significant corporate clients with turnover above 3 Mio EUR (having exposure 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 retail micro 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)*

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

Any modification-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 regarding loan impairment computation. 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)*

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

31.12.2022		Group			
RON thousands	Total out of which*:	Corporate	Retail Micro	Private Individuals	Private banking
Individually significant impaired loans					
Stage 3	817,690	703,865	51,991	61,834	-
Gross amount	**817,690**	**703,865**	**51,991**	**61,834**	**-**
Allowance for impairment	(660,257)	(558,517)	(45,358)	(56,382)	-
Carrying amount	**157,433**	**145,348**	**6,633**	**5,452**	**-**
Fair value of collateral	**131,493**	**107,535**	**12,295**	**11,663**	**-**
Property	100,321	78,397	10,860	11,064	-
Goods	2,430	2,071	359	-	-
Assignment of receivables	3,240	3,240	-	-	-
Other collateral	25,502	23,827	1,076	599	-
Other not individually impaired loans					
Stage 3	322,261	40,636	49,292	232,322	11
Gross amount	**322,261**	**40,636**	**49,292**	**232,322**	**11**
Allowance for impairment	(199,160)	(27,104)	(29,573)	(142,476)	(7)
Carrying amount	**123,101**	**13,532**	**19,719**	**89,846**	**4**
Fair value of collateral	**174,089**	**17,825**	**28,077**	**128,179**	**8**
Property	151,717	11,201	17,610	122,906	-
Goods	5,466	3,414	1,767	285	-
Other collateral	16,906	3,210	8,700	4,988	8
Past due but not individually impaired loans					
Stage 1	2,724,524	893,005	54,939	1,776,580	-
Stage 2	1,413,264	343,428	58,444	1,011,392	-
Gross amount	**4,137,788**	**1,236,433**	**113,383**	**2,787,972**	**-**
Allowance for impairment	(316,523)	(37,748)	(10,090)	(268,685)	-
Carrying amount	**3,821,265**	**1,198,685**	**103,293**	**2,519,287**	**-**
Neither past due nor individually impaired loans					
Stage 1	23,494,235	17,233,725	1,228,459	5,024,063	7,990
Stage 2	5,931,212	4,414,237	381,490	1,115,746	19,739
Gross amount	**29,425,449**	**21,647,962**	**1,609,949**	**6,139,809**	**27,729**
Allowance for impairment	(677,997)	(530,546)	(43,896)	(103,125)	(430)
Carrying Amount	**28,747,452**	**21,117,416**	**1,566,053**	**6,036,684**	**27,299**
Total carrying amount	**32,849,251**	**22,474,981**	**1,695,698**	**8,651,269**	**27,303**

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

31.12.2021		Group			
RON thousands	Total out of which*:	Corporate	Retail Micro	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 not individually 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 individually impaired loans					
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 individually impaired loans					
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**

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

31.12.2022 RON thousands	Group Total out of which:	Corporate	Retail Micro	Private Individuals	Private banking
Off balance - Loan commitments					
Stage 1	11,890,497	11,127,710	489,032	270,619	3,136
Stage 2	2,414,375	2,220,307	66,159	125,143	2,766
Stage 3	85,359	80,092	2,545	2,681	41
Gross amount	**14,390,231**	**13,428,109**	**557,736**	**398,443**	**5,943**
Allowance for impairment	(78,950)	(75,379)	(2,179)	(1,381)	(11)
Off balance - Letters of credit					
Stage 1	181,937	181,937	-	-	-
Stage 2	40,908	40,908	-	-	-
Gross amount	**222,845**	**222,845**	**-**	**-**	**-**
Allowance for impairment	(876)	(876)	-	-	-
Off balance - Guarantees issued					
Stage 1	4,402,412	4,386,720	14,508	951	233
Stage 2	856,827	843,653	5,535	3,788	3,851
Stage 3	150,568	148,701	936	560	371
Gross amount	**5,409,807**	**5,379,074**	**20,979**	**5,299**	**4,455**
Allowance for impairment	(149,861)	(148,392)	(794)	(422)	(253)

31.12.2021 RON thousands	Group Total out of which:	Corporate	Retail Micro	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)
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)	-	-
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)

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

The tables below present both for the Bank and for the Group the breakdown of loans to customers by business segment and asset quality types based on contractual (managerial) DPD, including also the allocated collaterals for the respective asset quality classes, separately for on balance sheet exposures and off balance sheet exposures. Presenting asset quality depending on contractual DPD is relevant because it presents a factual image (without applying the significance threshold prescribed by article 178 of CRR and EU Delegate Regulation No. 2010/171 from 19 October 2017) of the days past due of receivables. This presentation is relevant for decisions of the management taken in order to monitor and manage loans portfolios.

31.12.2022	Bank				
RON thousands	Total out of which*:	Corporate	Retail Micro	Private Individuals	Private banking
Individually significant impaired loans					
Stage 3	797,557	703,865	31,892	61,800	-
Gross amount	**797,557**	**703,865**	**31,892**	**61,800**	**-**
Allowance for impairment	(640,484)	(558,517)	(25,619)	(56,348)	-
Carrying amount	**157,073**	**145,348**	**6,273**	**5,452**	**-**
Fair value of collateral	**131,134**	**107,535**	**11,936**	**11,663**	**-**
Property	100,321	78,397	10,860	11,064	-
Goods	2,071	2,071	-	-	-
Assignment of receivables	3,240	3,240	-	-	-
Other collateral	25,502	23,827	1,076	599	-
Other not individually impaired loans					
Stage 3	244,526	40,636	45,478	158,401	11
Gross amount	**244,526**	**40,636**	**45,478**	**158,401**	**11**
Allowance for impairment	(147,968)	(27,104)	(27,506)	(93,351)	(7)
Carrying amount	**96,558**	**13,532**	**17,972**	**65,050**	**4**
Fair value of collateral	**172,633**	**17,825**	**26,906**	**127,894**	**8**
Property	151,717	11,201	17,610	122,906	-
Goods	4,010	3,414	596	-	-
Other collateral	16,906	3,210	8,700	4,988	8
Past due but not individually impaired loans					
Stage 1	1,012,915	893,005	27,295	92,615	-
Stage 2	729,769	343,428	44,266	342,075	-
Gross amount	**1,742,684**	**1,236,433**	**71,561**	**434,690**	**-**
Allowance for impairment	(124,689)	(37,748)	(9,750)	(77,191)	-
Carrying amount	**1,617,995**	**1,198,685**	**61,811**	**357,499**	**-**
Neither past due nor individually impaired loans					
Stage 1	24,175,483	18,762,092	371,378	5,034,023	7,990
Stage 2	5,673,527	4,403,892	135,437	1,114,459	19,739
Gross amount	**29,849,010**	**23,165,984**	**506,815**	**6,148,482**	**27,729**
Allowance for impairment	(666,092)	(534,262)	(28,324)	(103,076)	(430)
Carrying amount	**29,182,918**	**22,631,722**	**478,491**	**6,045,406**	**27,299**
Total carrying amount	**31,054,544**	**23,989,287**	**564,547**	**6,473,407**	**27,303**

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

31.12.2021	Bank				
RON thousands	Total out of which*:	Corporate	Retail Micro	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 not individually 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 individually impaired loans					
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 individually impaired loans					
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**

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

31.12.2022 RON thousands	Bank Total out of which:	Corporate	Retail Micro	Private Individuals	Private banking
Off balance - Loan commitments					
Stage 1	11,374,810	11,049,514	216,844	105,316	3,136
Stage 2	2,326,698	2,220,307	37,784	65,841	2,766
Stage 3	83,231	80,092	2,545	553	41
Gross amount	**13,784,739**	**13,349,913**	**257,173**	**171,710**	**5,943**
Allowance for impairment	(77,262)	(75,216)	(1,819)	(216)	(11)
Off balance - Letters of credit					
Stage 1	181,937	181,937	-	-	-
Stage 2	40,908	40,908	-	-	-
Gross amount	**222,845**	**222,845**	**-**	**-**	**-**
Allowance for impairment	(876)	(876)	-	-	-
Off balance - Guarantees issued					
Stage 1	4,403,252	4,387,560	14,508	951	233
Stage 2	856,827	843,653	5,535	3,788	3,851
Stage 3	150,568	148,701	936	560	371
Gross amount	**5,410,647**	**5,379,914**	**20,979**	**5,299**	**4,455**
Allowance for impairment	(155,265)	(153,796)	(794)	(422)	(253)

31.12.2021 RON thousands	Bank Total out of which:	Corporate	Retail Micro	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)
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)	-	-
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)

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

(ii) 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.

31.12.2022	UCLC (Unicredit Leasing Corporation)			
RON thousands	Total out of which*:	Corporate	Retail Micro	Private Individuals
Individually significant impaired loans				
Stage 3	218,665	44,167	173,507	991
Gross amount	**218,665**	**44,167**	**173,507**	**991**
Allowance for impairment	(168,277)	(38,724)	(128,562)	(991)
Carrying amount	**50,388**	**5,443**	**44,945**	**-**
Other not individually impaired loans				
Stage 3	51,359	-	49,702	1,657
Gross amount	**51,359**	**-**	**49,702**	**1,657**
Allowance for impairment	(17,612)	-	(16,852)	(760)
Carrying amount	**33,747**	**-**	**32,850**	**897**
Fair value of collateral	**31,233**	**-**	**30,350**	**883**
Vehicles and equipment	31,233	-	30,350	883
Past due but not individually impaired loans				
Stage 1	80,520	453	75,341	4,726
Stage 2	38,373	41	36,404	1,928
Gross amount	**118,893**	**494**	**111,745**	**6,654**
Allowance for impairment	(2,072)	(3)	(2,038)	(31)
Carrying amount	**116,821**	**491**	**109,707**	**6,623**
Neither past due nor individually impaired loans				
Stage 1	3,247,811	244,653	2,934,011	69,147
Stage 2	443,537	9,186	430,992	3,359
Gross amount	**3,691,348**	**253,839**	**3,365,003**	**72,506**
Allowance for impairment	(103,611)	(14,720)	(88,509)	(382)
Carrying Amount	**3,587,737**	**239,119**	**3,276,494**	**72,124**
Total carrying amount	**3,788,693**	**245,053**	**3,463,996**	**79,644**

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

31.12.2021	UCLC (Unicredit Leasing Corporation)			
RON thousands	Total out of which*:	Corporate	Retail Micro	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 not individually 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**
Vehicles and equipment	42,586	-	41,733	853
Past due but not individually impaired loans				
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 individually impaired loans				
Stage 1	3,225,455	210,171	2,942,154	73,130
Stage 2	287,801	457	285,688	1,656
Gross amount	**3,513,256**	**210,628**	**3,227,842**	**74,786**
Allowance for impairment	(87,127)	(7,705)	(79,037)	(385)
Carrying Amount	**3,426,129**	**202,923**	**3,148,805**	**74,401**
Total carrying amount	**3,635,303**	**221,218**	**3,334,814**	**79,271**

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

(ii) 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.

31.12.2022 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)	3,032,044	636,242	-	-	3,668,286
Grades 4-6: performing (medium risk)	22,498,371	4,592,375	-	-	27,090,746
Grades 7-8 : performing (in observation & substandard)	687,303	2,030,312	-	9,161	2,717,615
Grade 8 : impaired	-	-	1,032,946	-	1,032,946
Grade 9: impaired	-	-	189	-	189
Grade 10: impaired	-	-	33,088	-	33,088
Unrated	1,043	85,547	73,728	-	160,318
Total gross amount	**26,218,761**	**7,344,476**	**1,139,951**	**9,161**	**34,703,188**
Loss allowance	(317,295)	(677,225)	(859,417)	(812)	(1,853,937)
Carrying amount	**25,901,466**	**6,667,251**	**280,534**	**8,349**	**32,849,251**

31.12.2021 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**

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

31.12.2022 RON thousands Loans and advances to customers at amortized cost (off balance)	Group 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)	5,278,586	1,405,415	(492)	-	6,683,509
Grades 4-6: performing (medium risk)	10,918,007	1,571,714	-	-	12,489,721
Grades 7-8 : performing (in observation & substandard)	277,303	327,894	-	-	605,197
Grade 8 : impaired	-	-	233,683	-	233,683
Grade 9: impaired	-	-	8	-	8
Grade 10: impaired	-	-	108	-	108
Unrated	950	7,087	2,620	-	10,657
Total gross amount	**16,474,846**	**3,312,110**	**235,927**	**-**	**20,022,883**
Loss allowance	(25,832)	(39,533)	(164,322)	-	(229,687)

31.12.2021 RON thousands Loans and advances to customers at amortized cost (off balance)	Group 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)

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

31.12.2022 RON thousands Loans and advances to customers at amortized cost (on balance)	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Bank Stage 3 - Lifetime ECL	Of which: POCI financial assets	Total
Grades 1-3 : performing (low risk)	4,113,178	632,068	-	-	4,745,246
Grades 4-6: performing (medium risk)	20,578,832	3,940,662	-	-	24,519,494
Grades 7-8 : performing (in observation & substandard)	495,348	1,807,961	-	9,161	2,303,309
Grade 8 : impaired	-	-	1,029,176	-	1,029,176
Grade 9: impaired	-	-	189	-	189
Grade 10: impaired	-	-	12,718	-	12,718
Unrated	1,040	22,605	-	-	23,645
Total gross amount	**25,188,398**	**6,403,296**	**1,042,083**	**9,161**	**32,633,777**
Loss allowance	(248,052)	(542,730)	(788,451)	(812)	(1,579,233)
Carrying amount	**24,940,346**	**5,860,566**	**253,632**	**8,349**	**31,054,544**

31.12.2021 RON thousands Loans and advances to customers at amortized cost (on balance)	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Bank 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**

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

31.12.2022 RON thousands Loans and advances to customers at amortized cost (off balance)	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Bank Stage 3 - Lifetime ECL	Of which: POCI financial assets	Total
Grades 1-3 : performing (low risk)	5,252,005	1,394,688	-	-	6,646,693
Grades 4-6: performing (medium risk)	10,432,325	1,507,068	-	-	11,939,393
Grades 7-8 : performing (in observation & substandard)	274,719	317,633	-	-	592,352
Grade 8 : impaired	-	-	233,683	-	233,683
Grade 9: impaired	-	-	8	-	8
Grade 10: impaired	-	-	108	-	108
Unrated	950	5,044	-	-	5,994
Total gross amount	**15,959,999**	**3,224,433**	**233,799**	**-**	**19,418,231**
Loss allowance	(25,046)	(44,686)	(163,671)	-	(233,403)

31.12.2021 RON thousands Loans and advances to customers at amortized cost (off balance)	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Bank 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)

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

31.12.2022 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)	17,244	-	-	-	17,244
Grades 4-6: performing (medium risk)	2,972,494	355,063	-	-	3,327,557
Grades 7-8 : performing (in observation & substandard)	338,593	126,847	-	-	465,440
Grade 8 : impaired	-	-	218,252	-	218,252
Grade 9: impaired	-	-	2,698	-	2,698
Grade 10: impaired	-	-	49,074	-	49,074
Total gross amount	**3,328,331**	**481,910**	**270,024**	**-**	**4,080,265**
Loss allowance	(76,458)	(29,225)	(185,889)	-	(291,572)
Carrying amount	**3,251,873**	**452,685**	**84,135**	**-**	**3,788,693**

31.12.2021 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)	2,828,222	264,749	-	-	3,092,971
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	**3,290,024**	**315,599**	**305,686**	**-**	**3,911,309**
Loss allowance	(55,467)	(32,495)	(188,044)	-	(276,006)
Carrying amount	**3,234,557**	**283,104**	**117,642**	**-**	**3,635,303**

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

(ii) 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.

31.12.2022 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 1-3 : performing (low risk)	386,445	13,690	-	-	400,135
Total gross amount	**386,445**	**13,690**	**-**	**-**	**400,135**
Loss allowance	(677)	(3)	-	-	(680)
Carrying amount	**385,768**	**13,687**	**-**	**-**	**399,455**
Gross amount - off balance	**2,057,357**	**116,465**	**-**	**-**	**2,173,822**
Loss allowance - off balance	(163)	(4)	-	-	(167)

31.12.2021 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 1-3 : performing (low risk)	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)

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

Loans and advances to banks at amortized cost	Group		Bank	
In RON thousands	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Investment-grade	399,455	493,611	399,455	493,611
Total	**399,455**	**493,611**	**399,455**	**493,611**

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.

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

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

31.12.2022 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 1-3 : performing (low risk)	1,923,186	-	-	-	1,923,186
Total fair value	**1,923,186**	**-**	**-**	**-**	**1,923,186**
Loss allowance	(668)	-	-	-	(668)
Carrying amount	**1,922,518**	**-**	**-**	**-**	**1,922,518**

31.12.2021 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 1-3 : performing (low risk)	1,678,030	-	-	-	1,678,030
Total fair value	**1,678,030**	**-**	**-**	**-**	**1,678,030**
Loss allowance	(615)	-	-	-	(615)
Carrying amount	**1,677,415**	**-**	**-**	**-**	**1,677,415**

31.12.2022 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 1-3 : performing (low risk)	1,920,840	-	-	-	1,920,840
Total fair value	**1,920,840**	**-**	**-**	**-**	**1,920,840**
Loss allowance	(668)	-	-	-	(668)
Carrying amount	**1,920,172**	**-**	**-**	**-**	**1,920,172**

31.12.2021 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 1-3 : performing (low risk)	1,675,684	-	-	-	1,675,684
Total fair value	**1,675,684**	**-**	**-**	**-**	**1,675,684**
Loss allowance	(615)	-	-	-	(615)
Carrying amount	**1,675,069**	**-**	**-**	**-**	**1,675,069**

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

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

31.12.2022 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 1-3 : performing (low risk)	8,859,380	-	-	-	8,859,380
Total gross amount	**8,859,380**	**-**	**-**	**-**	**8,859,380**
Loss allowance	(2,414)	-	-	-	(2,414)
Carrying amount	**8,856,966**	**-**	**-**	**-**	**8,856,966**

31.12.2021 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 1-3 : performing (low risk)	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**

The table above is the same also for the Bank.

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

(ii) 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:

Group			
Loans to customers at amortised cost - ON balance		31.12.2022	31.12.2021
Private entities (including individuals)		**9,249,677**	**9,139,809**
Retail Micro	G Commerce - wholesale and retail	774,804	1,385,982
	A Agriculture - forestry - fisheries	346,461	470,136
	C Manufacturing	127,265	567,837
	F Construction and civil engineering	56,598	254,176
	H Transport and storage services	380,339	443,591
	Other services	139,148	319,485
Total Retail Micro		**1,824,615**	**3,441,207**
Corporate	G Commerce - wholesale and retail	6,657,850	5,040,812
	C Manufacturing	5,453,158	5,111,940
	K Financial and insurance institutions	1,524,037	1,498,211
	A Agriculture - forestry - fisheries	1,813,460	1,244,011
	D Production and supply of electricity, gas, steam and air conditioning	1,750,362	727,868
	Other services	6,430,029	5,060,611
Total Corporate		**23,628,896**	**18,683,453**
Total		**34,703,188**	**31,264,469**
Allowance for impairment		(1,853,937)	(1,869,059)
Carrying amount		**32,849,251**	**29,395,410**

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

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

Group			
Loans to customers at amortised cost - OFF balance		31.12.2022	31.12.2021
Private entities (including individuals)		**414,138**	**411,776**
Loans commitments			
Retail Micro	G Commerce - wholesale and retail	381,707	822,442
	A Agriculture - forestry - fisheries	55,256	97,817
	C Manufacturing	40,776	202,028
	F Construction and civil engineering	27,675	119,667
	H Transport and storage services	14,985	50,420
	Other industries	37,336	114,071
Total RETAIL MICRO		**557,735**	**1,406,445**
Corporate	G Commerce - wholesale and retail	3,922,656	3,168,536
	C Manufacturing	3,222,236	2,808,030
	D Production and supply of electricity, gas, steam and air conditioning	1,635,093	1,406,382
	F Construction and civil engineering	1,032,087	847,493
	K Financial and insurance institutions	792,781	763,552
	Other industries	2,823,259	2,244,724
Total Corporate		**13,428,112**	**11,238,717**
Total loans commitments		**13,985,847**	**12,645,162**
Letters of credit			
Retail Micro	C Manufacturing	-	-
	Other industries	-	72
Total RETAIL MICRO		**-**	**72**
Corporate	G Commerce - wholesale and retail	103,706	180,503
	F Construction and civil engineering	94,157	20,600
	C Manufacturing	23,517	33,713
	H Transport and storage services	1,465	3,796
	M Professional, scientific and technical	-	464
	Other industries	-	-
Total Corporate		**222,845**	**239,076**
Total letters of credit		**222,845**	**239,148**
Financial guarantees			
RETAIL MICRO	M Professional, scientific and technical	5,423	3,522
	G Commerce - wholesale and retail	3,839	31,053
	N Administrative and support service activities	2,506	5,868
	F Construction and civil engineering	1,299	16,443
	Other industries	7,912	34,879
Total RETAIL MICRO		**20,979**	**91,765**
Corporate	D Production and supply of electricity, gas, steam and air conditioning	1,476,730	1,428,139
	G Commerce - wholesale and retail	1,334,722	1,313,753
	F Construction and civil engineering	1,036,236	809,609
	C Manufacturing	518,028	294,234
	B Extractive industry (mining and quarrying)	288,742	24,316
	Other Industries	724,616	769,964
Total Corporate		**5,379,074**	**4,640,015**
Total financial guarantees		**5,400,053**	**4,731,780**
TOTAL Off balance sheet exposure for loans to customers		**20,022,883**	**18,027,866**
Allowance for impairment		(229,687)	(196,646)

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

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

Bank			
Loans to customers at amortised cost - ON balance		31.12.2022	31.12.2021
Private entities (including individuals)		**6,831,113**	**6,957,569**
Retail Micro	G Commerce - wholesale and retail	200,624	1,046,779
	A Agriculture - forestry - fisheries	126,751	293,729
	C Manufacturing	112,808	558,231
	F Construction and civil engineering	52,532	250,051
	H Transport and storage services	39,337	159,059
	Other services	123,694	314,138
Total RETAIL MICRO		**655,746**	**2,621,987**
Corporate	G Commerce - wholesale and retail	6,572,731	4,959,045
	C Manufacturing	5,453,115	5,111,872
	K Financial and insurance institutions	3,151,125	2,371,772
	A Agriculture - forestry - fisheries	1,813,460	1,237,248
	D Production and supply of electricity, gas, steam and air conditioning	1,750,362	727,868
	Other services	6,406,125	5,045,780
Total Corporate		**25,146,918**	**19,453,585**
Total		**32,633,777**	**29,033,141**
Allowance for impairment		(1,579,233)	(1,605,568)
Carrying amount		**31,054,544**	**27,427,573**

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

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

Bank			
Loans to customers at amortised cost - OFF balance		31.12.2022	31.12.2021
Private entities (including individuals)		**187,405**	**189,985**
Loan commitments			
Retail Micro	G Commerce - wholesale and retail	82,227	404,721
	A Agriculture - forestry - fisheries	55,256	97,817
	C Manufacturing	39,913	197,910
	F Construction and civil engineering	27,675	119,667
	H Transport and storage services	14,985	50,420
	Other industries	37,116	113,315
Total RETAIL MICRO		**257,172**	**983,850**
Corporate	G Commerce - wholesale and retail	3,780,144	3,096,290
	C Manufacturing	3,222,236	2,808,030
	D Production and supply of electricity, gas, steam and air conditioning	1,635,093	1,406,382
	F Construction and civil engineering	1,032,087	847,493
	K Financial and insurance institutions	857,097	977,358
	Other industries	2,823,259	2,244,724
Total Corporate		**13,349,916**	**11,380,277**
Total loans commitments		**13,607,088**	**12,364,127**
Letters of credit			
Retail Micro	C Manufacturing	-	-
	Other industries	-	72
Total RETAIL MICRO		**-**	**72**
Corporate	G Commerce - wholesale and retail	103,706	180,503
	F Construction and civil engineering	94,157	20,600
	C Manufacturing	23,517	33,713
	H Transport and storage services	1,465	3,796
	M Professional, scientific and technical	-	464
	Other industries	-	-
Total Corporate		**222,845**	**239,076**
Total letters of credit		**222,845**	**239,148**
Financial guarantees			
RETAIL MICRO	M Professional, scientific and technical	5,423	3,522
	G Commerce - wholesale and retail	3,839	31,053
	N Administrative and support service activities	2,506	5,868
	D Production and supply of electricity, gas, steam and air conditioning	1,532	1,628
	F Construction and civil engineering	1,299	16,443
	Other industries	6,380	33,251
Total RETAIL MICRO		**20,979**	**91,765**
Corporate	D Production and supply of electricity, gas, steam and air conditioning	1,476,730	1,428,139
	G Commerce - wholesale and retail	1,334,722	1,313,753
	F Construction and civil engineering	1,036,236	809,609
	C Manufacturing	518,028	294,234
	B Extractive industry (mining and quarrying)	288,742	24,316
	Other Industries	725,456	771,297
Total Corporate		**5,379,914**	**4,641,348**
Total financial guarantees		**5,400,893**	**4,733,113**
TOTAL Off balance sheet exposure for loans to customers		**19,418,231**	**17,526,373**
Allowance for impairment		(233,403)	(199,030)

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

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

UCLC (Unicredit Leasing Corporation)			
Lease receivables at amortised cost - ON balance		31.12.2022	31.12.2021
Private entities (including individuals)		81,808	81,745
Retail Micro	G Commerce - wholesale and retail	662,024	587,642
	A Agriculture - forestry - fisheries	264,874	221,616
	C Manufacturing	462,996	504,201
	F Construction and civil engineering	656,678	607,972
	H Transport and storage services	520,032	557,818
	Other services	1,133,353	1,090,736
Total RETAIL MICRO		3,699,957	3,569,985
Corporate	G Commerce - wholesale and retail	59,042	77,090
	C Manufacturing	115,879	120,770
	A Agriculture - forestry - fisheries	13,308	18,507
	Other services	110,271	43,212
Total Corporate		298,500	259,579
Total		4,080,265	3,911,309
Allowance for impairment		(291,572)	(276,006)
Carrying amount		3,788,693	3,635,303

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

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

31.12.2022 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 2021	**22,096,135**	**7,407,010**	**1,761,324**	**16,248**	**31,264,469**
Changes in the gross amount					
-Transfer to stage 1	1,739,880	(1,724,163)	(15,717)	-	-
-Transfer to stage 2	(2,374,596)	2,592,255	(217,659)	-	-
-Transfer to stage 3	(57,634)	(243,167)	300,801	-	-
-Changes due to modifications of exposure	100,336	(417,406)	(160,431)	(7,087)	(477,501)
New financial assets originated or purchased	9,223,584	1,238,852	57,912	-	10,520,348
Financial assets that have been closed	(4,510,282)	(1,527,877)	(371,808)	-	(6,409,967)
Write-offs	-	-	(215,344)	-	(215,344)
Other changes	1,338	18,972	873	-	21,183
Gross amount as at 31 December 2022	**26,218,761**	**7,344,476**	**1,139,951**	**9,161**	**34,703,188**
Loss allowance as at 31 December 2022	(317,295)	(677,225)	(859,417)	(812)	(1,853,937)
Carrying amount as at 31 December 2022	**25,901,466**	**6,667,251**	**280,534**	**8,349**	**32,849,251**

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

31.12.2022 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 2021	**(199,632)**	**(367,041)**	**(1,302,386)**	**(856)**	**(1,869,059)**
Changes in the loss allowance					
-Transfer to stage 1	(91,816)	80,672	11,144	-	-
-Transfer to stage 2	29,217	(185,329)	156,112	-	-
-Transfer to stage 3	1,471	19,367	(20,838)	-	-
-Increases due to change in credit risk	(1,586)	(167,836)	(213,415)	-	(382,837)
-Decreases due to change in credit risk	49,809	135,815	65	-	185,689
-Write-offs	(649)	-	198,044	-	197,395
-Changes due to modifications of exposure	(1,890)	(141,261)	82,460	44	(60,691)
New financial assets originated or purchased	(149,484)	(124,010)	(41,396)	-	(314,890)
Financial assets that have been closed	47,375	72,496	270,783	-	390,654
Foreign exchange and other movements	(110)	(98)	10	-	(198)
Loss allowance as at 31 December 2022	**(317,295)**	**(677,225)**	**(859,417)**	**(812)**	**(1,853,937)**

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

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

31.12.2021 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 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 of exposure	(710,364)	(490,437)	(78,779)	(3,873)	(1,279,580)
New financial assets originated or purchased	8,371,432	1,541,766	104,256	-	10,017,454
Financial assets that have been closed	(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	-	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:

31.12.2021 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 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 of exposure	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 closed	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)*

(ii) 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:

31.12.2022 RON thousands Loan commitments, letters of credit and financial guarantees	Stage 1 12-month ECL	Group Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI Financial Assets	Total
Gross amount as at 31 December 2021	**14,205,466**	**3,603,453**	**218,947**	**-**	**18,027,866**
Changes in the gross amount					
-Transfer to stage 1	1,020,484	(1,017,118)	(3,366)	-	-
-Transfer to stage 2	(1,139,234)	1,157,016	(17,782)	-	-
-Transfer to stage 3	(33,877)	(111,270)	145,147	-	-
-Changes due to modifications of exposure	(2,878,665)	(720,102)	(121,004)	-	(3,719,771)
New financial assets originated or purchased	5,296,533	390,520	14,836	-	5,701,889
Write-offs	(25,688)	(8,571)	(867)	-	(35,126)
Other changes	29,826	18,182	16	-	48,024
Gross amount as at 31 December 2022	**16,474,845**	**3,312,110**	**235,927**	**-**	**20,022,882**
Loss allowance as at 31 December 2022	(25,832)	(39,533)	(164,322)	-	(229,687)

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

31.12.2022 RON thousands Loss allowance – Loan commitments, letters of credit and financial guarantees	Stage 1 12-month ECL	Group Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI Financial Assets	Total
Loss allowance as at 31 December 2021	**(16,836)**	**(44,742)**	**(135,068)**	**-**	**(196,646)**
Changes in the loss allowance					
-Transfer to stage 1	(15,324)	12,480	2,844	-	-
-Transfer to stage 2	1,672	(11,190)	9,518	-	-
-Transfer to stage 3	213	872	(1,085)	-	-
-Increases due to change in credit risk	(71)	(12,777)	(79,884)	-	(92,732)
-Decreases due to change in credit risk	13,026	9,316	240	-	22,582
-Changes due to modifications of exposure	(1,203)	9,351	50,128	-	58,276
New financial assets originated or purchased	(7,468)	(3,142)	(11,184)	-	(21,794)
Write-offs	129	256	163	-	548
Foreign exchange and other movements	30	43	6	-	79
Loss allowance as at 31 December 2022	**(25,832)**	**(39,533)**	**(164,322)**	**-**	**(229,687)**

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

The movements, for Group, in off balance sheet exposures 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 of exposure	(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)

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 of exposure	436	9,156	27,803	-	37,395
New financial assets originated or purchased	(4,671)	(11,306)	(17,711)	-	(33,688)
Write-offs	226	-	-	-	226
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)*

(ii) 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:

31.12.2022 RON thousands Stage 1 - 12 month ECL	Loans and advances to banks	Group/Bank Debt and equity investment securities at FVTOCI*	Debt instruments at amortized cost
Gross amount as at 31 December 2021	**493,700**	**1,678,030**	**7,952,791**
Changes in the gross amount			
Changes due to modifications of exposure	(182,496)	(174,667)	597,707
New financial assets originated or purchased	173,131	578,630	1,028,718
Financial assets that have been closed	(91,917)	(158,853)	(719,836)
Other changes	7,717	46	-
Gross amount as at 31 December 2022	**400,135**	**1,923,186**	**8,859,380**
Loss allowance as at 31 December 2022	(680)	(668)	(2,414)
Carrying amount as at 31 December 2022	**399,455**	**1,922,518**	**8,856,966**

*

31.12.2022 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 2021	**(89)**	**(615)**	**(2,162)**
Changes in the loss allowance			
-Changes due to modifications of exposure	(9)	-	(37)
New financial assets originated or purchased	(637)	(96)	(342)
Financial assets that have been closed	17	43	127
Foreign exchange and other movements	38	-	-
Loss allowance as at 31 December 2022	**(680)**	**(668)**	**(2,414)**

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

(ii) 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:

31.12.2021 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 2020	**212,187**	**3,022,925**	**6,153,873**
Changes in the gross amount			
Changes due to modifications of exposure	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 closed	(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**

31.12.2021 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 2020	**(57)**	**(2,552)**	**(5,735)**
Changes in the loss allowance			
-Changes due to modifications of exposure	(26)	-	3,516
New financial assets originated or purchased	(8)	(50)	(17)
Financial assets that have been closed	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)*

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

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

31.12.2022		Bank			
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 2021	**20,518,605**	**6,914,914**	**1,599,622**	**16,248**	**29,033,141**
Changes in the gross amount					
-Transfer to stage 1	1,616,418	(1,603,280)	(13,138)	-	-
-Transfer to stage 2	(1,966,050)	2,169,395	(203,345)	-	-
-Transfer to stage 3	(40,863)	(221,065)	261,928	-	-
-Changes due to modifications of exposure	661,763	(227,841)	(131,050)	(7,087)	302,872
New financial assets originated or purchased	8,365,611	760,079	50,488	-	9,176,178
Financial assets that have been closed	(3,970,204)	(1,407,878)	(321,444)	-	(5,699,526)
Write-offs	-	-	(201,851)	-	(201,851)
Other changes	3,118	18,972	873	-	22,963
Gross amount as at 31 December 2022	**25,188,398**	**6,403,296**	**1,042,083**	**9,161**	**32,633,777**
Loss allowance as at 31 December 2022	(248,052)	(542,730)	(788,451)	(812)	(1,579,233)
Carrying amount as at 31 December 2022	**24,940,346**	**5,860,566**	**253,632**	**8,349**	**31,054,544**

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

31.12.2022		Bank			
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 2021	**(136,959)**	**(273,961)**	**(1,194,648)**	**(856)**	**(1,605,568)**
Changes in the loss allowance					
-Transfer to stage 1	(65,810)	55,733	10,077	-	-
-Transfer to stage 2	17,277	(165,231)	147,954	-	-
-Transfer to stage 3	764	12,056	(12,820)	-	-
-Increases due to change in credit risk	(1,586)	(166,860)	(211,610)	-	(380,056)
-Decreases due to change in credit risk	49,693	130,708	64	-	180,465
-Write-offs	-	-	184,551	-	184,551
-Changes due to modifications of exposure	(42,891)	(134,339)	85,846	44	(91,384)
New financial assets originated or purchased	(98,260)	(50,058)	(35,733)	-	(184,051)
Financial assets that have been closed	29,831	49,320	237,864	-	317,015
Foreign exchange and other movements	(111)	(98)	4	-	(205)
Loss allowance as at 31 December 2022	**(248,052)**	**(542,730)**	**(788,451)**	**(812)**	**(1,579,233)**

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

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

31.12.2021 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 of exposure	(258,589)	(385,041)	(39,280)	(3,873)	(682,910)
New financial assets originated or purchased	7,875,925	1,327,166	86,082	-	9,289,173
Financial assets that have been closed	(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	-	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:

31.12.2021 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 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 of exposure	(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 closed	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)*

(ii) 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:

31.12.2022		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 2021	**13,806,391**	**3,503,594**	**216,388**	**-**	**17,526,373**
Changes in the gross amount					
-Transfer to stage 1	966,894	(963,787)	(3,107)	-	-
-Transfer to stage 2	(1,095,229)	1,112,618	(17,389)	-	-
-Transfer to stage 3	(33,561)	(110,685)	144,246	-	-
-Changes due to modifications of exposure	(2,971,515)	(716,259)	(121,152)	-	(3,808,926)
New financial assets originated or purchased	5,257,193	380,770	14,797	-	5,652,760
Other changes	29,826	18,182	16	-	48,024
Gross amount as at 31 December 2022	**15,959,999**	**3,224,433**	**233,799**	**-**	**19,418,231**
Loss allowance as at 31 December 2022	(25,046)	(44,686)	(163,671)	-	(233,403)

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

31.12.2022		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 2021	**(15,484)**	**(49,105)**	**(134,441)**	**-**	**(199,030)**
Changes in the loss allowance					
-Transfer to stage 1	(14,848)	12,053	2,795	-	-
-Transfer to stage 2	1,548	(10,986)	9,438	-	-
-Transfer to stage 3	210	836	(1,046)	-	-
-Increases due to change in credit risk	(71)	(12,758)	(79,884)	-	(92,713)
-Decreases due to change in credit risk	12,984	9,316	240	-	22,540
-Changes due to modifications of exposure	(1,998)	9,025	50,396	-	57,423
New financial assets originated or purchased	(7,417)	(3,110)	(11,175)	-	(21,702)
Foreign exchange and other movements	30	43	6	-	79
Loss allowance as at 31 December 2022	**(25,046)**	**(44,686)**	**(163,671)**	**-**	**(233,403)**

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

(ii) 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	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 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 of exposure	(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)

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

2021	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 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 of exposure	(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)*

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

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

31.12.2022 RON thousands Loans and advances to customers at amortized cost (on balance)	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 2021	**3,377,023**	**315,599**	**305,686**	**-**	**3,998,308**
Changes in the gross amount					
-Transfer to stage 1	42,070	(37,505)	(4,565)	-	-
-Transfer to stage 2	(290,293)	300,175	(9,882)	-	-
-Transfer to stage 3	(40,771)	(24,211)	64,982	-	-
-Changes due to modifications of exposure	(767,087)	(129,906)	(54,829)	-	(951,822)
New financial assets originated or purchased	1,389,814	165,156	10,178	-	1,565,148
Financial assets that have been closed	(382,425)	(107,398)	(30,502)	-	(520,325)
Write-offs	-	-	(11,044)	-	(11,044)
Gross amount as at 31 December 2022	**3,328,331**	**481,910**	**270,024**	**-**	**4,080,265**
Loss allowance as at 31 December 2022	(76,458)	(29,225)	(185,889)	-	(291,572)
Carrying amount as at 31 December 2022	**3,251,873**	**452,685**	**84,135**	**-**	**3,788,693**

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

31.12.2022 RON thousands Loss allowance – Loans and advances to customers at amortized cost (on balance)	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 2021	**(55,467)**	**(32,495)**	**(188,044)**	**-**	**(276,006)**
Changes in the loss allowance					
-Transfer to stage 1	(2,507)	598	1,909	-	-
-Transfer to stage 2	5,747	(13,073)	7,326	-	-
-Transfer to stage 3	2,943	440	(3,383)	-	-
-Increases due to change in credit risk	(55)	(3,538)	(23,586)	-	(27,179)
-Decreases due to change in credit risk	2,163	9,069	312	-	11,544
-Write-offs	-	-	11,044	-	11,044
-Changes due to modifications of exposure	(3,664)	95	(1,967)	-	(5,536)
New financial assets originated or purchased	(28,072)	(8,856)	(6,825)	-	(43,753)
Financial assets that have been closed	2,446	18,531	17,298	-	38,275
Foreign exchange and other movements	8	4	27	-	39
Loss allowance as at 31 December 2022	**(76,458)**	**(29,225)**	**(185,889)**	**-**	**(291,572)**

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

(ii) 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 of exposure	(714,877)	(86,636)	(99,527)	-	(901,040)
New financial assets originated or purchased	1,366,191	24,742	19,536	-	1,410,469
Financial assets that have been closed	(323,204)	(25,497)	(22,861)	-	(371,562)
Write-offs	-	-	(32,150)	-	(32,150)
Gross amount as at 31 December 2021	**3,290,024**	**315,599**	**305,686**	**-**	**3,911,309**
Loss allowance as at 31 December 2021	(55,467)	(32,495)	(188,044)	-	(276,006)
Carrying amount as at 31 December 2021	**3,234,557**	**283,104**	**117,642**	**-**	**3,635,303**

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 of exposure	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 closed	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)*

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 UniCredit parent 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.

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, being in line with the UniCredit parent Group's liquidity framework

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. ALM & Funding, Financial Risk and Treasury, respectively.

The short-term liquidity management of the Bank aims to maintain a sustainable equilibrium between cash inflows and cash outflows representing the fundamental condition for the purpose of assuring the normal operational continuity of the banking business.

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

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

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 2022 presented at carrying amount by residual contractual maturity at the reporting date is presented below:

31.12.2022	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	16,456,169	-	-	-	-	16,456,169
Financial assets at fair value through profit or loss	28,393	10,931	29,671	97,994	47,725	214,714
Derivatives assets designated as hedging instruments	260,410	-	15,565	34,254	-	310,229
Loans and advances to banks	24,794	272,798	101,863	-	-	399,455
Loans and advances to customers	3,879,814	10,991,449	10,895,394	7,082,594	-	32,849,251
Net Lease receivables	14,614	209,846	3,274,370	289,863	-	3,788,693
Debt instruments at amortized cost	315,298	1,038,285	4,166,014	3,337,369	-	8,856,966
Financial assets at fair value through other comprehensive income	32,950	123,261	1,118,780	630,369	17,158	1,922,518
Other financial assets	254,939	-	54,690	-	9,846	319,475
Total financial assets	**21,267,381**	**12,646,570**	**19,656,347**	**11,472,443**	**74,729**	**65,117,470**
Financial liabilities at fair value through profit or loss	40,882	38,817	28,355	68,911	-	176,965
Derivatives liabilities designated as hedging instruments	740	800	9,113	251,861	-	262,514
Deposits from banks	912,522	12,426	125,470	-	-	1,050,418
Loans from banks, including subordinated liabilities	383,885	1,633,535	4,379,419	202,697	-	6,599,536
Debt securities issued	-	-	2,465,393	1,037,441	-	3,502,834
Deposits from customers	41,849,361	3,262,827	198,752	-	-	45,310,940
Other financial liabilities	1,277,102	-	30,871	-	-	1,307,973
Leasing Liabilities	18,428	51,697	124,448	3,830	-	198,403
Total financial liabilities	**44,482,920**	**5,000,102**	**7,361,821**	**1,564,740**	**-**	**58,409,583**
Liquidity surplus/ (shortfall)	**(23,215,539)**	**7,646,468**	**12,294,526**	**9,907,703**	**74,729**	**6,707,887**
Adjustment for investment securities available for refinancing*	1,872,410	(123,261)	(1,118,780)	(630,369)	-	-
Liquidity surplus/ (shortfall) adjusted	**(21,343,129)**	**7,523,207**	**11,175,746**	**9,277,334**	**74,729**	**6,707,887**

**) 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)*

31.12.2022	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	(3,743,820)	-	-	-	-	(3,743,820)
Irrevocable commitments taken inflow	-	-	-	-	-	-
Issued financial guarantees outflow	(7,360,938)	-	-	-	-	(7,360,938)
Commitments surplus/ (shortfall)	**(11,104,758)**	**-**	**-**	**-**	**-**	**(11,104,758)**

The table disclosed above shows the discounted cash flows of the Group, including financial guarantee contracts, and unrecognized loan commitments on the basis of their earliest possible contractual maturity.

4. RISK MANAGEMENT *(continued)*

d) Liquidity risk *(continued)*

An analysis of financial assets and liabilities of the Group as at 31 December 2021 presented at carrying amount 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	202,363	3,098,428	315,679	-	3,635,303
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	217,141	14,939	9,170	-	-	241,250
Total financial assets	**14,835,856**	**10,434,446**	**17,965,044**	**11,643,795**	**55,189**	**54,934,330**
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, including subordinated liabilities	147,648	601,199	3,109,447	1,081,806	-	4,940,100
Debt securities issued	-	1,761,201	185,770	544,908	-	2,491,879
Deposits from customers	38,308,973	1,503,094	173,593	-	-	39,985,660
Other financial liabilities	472,257	-	35,898	-	-	508,155
Leasing Liabilities	22,843	35,760	103,767	6,421	-	168,791
Total financial liabilities	**39,568,150**	**3,908,686**	**3,691,806**	**1,691,874**	**-**	**48,860,516**
Liquidity surplus/ (shortfall)	**(24,732,294)**	**6,525,760**	**14,273,238**	**9,951,921**	**55,189**	**6,073,814**
Adjustment for investment securities available for refinancing*	1,639,118	(20,589)	(791,938)	(826,591)	-	-
Liquidity surplus/ (shortfall) adjusted	**(23,093,176)**	**6,505,171**	**13,481,300**	**9,125,330**	**55,189**	**6,073,814**

**) 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	(4,467,137)	-	-	-	-	(4,467,137)
Irrevocable commitments taken inflow	1,807,406	-	-	-	-	1,807,406
Issued financial guarantees outflow	(6,958,026)	-	-	-	-	(6,958,026)
Commitments surplus/ (shortfall)	**(9,617,757)**	**-**	**-**	**-**	**-**	**(9,617,757)**

The table disclosed above shows the discounted cash flows of the Group, including financial guarantee contracts, and unrecognized loan commitments on the basis of their earliest possible contractual maturity.

4. RISK MANAGEMENT *(continued)*

d) Liquidity risk *(continued)*

An analysis of financial assets and liabilities of the Bank as at 31 December 2022 presented at carrying amount by residual contractual maturity at the reporting date is presented below:

31.12.2022			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	16,455,940	-	-	-	-	16,455,940
Financial assets at fair value through profit or loss	28,393	10,931	29,671	97,994	47,725	214,714
Derivatives assets designated as hedging instruments	260,410	-	15,565	34,254	-	310,229
Loans and advances to banks	24,794	272,798	101,863	-	-	399,455
Loans and advances to customers	3,721,347	10,102,950	10,234,500	6,995,747	-	31,054,544
Net Lease receivables	659	3,804	6,879	-	-	11,342
Debt instruments at amortized cost	315,298	1,038,285	4,166,014	3,337,369	-	8,856,966
Financial assets at fair value through other comprehensive income	32,950	123,261	1,118,780	630,369	14,812	1,920,172
Other financial assets	250,620	-	-	-	-	250,620
Total financial assets	**21,090,411**	**11,552,029**	**15,673,272**	**11,095,733**	**62,537**	**59,473,982**
Financial liabilities at fair value through profit or loss	40,883	38,817	28,355	68,911	-	176,966
Derivatives liabilities designated as hedging instruments	740	800	9,113	251,861	-	262,514
Deposits from banks	912,522	12,426	125,470	-	-	1,050,418
Loans from banks, including subordinated liabilities	53,846	210,206	1,422,038	-	-	1,686,090
Debt securities issued	-	-	2,465,393	1,037,441	-	3,502,834
Deposits from customers	42,044,659	3,262,827	96,712	-	-	45,404,198
Other financial liabilities	1,239,449	-	-	-	-	1,239,449
Leasing Liabilities	18,090	49,849	121,771	3,652	-	193,362
Total financial liabilities	**44,310,189**	**3,574,925**	**4,268,852**	**1,361,865**	**-**	**53,515,831**
Liquidity surplus/ (shortfall)	**(23,219,778)**	**7,977,104**	**11,404,420**	**9,733,868**	**62,537**	**5,958,151**
Adjustment for investment securities available for refinancing*	1,872,410	(123,261)	(1,118,780)	(630,369)	-	
Liquidity surplus/ (shortfall) adjusted	**(21,347,368)**	**7,853,843**	**10,285,640**	**9,103,499**	**62,537**	**5,958,151**

**) 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)*

31.12.2022			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	(3,743,820)	-	-	-	-	(3,743,820)
Irrevocable commitments taken inflow	-	-	-	-	-	-
Issued financial guarantees outflow	(7,360,938)	-	-	-	-	(7,360,938)
Commitments surplus/ (shortfall)	**(11,104,758)**	**-**	**-**	**-**	**-**	**(11,104,758)**

The table disclosed above shows the discounted cash flows of the Bank, including financial guarantee contracts, and unrecognized loan commitments on the basis of their earliest possible contractual maturity.

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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 presented at carrying amount 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
Net Lease receivables	-	-	-	-	-	-
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	209,956	-	-	-	-	209,956
Total financial assets	**14,996,754**	**9,406,464**	**13,577,089**	**11,264,320**	**52,843**	**49,297,470**
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, 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)	**(24,687,325)**	**7,406,767**	**12,850,843**	**9,818,769**	**52,843**	**5,441,897**
Adjustment for investment securities available for refinancing*	1,639,118	(20,589)	(791,938)	(826,591)	-	
Liquidity surplus/ (shortfall) adjusted	**(23,048,207)**	**7,386,178**	**12,058,905**	**8,992,178**	**52,843**	**5,441,897**

**) 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)	**(10,317,097)**	-	-	-	-	**(10,317,097)**

The table disclosed above shows the discounted cash flows of the Bank, including financial guarantee contracts, and unrecognized loan commitments on the basis of their earliest possible contractual maturity.

4. RISK MANAGEMENT *(continued)*

d) Liquidity risk *(continued)*

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

31.12.2022				Group			
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	**130,819**	**126,313**	**12,032**	**12,849**	**25,972**	**1,842**	**73,618**
Outflow		(2,273,266)	(543,882)	(796,557)	(844,278)	(74,292)	(14,257)
Inflow		2,399,579	555,914	809,406	870,250	76,134	87,875
Derivative liabilities	**(439,479)**	**(177,081)**	**(3,480)**	**(36,946)**	**(50,995)**	**(5,599)**	**(80,061)**
Outflow		(1,650,614)	(340,374)	(624,197)	(686,676)	13,665	(13,032)
Inflow		1,473,533	336,894	587,251	635,681	(19,264)	(67,029)

31.12.2021				Group			
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

4. RISK MANAGEMENT *(continued)*

d) Liquidity risk *(continued)*

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

31.12.2022			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	**130,819**	**126,313**	**12,032**	**12,849**	**25,972**	**1,842**	**73,618**
Outflow		(2,273,266)	(543,882)	(796,557)	(844,278)	(74,292)	(14,257)
Inflow		2,399,579	555,914	809,406	870,250	76,134	87,875
Derivative liabilities	**(439,480)**	**(177,081)**	**(3,480)**	**(36,946)**	**(50,995)**	**(5,599)**	**(80,061)**
Outflow		(1,650,614)	(340,374)	(624,197)	(686,676)	13,665	(13,032)
Inflow		1,473,533	336,894	587,251	635,681	(19,264)	(67,029)

31.12.2021			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

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 Market 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 Trading 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:

31.12.2022	Group				Bank			
in EUR thousands	At 31 December	Average	Maximum	Minimum	At 31 December	Average	Maximum	Minimum
Foreign currency risk	54	35	186	2	54	35	181	2
Interest rate risk	4,268	4,363	7,365	2,819	4,240	4,293	7,249	2,848
Credit spread risk	17,546	15,760	19,445	7,788	17,546	15,760	19,445	7,788
Overall	17,146	14,613	18,076	7,070	17,367	14,655	17,913	6,955

31.12.2021	Group				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

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 2022 and 2021, which correlate also with the stable FX VaR figure.

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

	Group			
in EUR thousands	31.12.2022		31.12.2021	
	Limits (EUR equivalent)	Average usage	Limits (EUR equivalent)	Average usage
EUR	60,000	23.52%	60,000	26.73%
RON	0	0.00%	0	0.00%
USD	5,000	4.59%	5,000	5.52%

	Bank			
in EUR thousands	31.12.2022		31.12.2021	
	Limits (EUR equivalent)	Average usage	Limits (EUR equivalent)	Average usage
EUR	60,000	23.58%	60,000	26.78%
RON	0	0.00%	0	0.00%
USD	5,000	4.36%	5,000	4.06%

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 2022, is presented below:

	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	16,456,169	-	-	-	-	16,456,169
Financial assets held for trading	28,393	10,931	29,671	97,994	-	166,989
Derivatives assets designated as hedging instruments	260,410	-	15,565	34,254	-	310,229
Loans and advances to banks	24,794	272,798	101,863	-	-	399,455
Loans and advances to customers	19,834,051	7,505,114	5,312,969	197,117	-	32,849,251
Net Lease receivables	2,721,190	94,538	921,952	51,013	-	3,788,693
Debt instruments at amortized cost	315,298	1,038,285	4,166,014	3,337,369	-	8,856,966
Financial assets at fair value through other comprehensive income	32,950	123,261	1,118,780	630,369	-	1,905,360
Other financial assets	274,908	10,001	34,566	-	-	319,475
Total financial assets	**39,948,163**	**9,054,928**	**11,701,380**	**4,348,116**	**-**	**65,052,587**
Financial liabilities at fair value through profit or loss	40,882	38,817	28,355	68,911	-	176,965
Derivatives liabilities designated as hedging instruments	740	800	9,113	251,861	-	262,514
Deposits from banks	999,572	50,846	-	-	-	1,050,418
Loans from banks, including subordinated liabilities	4,711,499	723,577	1,071,483	92,977	-	6,599,536
Deposits from customers	41,848,451	3,365,777	96,712	-	-	45,310,940
Debt securities issued	2,822,877	679,957	-	-	-	3,502,834
Other financial liabilities	1,307,973	-	-	-	-	1,307,973
Leasing Liabilities	30,242	48,988	115,492	3,681	-	198,403
Total financial liabilities	**51,762,236**	**4,908,762**	**1,321,155**	**417,430**	**-**	**58,409,583**
Interest sensitivity surplus / (shortfall)	**(11,814,073)**	**4,146,166**	**10,380,225**	**3,930,686**	**-**	**6,643,004**

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	-	212,595
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	1,088,837	40,226	-	3,635,303
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	27,522	20,589	791,938	828,937	-	1,668,986
Other financial assets	239,902	1,006	342	-	-	241,250
Total financial assets	**32,043,426**	**7,499,845**	**10,555,201**	**4,780,669**	**-**	**54,879,141**
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, including subordinated liabilities	2,209,453	405,707	2,202,364	122,576	-	4,940,100
Deposits from customers	38,479,105	1,503,094	3,461	-	-	39,985,660
Debt securities issued	-	2,491,879	-	-	-	2,491,879
Other financial liabilities	508,155	-	-	-	-	508,155
Leasing Liabilities	24,552	35,760	102,058	6,421	-	168,791
Total financial liabilities	**41,837,691**	**4,501,229**	**2,333,857**	**187,735**	**-**	**48,860,516**
Interest sensitivity surplus / (shortfall)	**(9,794,269)**	**2,998,616**	**8,221,344**	**4,592,934**	**-**	**6,018,625**

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 2022, is presented below:

31.12.2022	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	16,455,940	-	-	-	-	16,455,940
Financial assets held for trading	28,393	10,931	29,671	97,994	-	166,989
Derivatives assets designated as hedging instruments	260,410	-	15,565	34,254	-	310,229
Loans and advances to banks	24,794	272,798	101,863	-	-	399,455
Loans and advances to customers	19,491,133	7,004,257	4,428,240	130,914	-	31,054,544
Net Lease receivables	659	3,804	6,879	-	-	11,342
Debt instruments at amortized cost	315,298	1,038,285	4,166,014	3,337,369	-	8,856,966
Financial assets at fair value through other comprehensive income	32,950	123,261	1,118,780	630,369	-	1,905,360
Other financial assets	250,620	-	-	-	-	250,620
Total financial assets	**36,860,197**	**8,453,336**	**9,867,012**	**4,230,900**	**-**	**59,411,445**
Financial liabilities at fair value through profit or loss	40,883	38,817	28,355	68,911	-	176,966
Derivatives liabilities designated as hedging instruments	740	800	9,113	251,861	-	262,514
Deposits from banks	999,572	50,846	-	-	-	1,050,418
Loans from banks, including subordinated liabilities	1,686,090	-	-	-	-	1,686,090
Deposits from customers	42,044,659	3,262,827	96,712	-	-	45,404,198
Debt securities issued	2,822,877	679,957	-	-	-	3,502,834
Other financial liabilities	1,239,449	-	-	-	-	1,239,449
Leasing Liabilities	24,745	43,366	121,570	3,681	-	193,362
Total financial liabilities	**48,859,015**	**4,076,613**	**255,750**	**324,453**	**-**	**53,515,831**
Interest sensitivity surplus / (shortfall)	**(11,998,818)**	**4,376,723**	**9,611,262**	**3,906,447**	**-**	**5,895,614**

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	-	-	-	-	11,269,028
Financial assets held for trading	11,721	68,662	8,769	123,443	-	212,595
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	17,291,519	6,193,435	3,781,483	161,136	-	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	-	1,668,986
Other financial assets	209,956	-	-	-	-	209,956
Total financial assets	**29,041,092**	**7,142,891**	**8,381,923**	**4,678,721**	**-**	**49,244,627**
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, including subordinated liabilities	1,406,246	-	-	-	-	1,406,246
Deposits from customers	38,562,588	1,503,094	3,461	-	-	40,069,143
Debt securities issued	-	1,014,391	-	-	-	1,014,391
Other financial liabilities	434,967	-	-	-	-	434,967
Leasing Liabilities	22,531	34,824	101,293	6,247	-	164,895
Total financial liabilities	**41,042,762**	**2,617,098**	**130,728**	**64,985**	**-**	**43,855,573**
Interest sensitivity surplus / (shortfall)	**(12,001,670)**	**4,525,793**	**8,251,195**	**4,613,736**	**-**	**5,389,054**

4. RISK MANAGEMENT *(continued)*

e) Market risk *(continued)*

The following table shows the yearly average interest rates obtained or offered during 2022:

31.12.2022	Grup			Bank		
	RON Average	EUR Average	USD Average	RON Average	EUR Average	USD Average
Assets						
Current accounts with the National Bank of Romania	0.44%	0.00%	-	0.44%	0.00%	-
Loans and advances to banks	6.05%	0.14%	1.89%	6.05%	0.14%	1.89%
Debt securities	4.52%	2.21%	-	4.52%	2.21%	-
Loans and advances to customers	7.51%	2.84%	4.47%	7.10%	2.80%	4.47%
Net lease receivables	6.39%	3.40%	7.60%	0.00%	0.00%	0.00%
Liabilities						
Deposits from banks	5.24%	1.09%	0.10%	5.24%	1.09%	0.10%
Deposits from customers	5.33%	0.45%	1.64%	5.33%	0.45%	1.64%
Loans from banks	4.15%	1.49%	0.00%	8.20%	0.36%	0.00%
Subordinated loans	-	3.98%	-	-	4.22%	-

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 interest rates related to the local currency and the major foreign currencies as at 31 December 2022 and 31 December 2021 were as follows:

Currencies	Interest rate	31.12.2022	31.12.2021
RON	Robor 3 months	7.57%	3.01%
RON	Robor 6 months	7.81%	3.13%
EUR	Euribor 3 months	2.13%	-0.57%
EUR	Euribor 6 months	2.69%	-0.55%
USD	Libor 3 months	4.77%	0.21%
USD	Libor 6 months	5.14%	0.34%

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 2022 are presented below:

31.12.2022			Group		
in RON thousands	RON	USD	EUR	Other	Total
Financial assets					
Cash and cash equivalents	8,099,761	1,007,266	7,276,633	72,509	16,456,169
Financial assets at fair value through profit or loss	61,779	50,444	102,478	13	214,714
Derivatives assets designated as hedging instruments	392	62	309,775	-	310,229
Loans and advances to banks	353,939	-	45,516	-	399,455
Loans and advances to customers	18,554,080	366,715	13,928,445	11	32,849,251
Net Lease receivables	133,246	214	3,655,233	-	3,788,693
Debt instruments at amortized cost	8,856,966	-	-	-	8,856,966
Financial assets at fair value through other comprehensive income	1,360,835	-	561,683	-	1,922,518
Other financial assets	283,937	612	34,264	662	319,475
Total financial assets	**37,704,935**	**1,425,313**	**25,914,027**	**73,195**	**65,117,470**
Financial liabilities					
Financial liabilities at fair value through profit or loss	75,210	1,251	100,491	13	176,965
Derivatives liabilities designated as hedging instruments	431	209	261,874	-	262,514
Deposits from banks	685,568	-	364,850	-	1,050,418
Loans from banks	1,972,105	-	3,681,827	-	5,653,932
Subordinated liabilities	-	-	945,604	-	945,604
Deposits from customers	27,650,217	2,316,997	15,149,926	193,800	45,310,940
Debt securities issued	679,957	-	2,822,877	-	3,502,834
Other financial liabilities	399,419	54,056	832,250	22,248	1,307,973
Lease liabilities	5,038	1,668	191,697	-	198,403
Total financial liabilities	**31,467,945**	**2,374,181**	**24,351,396**	**216,061**	**58,409,583**
Net financial assets/(liabilities)	**6,236,990**	**(948,868)**	**1,562,631**	**(142,866)**	**6,707,887**

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	3,449,972	-	3,635,303
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	211,307	565	29,375	3	241,250
Total financial assets	**32,173,758**	**1,379,346**	**21,322,076**	**59,150**	**54,934,330**
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	1,416,370	-	2,579,547	-	3,995,917
Subordinated liabilities	-	-	944,183	-	944,183
Deposits from customers	24,499,058	2,029,267	13,303,295	154,040	39,985,660
Debt securities issued	469,516	-	2,022,363	-	2,491,879
Other financial liabilities	278,280	43,642	177,692	8,541	508,155
Lease liabilities	4,079	405	164,307	-	168,791
Total financial liabilities	**27,200,740**	**2,074,435**	**19,422,746**	**162,595**	**48,860,516**
Net financial assets/(liabilities)	**4,973,018**	**(695,089)**	**1,899,330**	**(103,445)**	**6,073,814**

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 2022 can be analysed as follows:

31.12.2022	Bank				
in RON thousands	RON	USD	EUR	Other	Total
Financial assets					
Cash and cash equivalents	8,099,532	1,007,266	7,276,633	72,509	16,455,940
Financial assets at fair value through profit or loss	61,779	50,444	102,478	13	214,714
Derivatives assets designated as hedging instruments	392	62	309,775	-	310,229
Loans and advances to banks	353,939	-	45,516	-	399,455
Loans and advances to customers	16,912,454	366,715	13,775,364	11	31,054,544
Net Lease receivables	-	-	11,342	-	11,342
Debt instruments at amortized cost	8,856,966	-	-	-	8,856,966
Financial assets at fair value through other comprehensive income	1,358,489	-	561,683	-	1,920,172
Other financial assets	217,541	612	31,805	662	250,620
Total financial assets	**35,861,092**	**1,425,099**	**22,103,254**	**73,195**	**59,462,640**
Financial liabilities					
Financial liabilities at fair value through profit or loss	75,210	1,251	100,492	13	176,966
Derivatives liabilities designated as hedging instruments	431	209	261,874	-	262,514
Deposits from banks	685,568	-	364,850	-	1,050,418
Loans from banks	560,513	-	288,816	-	849,329
Subordinated liabilities	-	-	836,761	-	836,761
Deposits from customers	27,811,974	2,317,110	15,081,314	193,800	45,404,198
Debt securities issued	679,957	-	2,822,877	-	3,502,834
Other financial liabilities	342,249	54,056	820,896	22,248	1,239,449
Lease liabilities	1,346	1,668	190,348	-	193,362
Total financial liabilities	**30,157,248**	**2,374,294**	**20,768,228**	**216,061**	**53,515,831**
Net financial assets/(liabilities)	**5,703,844**	**(949,195)**	**1,335,026**	**(142,866)**	**5,946,809**

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			Bank		
in RON thousands	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	180,864	565	28,524	3	209,956
Total financial assets	**30,435,386**	**1,378,979**	**17,423,955**	**59,150**	**49,297,470**
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	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)	**4,478,615**	**(695,478)**	**1,762,205**	**(103,445)**	**5,441,897**

4. RISK MANAGEMENT *(continued)*

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 analysed 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.

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 17 in line „Additional income tax expense - previous years".

i) Environmental, social and governance factors (ESG)

Environmental, social and governance (ESG) factors are key factors in measuring the sustainability and social impact of a financial institution. ESG factors are those environmental, social or governance elements that can have a positive effect or negative impact on the bank's financial performance or solvency. The risks associated with ESG factors in terms of borrowers' financial conditions, in particular the potential impact of environmental factors and climate change, were identified as a risk that is estimated to have an impact both on the clients' financial capacity and on the banks.

4. RISK MANAGEMENT *(continued)*

i) Environmental, social and governance factors (ESG) *(continued)*

In order to incorporate and adequately assume the risk, generated by climate change, the Bank has increased the level of granularity related to each sectors, at the level of each industry, considering that the impact generated may be different from one subcategory to another within the same industry, from the perspective of the transition cost, as well as from the perspective of the impact on the environment. Also from the same perspective, within the lending process, the Bank implemented a climate and environmental transition risk assessment questionnaire, in order to assess climate, environmental vulnerability and potential economic impact on Corporate customers with significant exposures. In addition, the Bank has initiated the action of collecting the energy performance certificates related to the real estate properties established as guarantees in its favor, in order to store the necessary information and to comply with the regulatory requirements in the field. In terms of physical risk, the Bank focuses on improving the methodology for assessing vulnerable portfolios and mitigating related risks, periodically collecting information on existing guarantees in the portfolio and exposing them in geographically vulnerable sectors to physical risk. For a sustainable financing, the Bank has implemented and disposes of products that incorporate climate and environmental risks in the lending and monitoring process, such as "green loans" granted to individuals, loans for renewable energy (photovoltaic, wind, solar, biomass or bioenergy), etc. These principles, objectives and actions, related to the emerging risks associated with climate change, are in accordance with the provisions Bank Strategies for managing significant risks.

ESG risks were integrated within Risk Management framework, through several concrete actions and Bank supporting the clients in a fair transition. Also, the exposure to climate change is carefully managed considering both Transition and Physical Risk, ensuring proper origination, risk identification, monitoring and management, aiming at progressively increasing portfolio covered by the framework (in particular for credit risk assessment).

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. The Group has complied the capital requirements imposed by the National Bank of Romania through specific legislation.

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 Tier 1 Own Funds – Base, Supplementary and Tier 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.

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.

4. RISK MANAGEMENT *(continued)*

j) Capital management *(continued)*

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).

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.

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 2022 is RON thousands 3,648,931 (2021: RON thousands 2,633,748), 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 2022 is RON thousands 3,206,012 (2021: RON thousands 2,134,605), 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 sensitivity was estimated as the ratio of:
- the difference between the ECL estimated under the alternative scenario (Adverse) and the one under the baseline;
- the GDP deviations (on 3 years cumulative basis) between adverse and baseline scenarios (in % points).

The Implied assumptions are:
- GDP forecast (over 3 years) is assumed to be the most relevant economic factor as indicator of scenario severity;
- the GDP of Romania is considered for the calculation of the sensitivity
- Considering the relevance, the % ECL sensitivity (vs 3-year GDP deviations) of the GW portfolios (Multinationals, Sovereign, Banks and Project finance) is assumed equal to the Italian one.

ECL vs GDP% sensitivity it a peculiar metric under the GW framework, in the sense that such a metric has to be interpreted under the context that GW portfolios are cross country vs. GDPs are country level vs. Portfolio Granularity is not homogeneously allocated cross country; that is why in case of the residual GW portfolio managed by Romania might be the case that the macro model does not make the link with the Romania GDP but with the countries having the main portfolio portion (e.g. Italy GDP); therefore by synthetic assignment a sensitivity metric relevant for the countries having residual portfolio can be associated with the link subject for main countries GDP, and in this case for Romania portfolio the sensitivity vs Italy GDP was considered to be plausible.

The results considering the up to date IFRS9 scenarios and portfolio are the following:
- for 1 point of GDP drop (cumulated over 3 years) the ECL is estimated to increase by about +9%

IFRS9 22q4		Cumulated GDP		ECL Amount (EUR /mln)		ECL Difference vs Baseline	% ECL Difference vs Baseline	ECL Sensitivity vs 3-year cum GDP (in monetary terms)	% ECL Sensitivity vs 3-year cum GDP
LE	Division / Country	Baseline	Negative	Baseline	Negative	Negative	Negative	For 1 GDP point drop (3-year cumulated basis)	For 1 GDP point drop (3-year cumulated basis)
Romania	*Romania*	8.4	3.6	284	403	119	42%	25	9%

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 (2022-2021).

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 2022 on financial assets at fair value through other comprehensive income would vary as follows:

31.12.2022	Bank	
In Thousand RON	Market Yield -10%	Market Yield +10%
Financial assets at fair value through other comprehensive income denominated in RON	29,594	(28,402)
Financial assets at fair value through other comprehensive income denominated in EUR	12,497	(12,040)
Financial assets at fair value through other comprehensive income	**42,091**	**(40,442)**

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)**

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).

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.

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

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

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 appropriate valuation techniques in situations where adequate valuations techniques can be identified. The valuation techniques are chosen among those commonly used by market participants, once it has been demonstrated they provide reliable estimates of prices obtained in actual market transactions, while maximizing the use of observable market data. 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. For situations where adequate valuations techniques cannot be identified, the fair value of the financial instruments that are not traded on an active market are estimated to be equal to their carrying amount.

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

31.12.2022 In Thousand RON	Listed*	Group Unlisted	Total	Listed*	Bank Unlisted	Total
Debt securities at fair value through other comprehensive income	1,716,388	188,972	1,905,360	1,716,388	188,972	1,905,360
Equity instruments at fair value through other comprehensive income	-	17,158	17,158	-	14,812	14,812
Total assets held at fair value through other comprehensive income	**1,716,388**	**206,130**	**1,922,518**	**1,716,388**	**203,784**	**1,920,172**

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

31.12.2021 In Thousand RON	Listed*	Group Unlisted	Total	Listed*	Bank 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*

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 for fair value and is applied (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 are often based on internal assumptions corroborated by few, if any, external observations.

When inputs used to measure the fair value of an asset or a liability are categorized within different levels of the fair value hierarchy, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to the entire measurement requires judgement, taking into account factors specific to the asset or the liability. IFRS13 does not provide specific guidance on how to evaluate inputs' significance; it is then deemed appropriate, in some cases, to assess it through sensitivity analysis.

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 2022:

31.12.2022			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	36,170	130,812	7	166,989	166,989
Derivatives financial instruments designated as hedging instruments	-	310,229	-	310,229	310,229
Total trading assets	**36,170**	**441,041**	**7**	**477,218**	**477,218**
Financial assets at fair value through other comprehensive income					
Debt instruments	1,691,950	213,410	-	1,905,360	1,905,360
Equity instruments (minority holdings)	-	-	17,158	17,158	17,158
Total assets at fair value through other comprehensive income	**1,691,950**	**213,410**	**17,158**	**1,922,518**	**1,922,518**
Non-transactional financial assets at fair value mandatorily through profit or loss					
VISA Shares	-	35,793	11,932	47,725	47,725
Total assets at fair value through profit or loss	**-**	**35,793**	**11,932**	**47,725**	**47,725**
Liabilities designated for trading and for hedging					
Financial liabilities at fair value through profit or loss	-	176,957	9	176,966	176,965
Derivatives financial instruments designated at hedging instruments	-	262,514	-	262,514	262,514
Total liabilities designated for trading and for hedging	**-**	**439,471**	**9**	**439,480**	**439,479**

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 2022:

31.12.2022			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	36,170	130,812	7	166,989	166,989
Derivatives financial instruments designated as hedging instruments	-	310,229	-	310,229	310,229
Total trading assets	**36,170**	**441,041**	**7**	**477,218**	**477,218**
Financial assets at fair value through other comprehensive income					
Debt instruments	1,691,950	213,410	-	1,905,360	1,905,360
Equity instruments (minority holdings)	-	-	14,812	14,812	14,812
Total assets at fair value through other comprehensive income	**1,691,950**	**213,410**	**14,812**	**1,920,172**	**1,920,172**
Non-transactional financial assets at fair value mandatorily through profit or loss					
VISA Shares	-	35,793	11,932	47,725	47,725
Total assets at fair value through profit or loss	**-**	**35,793**	**11,932**	**47,725**	**47,725**
Liabilities designated for trading and for hedging					
Financial Liabilities at fair value through profit or loss	-	176,957	9	176,966	176,966
Derivatives financial instruments designated as hedging instruments	-	262,514	-	262,514	262,514
Total liabilities designated for trading and hedging	**-**	**439,471**	**9**	**439,480**	**439,480**

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 an analysis of the movement of financial instruments held at fair value classified as Level 3, for the year ended 31 December 2022:

31.12.2022	Group						
In RON thousands	Balance at 31 December 2021	Gains / Losses from instruments at fair value through profit and loss	Gains / Losses from instruments measured at fair value through other comprehensive income	Additions	Disposals (-)	Foreign Currency Exchange Effect	Balance at 31 December 2022
Financial assets held for trading	**494**	**(290)**	**-**	**5,384**	**(5,581)**	**-**	**7**
Financial assets held for trading at fair value through profit or loss	494	(290)	-	5,384	(5,581)	-	7
Non-transactional financial assets at fair value mandatorily through profit or loss	**22,921**	**(12,373)**	**-**	**-**	**-**	**1,384**	**11,932**
VISA Shares	22,921	(12,373)	-	-	-	1,384	11,932
Financial assets at fair value through other comprehensive income	**8,429**	**-**	**8,729**	**-**	**-**	**-**	**17,158**
Equity instruments (minority holdings)	8,429	-	8,729	-	-	-	17,158
Total assets	**31,844**	**(12,663)**	**8,729**	**5,384**	**(5,581)**	**1,384**	**29,097**
Financial liabilities designated for trading	**500**	**(314)**	**-**	**5,552**	**(5,729)**	**-**	**9**
Derivatives financial instruments	500	(314)	-	5,552	(5,729)	-	9
Total liabilities	**500**	**(314)**	**-**	**5,552**	**(5,729)**	**-**	**9**

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 from instruments at fair value through profit and loss	Gains / Losses from instruments measured at fair value through 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 2022:

31.12.2022	Bank						
In RON thousands	Balance at 31 December 2021	Gains / Losses from instruments at fair value through profit and loss	Gains / Losses from instruments measured at fair value through other comprehensive income	Additions	Disposals (-)	Foreign Currency Exchange Effect	Balance at 31 December 2022
Financial assets held for trading	**494**	**(290)**	**-**	**5,384**	**(5,581)**	**-**	**7**
Financial assets held for trading at fair value through profit or loss	494	(290)	-	5,384	(5,581)	-	7
Non-transactional financial assets at fair value mandatorily through profit or loss	**22,921**	**(12,373)**	**-**	**-**	**-**	**1,384**	**11,932**
VISA Shares	22,921	(12,373)	-	-	-	1,384	11,932
Financial assets at fair value through other comprehensive income	**6,083**	**-**	**8,729**	**-**	**-**	**-**	**14,812**
Equity instruments (minority holdings)	6,083	-	8,729	-	-	-	14,812
Total assets	**29,498**	**(12,663)**	**8,729**	**5,384**	**(5,581)**	**1,384**	**26,751**
Financial liabilities designated for trading	**500**	**(314)**	**-**	**5,552**	**(5,729)**	**-**	**9**
Derivatives financial instruments	500	(314)	-	5,552	(5,729)	-	9
Total liabilities	**500**	**(314)**	**-**	**5,552**	**(5,729)**	**-**	**9**

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 from instruments at fair value through profit and loss	Gains / Losses from instruments measured at fair value through 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**

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.

31.12.2022			Group				
In RON thousands	Fair value level	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	3	-	16,456,169	-	-	16,456,169	16,456,169
Financial assets at fair value through profit or loss	1	214,714	-	-	-	214,714	214,714
Loans and advances to banks at amortized cost	3	-	399,455	-	-	399,455	386,812
Loans and advances to customers at amortized cost	3	-	32,849,251	-	-	32,849,251	31,820,856
Net lease receivables	3	-	3,788,693	-	-	3,788,693	3,611,692
Debt instruments at amortized cost	1	-	8,856,966	-	-	8,856,966	7,766,001
Financial assets at fair value through other comprehensive income	1	-	-	1,922,518	-	1,922,518	1,922,518
Other financial assets at amortized cost	3	-	319,475	-	-	319,475	319,475
Total financial assets		**214,714**	**62,670,009**	**1,922,518**	**-**	**64,807,241**	**62,498,237**
Financial liabilities at fair value through profit or loss	1	176,965	-	-	-	176,965	176,965
Derivatives liabilities designated as hedging instruments	2	262,514	-	-	-	262,514	262,514
Deposits from banks	3	-	1,050,418	-	-	1,050,418	1,050,131
Loans from banks, including subordinated liabilities	3	-	6,599,536	-	-	6,599,536	6,599,074
Debt securities issued	1	-	3,502,834	-	-	3,502,834	3,502,834
Deposits from customers	3	-	45,310,940	-	-	45,310,940	45,298,545
Other financial liabilities at amortized cost	3	-	1,307,973	-	-	1,307,973	1,307,973
Lease liabilities	3	-	198,403	-	-	198,403	198,403
Total financial liabilities		**439,479**	**57,970,104**	**-**	**-**	**58,409,583**	**58,396,439**

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.

31.12.2021				Group			
In RON thousands	Fair value level	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	3	-	11,269,108	-	-	11,269,108	11,269,108
Financial assets at fair value through profit or loss	1	259,355	-	-	-	259,355	259,355
Loans and advances to banks at amortized cost	3	-	493,611	-	-	493,611	488,513
Loans and advances to customers at amortized cost	3	-	29,395,410	-	-	29,395,410	29,119,495
Net lease receivables	3	-	3,635,303	-	-	3,635,303	3,549,028
Debt instruments at amortized cost	1	-	7,950,629	-	-	7,950,629	7,509,988
Financial assets at fair value through other comprehensive income	1	-	-	1,677,415	-	1,677,415	1,677,415
Other financial assets at amortized cost	3	-	241,250	-	-	241,250	241,250
Total financial assets		**259,355**	**52,985,311**	**1,677,415**	**-**	**54,922,081**	**54,114,152**
Financial liabilities at fair value through profit or loss	1	32,129	-	-	-	32,129	32,129
Derivatives liabilities designated as hedging instruments	2	66,812	-	-	-	66,812	66,812
Deposits from banks	3	-	666,990	-	-	666,990	663,580
Loans from banks, including subordinated liabilities	3	-	4,940,100	-	-	4,940,100	4,932,910
Debt securities issued	1	-	2,491,879	-	-	2,491,879	2,491,879
Deposits from customers	3	-	39,985,660	-	-	39,985,660	39,782,185
Other financial liabilities at amortized cost	3	-	508,155	-	-	508,155	508,155
Lease liabilities	3	-	168,791	-	-	168,791	168,791
Total financial liabilities		**98,941**	**48,761,575**	**-**	**-**	**48,860,516**	**48,646,381**

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.

31.12.2022			Bank				
In RON thousands	Fair value level	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	3	-	16,455,940	-	-	16,455,940	16,455,940
Financial assets at fair value through profit or loss	1	214,714	-	-	-	214,714	214,714
Loans and advances to banks at amortized cost	3	-	399,455	-	-	399,455	386,812
Loans and advances to customers at amortized cost	3	-	31,054,544	-	-	31,054,544	30,072,629
Net lease receivables	3	-	11,342	-	-	11,342	11,342
Debt instruments at amortized cost	1	-	8,856,966	-	-	8,856,966	7,766,001
Financial assets at fair value through other comprehensive income	1	-	-	1,920,172	-	1,920,172	1,920,172
Other financial assets at amortized cost	3	-	250,620	-	-	250,620	250,620
Total financial assets		**214,714**	**57,028,867**	**1,920,172**	**-**	**59,163,753**	**57,078,230**
Financial liabilities at fair value through profit or loss	1	176,966	-	-	-	176,966	176,966
Derivatives liabilities designated as hedging instruments	2	262,514	-	-	-	262,514	262,514
Deposits from banks	3	-	1,050,418	-	-	1,050,418	1,050,131
Loans from banks, including subordinated liabilities	3	-	1,686,090	-	-	1,686,090	1,685,629
Debt securities issued	1	-	3,502,834	-	-	3,502,834	3,502,834
Deposits from customers	3	-	45,404,198	-	-	45,404,198	45,391,803
Other financial liabilities at amortized cost	3	-	1,239,449	-	-	1,239,449	1,239,449
Lease liabilities	3	-	193,362	-	-	193,362	193,362
Total financial liabilities		**439,480**	**53,076,351**	**-**	**-**	**53,515,831**	**53,502,688**

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	Fair value level	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	3	-	11,269,028	-	-	11,269,028	11,269,028
Financial assets at fair value through profit or loss	1	259,355	-	-	-	259,355	259,355
Loans and advances to banks at amortized cost	3	-	493,611	-	-	493,611	488,513
Loans and advances to customers at amortized cost	3	-	27,427,573	-	-	27,427,573	27,145,768
Debt instruments at amortized cost	1	-	7,950,629	-	-	7,950,629	7,509,988
Financial assets at fair value through other comprehensive income	1	-	-	1,675,069	-	1,675,069	1,675,069
Other financial assets at amortized cost	3	-	209,956	-	-	209,956	209,956
Total financial assets		**259,355**	**47,350,797**	**1,675,069**	**-**	**49,285,221**	**48,557,677**
Financial liabilities at fair value through profit or loss	1	32,129	-	-	-	32,129	32,129
Derivatives liabilities designated as hedging instruments	2	66,812	-	-	-	66,812	66,812
Deposits from banks	3	-	666,990	-	-	666,990	663,580
Loans from banks, including subordinated liabilities	3	-	1,406,246	-	-	1,406,246	1,399,056
Debt securities issued	1	-	1,014,391	-	-	1,014,391	1,014,391
Deposits from customers	3	-	40,069,143	-	-	40,069,143	39,864,283
Other financial liabilities at amortized cost	3	-	434,967	-	-	434,967	434,967
Lease liabilities	3	-	164,895	-	-	164,895	164,895
Total financial liabilities		**98,941**	**43,756,632**	**-**	**-**	**43,855,573**	**43,640,113**

7. NET INTEREST INCOME

	Group		Bank	
In RON thousands	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Interest income				
Interest and similar income arising from:				
Loans and advances to customers*	1,894,790	1,229,611	1,624,197	933,038
Treasury bills and bonds at fair value through other comprehensive income	76,322	63,983	76,322	63,983
Debt instruments at amortized cost	331,887	251,414	331,887	251,414
Current accounts and placements with banks	122,845	17,284	122,830	17,277
Negative interest from financial liabilities	2,842	733	2,842	733
Total interest income calculated using the effective interest method	**2,428,686**	**1,563,025**	**2,158,078**	**1,266,445**
Other interest income - Net Lease receivables	142,630	130,502	10	-
Total interest income	**2,571,316**	**1,693,527**	**2,158,088**	**1,266,445**
Interest expense				
Interest expense and similar charges arising from:				
Deposits from customers	592,447	106,741	593,233	106,904
Loans from banks	164,257	139,447	55,716	34,485
Deposits from banks	12,345	6,055	12,345	6,055
Repurchase agreements	350	83	350	83
Interest related to the bonds issued	96,769	33,407	80,974	13,717
Hedging derivatives	9,456	10,101	9,456	10,101
Negative interest on financial assets	19,494	30,434	19,494	30,434
Debt from leasing operations	1,573	872	949	659
Defined benefit obligations	339	239	339	239
Total interest expense	**897,030**	**327,379**	**772,856**	**202,677**
Net interest income	**1,674,286**	**1,366,148**	**1,385,232**	**1,063,768**

**) Interest income as at December 2022 includes expenses with interest adjustments related to credit-impaired financial assets in the total amount of RON thousands 30,303 (31 December 2021: RON thousands 48,880) for the Group and RON thousands 17,106 (31 December 2021: RON thousands 29,357) for the Bank.*

8. NET FEES AND COMMISSIONS INCOME

In RON thousands	Group 31.12.2022	Group 31.12.2021	Bank 31.12.2022	Bank 31.12.2021
Fees and commissions income				
Payments transactions	441,152	351,433	441,152	351,433
Risk participation fee (refer to Note 42)	36	100	36	100
Guarantees and letters of credit	41,858	33,636	41,858	33,636
Loan administration	43,605	37,246	16,032	13,462
Commissions from other types of financial services	84,508	85,202	108,261	108,438
Commissions from insurance intermediation	63,564	62,205	9,059	8,251
Commissions on securities transactions	5,434	4,468	5,434	4,468
Total fees and commission income	**680,157**	**574,290**	**621,832**	**519,788**
Out of which commissions from contracts with clients according to IFRS 15	620,109	521,348	563,907	472,590
Fees and commission expense				
Inter-banking fees	130,205	95,073	129,058	94,196
Payments transactions	94,475	65,321	89,271	61,494
Commitments and similar fees	701	223	701	223
Intermediary agents fees	10,266	8,924	4,358	3,467
Other	16,780	17,566	14,035	14,137
Total fees and commissions expense	**252,427**	**187,107**	**237,423**	**173,517**
Net fees and commissions income	**427,730**	**387,183**	**384,409**	**346,271**

9. NET INCOME FROM TRADING AND OTHER FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS

In RON thousands	Group 31.12.2022	Group 31.12.2021	Bank 31.12.2022	Bank 31.12.2021
Net gains from foreign exchange operations (including FX derivatives)	385,139	335,797	385,258	335,810
Net gains / (losses) from other interest derivatives	4,106	9,134	4,106	9,134
Net income / (losses) from trading bonds	(41,048)	(19,610)	(41,048)	(19,610)
Net gains / (losses) from other derivatives	910	691	910	691
Net income from trading financial instruments held at fair value through profit or loss	**349,107**	**326,012**	**349,226**	**326,025**
Net gains from non-transactional financial instruments held at fair value through profit or loss	**(1,431)**	**(589)**	**(1,431)**	**(589)**
Net income from financial instruments held at fair value through profit or loss	**347,676**	**325,423**	**347,795**	**325,436**

10. DIVIDENDS INCOME

The Group received dividends from the following companies:

	Group		Bank	
in RON thousands	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Transfond S.A.	2,856	1,992	2,856	1,992
Biroul de Credit S.A.	340	237	340	237
UniCredit Leasing Corporation IFN S.A.	-	-	29,988	-
Total dividends income	**3,196**	**2,229**	**33,184**	**2,229**

*) 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

	Group		Bank	
In RON thousands	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Wages and salaries	502,662	445,146	445,318	393,772
Social security charges, unemployment fund and health fund	14,980	13,064	13,304	11,616
Other (income)/costs	7,646	9,347	4,950	6,728
Total	**525,288**	**467,557**	**463,572**	**412,116**

The number of employees of the Group at 31 December 2022 was 3,365 (31 December 2021: 3,358). The number of employees of the Bank at 31 December 2022 was 3,004 (31 December 2021: 3,001).

Remuneration of Board's members for 2022 was RON thousands 18,635 (2021: RON thousands 15,977).

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 2022 the Group paid in RON thousands equivalent 3,295 (2021: RON thousands equivalent 1,836), related to these benefits.

12. DEPRECIATION AND AMORTISATION

	Group		Bank	
in RON thousands	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Amortization expenses related to tangible assets	31,239	35,325	29,829	32,708
Amortization expenses related to the rights of use (please see Note 3n and Note 44)	74,631	64,253	66,880	59,013
Write-off of property, plant and equipment	3,339	942	3,339	942
Amortization expenses of intangible assets	58,602	58,380	52,822	53,513
Net expenses/(income) from disposal of intangible assets	2,344	433	2,344	433
Total	**170,155**	**159,333**	**155,214**	**146,609**

13. OTHER ADMINISTRATIVE COSTS

	Group		Bank	
in RON thousands	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Office space expenses (rental, maintenance, other)	50,497	35,765	46,829	31,884
IT services	147,714	120,201	143,477	117,393
Contributions to resolution funds and deposit guarantee schemes	76,432	75,480	76,432	75,480
Other taxes and duties	7,192	3,185	7,192	3,185
Communication expenses	20,540	18,561	18,595	15,757
Advertising and promotional expenses	42,677	34,326	33,258	26,489
Consultancy, legal and other professional services	9,481	9,247	5,954	5,075
Materials and consumables	9,938	7,631	8,563	6,633
Personnel training and recruiting	2,620	1,692	1,899	1,135
Insurance expenses	4,269	3,959	4,085	3,222
Other	27,422	33,480	23,928	30,376
Total	**398,782**	**343,527**	**370,212**	**316,629**

The fees due by the Group for 2022 year to the auditing firm KPMG Audit SRL (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 3,204 (31 December 2021: RON thousands 2,902);
- tax services related to transfer price matters: RON thousands 0 (31 December 2021: RON thousands 0).
- other services: RON thousands 159 (31 December 2021: RON thousands 364).

The fees due by UniCredit Bank SA for 2021 year to the auditing firm KPMG Audit SRL (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 2,351 (31 December 2021: RON thousands 1,875)
- tax services related to transfer price matters: RON thousands 0 (31 December 2021: RON thousands 0);
- other services: RON thousands 159 (31 December 2021: RON thousands 85).

14. OTHER OPERATING EXPENSES

	Group		Bank	
in RON thousands	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Expenses with third party services for recovery of assets	4,003	14,149	-	-
Net income/expenses regarding repossessed assets	(5,386)	2,690	-	-
Other operating expenses	18,738	21,490	11,072	10,711
Total	**17,355**	**38,329**	**11,072**	**10,711**

15. NET IMPAIRMENT LOSSES ON FINANCIAL INSTRUMENTS

	Group		Bank	
In RON thousands	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Net provision charges for loans and advances to customers (Note 21)	282,879	263,897	214,012	204,271
Net provision charges for banks	1,396	(4,090)	1,398	(3,847)
Net provision charges for securities	305	(5,516)	305	(5,516)
Loans written-off	965	1,094	965	1,094
Net provision charges for lease receivables (Note 22)	21,307	11,124	-	-
Recoveries from loans previously written-off	(69,132)	(106,063)	(69,132)	(106,063)
Net provisions charges for other financial instruments	4,667	6,533	5,918	8,001
Net provision charges for off-balance loan commitments and contingencies	34,222	20,005	34,203	20,874
Net Impairment losses on financial instruments	**276,609**	**186,984**	**187,669**	**118,814**

16. NET PROVISIONS LOSSES

In RON thousands	Group		Bank	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Net provision charges/(releases) for litigations (Note 37)	(4,664)	(24,980)	1,922	(1,117)
Other net charges of provisions (Note 37)	556	(937)	241	196
Net (gains)/losses from provisions	**(4,108)**	**(25,917)**	**2,163**	**(921)**

17. INCOME TAX

The reconciliation of profit before tax to income tax expense in the income statement is presented below:

	Group			
In RON thousands	31.12.2022		31.12.2021	
Profit/ (Loss) before tax		**1,165,186**		**952,815**
Income tax calculated by applying regulatory tax rate (16%)	-16.0%	(186,430)	-16.0%	(152,450)
Additional income tax expense - previous years	-0.8%	(8,827)	-0.7%	(6,478)
Tax effect of non-deductible expenses	-7.1%	(82,506)	-9.3%	(88,535)
Tax effect of non-taxable income	5.9%	68,760	7.7%	73,332
Fiscal credit	3.0%	35,246	2.5%	23,577
Total income tax recalculated	**-14.9%**	**(173,757)**	**-15.8%**	**(150,554)**
Income tax as per income statement	**-14.4%**	**(167,287)**	**-15.4%**	**(147,164)**
Difference		6,470		3,390
Deferred tax		6,470		3,390

17. INCOME TAX *(continuare)*

In RON thousands	Bank 31.12.2022		31.12.2021	
Profit/ (Loss) before tax		**1,026,396**		**754,251**
Income tax calculated by applying regulatory tax rate (16%)	-16.0%	(164,223)	-16.0%	(120,680)
Additional income tax expense - previous years	-0.7%	(7,636)	-1.0%	(7,500)
Tax effect of non-deductible expenses	-6.7%	(68,790)	-9.0%	(68,017)
Tax effect of non-taxable income	6.2%	63,357	8.3%	62,804
Fiscal credit	2.9%	30,189	2.6%	19,711
Total income tax recalculated	**-14.3%**	**(147,103)**	**-15.1%**	**(113,682)**
Income tax as per income statement	**-14.3%**	**(147,156)**	**-15.2%**	**(114,945)**
Difference		(53)		(1,263)
Deferred tax		(53)		(1,263)

The lower effective tax rate is generated by existence of fiscal credit obtained for sponsorship.

18. CASH AND CASH EQUIVALENTS

	Group		Bank	
In RON thousands	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Accounts at NBR	7,090,463	3,105,944	7,090,463	3,105,944
Cash (including cash in ATMs)	1,706,022	1,972,680	1,706,022	1,972,673
Short term Money Market placements with banks	7,537,630	6,112,033	7,537,630	6,112,033
Current balances with other banks	124,937	79,849	124,707	79,775
Total gross value	**16,459,052**	**11,270,506**	**16,458,822**	**11,270,425**
Impairment allowance	**(2,883)**	**(1,398)**	**(2,882)**	**(1,397)**
Total net book value	**16,456,169**	**11,269,108**	**16,455,940**	**11,269,028**

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 2022, the minimum reserve level was settled as 8% (31 December 2021: 8%) for liabilities to customers in RON and 5% (31 December 2021: 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.

19. DERIVATIVE ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

- ***Financial assets at fair value through profit or loss***

	Group		Bank	
In RON thousands	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Derivatives	130,819	33,353	130,819	33,353
Investment securities held for	36,170	179,242	36,170	179,242
VISA Shares*	47,725	46,760	47,725	46,760
Total	**214,714**	**259,355**	**214,714**	**259,355**

*) 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).

19. DERIVATIVE ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS *(continued)*

	Group		Bank	
In RON thousands	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Equity instruments (Class A)	35,793	23,839	35,793	23,839
Debt instruments (Class C)	11,932	22,921	11,932	22,921
Total VISA Shares	**47,725**	**46,760**	**47,725**	**46,760**

	Group		Bank	
In RON thousands	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Investment-grade	213,177	236,100	213,177	236,100
No rating*	1,537	23,255	1,537	23,255
Total	**214,714**	**259,355**	**214,714**	**259,355**

*) 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 & Poor rating scale..

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.

- ***Derivative assets/ liabilities***

	Group			Bank		
	31.12.2022				31.12.2022	
In RON thousands	Notional amount	Present value		Notional amount	Present value	
		Assets	Liabilities		Assets	Liabilities
Foreign currency Derivatives						
Forward contracts	3,865,561	36,881	78,279	3,869,025	36,881	78,280
Purchased options	14,923	7	-	14,923	7	-
Sold options	-	-	9	-	-	9
Total foreign currency derivatives	**3,880,484**	**36,888**	**78,288**	**3,883,948**	**36,888**	**78,289**
Interest rates derivatives						
Interest Rate Swaps	2,782,654	91,816	96,619	2,782,654	91,816	96,619
Purchased options	134,982	2,048	-	134,982	2,048	-
Sold options	134,982	-	2,058	134,982	-	2,058
Total interest rate derivatives	**3,052,618**	**93,864**	**98,677**	**3,052,618**	**93,864**	**98,677**
Other derivatives on purchased merchandise	189	67	-	189	67	-
Other derivatives on sold merchandise	189	-	-	189	-	-
Total derivatives - merchandise	**378**	**67**	**-**	**378**	**67**	**-**
Total	**6,933,480**	**130,819**	**176,965**	**6,936,944**	**130,819**	**176,966**

19. DERIVATIVE ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS *(continued)*

In RON thousands	Group 31.12.2021			Bank 31.12.2021		
	Notional amount	Present value		Notional amount	Present value	
		Assets	Liabilities		Assets	Liabiliti
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**

As at 31 December 2022, the Bank has non-matured SPOT foreign currency transactions, as follows: assets notional amount RON thousands 3,069,183 (as at 31 December 2021: RON thousands 742,484) and liabilities notional amount RON thousands 3,068,622 (as at 31 December 2021: RON thousands 742,305). The net present value for SPOT transactions amounted to RON thousands 561 (asset) (as at 31 December 2021: RON thousands 179 (asset)).

20. LOANS AND ADVANCES TO BANKS

In RON thousands	Group 31.12.2022	Group 31.12.2021	Bank 31.12.2022	Bank 31.12.2021
Loans to banks - non-residents	399,455	493,611	399,455	493,611
Total	**399,455**	**493,611**	**399,455**	**493,611**

In RON thousands	Group 31.12.2022	Group 31.12.2021	Bank 31.12.2022	Bank 31.12.2021
Investment-grade	399,455	493,611	399,455	493,611
Total	**399,455**	**493,611**	**399,455**	**493,611**

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.(ii) – Loans and advances to banks.

21. 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	31.12.2022
Mortgages	6,481,444	208,712	-	6,690,156
Personal loans and car loans	2,202,221	73,934	-	2,276,155
Credit cards and overdraft	244,627	11,293	-	255,920
Corporate loans	22,148,524	631,317	9,161	22,779,841
Retail Micro loans	1,749,990	101,510	-	1,851,500
Factoring, Discounting, Forfaiting	736,431	113,185	-	849,616
Loans and advances to customers before provisions	**33,563,237**	**1,139,951**	**9,161**	**34,703,188**
Less provision for impairment losses on loans	(994,520)	(859,417)	(812)	(1,853,937)
Net loans and advances to customers	**32,568,717**	**280,534**	**8,349**	**32,849,251**

	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
Retail Micro 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**

21. LOANS AND ADVANCES TO CUSTOMERS *(continued)*

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:

in RON thousands	Bank Stage 1 and Stage 2	Stage 3	Of which: POCI financial assets	31.12.2022
Mortgages	6,481,444	208,712	-	6,690,156
Personal loans and car loans	14,434	3,383	-	17,817
Credit cards and overdraft	115,110	8,116	-	123,226
Corporate loans	23,666,546	631,317	9,161	24,297,863
Retail Micro loans	577,729	77,370	-	655,099
Factoring, Discounting, Forfaiting	736,431	113,185	-	849,616
Loans and advances to customers before provisions	**31,591,694**	1,042,083	9,161	32,633,777
Less provision for impairment losses on loans	(790,782)	(788,451)	(812)	(1,579,233)
Net loans and advances to customers	**30,800,912**	253,632	8,349	31,054,544

in RON thousands	Bank 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
Retail Micro 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

21. LOANS AND ADVANCES TO CUSTOMERS *(continued)*

The movements in loan allowances for impairment are summarized as follows:

	Group	
in RON thousands	31.12.2022	31.12.2021
Balance at the 31st of December	**1,869,059**	**1,802,349**
Net impairment charge for the period (Note 15)	282,879	263,897
Foreign currency exchange effect	307	16,368
Release of allowances for impairment of loans written-off and loans sold	(340,985)	(254,223)
Other adjustments	42,677	40,668
Final balance at 31 December	**1,853,937**	**1,869,059**

	Bank	
in RON thousands	31.12.2022	31.12.2021
Balance at the 31st of December	**1,605,568**	**1,554,275**
Net impairment charge for the period (Note 15)	214,012	204,271
Foreign currency exchange effect	205	15,446
Release of allowances for impairment of loans written-off and loans sold	(282,990)	(208,550)
Other adjustments	42,438	40,126
Final balance at 31 December	**1,579,233**	**1,605,568**

22. 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)			
	31.12.2022			
in RON thousands	Total, of which	Stage 1	Stage 2	Stage 3
Lease receivables up to one year, gross	1,476,969	1,176,878	181,555	118,536
Lease receivables 1-2 years, gross	1,166,506	979,731	136,882	49,893
Lease receivables 2-3 years, gross	823,317	690,672	98,326	34,319
Lease receivables 3-4 years, gross	496,611	419,539	49,833	27,239
Lease receivables 4-5 years, gross	248,311	207,213	24,224	16,874
Lease receivables over 5 years, gross	183,823	88,169	31,868	63,786
Total contractual undiscounted lease payments receivable	**4,395,537**	**3,562,202**	**522,688**	**310,647**
Unearned finance income (future interest)	(315,272)	(233,871)	(40,778)	(40,623)
Discounted unguaranteed residual value	-	-	-	-
Total gross lease investment net of future interest and unguaranteed residual value	**4,080,265**	**3,328,331**	**481,910**	**270,024**
Impairment allowance for lease receivables	(291,572)	(76,458)	(29,225)	(185,889)
Total net lease investment	**3,788,693**	**3,251,873**	**452,685**	**84,135**

	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	1,394,179	1,162,099	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	**4,155,946**	**3,474,416**	**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	**3,911,309**	**3,290,024**	**315,599**	**305,686**
Impairment allowance for lease receivables	(276,006)	(55,467)	(32,495)	(188,044)
Total net lease investment	**3,635,303**	**3,234,557**	**283,104**	**117,642**

22. NET FINANCIAL LEASE RECEIVABLES *(continued)*

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

	UCLC (Unicredit Leasing Corporation)	
in RON thousands	31.12.2022	31.12.2021
Balance at the 31st of December	**276,006**	**289,778**
Net impairment charge for the period (Note 15)	21,307	11,124
Foreign currency exchange effect	(4)	4,496
Release of allowances for impairment of loans written-off and loans sold	(11,044)	(32,150)
Unwinding effect on provisions	5,307	2,758
Balance at 31 December	**291,572**	**276,006**

The split between leas receivables on credit types was made as follows:

in RON thousands	UCLC (Unicredit Leasing Corporation) Stage 1 and Stage 2	Stage 3	Of which: POCI financial assets	31.12.2022
Leasing receivables - real estate assets financed	230,519	101,108	-	331,627
Other leasing receivables - legal entities and retail				
Leasing receivables - vehicles financed	2,525,542	90,570	-	2,616,112
Leasing receivables - equipment for agriculture financed	211,990	5,444	-	217,434
Leasing receivables - equipment for construction financed	236,291	8,690	-	244,981
Leasing receivables - other equipment financed	605,899	64,212	-	670,111
Leasing receivables before provisions	**3,810,241**	**270,024**	**-**	**4,080,265**
Less impairment allowance for lease receivables	(105,683)	(185,889)	-	(291,572)
Net lease receivables	**3,704,558**	**84,135**	**-**	**3,788,693**

in RON thousands	UCLC (Unicredit Leasing Corporation) 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				
Leasing receivables - vehicles financed	2,206,496	116,037	-	2,322,533
Leasing receivables - equipment for agriculture financed	185,270	6,621	-	191,891
Leasing receivables - equipment for construction financed	214,194	10,381	-	224,575
Leasing receivables - other equipment financed	686,870	77,908	-	764,778
Leasing receivables before provisions	**3,605,623**	**305,686**	**-**	**3,911,309**
Less impairment allowance for lease receivables	(87,962)	(188,044)	-	(276,006)
Net lease receivables	**3,517,661**	**117,642**	**-**	**3,635,303**

23. 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	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Investment securities held at fair value through other comprehensive income	1,905,360	1,668,986	1,905,360	1,668,986
Equity investments (minority holdings)	17,158	8,429	14,812	6,083
Total	**1,922,518**	**1,677,415**	**1,920,172**	**1,675,069**

As at 31 December 2022, 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 1,905,360 thousands (31 December 2021: RON 1,668,986 thousands).

	Group		Bank	
in RON thousands	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Investment-grade	1,905,360	1,668,986	1,905,360	1,668,986
No rating*	17,158	8,429	14,812	6,083
Total	**1,922,518**	**1,677,415**	**1,920,172**	**1,675,069**

*) 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 & Poor rating scale.

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 2022, the investment securities held at fair value through other comprehensive income are pledged in amount of RON 0 thousands (31 December 2021: RON 0 thousands).

The Group transferred to profit or loss during 2022 an amount of RON 0 thousands (2021: RON 28,879 thousands) 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 2022 and 31 December 2021:

31.12.2022	Group		
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%	12,728
Biroul de Credit SA	Financial services	6.80%	1,678
Fondul Roman de Garantare a Creditelor pentru Intreprinzatorii Privati IFN SA	Financial services	3.10%	406
Total			**17,158**

23. FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME *(continued)*

31.12.2021	Group		
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**

The above mentioned companies are incorporated in Romania.

The Bank held the following unlisted equity investments classified as FVTOCI as at 31 December 2022 and 31 December 2021:

31.12.2022	Bank		
In RON thousands	Nature of business	% Interest held	Fair value
Transfond SA	Other financial services	8.04%	12,728
Biroul de Credit SA	Financial services	6.80%	1,678
Fondul Roman de Garantare a Creditelor pentru Intreprinzatorii Privati IFN SA	Financial services	3.10%	406
Total			**14,812**

31.12.2021	Bank		
In RON thousands	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**

The above mentioned companies are incorporated in Romania.

24. FINANCIAL ASSETS (DEBT INSTRUMENTS) AT AMORTIZED COST

As at 31 December 2022, the Group and the Bank held debt instruments at amortized cost representing bonds and T-bills issued by Romanian Government in amount of RON 8,856,966 thousands (31 December 2021 RON thousands 7,950,629).

As at 31 December 2022, the debt instruments at amortized cost are pledged in amount of RON 416,675 thousands (31 December 2021: RON 549,653 thousands).

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).

25. INVESTMENTS IN SUBSIDIARIES

Bank						
			31.12.2022		31.12.2021	
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 un-audited financial information for consolidation purpouse 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:

31.12.2022	Bank				
In RON thousands	% Interest held	Total assets	Total liabilities	Operating income	Profit / (Loss)
31.12.2022					
UniCredit Consumer Financing IFN S.A.	50.10%	2,336,984	2,015,801	156,688	26,893
UniCredit Leasing Corporation IFN S.A.	99.98%	5,401,950	4,823,323	204,998	118,559
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%	4,987,645	4,497,919	181,623	88,751

26. PROPERTY, PLANT AND EQUIPMENT

31.12.2022	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 2022	**83,626**	**204,874**	**152**	**120,830**	**23,031**	**432,513**
Additions	1,470	4,622	-	10,424	20,385	36,901
Revaluation - cancel cumulated depreciation	(8,053)	-	-	-	-	(8,053)
Revaluation*	2,783	-	-	-	-	2,783
Disposals	(3,475)	(25,334)	-	(25,191)	(16,903)	(70,903)
Reclassification from Other assets	105	-	-	-	-	105
Balance at 31 December 2022	**76,456**	**184,162**	**152**	**106,063**	**26,513**	**393,346**
Depreciation and impairment losses						
Balance at 1 January 2022	**(3,613)**	**(163,008)**	**(86)**	**(71,223)**	**-**	**(237,930)**
Charge for the year	(8,236)	(13,451)	(21)	(9,530)	-	(31,238)
Revaluation - cancel cumulated depreciation	8,053	-	-	-	-	8,053
Disposals	3,454	19,128	-	25,044	-	47,626
Reclassification from Other assets	(105)	-	-	-	-	(105)
Balance at 31 December 2022	**(447)**	**(157,331)**	**(107)**	**(55,709)**	**-**	**(213,594)**
Carrying amounts						
At 1 January 2022	**80,013**	**41,866**	**66**	**49,607**	**23,031**	**194,583**
At 31 December 2022	**76,009**	**26,831**	**45**	**50,354**	**26,513**	**179,752**

** The most recent revaluation for the land and builings class was performed by SVN Research & Valuation Advisors S.R.L. as of 31 December 2022. 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.*

26. PROPERTY, PLANT AND EQUIPMENT *(continued)*

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.*

26. PROPERTY, PLANT AND EQUIPMENT *(continued)*

31.12.2022	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 2022	**79,908**	**179,353**	**-**	**119,616**	**23,031**	**401,908**
Additions	826	3,706	-	9,099	20,385	34,016
Revaluation - cancel cumulated depreciation	(8,053)	-	-	-	-	(8,053)
Revaluation*	2,783	-	-	-	-	2,783
Disposals	(44)	(4,417)	-	(24,187)	(16,903)	(45,551)
Balance at 31 December 2022	**75,420**	**178,642**	**-**	**104,528**	**26,513**	**385,103**
Depreciation and impairment losses						
Balance at 1 January 2022	**-**	**(145,225)**	**-**	**(70,059)**	**-**	**(215,284)**
Charge for the year	(8,074)	(12,372)	-	(9,382)	-	(29,828)
Revaluation - cancel cumulated depreciation	8,053	-	-	-	-	8,053
Disposals	21	4,310	-	24,040	-	28,371
Balance at 31 December 2022	**-**	**(153,287)**	**-**	**(55,401)**	**-**	**(208,688)**
Carrying amounts						
At 1 January 2022	**79,908**	**34,128**	**-**	**49,557**	**23,031**	**186,624**
At 31 December 2022	**75,420**	**25,355**	**-**	**49,127**	**26,513**	**176,415**

** The most recent revaluation for the land and builings class was performed by SVN Research & Valuation Advisors S.R.L. as of 31 December 2022. 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.*

26. 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. INTANGIBLE ASSETS

31.12.2022		Group	
In RON thousands	Intangible assets	Intangible assets in progress	Total
Balance at 1 January 2022	**517,982**	**179,927**	**697,909**
Additions	93,404	114,972	208,376
Disposals	(210,889)	(87,746)	(298,635)
Balance at 31 December 2022	**400,497**	**207,153**	**607,650**
Depreciation and impairment losses			
Balance at 1 January 2022	**(397,157)**	**-**	**(397,157)**
Charge for the year	(58,601)	-	(58,601)
Disposals	210,890	-	210,890
Balance at 31 December 2022	**(244,868)**	**-**	**(244,868)**
Carrying amount			
At 1 January 2022	**120,825**	**179,927**	**300,752**
At 31 December 2022	**155,629**	**207,153**	**362,782**

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)**
Carrying amount			
At 1 January 2021	**140,653**	**105,281**	**245,934**
At 31 December 2021	**120,825**	**179,927**	**300,752**

27. INTANGIBLE ASSETS *(continued)*

31.12.2022 In RON thousands	Intangible assets	Bank Intangible assets in progress	Total
Balance at 1 January 2022	**477,967**	**179,927**	**657,894**
Additions	85,363	114,972	200,335
Disposals	(209,922)	(87,746)	(297,668)
Balance at 31 December 2022	**353,408**	**207,153**	**560,561**
Depreciation and impairment losses			
Balance at 1 January 2022	**(373,296)**	**-**	**(373,296)**
Charge for the year	(52,821)	-	(52,821)
Disposals	209,922	-	209,922
Balance at 31 December 2022	**(216,195)**	**-**	**(216,195)**
Carrying amounts			
At 1 January 2022	**104,671**	**179,927**	**284,598**
At 31 December 2022	**137,213**	**207,153**	**344,366**

31.12.2021 In RON thousands	Intangible assets	Bank 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**

28. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and deferred tax liabilities at 31 December 2022 are attributable to the items detailed in the table below:

31.12.2022		Group			Bank	
In RON thousands	Assets	Liabilities	Net	Assets	Liabilities	Net
Net lease receivables	47,970	-	47,970	-	-	-
Property, equipment and intangible assets	979	9,195	(8,216)	979	9,195	(8,216)
Other assets	2,114	-	2,114	28	-	28
Provisions, other debts, forecasted expenses	101,157	1,250	99,907	60,390	154	60,236
Financial assets at amortised cost	1,053	-	1,053	1,053	-	1,053
Deferred tax asset/ (liability) at 16% through profit and loss account	**153,273**	**10,445**	**142,828**	**62,450**	**9,349**	**53,101**
FVTOCI instruments	30,828	10,176	20,652	30,828	10,176	20,652
Derivative financial instruments held for hedging	1,429	-	1,429	1,429	-	1,429
Tangible fixed assets revaluation reserve	-	1,183	(1,183)	-	1,183	(1,183)
Deferred tax asset/ (liability) at 16% through equity	**32,257**	**11,359**	**20,898**	**32,257**	**11,359**	**20,898**
Deferred tax asset/ (liability) at 16%	**185,530**	**21,804**	**163,726**	**94,707**	**20,708**	**73,999**

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**

28. DEFERRED TAX ASSETS AND LIABILITIES *(continued)*

Taxes recognized in other comprehensive income at 31 December 2022 are presented in the table below:

31.12.2022		Group			Bank	
In RON thousands	Before Tax	Deferred Tax	Net of tax	Before Tax	Deferred Tax	Net of tax
FVTOCI reserve i)	(129,076)	20,652	(108,424)	(129,076)	20,652	(108,424)
Cash flow hedging reserve ii)	(8,930)	1,429	(7,501)	(8,930)	1,429	(7,501)
Revaluation reserve on property, plant and equipment iii)	7,397	(1,183)	6,214	7,397	(1,183)	6,214

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

i) The movements in the Reserve for financial assets at fair value through other comprehensive income at 31 December 2022 are presented below:

31.12.2022		Group			Bank	
In RON thousands	Before tax	Deferred Tax	Net of tax	Before tax	Deferred Tax	Net of tax
January 1	**(12,368)**	**1,979**	**(10,389)**	**(12,368)**	**1,979**	**(10,389)**
Net change in other comprehensive income	(116,708)	18,673	(98,035)	(116,708)	18,673	(98,035)
December 31	**(129,076)**	**20,652**	**(108,424)**	**(129,076)**	**20,652**	**(108,424)**

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)**

28. DEFERRED TAX ASSETS AND LIABILITIES *(continued)*

ii) The movements in the Cash flow hedging reserve at 31 December 2022 are presented below:

31.12.2022		Group			Bank	
In RON thousands	Before tax	Deferred Tax	Net of tax	Before tax	Deferred Tax	Net of tax
1 January	**(39,770)**	**6,363**	**(33,407)**	**(39,770)**	**6,363**	**(33,407)**
Transfer to profit and loss	1,154	(185)	969	1,154	(185)	969
Net change in other comprehensive income	29,686	(4,749)	24,937	29,686	(4,749)	24,937
31 December	**(8,930)**	**1,429**	**(7,501)**	**(8,930)**	**1,429**	**(7,501)**

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)**

29. OTHER FINANCIAL AND NON-FINANCIAL ASSETS

	Group		Bank	
In RON Thousand	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Other financial assets				
Suspense accounts - banks	29,226	61,646	29,226	61,646
Suspense accounts - non-banks	170,566	98,595	170,566	98,595
Sundry debtors	131,762	85,901	58,665	52,169
Collateral deposits	2,794	1,813	3,000	1,853
Amounts receivables	17,462	21,141	21,498	23,540
Total gross amounts	**351,810**	**269,096**	**282,955**	**237,803**
Less impairment for sundry debtors	(32,335)	(27,846)	(32,335)	(27,847)
Total other financial assets	**319,475**	**241,250**	**250,620**	**209,956**
Other non-financial assets				
Sundry debtors	25,619	31,714	25,619	31,699
Prepaid Expenses	138,320	179,274	29,373	23,879
Inventories (including repossessed assets)*	8,364	22,312	1,823	1,264
Other	15,850	8,921	6,437	7,677
Total gross amounts	**188,153**	**242,221**	**63,252**	**64,519**
Less impairment for sundry debtors	(12,386)	(23,380)	(12,386)	(23,381)
Total other non-financial assets	**175,767**	**218,841**	**50,866**	**41,138**
Total other assets	**495,242**	**460,091**	**301,486**	**251,094**

The Group booked as prepayments, during 2022 and 2021 prepaid rents, local taxes, insurance for premises and professional liability insurance (bankers' blanket bond insurance).

Repossessed assets

The Group and the Bank have the following assets from workout process arisen during normal course of business:

29. OTHER FINANCIAL AND NON-FINANCIAL ASSETS *(continued)*

	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 2021	20,955	-	7,224	28,179
Balance at 31 of December 2022	6,235	-	2,046	8,281

	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 2021	292	-	-	292
Balance at 31 of December 2022	-	-	-	-

* *Repossessed assets are presented in Inventories line – Other non-financial assets from Statement of Financial Position.*
** *Carrying amount of inventories-repossessed assests reclassified to Property, Plant and Equipment.*

Inventories - Repossessed assets	Group	
In RON Thousand	31.12.2022	31.12.2021
Gross value at 01 January	**46,286**	**29,991**
Additions	13,591	37,434
Disposals	(51,467)	(21,107)
Other adjustments	(1)	(32)
Gross value at 31 December	**8,409**	**46,286**
Impairments	(2,174)	(25,331)
Carrying amount at 31 December	**6,235**	**20,955**

Impairments - Repossessed assets	Group	
In RON Thousand	31.12.2022	31.12.2021
Balance at 01 January	**25,331**	**16,685**
Charges with impairments - repossessed assets	2,985	17,263
Release of impairments - repossessed assets	(23,914)	(10,845)
Other adjustments	(2,228)	2,228
Balance at 31 December	**2,174**	**25,331**

Inventories - Repossessed assets	Bank	
In RON Thousand	31.12.2022	31.12.2021
Gross value at 01 January	**292**	**324**
Disposals	(292)	
Other adjustments	-	(32)
Gross value at 31 December	**-**	**292**
Impairments	-	-
Carrying amount at 31 December	**-**	**292**

30. 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 Group is hedging deposits from customers exposed to interest rate variability risk by designating specific portfolios as hedged items into cash flow hedge relationships. The hedging instruments are interest rate swaps. The risk hedged is the interest rate risk associated with floating EUR interest bearing deposits and borrowings.

In order to assess effectiveness the Group applies the hypothetical derivative method under cumulative dollar offset method to measure both the retrospective and prospective effectiveness of the cash flow hedge relationships. The effectiveness testing method applied compares the fair value of the hedging instruments with the fair value of the hypothetical derivative instruments. The hypothetical derivative instruments are constructed so that it has characteristics that match the critical characteristics of the hedged position and hedging instrument in terms of notional amount, payment frequency and maturity.

Fair value hedge relationships are designated in order to hedge the risk free interest rate risks of bonds held by the Group that are measured at fair value through other comprehensive income. The hedging instruments used are interest rate swaps. Efficiency tests were performed at designation date and are performed on a monthly basis during the tenor of the hedging relationship by comparing the fair value of the bonds with the fair value of the interest rate swap.

Fair value hedging relationships are also designated to limit the exposure of the Group to fixed risk free interest rate risk of non-maturing deposits included in the behavioral model by using as hedging instrument an interest rate swap. Effectiveness tests were performed at inception of the hedging designation and during the lifetime of the hedging on a monthly basis by using a hypothetical derivative instrument replicating the non-maturing deposits characteristics.

The fair values of derivatives designated as cash flow hedges ("CFH") and fair value hedges ("FVH") are:

in RON thousands	Group					
	31.12.2022			31.12.2021		
	Notional	Assets	Liabilities	Notional	Assets	Liabilities
Interest rate swap - CFH	10,439	-	(15,450)	10,440	-	(46,744)
Interest rate swap - FVH	517,869	310,229	(247,064)	173,184	12,249	(20,068)
Total Interest rate swap - Hedges	**528,308**	**310,229**	**(262,514)**	**183,624**	**12,249**	**(66,812)**

The time periods in which the hedged cash flows are expected to occur and affect the statement of comprehensive income are as follows:

in RON thousands	Group					
	31.12.2022			31.12.2021		
	Within 1 year	1-5 years	Over 5 years	Within 1 year	1-5 years	Over 5 years
Cash inflow	-	4,889	21,625	(33)	(508)	1,875
Cash outflow	(8,389)	(7,514)	(25,286)	(829)	(12,108)	(36,923)

As 31 December 2022, all cash flow and fair value hedge relationships have been assessed as effective.

For cash flow hedges reserve please refer to Note 28.

31. DEPOSITS FROM BANKS

	Group		Bank	
In RON thousands	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Term deposits	416,407	246,498	416,407	246,498
Sight deposits	634,011	420,492	634,011	420,492
Total	**1,050,418**	**666,990**	**1,050,418**	**666,990**

32. LOANS FROM BANKS

In RON thousands	Group 31.12.2022	Group 31.12.2021	Bank 31.12.2022	Bank 31.12.2021
Commercial Banks	4,731,665	2,734,476	-	18,957
Multilateral development banks	922,267	1,261,441	849,329	551,964
Total	**5,653,932**	**3,995,916**	**849,329**	**570,921**

As at 31 December 2022, the final maturity of loans varies from November 2023 to October 2027.

UniCredit Consumer Financing IFN S.A. didn't make during the year 2022 any withdrawals.

UniCredit Leasing Corporation IFN S.A. made during the year 2022 five drawdowns in total amount of EUR 195 million. Two disbursements in total amount of EUR 75 milion were made from a facility approved in 2020 by the Council of Europe Development Bank. The funds were withdrawn for the purpose of granting leasing loans in order to support MSMEs for the creation and preservation of viable jobs. Other two disbursements were made from two contracts signed with European Investment Bank (EIB) during 2022 in a total amount of EUR 70 milion. In addition, a contract signed with EBRD (European Bank for Reconstruction and Development) of EUR 50 milion was disbursed. The loan contract was signed in 2022, has a 4 years maturity and was approved under Green Economy Transition (GET) framework.

UniCredit Bank S.A. made three disbursements in 2022. Two from a facility approved in 2020 by the European Investment Bank in a total amount of EUR 50 million (RON 123,697,500 plus RON 123.250.000) with a maturity of 3 years. The funds were raised to finance companies affected by the pandemic. The third disbursement (RON 246 milion) was made from a contract signed with EBRD (European Bank for Reconstruction and Development) under Green Economy Transition (GET) framework. The contract was signed in 2022 and the maturity of the loan is in 2025.

33. DEBTS ARISING FROM FINANCING ACTIVITIES

The Group's liabilities arising from the financing activities for the years 2022 and 2021 are presented below:

2022 In RON thousands	Group Balance at 01 January	Drawdowns	Repayments	Accumulated interest	Other changes*	Balance at 31 December
Loans from banks	3,995,917	2,914,975	(1,272,491)	18,822	(3,291)	5,653,932
Debt securities issued	2,491,879	2,751,896	(1,768,432)	19,300	8,191	3,502,834
Subordinated liabilities	944,183	-	-	2,971	(1,550)	945,604
Lease liabilities	168,791	55,483	(72,412)	217	46,324	198,403
Total	**7,600,770**	**5,722,354**	**(3,113,335)**	**41,310**	**49,674**	**10,300,773**

*Other changes are the effect of the exchange rate change on the revaluation of balances.

2021 In RON thousands	Group Balance at 01 January	Drawdowns	Repayments	Accumulated interest	Other changes*	Balance at 31 December
Loans from banks	5,477,167	894,284	(2,427,549)	7,623	44,392	3,995,917
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	**8,525,632**	**1,454,749**	**(2,500,351)**	**26,240**	**94,500**	**7,600,770**

*Other changes are the effect of the exchange rate change on the revaluation of balances.

33. DEBTS ARISING FROM FINANCING ACTIVITIES *(continued)*

The Bank's liabilities arising from the financing activities for the years 2022 and 2021 are presented below:

2022	Bank					
In RON thousands	Balance at 01 January	Drawdowns	Repayments	Accumulated interest	Other changes*	Balance at 31 December
Loans from banks	570,921	492,948	(218,174)	5,962	(2,328)	849,329
Debt securities issued	1,014,391	2,751,896	(280,500)	19,300	(2,253)	3,502,834
Subordinated liabilities	835,325	-	-	2,971	(1,535)	836,761
Lease liabilities	164,895	52,065	(70,136)	220	46,318	193,362
Total	**2,585,532**	**3,296,909**	**(568,810)**	**28,453**	**40,202**	**5,382,286**

*Other changes are the effect of the exchange rate change on the revaluation of balances.

2021	Bank					
In RON thousands	Balance at 01 January	Drawdowns	Repayments	Accumulated interest	Other changes*	Balance at 31 December
Loans from banks	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.

34. DEPOSITS FROM CUSTOMERS

	Group		Bank	
In RON thousands	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Term deposits	13,044,326	7,124,232	13,064,379	7,139,262
Payable on demand	31,304,532	31,862,863	31,377,356	31,930,448
Collateral deposits	962,041	998,460	962,422	999,328
Certificates of deposits	41	105	41	105
Total	**45,310,940**	**39,985,660**	**45,404,198**	**40,069,143**

As of 31 December 2022, retail clients (individuals and small and medium companies) represents 25% of the portfolio, corporate accounts for 74% of the portfolio, while private banking clients represents 1% (31 December 2021: retail clients 39%, corporate clients 56%, private banking clients 5%).

35. DEBT SECURITIES ISSUED

	Group		Bank	
In RON thousands	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Debt securities issued	3,502,834	2,491,879	3,502,834	1,014,391
Total	**3,502,834**	**2,491,879**	**3,502,834**	**1,014,391**

To diversify its funding sources UNICREDIT LEASING CORPORATION IFN SA has issued senior, unsubordinated Eurobonds in October 2019 for a total amount of EUR 300 million that were admitted to trading on the Euro MTF market on the Luxembourg Stock Exchange. (ISIN: XS2066749461). The senior bonds had a maturity of 3 years and the principal was repaid to the bondholders on 18 October 2022.

35. DEBT SECURITIES ISSUED *(continued)*

In July 2017, the Bank issued RON denominated bonds in amount of RON 610,000 thousands with semi-annual coupon payments and the following maturities: 3 years (UCB20), 5 years (UCB22) and 7 years (UCB24). The debt issuance from July 2017 was aderred to by qualified investors. The initial nominal amount was oversubscribed, and 61,000 debt instruments for the maturities listed above were issued in total.

Out of the initial maturities the 3 years one (ISIN ROUCTBDB022) matured in Q3 2020 (15 July 2020) and the 5 years one (ISIN ROUCTBDB030) matured in Q3 2022 (15 July 2022). The principal of RON 146,000,000 for UCB20 plus RON 280,500,000 for UCB22 was repaid to the bondholders.

During December 2022, the Bank issued RON denominated bonds in amount of RON 488,500,000 with annual coupon payments and a 5 years maturity. The debt issuance was aderred to by qualified investors. The targeted nominal amount was oversubscribed, and 977 debt instruments for the 5 years maturity were issued.

The outstanding bonds issued in 2017 are listed on Bucharest Stock Exchange (UCB24), (while for UCB27 the listing will be take place in January 2023:

ISIN	BVB Code	Maturity	Notional amount in RON thousands	Interest rate
ROUCTBDB048	UCB24	15-Jul-24	183,500	ROBOR6M + 1,05% p.a.
RO3WU5H09299	UCB27	21-Dec-27	488,500	9.07% 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 several senior non preferred bonds: 110 million EUR in December 2021, 160 milion EUR in June 2022 and 250 milion EUR in December 2022. The issuances were fully subscribed by UniCredit S.p.A. (the parent company) following the Single Point of Entry Strategy adopted at UniCredit Group level and are not listed. The first two Senior Non preferred bonds (in the order of issuance) have a maturity of 6 years with an issuer call option of the Bank after 5 years. The last one from December 2022 has a maturity of 5 years with an issuer call option of the Bank after 4 years.

In August 2022, UniCredit Bank S.A. has also issued a Tier 2 bond for the total amount of 48.5mn EUR with a maturity of 10 years and an issuer call option of the Bank after 5 years. The bond was fully subscribed by UniCredit S.p.A.

36. SUBORDINATED LIABILITIES

	Group		Bank	
In RON thousands	31.12.2022	31.12.2021	31.12.2022	31.12.2021
UniCredit SPA	836,761	835,325	836,761	835,325
UniCredit Bank Austria AG	108,843	108,858	-	-
Total	**945,604**	**944,183**	**836,761**	**835,325**

As of 31 December 2022, the following agreements were in place:

- subordinated debt from UniCredit SPA, Italy, in amount of in eq. RON thousands 239,949 (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 593,688 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 108,843 (EUR thousands 22,000), with maturity in July 2024, beneficiary Unicredit Leasing Corporation IFN S.A.;

Interest accrued amounts to eq. RON thousands 3,124 (EUR thousands 631).

The repayment of outstanding principal and accrued interest of the above-mentioned loans is subordinated to all other obligations of the Group.

37. PROVISIONS

	Group		Bank	
In RON thousands	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Provision for financial guarantees	150,028	110,298	155,432	116,006
Provision for legal disputes	13,723	15,087	11,714	9,792
Provision for off-balance commitments	80,788	87,536	78,137	83,261
Other provisions	5,525	7,203	5,454	7,142
Total	**250,064**	**220,124**	**250,737**	**216,201**

The movements in provisions during the year were as follows:

	Group		Bank	
In RON thousands	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Balance at 31 December	**220,124**	**223,576**	**216,201**	**193,874**
Net expense/(release) with provision for financial guarantees and off-balance commitments	34,222	20,005	34,203	20,874
Net expense/(release) with provision for legal disputes	(4,664)	(24,980)	1,922	(1,117)
Net expense/(release) with other provisions	556	(937)	241	196
FX effect	(174)	2,460	(1,830)	2,374
Reclassification of provisions off to on balance*	-	-	-	-
Balance at 31 December	**250,064**	**220,124**	**250,737**	**216,201**

38. OTHER LIABILITIES

	Group		Bank	
In RON thousands	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Other financial liabilities				
Suspense accounts - banks	909,563	205,161	909,563	205,161
Suspense accounts - non-banks	171,779	101,636	171,779	101,636
Accruals for third party services	47,947	35,482	40,890	25,374
Amounts payable to suppliers	51,364	65,331	19,571	11,008
Sundry creditors	127,320	100,545	97,646	91,788
Total other financial liabilities	**1,307,973**	**508,155**	**1,239,449**	**434,967**
Other non-financial liabilities				
Deferred income	162,804	173,285	84,004	86,416
Payable to state budget	42,093	29,069	38,443	24,662
Amounts due to employees	60,256	64,364	53,011	58,517
Other	14,492	27,060	1,456	2,176
Total other non-financial liabilities	**279,645**	**293,778**	**176,914**	**171,771**
Total other liabilities	**1,587,618**	**801,933**	**1,416,363**	**606,738**

39. ISSUED CAPITAL

The statutory share capital of the Bank as at 31 December 2022 is represented by 48,948,331 ordinary shares (31 December 2021: 48,948,331 ordinary shares) having a face value of RON 9.30 each. Out of the total shares, 8,187,547 shares were issued with a share premium of 75.93 RON / share. The total value of the share premium is RON 621,680 thousands.

The shareholders of the Bank are as follows:

	Bank	
	31.12.2022	31.12.2021
	%	%
UniCredit SpA*)	98.6298	98.6298
Other shareholders	1.3702	1.3702
Total	**100**	**100**

The share capital comprises of the following:

	Bank	
In RON thousands	31.12.2022	31.12.2021
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**

40. OTHER RESERVES

The breakdown of other reserves is presented below:

	Group		Bank	
In RON thousands	31.12.2022	31.12.2021	31.12.2022	31.12.2021
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	1,072	(833)	1,072	(833)
Other reserves*	173,008	140,556	173,008	140,556
Total	**399,973**	**365,616**	**399,973**	**365,616**

*) According to the decisions of the General Meeting of Shareholders of 06 April 2022 and of 21 October 2022, it was decided to allocate a part of the Bank's net profit for 2021 (RON 639,306 thousands) in the form of dividends amounting to RON 233,859 thousands, to the reinvested profit reserve (exempt from the payment of the profit tax according to art. 22 of Law 227/2015) of an amount of RON 32,452 thousands, and to reinvest of the net profit remained undistributed amounting to RON 372,995 thousands. Of the 2022 profit, the Bank will also propose to Supervisory Board and General Shareholders' Meeting the distribution in 2023 of an amount of RON 34,246 thousands to the reinvested profit reserve (exempt from the payment of the profit tax according to art. 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. Since 31 December 2018 the legal reserve recorded by the Bank reached the maximum level of 20% of the statutory share capital.

41. 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 31.12.2022		31.12.2021	
	Parent Company	Other related entities	Parent Company	Other related entities
Derivative assets at fair value through profit or loss	20,759	82,673	2	6,550
Derivatives assets designated as hedging instruments	16,215	33,604	-	540
Current accounts and deposits at banks	5,294,668	51,538	5,873,361	19,218
Loans and advances to banks	-	13,970	21,413	77,669
Loans and advances to customers	-	11,750	-	40,641
Other assets	14,664	6,851	17,650	15,684
Outstanding receivables	**5,346,306**	**200,386**	**5,912,426**	**160,302**
Derivative liabilities at fair value through profit or loss	887	5,129	9,735	16,315
Derivatives liabilities designated as hedging instruments	-	262,515	10,630	56,182
Current accounts	-	151,368	14,204	223,568
Deposit attracted	34,978	40,070	3,538	165,467
Loans received	2,840,826	463,425	2,249,110	238,288
Debts securities issued	2,822,877	-	544,291	-
Subordinated liabilities	836,760	108,843	835,325	108,858
Other liabilities	8,808	20,148	3,907	8,929
Outstanding payables	**6,545,136**	**1,051,498**	**3,670,740**	**817,607**
Interest income	13,805	190	66	481
Interest expense	(188,453)	(13,405)	(134,241)	(30,642)
Fee and commission income	2,519	3,110	3,438	6,960
Fee and commission expense	(96)	(1,717)	(92)	(2,084)
Other operating income	120	1,372	-	2,823
Operating expenses	(1,867)	(65,263)	(1,612)	(52,634)
Net revenue/(expense)	**(173,972)**	**(75,713)**	**(132,441)**	**(75,096)**
Commitments	**198,233**	**296,841**	**1,379,069**	**363,828**

41. RELATED PARTY TRANSACTIONS *(continued)*

In RON thousands	Bank					
	31.12.2022			31.12.2021		
	Parent Company	Subsidiaries	Other related entities	Parent Company	Subsidiaries	Other related entities
Derivative assets at fair value through profit or loss	20,759	-	82,673	2	-	6,550
Derivatives assets designated as hedging instruments	16,215	-	33,604	-	-	540
Current accounts and deposits at banks	5,294,668	-	51,472	5,873,361	-	19,215
Loans and advances to banks	-	-	13,970	21,413	-	77,669
Loans and advances to customers	-	1,622,035	11,750	-	869,083	40,641
Other assets	14,664	15,377	11,126	16,834	2,400	11,712
Outstanding receivables	**5,346,306**	**1,637,412**	**204,595**	**5,911,610**	**871,483**	**156,327**
Derivative liabilities at fair value through profit or loss	887	-	5,129	9,735	-	16,315
Derivatives liabilities designated as hedging instruments	-	-	262,515	10,630	-	56,182
Current accounts	-	175,774	151,368	14,204	242,541	223,568
Deposit attracted	34,978	20,893	40,070	3,538	16,363	165,467
Loans received	-	-	346,073	-	-	18,803
Debts securities issued	2,822,877	-	-	544,291	-	-
Subordinated liabilities	836,760	-	-	835,325	-	-
Other liabilities	8,452	-	19,803	3,390	-	8,903
Outstanding payables	**3,703,954**	**196,667**	**824,958**	**1,421,113**	**258,904**	**489,238**
Interest income	13,805	33,041	183	66	5,950	481
Interest expense	(98,322)	(812)	(2,986)	(60,053)	(193)	(1,706)
Fee and commission income	2,519	30,025	3,110	3,438	30,289	6,960
Fee and commission expense	(96)	-	(1,711)	(92)	-	(2,077)
Other operating income	120	6,394	83	-	4,849	321
Operating expenses	(1,867)	50	(63,363)	(1,612)	(1,701)	(51,613)
Net revenue/(expense)	**(83,841)**	**68,698**	**(64,684)**	**(58,253)**	**39,194**	**(47,634)**
Commitments	**198,233**	**65,148**	**296,841**	**200,072**	**215,126**	**363,828**

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	
	2022	2021
Loans	6,820	6,788
Current accounts and deposits	20,923	16,163
Interest and similar income	228	292
Interest expenses and similar charges	(35)	(64)

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.

42. 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	31.12.2022
Loan commitments	**14,304,874**	**85,359**	**-**	**14,390,233**
committed	4,118,692	4,387	-	4,123,079
uncommitted	10,186,182	80,972	-	10,267,154
Letters of credit	222,845	-	-	222,845
Guarantees issued	5,259,237	150,568	-	5,409,805
Gross amount	**19,786,956**	**235,927**	**-**	**20,022,883**
Allowance for impairment - Loan commitments	(23,138)	(55,811)	-	(78,949)
Allowance for impairment - Letters of credit	(876)	-	-	(876)
Allowance for impairment - Guarantees issued	(41,351)	(108,511)	-	(149,862)
Total loss allowance	**(65,365)**	**(164,322)**	**-**	**(229,687)**

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)**

42. COMMITMENTS AND CONTINGENCIES *(continued)*

i) Off-balance-sheet commitments (continued)

In RON thousands	Bank Stage 1 and Stage 2	Stage 3	Of which: POCI financial assets	31.12.2022
Loan commitments	**13,701,510**	**83,231**	**-**	**13,784,741**
committed	3,515,328	2,259	-	3,517,587
uncommitted	10,186,182	80,972	-	10,267,154
Letters of credit	222,845	-	-	222,845
Guarantees issued	5,260,077	150,568	-	5,410,645
Gross amount	**19,184,432**	**233,799**	**-**	**19,418,231**
Allowance for impairment - Loan commitments	(22,101)	(55,160)	-	(77,261)
Allowance for impairment - Letters of credit	(876)	-	-	(876)
Allowance for impairment - Guarantees issued	(46,755)	(108,511)	-	(155,266)
Total loss allowance	**(69,732)**	**(163,671)**	**-**	**(233,403)**

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)**

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 2022 is EUR 8,363,875 (31 December 2021: EUR 13,842,420).

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.

ii) Litigations

As at 31 December 2022, 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 13,723 (31 December 2021: RON thousands 15,087) is neceessary to be booked.

As at 31 December 2022, 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 11,714 (31 December 2021: RON thousands 9,792) is necessary to be booked.

43. 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).

43. OPERATING SEGMENTS *(continued)*

Segment reporting on Group's income statements as of 31 December 2022:

31.12.2022			Group			
In RON thousands	CIB	Leasing	Retail & PB	Treasury	Other	Total
Interest income using EIR	953,928	-	644,385	(110)	(49,912)	1,548,291
Other interest income	-	125,995	-	-	-	125,995
Net fee and commission income	215,440	63,573	147,265	5,434	(3,982)	427,730
Net income from trading and other financial instruments which are not at fair value through profit or loss	230,851	-	46,138	(18,164)	120,246	379,071
FX Gains/ (Losses)	23,494	22,661	-	-	-	46,155
Dividend income	-	-	12	-	3,184	3,196
Other operating income	1,095	6,370	7,609	-	(6,294)	8,780
Operating income	**1,424,808**	**218,599**	**845,409**	**(12,840)**	**63,242**	**2,539,218**
Operating expenses	(486,084)	(64,036)	(547,292)	-	(14,168)	(1,111,580)
Net impairment losses on financial instruments	(96,606)	(22,821)	(157,182)	1,315	(1,315)	(276,609)
Losses on modifications of financial assets	-	-	207	-	-	207
Net operating income	**842,118**	**131,742**	**141,142**	**(11,525)**	**47,759**	**1,151,236**
Net provision losses	-	5,219	1,362	-	(2,473)	4,108
Net impairment losses on non-financial assets	-	-	-	-	9,842	9,842
Profit before taxation	**842,118**	**136,961**	**142,504**	**(11,525)**	**55,128**	**1,165,186**
Income tax	(113,475)	(13,326)	(11,069)	-	(29,417)	(167,287)
Net profit for the year	**728,643**	**123,635**	**131,435**	**(11,525)**	**25,711**	**997,899**

43. OPERATING SEGMENTS *(continued)*

Segment reporting on Group's income statements as of 31 December 2021:

31.12.2021			Group			
In RON thousands	CIB	Leasing	Retail & PB	Treasury	Other	Total
Interest income using EIR	588,121	-	524,047	(386)	131,341	1,243,123
Other interest income	-	123,025	-	-	-	123,025
Net fee and commission income	163,042	60,013	161,444	4,468	(1,784)	387,183
Net income from trading and other financial instruments which are not at fair value through profit or loss	279,620	-	64,238	9,962	1,117	354,937
FX Gains/ (Losses)	(7,760)	22,373	(36)	(6)	6	14,577
Dividend income	-	-	-	-	2,229	2,229
Other operating income	1,316	4,856	7,613	-	(4,334)	9,451
Operating income	**1,024,339**	**210,267**	**757,306**	**14,038**	**128,575**	**2,134,525**
Operating expenses	(379,981)	(82,441)	(558,983)	-	12,659	(1,008,746)
Net impairment losses on financial instruments	(76,237)	(5,488)	(107,247)	6,784	(4,796)	(186,984)
Losses on modifications of financial assets	-	-	(123)	-	-	(123)
Net operating income	**568,121**	**122,338**	**90,953**	**20,822**	**136,438**	**938,672**
Net provision losses	-	8,898	15,844	-	1,175	25,917
Net impairment losses on non-financial assets	-	(403)	-	-	(11,371)	(11,774)
Profit before taxation	**568,121**	**130,833**	**106,797**	**20,822**	**126,242**	**952,815**
Income tax	(94,100)	(22,128)	(17,971)	-	(12,965)	(147,164)
Net profit for the year	**474,021**	**108,705**	**88,826**	**20,822**	**113,277**	**805,651**

43. OPERATING SEGMENTS *(continued)*

Segment reporting on Bank's income statements as of 31 December 2022:

31.12.2022			Bank		
In RON thousands	CIB	Retail & PB	Treasury	Other	Total
Interest income using EIR	953,928	481,326	(110)	(49,912)	1,385,232
Net fee and commission income	215,440	170,115	5,434	(6,580)	384,409
Net income from trading and other financial instruments which are not at fair value through profit or loss	230,851	34,420	(18,164)	120,246	367,353
FX Gains/ (Losses)	23,494	-	-	-	23,494
Dividend income	-	-	-	33,184	33,184
Other operating income	1,095	11,017	-	465	12,577
Operating income	**1,424,808**	**696,878**	**(12,840)**	**97,403**	**2,206,249**
Operating expenses	(486,084)	(489,602)	-	(24,384)	(1,000,070)
Net impairment losses on financial instruments	(96,606)	(90,520)	1,315	(1,858)	(187,669)
Losses on modifications of financial assets	-	207	-	-	207
Net operating income	**842,118**	**116,963**	**(11,525)**	**71,161**	**1,018,717**
Net provision losses	-	-	-	(2,163)	(2,163)
Net impairment losses on non-financial assets	-	-	-	9,842	9,842
Profit before taxation	**842,118**	**116,963**	**(11,525)**	**78,840**	**1,026,396**
Income tax	(113,475)	(4,264)	-	(29,417)	(147,156)
Net profit for the year	**728,643**	**112,699**	**(11,525)**	**49,423**	**879,240**

43. OPERATING SEGMENTS *(continued)*

Segment reporting on Bank's income statements as of 31 December 2021:

31.12.2021			Bank		
In RON thousands	CIB	Retail & PB	Treasury	Other	Total
Interest income using EIR	588,121	345,123	(386)	130,910	1,063,768
Net fee and commission income	163,042	182,832	4,468	(4,071)	346,271
Net income from trading and other financial instruments which are not at fair value through profit or loss	279,620	63,816	9,962	1,117	354,515
FX Gains/ (Losses)	(7,760)	-	(6)	6	(7,760)
Dividend income	-	-	-	2,229	2,229
Other operating income	1,316	9,134	-	230	10,680
Operating income	**1,024,339**	**600,905**	**14,038**	**130,421**	**1,769,703**
Operating expenses	(379,981)	(510,850)	-	4,766	(886,065)
Net impairment losses on financial instruments	(77,106)	(40,682)	6,784	(7,810)	(118,814)
Losses on modifications of financial assets	-	(123)	-	-	(123)
Net operating income	**567,252**	**49,250**	**20,822**	**127,377**	**764,701**
Net provision losses	-	-	-	921	921
Net impairment losses on non-financial assets	-	-	-	(11,371)	(11,371)
Profit before taxation	**567,252**	**49,250**	**20,822**	**116,927**	**754,251**
Income tax	(94,100)	(7,880)	-	(12,965)	(114,945)
Net profit for the year	**473,152**	**41,370**	**20,822**	**103,962**	**639,306**

43. OPERATING SEGMENTS *(continued)*

Segment reporting on Group's consolidated statement of financial position as of 31 December 2022:

31.12.2022			Group			
In RON thousands	CIB	Leasing	Retail & PB	Treasury	Other	Total
Total assets	**22,239,392**	**5,280,303**	**9,486,214**	**524,945**	**28,675,982**	**66,206,836**
Total liabilities	27,298,012	3,730,076	20,080,297	439,483	7,416,393	58,964,261
Total equity	-	-	-	-	7,242,575	7,242,575
Total liabilities and equity	**27,298,012**	**3,730,076**	**20,080,297**	**439,483**	**14,658,968**	**66,206,836**

Segment reporting on Group's consolidated statement of financial position as of 31 December 2021:

31.12.2021			Group			
In RON thousands	CIB	Leasing	Retail & PB	Treasury	Other	Total
Total assets	**20,417,067**	**5,044,248**	**11,135,227**	271,602	**19,092,489**	**55,960,633**
Total liabilities	22,078,753	4,509,659	17,930,651	98,942	4,797,881	49,415,886
Total equity	-	-	-	-	6,544,747	6,544,747
Total liabilities and equity	**22,078,753**	**4,509,659**	**17,930,651**	**98,942**	**11,342,628**	**55,960,633**

43. OPERATING SEGMENTS *(continued)*

Segment reporting on Bank's separate statement of financial position as of 31 December 2022:

31.12.2022			Bank		
In RON thousands	CIB	Retail & PB	Treasury	Other	Total
Total assets	**22,239,392**	**7,185,960**	**524,945**	**30,493,802**	**60,444,099**
Total liabilities	27,298,012	18,067,496	439,483	8,163,460	53,968,451
Total equity	-	-	-	6,475,648	6,475,648
Total liabilities and equity	**27,298,012**	**18,067,496**	**439,483**	**14,639,108**	**60,444,099**

Segment reporting on Bank's separate statement of financial position as of 31 December 2021:

31.12.2021			Bank		
In RON thousands	CIB	Retail & PB	Treasury	Other	Total
Total assets	**20,417,067**	**9,151,976**	271,602	**20,334,854**	**50,175,499**
Total liabilities	22,078,753	17,889,957	98,942	4,211,028	44,278,680
Total equity	-	-	-	5,896,819	5,896,819
Total liabilities and equity	**22,078,753**	**17,889,957**	**98,942**	**10,107,847**	**50,175,499**

44. 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:

31.12.2022	Group				Bank			
in RON thousands	Cars	Lands and buildings	Other equipment	Total	Cars	Lands and buildings	Other equipment	Total
Balance at 1 January 2022	**11,866**	**156,444**	**362**	**168,672**	**9,488**	**153,020**	**362**	**162,870**
New Contracts	5,093	23,254	39,919	68,266	2,413	9,732	39,919	52,064
Contracts Modifications	(58)	36,980	-	36,922	90	33,211	-	33,301
Closing / Cancellation	-	1	-	1	-	-	-	-
Depreciation during the period (-)	(5,740)	(60,170)	(8,721)	(74,631)	(4,026)	(54,133)	(8,721)	(66,880)
Balance at 31 December 2022	**11,161**	**156,509**	**31,560**	**199,230**	**7,965**	**141,830**	**31,560**	**181,355**

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**

44. IFRS 16 - „LEASE" (GROUP AS LESSEE) *(continued)*

The table below presents the movement of the Lease Liability as result of applying IFRS 16:

31.12.2022	Group				Bank			
in RON thousands	Cars	Lands and buildings	Other equipment	Total	Cars	Lands and buildings	Other equipment	Total
Balance at 1 January 2022	**12,083**	**156,352**	**356**	**168,791**	**9,647**	**154,892**	**356**	**164,895**
Interest Expense	182	1,284	107	1,573	31	811	107	949
Lease Payments – Principal	(5,621)	(57,321)	(9,470)	(72,412)	(4,152)	(56,514)	(9,470)	(70,136)
Lease Payments – Interest	(175)	(816)	(89)	(1,080)	(24)	(686)	(89)	(799)
New Contracts	5,095	9,761	39,919	54,775	2,413	9,732	39,919	52,064
Contracts Modifications	87	46,903	(3)	46,987	87	46,536	(3)	46,620
FX Impact	(4)	(202)	(25)	(231)	(4)	(202)	(25)	(231)
Balance at 31 December 2022	**11,647**	**155,961**	**30,795**	**198,403**	**7,998**	**154,569**	**30,795**	**193,362**

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**

44. 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).

31.12.2022	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	(5,740)	(60,170)	(8,721)	(74,631)	(4,026)	(54,133)	(8,721)	(66,880)
Expenses with interest on lease liabilities	(182)	(1,284)	(107)	(1,573)	(31)	(811)	(107)	(949)
Expenses related to short-term leases not included in IFRS 16 related positions	(439)	(3,337)	-	(3,776)	(207)	(3,337)	-	(3,544)
Expenses related to leases of low-value assets excluding short-term lease of low-value assets not included in IFRS 16 related positions	-	-	(1,889)	(1,889)	-	-	(1,889)	(1,889)
Total	**(6,361)**	**(64,791)**	**(10,717)**	**(81,869)**	**(4,264)**	**(58,281)**	**(10,717)**	**(73,262)**

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)**

44. 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

31.12.2022		Group				Bank		
in RON thousands	Cars	Lands and buildings	Other equipment	Total	Cars	Lands and buildings	Other equipment	Total
Lease Payments – Principal	5,621	57,321	9,470	72,412	4,152	56,514	9,470	70,136
Lease Payments – Interest	175	816	89	1,080	24	686	89	799
Payments for short-term leases not included in IFRS 16 related positions	439	3,337	-	3,776	207	3,337	-	3,544
Payments for leases of low-value assets, excluding short-term lease of low-value assets, not included in IFRS 16 related positions	-	-	1,889	1,889	-	-	1,889	1,889
Total cash outflow for leases	**6,235**	**61,474**	**11,448**	**79,157**	**4,383**	**60,537**	**11,448**	**76,368**

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**

44. IFRS 16 - „LEASE” (GROUP AS LESSEE) *(continued)*

The table below presents the maturity analysis of the lease liability.

31.12.2022	Group				Bank			
In RON thousands	Cars	Lands and buildings	Other equipment	Total	Cars	Lands and buildings	Other equipment	Total
Up to 3 months	1,243	14,205	2,980	18,428	1,072	14,038	2,980	18,090
3 months to 1 year	4,278	38,444	8,974	51,696	3,118	37,756	8,975	49,849
1 to 2 years	4,484	46,537	12,039	63,060	2,491	46,396	12,039	60,926
2 to 3 years	1,042	29,142	6,169	36,353	721	28,987	6,170	35,878
3 to 4 years	492	15,105	632	16,229	487	14,935	632	16,054
4 to 5 years	109	8,880	(1)	8,988	109	8,806	-	8,915
Over 5 years	-	3,652	-	3,652	-	3,652	-	3,652
Total	**11,648**	**155,965**	**30,793**	**198,406**	**7,998**	**154,570**	**30,796**	**193,364**

31.12.2021	Group				Bank			
In RON thousands	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**

45. MACROECONOMIC CONTEXT

45.1 Trend of economy

Romania's 3Q22 GDP increased by +1.2%qoq and by 4.6%yoy (seasonally adjusted data), better than Eurozone 2.1%yoy and EU 2.4%yoy. On the supply side, most of the sectors grew in annual terms, except of agriculture and industry. The largest contributors to the 3.8%yoy growth (gross data) were the professional and technical activities (+1.7pp), IT (+1.4pp), retail trade (+0.9pp), real estate activities (+0.9pp) and construction (+0.6pp), while the agriculture and industry had negative contributions (-1.7pp, respectively -0.6pp). On demand side, the main contributors were the private consumption (+2.2pp) and the investments (+3.8pp), while the external demand subtracted -1.7pp, as imports grew faster than exports, and the stocks variation -0.8pp.

Given the large negative revisions by the NIS of the past quarters (-3.6pp qoq), we revised downward the GDP growth for 2022 to 4.7%yoy. The large statistical revisions turned Romania within the last two years from a growth laggard into one of the EU's top performers, the main driver of growth remaining the private consumption, while the investments gained speed only in 3Q22 supported by the funds disbursed from Next Generation EU programme (locally named PNRR). This postponed the risk of a technical recession in 2022, but considering the downtrend in consumption in the second half of 2022, we expect Romania's economy to undergo a shallow technical recession in 4Q22 and 1Q23. It will likely recover in the second half of 2023, remaining in the positive territory in 2023, but growing at a much slower pace, below 2%yoy.

Facing higher prices and interest rates, households frontloaded purchases in 1H22 and spent most of their precautionary savings accumulated during Covid pandemic (2020-21), while also borrowed more. However, inflation outpaced the wage growth, with salaries rising faster in sectors in which they lagged in 2020-21 or where labor shortages are high (IT, retail, leisure services and construction). Negative real wage growth slowed down the private consumption and lending in 2H22 and this trend will continue at least in 1H23. In 2023 we expect the investments to triple their growth pace to about 8%yoy (vs. 3%yoy in 2022), especially the public investments sustained by the considerable EU funds available under the NextGen EU programme as well as the delayed transfers from the 2014-2020 EU budget.

45.2. State support measures for the population and the economy – updates in 2022

Although the pandemic situation improved in 2022, part of the support measures, which proved efficient during pandemic, were continued. The IMM Invest program made available to the Romanian SMEs in 2020, aiming to ofsett the Covid-19 restrictions impact in the economy and provided a significant financial support to the local businesses and the local financing banks. The programme reimained in force by June 30, 2022.

Having in view the success of the program during pandemic, the government decided to continue the state aid scheme with the new IMM Invest Plus, which became operational for banks at the beginning of October 2022. The program has more sub-components: IMM INVEST ROMÂNIA, AGRO IMM INVEST, IMM PROD (for productive SMEs and startups in the urban area), GARANT CONSTRUCT, INNOVATION and RURAL INVEST and it is aimed at providing SMEs with non-reimbursable funds, state guarantees for loans (working capital/ investments) and state subsidy for the interest rate in the first year of the loan. The allocated funds are mainly targeting the digital and the green transition, improving the energetic efficiency as well as the urban and rural development.

Romania confronted in 2022 with an extremely high inflation, driven by the liberalization of the local electricity market in July 2021 and the transition to a greener, but more expensive, energy production. Russia's invasion in Ukraine on February 24, 2022 exacerbated the rise in the energy and commodity prices. Higher prices for oil, gas and agricultural commodities spilled over to the inflation in the EU and especially the CEE countries, Romania being among the most affected due to a higher weight of food prices in the consumer basket (~33%). Only in Q421, the domestic wholesale prices for natural gas and electricity rose by more than seven times, the Romanian authorities being in the position to introduce support measures, similar to other EU countries.

A price cap scheme on the natural gas and the electricity prices was introduced as of 1st November 2021. The scheme was initially valid until 31 March 2022, then prolonged through EGO 27/2022 until 31 August 2023. Recently, the government decided to extend the scheme until 31 March 2025, introducing some changes applicable starting 1 January 2023.

The scheme consists of state subsidies paid to the energy distributors for the difference between the market prices and a capped energy price paid by the final consumers, households and companies. The subsidies are paid by the state, from the budget of the Labour Ministry for households and of the Ministry of Energy for companies. Also,

45. MACROECONOMIC CONTEXT *(continued)*

45.2. State support measures for the population and the economy – updates in 2022 *(continued)*

through the EGO 27/2022 the government imposed a 80% tax on the additional income obtained by the energy producers following the higher prices for electric energy and natural gas.

As the prices of gasoline and diesel fuels increased from 6.3-6.5 lei/liter at the beginning of 2022, to almost 9 lei/liter in June, the government decided to compensate a discount of 0.5 lei/liter at the final consumer, applied for 3 months starting July 1st, then prolonged by the end of 2022. The compensation was paid 50% by the government and 50% by the energy companies voluntarily conforming to this mechanism.

Taking into consideration the high prices for energy and for basic food, the increase of the interest rates for loans and the high economic and political uncertainty, the government made available starting May-June 2022 several measures under the Support for Romania's program in amount of RON 17.3bn (EUR 3.5bn, 1.5% of GDP). The sources of financing are the EU funds (RON 9bn) and the state budget (RON 8.3bn). The measures aimed to support the population, farmers, food industry and agriculture sector as well as the companies, especially the SMEs segment. The measures addressed mainly the low-income population, but also aimed at attracting large investments and offering support to the business environment through state aid schemes.

45.3 Financial impact of Covid-19 outbreak on the financial & prudential position of the Group

The macroeconomic context lead to higher than expected interest rate increases which positively impacted the bank revenues, while the high inflation increased its expenses. The bank will continue to see an increase in net interest income also in 2023. The asset quality is being sustained by the government support measures and the recent decrease in the energy prices, but in the medium-term the credit quality and the loan demand are under pressure.

After a year 2021 with difficult market conditions in the context of the pandemic, in first half of 2022 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 was over the first half of 2021, supported by commission income and net interest income due to the increase in trade volumes. In the first six months of 2022, 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, and the non-performing loans rate decreased gradually.

Regarding UCLC, the newly financed volumes signed are 1.3% 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.

Also in case of UCFIN there was an acceleration of the lending activity of natural persons for personal needs, simultaneously with a significant improvement of the quality of the portfolio as well as of the activity of collecting outstanding debts.

The Group has a limited estimate of current economic situation 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.

46. 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 17, 2023 and were signed on its behalf by:

Mr. Andrei Florin Bratu
Executive Vice-President

Mrs. Feza Tan
First Executive Vice-President

UniCredit Bank S.A.

Management Board's report

Consolidated and Separate

for the financial year ended 31 December 2022

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 UniCredit Insurance Broker S.R.L ("UCIB"). Further details are available in the Reporting entity note presented in the notes to the consolidated and individual financial statements for the period ended 31 December 2022.

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 1F Expozitiei Boulevard, 6th 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 1F Expozitiei Boulevard, 1st, 7th and 8th floor, District 1, Bucharest, Romania, provides financial leasing services to corporate clients and individuals. UCLC, the former associate, has become the Bank's subsidiary since April 2014 when the Bank 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.
- UniCredit Insurance Broker S.R.L. ("UCIB"), having its current registered office in 1F Expozitiei Boulevard, 8th floor, District 1, Bucharest, Romania, intermediates insurance policies related to leasing activities to legal entities and individuals, and became a subsidiary of the Bank beginning with 31 December 2020. The Bank has an indirect controlling interest of 99.98% through UCLC which owns 100% UCIB.

As of 31 December 2022 the Group carried out its activity in Romania through the Head Office located in Bucharest and its network of 164 branches (31 December 2021: 147) located in Bucharest and all over the country.

2. 2022 Activity Overview

In 2022 UniCredit Bank continued to support the real economy and to be a reliable partner for its clients, offering fast and pragmatic support to the business environment in Romania through various financial instruments adapted to the economic context, including programs such as IMM Invest and IMM INVEST Plus, Start-up Nation or Entrepreneur Woman. In order to increase its financing capacity of companies in Romania that have been directly or indirectly affected by the economic consequences of the conflict in Ukraine and also of small and medium-sized enterprises, UniCredit in the second part of the year the Bank accessed a senior unsecured loan of RON 246 million from the European Bank for Reconstruction and Development. Also, as part of the diversification strategy of the funding structure meant to help increase customer access to loans, in particular green mortgages and loans to sectors of activity that are directly impacted by the economic consequences of the geopolitical situation, in December 2022 the

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Financial Highlights
& Milestones

Bank has successfully concluded a new issuance of corporate bonds in lei (senior unsecured) for a total of 488.5 million lei.

UniCredit's expertise and commitment to offer its clients the highest quality services and solutions were awarded in 2022 with numerous distinctions. For example, Euromoney has recognized our leadership in its 2022 European Markets Leaders Survey, an independent global assessment of the leading financial service providers conducted across 100 markets, awarding UniCredit as Market Leader in Corporate Banking in Romania. The strong position of UniCredit in Romania was also recognized by Euromoney Trade Finance Survey, which appointed UniCredit Bank in Romania with top honours in both 'Best Service' ranking, which assesses levels of customer service, and 'Market Leader' ranking, which combines penetration, percentage of business and turnover data to create an overall ranking of the best trade finance banks. In another survey, Euromoney's 2022 Private Banking and Wealth Management has elected UniCredit as Best Private Bank and ESG/Sustainable investing in Romania. On a local level, the Mobile Banking application from UniCredit Bank was selected as 2022 Product of the Year in the Mobile Banking category, while the GeniusIMM current account package from UniCredit Bank was awarded as 2022 Product of the Year in the SME Current Account category within the 13th edition of the "Voted Product of the Year®" competition. Last but not least, during the Biz Sustainability Awards Gala, UniCredit Bank received the Excellence Award from Biz Magazine for the Social Impact Banking Program.

Regarding the commercial activity in the corporate clients' segment, the Bank continued in 2022 to offer special financing conditions in terms of costs and guarantees requested, in the context of the various guarantee conventions to which it is part. In particular, the European Investment Fund has offered until June 30th, 2022 financial support in the context created by Covid-19 to, like the guarantee percentage up to 90% (maximum 70% outside the Covid-19 period). In this regard, in 2022 the bank continued to:

-provide SMEs with access to financing under favorable conditions, which benefit from the guarantee in proportion of 60% of the value of the loan, through the SME Initiative, in order to set up new enterprises, expand current activity, consolidate activity, or realize new projects, including by addressing new markets. It is a guarantee instrument accessed by UniCredit Bank from the European Union, the program being financed by the EU through EAFRD and Horizon 2020 and managed by the European Investment Fund and the European Investment Bank;

-provide to cliets in agricultural segment financing for working capital and investments, based on the Fund of Funds instrument that covers 50% of the amount, the funds coming from EAFRD, through the National program for agriculture and rural development, as well as from the national budget;

-provide micro-enterprises with a financing program in RON for current expenses with a maximum value of 25.000 Euro (or RON equivalent), 80% of the credit value being guaranteed through EaSI (an instrument accessed by UniCredit Bank and made available by EU through the European Investment Fund, part of the European Investment Bank Group);

-offer the credit facility with Cultural and Creative Sector guarantee through the European Investment Fund. As a response to Covid19 pandemic, EIF offered a guarantee percentage of 90% for transactions performed during the pandemic support period (until 30.06.2022), vs. 70%, guaranteed for transactions performed outside the pandemic support period.

A key pillar in the Bank's activity in 2022 continued to be the participation in the local risk sharing schemes set out by the Romanian state, to provide support to companies affected by the consequences of the pandemic. In this regard, credit facilities have been granted through the bank's own funds and state guarantees to companies operating in various business areas, such as manufacturing, construction, agriculture, food industry, IT, transportation and further more:

-in the first half of 2022, through the IMM INVEST Program and AGRO IMM Invest subprogram and also IMM PROD, GARANT CONSTRUCT, RURAL INVEST Programs (launched at the end of the mentioned period) under State Aid Temporary Covid-19 framework.

-starting to October 2022, through IMM INVEST PLUS program with its six components: IMM INVEST ROMANIA, AGRO IMM INVEST, IMM PROD, GARANT CONSTRUCT, RURAL INVEST and INNOVATION, under State Aid Temporary Ukraine framework.

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Digital & Data

The bank also financed SMEs and large enterprises through EximBank Guarantee, which consists of state aid granted under the provisions of the European Commission Communication concerning the State Aid Temporary Framework to support the economy during the current Covid19 pandemic.

At the same time, UniCredit became the partner bank for the implementation of programs for Grants for working capital for entities in the agri-food sector, Start-up Nation and Entrepreneur Woman managed by the Ministry of Entrepreneurship and Tourism, facilitating access to non-refundable financial aid, essential in this period. The bank continued to be active and proactive in supporting small and medium-sized companies and financing those sectors of activity with positive evolution, such as agriculture, food industry, IT, chemical industry, pharmaceutical, health, electronics. The product offer was improved for micro-enterprise clients, a campaign of pre-approved loans was launched, through which the Bank offered the possibility to contract working capital and/or investments to pre-existing customers.

In the corporate area, the Bank continued to support companies in the process of gradual transition to the green economy and making changes with a positive impact on the environment. For example, together with four other banks, UniCredit Bank Romania participated in a syndicated loan for Green Group and, together with two other banks, successfully completed the granting of a syndicated loan for Greenvolt - Energias Renováveis SA.

In the Corporate Finance Advisory area, the team in Romania in collaboration with Corporate Finance Advisory team in Hungary has acted as the exclusive financial advisor to the shareholders of Gedeon Richter Plc. around the sale of its Romanian wholesale and retail operations (Pharmafarm and Gedeon Richter Farmacia) to Mediplus Exim SRL. In another transaction in this area, UniCredit has advised the shareholders of Dacia Plant around the sale of a majority stake to Ceres Pharma.

In the retail area, the bank continued to offer new products and services, simplified processes and to promote the digitalization of the activity (e.g. Personal Loan from UniCredit Consumer Financing available 100% Mobile). Mortgage lending continued to be a central product in UniCredit Bank's portfolio for individuals, with the bank offering both competitive products and a transparent, simple lending process. At the same time, aiming at encouraging and promoting positive financial behaviors among the public, the Bank offered to its clients several top commercial offers in terms of interests for term deposits in RON and also flexible financial products, suitable for people who, in addition to the savings component, are also looking for the financial protection offered by a life insurance.

One of the main priorities of 2022 was the implementation of the local ESG strategy. In accordance with Group strategy, we adopted local objectives for both green financing and social financing, and we supported our clients in the transition to a more sustainable and fair economy.

We continued to finance businesses in the green energy field, renewable energy and energy efficiency, while green mortgage loans for individuals continued to be one of the most requested products. Regarding carbon footprint, we started the implementation of our local strategy, in line with UniCredit Group's, which joined the Net Zero Banking Alliance. Part of our ESG strategy are the financial and entrepreneurial education programs for high school students with a technical profile. In 2022, more than 5,000 students from 67 technological high schools and disadvantaged areas in Bucharest and 6 counties in the country benefited from our program, Start Major. In total, more than 200 teachers were involved, including volunteers from the bank.

UniCredit Consumer Financing IFN S.A. has optimized its refinancing sources in the context of increased liquidity cost and has offered customers competitive lending solutions in the current geopolitical context. Thus, in the case of credit cards, the clients benefited from the advantages offered within the interest-free installments campaigns related to different transactions, such as the tax type transactions, respectively the transactions performed at supermarket merchants, gas stations and utilities payment. Customers who chose to refinance credit cards / overdrafts held at other banks also benefited from installments with zero interest rate. Regarding the personal needs loan, UniCredit Consumer Financing IFN S.A. proposed to the clients financing solutions adapted to their needs and advantageous conditions for the clients who choose to collect their income through UniCredit Bank or to purchase a life insurance.

In addition, UniCredit Consumer Financing expanded its distribution channels by adding the channel of brokers. 2022 was an important year in the direction of simplification, digitization and improvement of the customer experience, such as: the opportunity offered to UniCredit Bank customers to purchase a 100% Mobile personal loan product, by accessing the offer directly from UniCredit's Mobile Banking application Bank, setting the PIN and enrolling in Apple Pay directly from Mobile Banking for credit cards issued by UniCredit Consumer Financing IFN S.A., loyalty program with special offers accessed directly from Mobile Banking and digitalization of the contact data validation process in the application.

Also for **UniCredit Leasing** digitization is one of the strategic pillars and remained the focus of attention in 2022, with the company also acting to reduce the effort of clients in providing information and documents necessary in the financing process by reviewing flows and automatically taking over some categories of information from other public sources. Regarding equipment financing, UniCredit Leasing continued to offer solutions for all sectors of activity. Sustainability has become part of the business DNA, in this sense the company is adding to its portfolio financing solutions for photovoltaic parks as well as other assets that support the production of green energy. Last but not least, 2022 was a special year for the company as UniCredit Leasing celebrated 20 years of existence but also the 15th consecutive year in which it is the leader of the financial leasing industry.

In 2022, the main performance indicators of UniCredit Bank Group evolved as follows:

- Total assets increased by 18.31%, up to RON thousands 66,206,836;
- Net profit: increased by 23.86%, mainly due to increase in net interest income;
- Customer loan portfolio (including lease receivables) increased by 10.92% compared to 2021.

UniCredit Bank Group had a solid financial position in 2022:

Indicator (%)	Group		Bank	
	2022	2021	2022	2021
ROE	14.81	13.30	14.21	11.36
ROA	1.63	1.49	1.59	1.34
Solvency ratio[1]	21.45	21.00	24.42	23.29
Cost/Income ratio	43.78	47.26	45.33	50.07
Loans to deposits	85.62	88.23	71.89	72.50
Loan portfolio provision coverage	5.52	6.07	4.84	5.53

As of 31 December 2022, total assets of the UniCredit Bank Group are RON 66,206,836 thousands (Bank: RON 60,444,099 thousands). The net profit for 2022 is RON 997,899 thousands (Bank: RON 879,240 thousands), out of which non-controlling interest amounts to RON 13,444 thousands.

During 2022, 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.

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

[1] *KPI's include non-controlling interests*

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 2022

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 annual consolidated and separate financial statements of UniCredit Bank Group is audited by KPMG Audit SRL.

3.2. The Consolidated Statement of financial position

The IFRS Consolidated Statement of financial position of UniCredit Bank SA as of 31.12.2022 is presented below:

	Group			Bank		
In RON thousands	**2022**	**2021**	**2022/ 2021 (%)**	**2022**	**2021**	**2022/ 2021 (%)**
Assets:						
Cash and cash equivalents	16,456,169	11,269,108	46.0%	16,455,940	11,269,028	46.0%
Financial assets at fair value through profit or loss	214,714	259,355	-17.2%	214,714	259,355	-17.2%
Derivatives assets designated as hedging instruments	310,229	12,249	>100%	310,229	12,249	0%
Loans and advances to customers at amortized cost	399,455	493,611	-19.1%	399,455	493,611	-19.1%
Net lease receivables	32,849,251	29,395,410	11.7%	31,054,544	27,427,573	13.2%
Loans and advances to banks at amortized cost	3,788,693	3,635,303	4.2%	11,342	-	0%
Other financial assets at amortized cost	8,856,966	7,950,629	11.4%	8,856,966	7,950,629	11.4%
Financial assets at fair value through other comprehensive income	319,475	241,250	32.4%	250,620	209,956	19.4%
Debt instruments at amortized cost	1,922,518	1,677,415	14.6%	1,920,172	1,675,069	14.6%
Investment in subsidiaries	-	-	-	143,116	143,116	0.0%
Property, plant and equipment	179,752	194,583	-7.6%	176,415	186,624	-5.5%
Right of use assets	199,230	168,672	0.0%	181,355	162,870	0.0%
Intangible assets	362,782	300,752	20.6%	344,366	284,598	21.0%
Current tax assets	8,109	568	>100%	-	-	-
Deferred tax assets	163,726	142,887	14.6%	73,999	59,683	24.0%
Other assets	175,767	218,841	-19.7%	50,866	41,138	23.6%
Total assets	**66,206,836**	**55,960,633**	18.3%	**60,444,099**	**50,175,499**	20.5%

	Group			Bank		
In RON thousands	**2022**	**2021**	**2022/ 2021 (%)**	**2022**	**2021**	**2022/ 2021 (%)**
Liabilities:						
Financial liabilities at fair value through profit or loss	176,965	32,129	>100%	176,966	32,129	>100%
Derivatives liabilities designated as hedging instruments	262,514	66,812	>100%	262,514	66,812	>100%
Deposits from banks	1,050,418	666,990	57.5%	1,050,418	666,990	57.5%
Loans from banks and other financial institutions at amortized cost	5,653,932	3,995,917	41.49%	849,329	570,921	48.76%
Deposits from customers	45,310,940	39,985,660	13.32%	45,404,198	40,069,143	13.31%
Debt securities issued	3,502,834	2,491,879	40.57%	3,502,834	1,014,391	>100%
Other financial liabilities at amortized cost	1,307,973	508,155	>100%	1,239,449	434,967	>100%
Subordinated liabilities	945,604	944,183	0.15%	836,761	835,325	0.17%
Lease liabilities	198,403	168,791	17.54%	193,362	164,895	17.26%
Current tax liabilities	24,969	41,468	-39.79%	24,969	35,135	-28.93%
Provisions	250,064	220,124	13.60%	250,737	216,201	15.97%
Other non-financial liabilities	279,645	293,778	-4.81%	176,914	171,771	2.99%
Total liabilities	**58,964,261**	**49,415,886**	19.32%	**53,968,451**	**44,278,680**	21.88%

	Group			Bank		
In RON thousands	**2022**	**2021**	**2022/ 2021 (%)**	**2022**	**2021**	**2022/ 2021 (%)**
Equity						
Share capital	1,177,748	1,177,748	0.00%	1,177,748	1,177,748	0.00%
Share premium account	621,680	621,680	0.00%	621,680	621,680	0.00%
Cash flow hedging reserve	(7,501)	(33,407)	-77.55%	(7,501)	(33,407)	-77.55%
Reserve on financial assets at fair value through other comprehensive income	(108,424)	(10,389)	>100%	(108,424)	(10,389)	>100%
Revaluation reserve on property, plant and equipment	17,177	14,122	21.63%	17,177	14,122	21.63%
Other reserves	399,973	365,616	9.40%	399,973	365,616	9.40%
Retained earnings	4,981,500	4,262,398	16.87%	4,374,995	3,761,449	16.31%
Total equity for parent company	**7,082,153**	**6,397,768**	10.70%	**6,475,648**	**5,896,819**	9.82%
Non-controlling interest	160,422	146,979	9.15%	-	-	-
Total equity	**7,242,575**	**6,544,747**	10.66%	**6,475,648**	**5,896,819**	9.82%
Total liabilities and equity	**66,206,836**	**55,960,633**	18.31%	**60,444,099**	**50,175,499**	20.47%

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 2022, the minimum reserve level was at the level of as 8% (31 December 2021: 8%) for liabilities to customers in RON and 5% for liabilities to customers in foreign currency (31 December 2021: 5%), 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 36,637,904 thousands for the Group (Bank: RON 31,065,866 thousands), corresponding to 55.34% of total assets (Bank: 51.40%).

The outstanding loans balance as at 31.12.2022 is distributed as follows:

	Group		Bank	
	2022	**2021**	**2022**	**2021**
Corporate	62.0%	53.5%	77.2%	66.6%
SME	14.1%	19.9%	1.8%	8.8%
Private Individual	23.8%	26.4%	20.8%	24.4%
Private Banking	0.1%	0.1%	0.1%	0.2%

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	**2022**	45.3%	33.2%	21.6%
	2021	42.4%	34.5%	23.2%
Bank	**2022**	44.5%	33.0%	22.5%
	2021	43.1%	32.3%	24.6%

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 2022 and 2021 is as follows:

	Group		Bank	
	2022	**2021**	**2022**	**2021**
Neither past due nor impaired	88.3%	88.8%	94.0%	94.6%
Past due but not impaired	10.7%	9.4%	5.2%	3.9%
Other impaired loans	0.4%	0.8%	0.3%	0.7%
Individually significant impaired loans	0.6%	0.9%	0.5%	0.8%

Other assets of RON 175,766 thousands decreased by 19% compared with December 2021 (Group level).

In RON thousands	Group		Bank	
	2022	**2021**	**2022**	**2021**
Sundry debtors	25,619	31,714	25,619	31,699
Prepaid Expenses	138,320	179,274	29,373	23,879
Inventories	8,364	22,312	1,823	1,264
Other	15,850	8,921	6,437	7,677
Less impairment for sundry debtors	(12,386)	(23,380)	(12,386)	(23,381)

Total other non-financial assets	**175,767**	**218,841**	**50,866**	**41,138**

3.4. Liabilities

Deposits and loans from banks balance is RON 6,704,350 thousands (Bank RON 1,899,747 thousands), representing 10.1% of total liabilities and equity.

In RON thousands	Group		Bank	
	2022	2021	2022	2021
Deposits				
Term deposits	416,407	246,498	416,407	246,498
Sight deposits	634,011	420,492	634,011	420,492
Total deposits	**1,050,418**	**666,990**	**1,050,418**	**666,990**
Loans				
Commercial Banks	4,731,665	2,734,476	-	18,957
Multilateral development banks	922,267	1,261,441	849,329	551,964
International financial institutions	-	-	-	-
Total borrowings	**5,653,932**	**3,995,917**	**849,329**	**570,921**
Total	**6,704,350**	**4,662,907**	**1,899,747**	**1,237,911**

The balance of **deposits from customers** is totaling RON 45,310,940 thousands at Group level (Bank RON 45,404,198 thousands), representing 68% of total liabilities and equity. At the end of 2022 almost 69% of deposits are payable on demand.

In RON thousands	Group		Bank	
	2022	2021	2022	2021
Term deposits	13,044,326	7,124,232	13,064,379	7,139,262
Payable on demand	31,304,532	31,862,863	31,377,356	31,930,448
Collateral deposits	962,041	998,460	962,422	999,328
Certificates of deposits	41	105	41	105
Total	**45,310,940**	**39,985,660**	**45,404,198**	**40,069,143**

Other non-financial liabilities balance is RON 279,645 thousands include:

In RON thousands	Group		Bank	
	2022	2021	2022	2021
Deferred income	162,804	173,285	84,004	86,416
Payable to state budget	42,093	29,069	38,443	24,662
Payable to employees	60,256	64,364	53,011	58,517
Other	14,492	27,060	1,456	2,176
Total other non-financial liabilities	**279,645**	**293,778**	**176,914**	**171,771**

Provisions of RON 250,064 thousands are split by type as presented below:

In RON thousands	Group		Bank	
	2022	2021	2022	2021
Provision for financial guarantees	150,028	110,298	155,432	116,006
Provision for legal disputes	13,723	15,087	11,714	9,792
Provision for off-balance commitments	80,788	87,536	78,137	83,261

Other provisions	5,525	7,203	5,454	7,142
Total	**250,064**	**220,124**	**250,737**	**216,201**

Subordinated loans of RON 945,604 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	
	2022	2021	2022	2021
UniCredit SPA	836,761	835,325	836,761	835,325
UniCredit Bank Austria AG	108,843	108,858	-	-
Total	**945,604**	**944,183**	**836,761**	**835,325**

3.5. Off-balance-sheet exposures

The outstanding off-balance-sheet gross exposure at Group level at the end of 2022 totaling RON 22,196,704 thousands is presented below, 90% representing exposures to non-banking customers and 46% revocable commitments (Bank: RON 21,592,053 thousands, of which 48% revocable commitments).

In RON thousands	Group		Bank	
	2022	2021	2022	2021
Off balance sheet exposures to nonbanking customers	20,022,882	18,171,895	19,418,231	17,526,373
Off balance sheet exposures to banks	2,173,822	2,243,495	2,173,822	2,243,495
Total	**22,196,704**	**20,415,390**	**21,592,053**	**19,769,868**
Uncommitted exposures	**46%**	**45%**	**48%**	**46%**

3.6. Consolidated Profit and loss account

2022 Consolidated and Separate IFRS Income Statement of UniCredit Bank is presented below:

	Group			Bank		
In RON thousands	**2022**	**2021**	**2022/ 2021 (%)**	**2022**	**2021**	**2022/ 2021 (%)**
Interest income using EIR	2,428,686	1,563,024	55.3%	2,158,078	1,266,445	70.4%
Other interest income	142,630	130,503	9.2%	10	-	>100%
Interest expense	(897,030)	(327,379)	>100%	(772,856)	(202,677)	>100%
Net interest income	**1,674,286**	**1,366,148**	**22.5%**	**1,385,232**	**1,063,768**	**30.2%**
Fee and commission income	680,157	574,290	18.4%	621,832	519,788	19.6%
Fee and commission expense	(252,427)	(187,107)	34.9%	(237,423)	(173,517)	36.8%
Net fee and commission income	**427,730**	**387,183**	**10.4%**	**384,409**	**346,271**	**11.0%**
Net income from instruments at fair value through profit and loss	347,676	325,423	6.8%	347,795	325,436	6.8%
Net gain/(loss) from foreign exchange	46,155	14,577	>100%	23,494	(7,760)	<100%
Fair value adjustments in hedge accounting	10,799	(651)	<100%	10,799	(651)	<100%
Net gain/(loss) from derecognition of financial assets measured at amortised cost	20,596	1,286	>100%	8,759	851	>100%
Net gain/(loss) from derecognition of financial assets measured at FVTOCI	-	28,879	<100%	-	28,879	<100%
Dividend income	3,196	2,229	43.3%	33,184	2,229	>100%
Other operating income	8,780	9,451	-7.1%	12,577	10,680	17.7%
Operating income	**2,539,218**	**2,134,525**	**18.9%**	**2,206,249**	**1,769,703**	**24.6%**
Personnel expenses	(525,288)	(467,557)	12.3%	(463,572)	(412,116)	12.4%
Depreciation and impairment of tangible assets	(109,209)	(100,520)	8.6%	(100,048)	(92,663)	7.9%
Amortization and impairment of intangible assets	(60,946)	(58,813)	3.6%	(55,166)	(53,946)	2.2%
Other administrative costs	(398,782)	(343,527)	16.1%	(370,212)	(316,629)	16.9%

	Group			Bank		
In RON thousands	**2022**	**2021**	**2022/ 2021 (%)**	**2022**	**2021**	**2022/ 2021 (%)**
Other operating costs	(17,355)	(38,329)	-54.7%	(11,072)	(10,711)	3.3%
Operating expenses	**(1,111,580)**	**(1,008,746)**	**10.1%**	**(1,000,070)**	**(886,065)**	**12.8%**
Net impairment losses on financial instruments	(276,609)	(186,984)	47.9%	(187,669)	(118,814)	57.9%
Losses on modification of financial assets	207	(123)	<100%	207	(123)	<100%
Net operating income	**1,151,236**	**938,672**	**22.6%**	**1,018,717**	**764,701**	**33.2%**
Net impairment losses on non-financial assets	9,842	(11,449)	<100%	9,842	(11,449)	<100%
Net provision gains/ (losses)	4,108	25,917	-84.1%	(2,163)	921	<100%
Net gains/(loss) from other activities	-	(325)	-100%	-	78	-100%
Profit before tax	**1,165,186**	**952,815**	**22.29%**	**1,026,396**	**754,251**	**36.08%**
Income tax expense	(167,287)	(147,164)	13.67%	(147,156)	(114,945)	28.02%
Net profit for the year	997,899	805,651	22.29%	879,240	639,306	37.53%
Attributable to:						
Equity holders of the parent company	984,455	779,531	26.2%	-	-	-
Non-controlling interests	13,444	26,120	-48.5%	-	-	-
Net profit for the year	**997,899**	**805,651**	**23.8%**	**879,240**	**639,306**	**37.5%**

4. Equity accounts and profit distribution

4.1. Equity accounts of the Bank as of 31 December 2022

As of 31 December 2022, the Bank's equity is in amount of RON 6,475,648 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	**(7,501)**
Reserve on financial assets at fair value through other comprehensive income	**(108,424)**
Revaluation reserve on property and equipment	**17,177**
Other reserves	**399,973**
- *Statutory general banking risks*	115,785
- *Statutory legal reserve*	91,044
- *Effect of hyperinflation – IAS 29*	19,064
- Actuary profit/loss	1,072
- *Other reserves*	173,008
Retained earnings	**3,495,755**
Net profit for the period	**879,240**
Total equity of the Bank	**6,475,648**

At 31 December 2022 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 2022 is the following:

Shareholder	Shares' number	Value (RON)	%
UniCredit S,p,A,	48,277,621	448,981,875,30	98,6298
Romanian Individuals	624,468	5,807,522,40	1,2758
Romanian Legal Entities	21,606	200,935,80	0,0441
Foreign Individuals	17,296	160,852,80	0,0353
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 2022, in amount of RON 879,240,138.52 will be distributed according to the law. The Supervisory Board proposes to the General Meeting of Shareholders the distribution of 2022 net profit as follows:

Bank	2022
Reserve related to the reinvested profit of the year 2021*	34,246,370
Dividend distribution	-
Reinvestment of the remaining net profit	844,993,769
Total	**879,240,139**

** 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 about 4.7%yoy in 2022, at a slower pace as compared to 6.4% recorded in 2021. The supply-chain bottlenecks, aggravated during COVID pandemic, as well as the conflict in the region, which exacerbated the energy and food crisis, impacted Romania's industrial output and exports. Among the sectors that performed well in 2022, the main contributors to GDP growth were IT&C services, constructions and the retail trade.

With the full removal of the COVID-related restrictions starting March 2022, the consumption resumed, especially in the first half of the year on the back of services. The consumption remained the major growth driver in 2022, albeit slowing down in the second half of 2022, impacted by the high inflation and the stricter monetary conditions adopted by NBR to fight the inflationary pressures.

Starting 3Q 2022 also the investments gained momentum, supported by the EU funds available under the Recovery and Resilience Fund (RRF), locally named the National Recovery and Resilience (PNRR). Within PNRR, Romania can access up to EUR 29.2bn during 2021-2027 period, approx. EUR 2bn in grants and EUR 1bn in loans every six months, the equivalent of 2% of GDP each year. Until present, Romania received EUR 1.8bn in December 2021 (grants), EUR 1.9bn in January 2022 (pre-financing loans) and EUR 2.6bn (o/w EUR 1.8bn grants and EUR 0.8bn loans) in October 2022.

There is a risk that Romania's economy to undergo a shallow technical recession in 4Q 2022 and 1Q 2023, driven by the slowdown in the private consumption, following to recover in the second half of 2023. In our baseline scenario, we forecast the economy will remain in the positive territory in 2023, but it will increase at a much slower pace, below 2%yoy.

The government plans to cut the budget deficit by 2024 to the values agreed with the European Union, respectively to below 3% of GDP. We are estimating the public debt will remain below 50% of GDP in 2022 and beyond, with Romania preserving the investment grade rating.

In Romania, the annual inflation increased significantly starting 4Q 2021, triggered by several supply-side shocks at the global level and the liberalization of the local electricity market for household consumers in July 2021, it reaching 8.2% in December 2021. The start of the war in Ukraine, at the end of February 2022, disturbed even more the global energy and commodities markets. The headline inflation increased rapidly in the first half of 2022, up to 15.1% in June and continued to rise up to 16.8% in November and decreasing slightly to 16.34% in December 2022.

Aiming to fight the exceptionally high inflation, BNR tightened the monetary policy, by gradually increasing the key rate starting October 2021, from the record low 1.25%, up to 7.00% in January 2023. Taking into consideration the slight easing of the headline inflation at 15.3% in October 2022, NBR reduced the hiking pace at its November meeting from 75bp to 50bp and, respectively to 25bp in January 2023. We expect NBR to start the rate cuts in 2024, maintaining the policy rate at 7% by the end of 2023.

According to NBR's November 2022 forecast, the inflation should decline in 1Q 2023, falling at a significantly faster pace afterwards, to reach one-digit levels already in 3Q 2023. This is due to the sizeable base effects associated with the hikes in energy and fuel prices recorded in 2022 and the downtrend of oil prices in the recent months. In our view, the annual inflation will peak at about 17% in 1Q 2023, with the headline rate falling below 11% by year-end following the decline in the domestic demand.

The monetary conditions will stay tight, given the high inflation and the need for a stricter fiscal policy. We expect the NBR to continue to manage the market liquidity in case the depreciation pressures for RON returns and to keep the ROBOR rates close to the Lombard rate (currently at 8%).

The main interbank money market rates declined gradually towards the end of 2022, supported by the easing of liquidity conditions, following the liquidity injection in the market by the Ministry of Finance in November and December. The yields on government securities declined more steeply triggered by the improvement in the global financial market sentiment and in the risk perception towards the region.

The EUR-RON exchange rate was more volatile in 2022 as compared with the previous year, fluctuating inside a larger interval (4.8215-4.9492), while it ended the year on a slight appreciation trend. The

Romanian leu remains one of the most stable currencies in CEE, supported by the Central Bank's policy, which is using the exchange rate as an anti-inflationary anchor. We expect EUR-RON to remain below 5.00 threshold as long as the inflation remains in double digits, then it could depreciate to a 5.00-5.10 range as Romania's structural imbalances, respectively the high current account and fiscal deficits, are in favor of a gradual depreciation of the national currency.

One short-term effect of a consumption-driven growth is a wider current account deficit, as a high share of consumer goods comes from imports. At the same time, the exports were impaired by the low competitiveness and the persistent global supply bottlenecks. The trade balance continued to deteriorate in 2022, increasing to EUR 28.4bn (+48%yoy) and the current account deficit at EUR 23bn at the end of October 2022 (+61%yoy). Our estimate is that the deficits will reach the peak in 2022 at above 11% of GDP for the trade balance (vs. 9.6% of GDP in 2021), respectively 9.2% of GDP for the current account balance (vs. 7.1% of GDP in 2021) following to slightly decline in 2023.

Lending remained strong in 2022, mainly driven by the companies, while the loans to individuals slowed down starting September. The annual growth pace of non-governmental loans remained in double digits at 13.2% as of November 2022 (similar with 13.5%yoy recorded in 2021), mainly due to the strong increase by 23.4% in foreign currency lending, accessed mainly by the companies, while the RON lending increased by 9.2%. The stock of loans to companies increased by 21.7%yoy, while the loans to individuals almost halved their growth pace to 4.9%yoy impacted by the much higher interest rates. On the deposits' side, the total savings of the residents slowed down to 7.1% as of November 2022 (vs. 13.4%yoy in 2021), as both the private individuals and companies spent part of their savings due to high inflation.

The public moratorium, adopted by the government in March 2020, requiring banks to provide a grace period of maximum 9 months to customers impacted by COVID pandemic, was prolonged until 31 March 2021. Together with the individual solutions offered by the banks to their customers, they were successful in preventing the rise in the NPL ratio. The NPL ratio at the banking sector level remained on a declining trend in 2022 (2.82% as of September) vs. 3.52% as of December 2021 and 3.83% as of December 2020.

A similar public moratorium was introduced starting July 2022, allowing banks to postpone by up to 9 months the payment obligations of the customers in financial distress caused by the energy and food crisis. It is applicable to the consumer and the mortgage loans granted before April 30, 2022.

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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. Compliance risk
11. 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 Ordinary **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 the Rules of Procedure of SB (Annex to management Framework) - and the Romanian laws and regulations in force.

The Supervisory Board acted in 2022 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 3 (three) members, appointed by the Supervisory Board from its members that exercise this position as long as they are of the Supervisory Board.

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 3 (three) members, appointed by the Supervisory Board from its members that exercise this position as long as they are of the Supervisory Board.

The roles, responsibilities and functioning mechanisms of the Committee are detailed in the specific regulation.

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 analys the aspects regarding the risks (including risk of conduct and risk of fraud), other than those subject to the responsibilities of other committees. Also 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:

- Credit Committee
- Labor Security and Health Committee
- Disciplinary Committee
- Price and Product Committee;
- Business Continuity & Crisis Management Crisis Committee
- Projects Committee
- Managerial Committee for Unacceptable Behavior Reporting.

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;
- Anti-Fraud Committee
- Permanent Working Group for Operational Risk Management;
- Business Continuity & Crisis Management Crisis Committee
- Disciplinary Committee
- Security and Labor Health Committee
- Remarketing and Asset Management Committee
- Reputational Risk Committee
- Unacceptable Conduct Reporting Management Committee (non-permanent advisory committee constituted at the level of the Directorate, not subordinate to the Directorate)

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.

Unlocking...

A better bank

A better world

A better future

ESG

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 2022, various actions were implemented in line with HR strategy:

- Off-site Management Boards: Muntenia and Crisana-Maramures Regions.
- Seniority Gifts: We gladly celebrated loyalty of 395 colleagues that reached 5, 10, 15, 20 and 25 years in the Group.
- In order to foster work life balance, we have developed a series of initiatives such as: fairs, discounts, blood donation campaigns, sports and internal events dedicated to the end of the year.
- WeCare Program with the purpose of bringing topics related to wellbeing & emotional support. There were 4 live webinars which have gathered approximately 1.000 participants.
- Boost Your Future: in 2022 we continued with the fourth edition of the Boost Your Future program for 72 colleagues identified as "talents".
- Sales Branch Managers Program (Retail & Corporate): program launched in November 2021 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. It continued in 2022 involving approx. 90 colleagues who accumulated over 1300 hours of training.
- 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 338 colleagues.
- Coaches Community: the 11 colleagues active in the community delivered coaching sessions for colleagues involved in the Boost your Future program.
- Growth Program for the Retail Network: periodically refreshing technical skills for colleagues in the retail network, focusing on product and service updates, procedural changes, key KYC and anti-fraud issues and using of technical applications.

Unlocking...

A better bank

A better world

A better future

People

- 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).
- Unlock your potential: pilot program developed in the Retail Network for Relationship Manager colleagues who did not perform as expected in the last 2 quarters.
- Financial education: 4 webinars on Financial Education open for participation to all colleagues.
- Other specific trainings for colleagues: Design Thinking, Start Invest – Sales Opportunities, Financial analyze, Esign, MIFID etc.
- Performance management process where we continue with the calibration sessions in scope of aligning the performance and potential of team members during meetings between colleagues with managerial positions in the same area and P&C Strategic Partner 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.
- 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

For over 15 years, UniCredit Bank S.A. has supported some of the most important financial and entrepreneurial education projects, community and social initiatives, as well as projects for the development of the cultural and artistic community in Romania, in cooperation with various non-governmental organizations and other partners..

Social Impact Projects

In 2022, the bank continued its Social Impact Banking (SIB) program as part of UniCredit Group's commitment to building a fair and inclusive society. The objective of the program is to identify, finance and promote people and businesses that have a positive social impact, in order to generate both economic benefits and broader societal benefits. Beyond financing projects and organizations that are generally excluded from accessing banking products and services, SIB offers UniCredit Group the opportunity to share financial and business expertise through educational programs dedicated to micro-entrepreneurs, social affairs, vulnerable or disadvantaged groups, including young people, older people and other people at risk of social exclusion. Employee involvement is an essential component in the implementation of SIB actions, which supports the building of valuable networks in the communities where the bank operates.

Among the projects developed in 2022 under the umbrella of the Social Impact Bank program, there is also the third edition of Start Major, the financial and career education program developed for students in vocational and technical education highschools. Over 2900 young people eager to increase their chances of financial independence and career success passed through the four modules. Financial education courses were held in 37 highschools in Bucharest and six counties, with the support and involvement of over 170 teachers. This edition was organized in partnership with the Social Incubator Association, with the involvement of 21 employees of UniCredit Bank S.A. in the role of trainers or support - volunteers and who, together with the team of external trainers, completed over 280 hours of training.

Educational projects (digital education, entrepreneurship)

We believe that a sustainable business model is vital to our long-term financial health, to the economic and social well-being of our clients, as well as for the communities in which we operate.

Unlocking…

A better bank

A better world

A better future

UniCredit Foundation

UniCredit Bank S.A. has traditionally supported financial education and entrepreneurship programs, both in the art and culture area, as well as in business and education, with a special affinity in the area of digital art and young artists, as well as supporting entrepreneurship. In this respect, the bank has been involved in projects that have brought to attention emerging technologies, provided support and grants within a digital platform of entrepreneurial education, contributed to the development of entrepreneurial residences and joined numerous entrepreneurial education actions. Among the supported projects are: New Media Art Radar Festival, Future Digital Program, Teach for Romania Digital Educational Program & Podcast, RomanESTI - digital platform for entrepreneurial education & grants, Brand Minds, Digital Education Program & Conference organized by RGDA, Techsylvania Offline International Conference in Cluj-Napoca, Romanian Design Week, Romanian Creative Week, BRIO – school testing platform, BIZ conferences on entrepreneurship and marketing education, etc.

Cultural projects

We have the responsibility to offer back, to educate, to make our contribution to the development of the society we operate in. The relationship of UniCredit Bank S.A. with the communities in which it operates has naturally evolved as it actively engages in projects, year after year, having a long tradition in supporting culture, from the conviction that this is a way to promote social and economic progress, but also to encourage the dialog on innovation, social cohesion and a sense of belonging. In the cultural area, UniCredit was and still is, one of the most active supporters, assuming a role as a long-term partner.

One of the longest-running projects UniCredit Bank has been involved in over time is the Sibiu International Theatre Festival, which reached its 29th edition this year, a true cultural landmark in Romania, but also around the world.

UniCredit was this year also the official partner for the launch of R.M.N. in Romania, the latest film by director Cristian Mungiu, selected in the competition of the Cannes Festival.

A series of festivals come to complement UniCredit's presence in the communities in which it operates: Nostalgia, the Mission – Miez, Weekend Sessions at Botanical Garden, Catedral, Nocturne de poezie (poetry evenings), SoNoRo scholarships, Garana Jazz Festival, Les Films de Cannes, Dichis'n'Blues Tulcea, Strada de C'Arte,etc.

Health projects

UniCredit Bank S.A. continues to support Volunteer for Life Association, for the construction of the modular emergency hospital in Bicaz, Neamt County – UPU SMURD, a project that will be inaugurated in the first part of 2023.

The bank also continues the support for the causes of the associations Zi de Bine, Calea Ariadnei, Merci Charity Boutique, Concordia Humanitarian Organization, Daruieste Viata (support for the creation of a Center of Excellence in the treatment of Retinoblastoma for children), The Association of Parents of Children with Oncological Diseases, We Beat Autism Association, as well as involvement in sports projects, among which we mention the Romanian Fencing Federation, the Romanian Rowing Federation, Inimi Visinii (scholarships for underprivileged children).

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 2023

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 2023 is the following:

Annual General Shareholders' Meeting (GSM) for 2022 local financial results approval	27.03.2023
Presentation of the separate and consolidated financial results for the 2022 year, on the official website of the Bank	31.03.2023
Presentation of the half-yearly report and the consolidated financial results for the first half of 2023, on the official website of the Bank	18.08.2023

11. Members of the Management Board of the Bank, UCFIN and UCLC during 2022

Members of the Management Board of the Bank, the parent company:

1. **Catalin Rasvan Radu** - Executive President (CEO), Chairman of the Management Board, starting 17.04.2008;
2. **Philipp Gamauf** - Executive Vice-President, member of the Management Board, starting 03.01.2018 - until 27.02.2022;
3. **Nicola Longo Dente** - Executive Vice-President, member of the Management Board starting 27.11.2018 - until 30.11.2022;
4. **Andrei Bratu** - member of the Management Board, starting with 01.01.2019;
5. **Carlo Driussi**, - Executive Vice-President, member of the Management Board starting 24.05.2019;
6. **Antoaneta Curteanu** - Executive Vice-President, member of the Management Board starting 25.11.2019.
7. **Diana Ciubotariu** - Executive Vice-President, member of the Management Board starting 03.03.2021.

8. **Dragos Birlog -** Executive Vice-President, member of the Management Board starting 15.06.2021.
9. **Feza Tan -** 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** - President of the Management Board, starting 01.05.2021;
2. **Ana Maria Duțu** - member of the Management Board, starting 01.07.2018 until 30.09.2022;
3. **Eugenia Bolboros** - member of the Management Board, starting 01.05.2019 - until 14.04.2022
4. **Ani Cirstea** - member of the Management Board, starting 15.03.2020;
5. **Daniel Ghiulea** - member of the Management Board, starting 01.06.2018.

Members of the Management Board of UCLC, the subsidiary:

1. **Daniela Bodirca** - President of Management Board, starting 01.01.2019;
2. **Claudia Mocanu** - Vice-President of the Management Board, starting 01.03.2020;
3. **Razvan-Florin Vedel** - Vice-President of the Management Board, starting 01.06.2021;
4. **Loredana-Elena Nedelcu-Popescu -** Vice-President of the Management Board, starting 16.03.2020;
5. **Daniela Panaitescu** - 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 2022 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.

Feza Tan

First Executive Vice-President