One Bank, One Team, One UniCredit.

Capital and balance sheet management

Transform

Enhanced service model

Ethics and Respect

Team 23

Compliance

Grow and strengthen client franchise

Process optimisation

Sustainable results

Sustainability

Paperless bank

Growth engines

Customer experience

Disciplined risk management

"Go-to" bank for SMEs

"Do the right thing!"

31 December 2019

Consolidated and Separate Financial Statements

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

Banking that matters. | UniCredit Bank

UniCredit Bank

UniCredit Bank S.A.

Consolidated and Separate
Financial Statements
for the financial year ended
31 December 2019

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

Content

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders,
UniCredit Bank S.A.

Report on the Audit of the financial statements

Opinion

1. We have audited the separate and consolidated financial statements of UniCredit Bank S.A. (the "Bank") and its subsidiaries (together "the Group"), with registered office in 1F, Expozitiei Boulevard, District 1, Bucharest, Romania, identified by the unique tax registration code RO 361536 which comprise the separate and consolidated statement of financial position as at December 31, 2019, and the separate and consolidated statement of comprehensive income, statement of changes in equity and the separate and consolidated statement of cash flows for the year then ended, including a summary of significant accounting policies and notes to the financial statements.

2. The financial statements as at December 31, 2019 are identified as follows:

Separate financial statements

• Equity	4,869,050 RON thousand
• Net profit for the financial year	572,920 RON thousand

Consolidated financial statements

• Equity	5,242,791 RON thousand
• Net profit for the financial year	637,575 RON thousand

3. In our opinion:

- the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Bank as at December 31, 2019, and its separate financial performance and its separate cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") and National Bank of Romania Order no. 27/2010 for the approval of Accounting regulation in accordance with International Financial Reporting Standards as adopted by the European Union, with subsequent amendments ("Order 27/2010").

- the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS and Order 27/2010.

Basis for Opinion

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

Key Audit Matters

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

Nature of the area of focus	***How our audit addressed the key audit matter***
Collective impairment of loans and advances to customers	

Following the adoption of IFRS 9, the Group accounts for credit losses based on expected credit losses (ECL): for a period up to 12 month for credit exposures for which the credit risk did not increase significantly since origination and for credit life time for those with significant increase in credit risk, as detailed in impairment policy from Note 3(g) to the financial statements.
 	
As at 31 December 2019, the Group's key financial statements lines with significant impact from the adoption of IFRS 9 are Loans and advances to customers amounting to KRON 26,013,805 (net of the related impairment allowances amount to KRON 1,619,046) and Net lease receivables amounting to KRON 3,323,516 (net of the related impairment allowances amount to KRON 277,238).
 	
The Group exercises significant judgement using subjective assumptions over both when and how much to record as impairment for loans and receivables. Because loans and receivables (including lease receivables) form a major portion of the Group's assets, and due to the significance of the Management professional judgments applied in classifying loans and receivables into various stages stipulated in IFRS 9 and determining related impairment requirements, this audit area is considered a key audit matter.
 	
Key areas of professional judgment exercised by the Management included:
• *The interpretation of the requirements to determine receivables impairment under application of IFRS 9, which is reflected in the expected credit loss model;*
• *Assumptions used in the expected credit loss models to assess the credit risk related to the exposure and the expected future cash flows of the customers;*
• *The identification of exposures with a significant deterioration in credit quality.*
	Based on our risk assessment and industry knowledge, with the support of our Credit risk experts, we have examined the impairment charges for loans and lease receivables and evaluated the methodology applied as well as the key assumptions made by the Management according to the description of the key audit matter.
	
	Our procedures included the following elements:
	• *Testing of key controls in respect of:*
	  ◦ *quality assurance of the source data used in developing professional judgements and ECL related models;*
	  ◦ *timely identification of impairment triggers, including significant increase in credit risk;*
	  ◦ *debtors' financial performance assessment and estimation of future cash flow.*
	• *Obtaining and analysing the information to support the assumptions used in:*
	  ◦ *Development of the models for computation of the key risk parameters (12 month Probability of default, lifetime Probability of default and Loss given default), including procedures on the source data quality;*
	  ◦ *Development of the expected credit loss models;*
	  ◦ *Development of the stage allocation;*
	  ◦ *Development of models to reflect the potential impact of future economic conditions in the ECL computation.*
	• *Verifying the implementation of the new ECL computation methodology into the IT computation systems, including:*
	  ◦ *Test the general IT controls related to the data sources and computations of ECL;*
	  ◦ *Assessment on a sample basis of the credit quality and stage allocation;*
	  ◦ *Test on a sample basis the ECL computations.*

Interest and Fee Income Recognition	
Refer to Note 7 and 8 of the consolidated financial statements *For the year ended 31 December 2019 the interest income represents KRON 1,850,803 and fee and commission income represents KRON 454,938, the main source being loans to customers (including lease receivables). These are the main contributors to the operating income of the Group affecting the Group's profitability.* *While interest income is accrued over the expected life of the financial instrument using the effective interest rate, the recognition of fee income depends on the nature of the fees as follows:* • *Fees that are directly attributable to the financial instrument are part of the effective interest rate and accrued over the expected life of such an instrument and are presented as interest income;* • *Fees for services provided are recognized when service is provided and are presented as fee and commission income;* • *Fees for the execution of an act are recognized when the act has been completed and are presented as fee and commission income.* *Revenue recognition specifics, a high volume of individually small transactions which depends on data quality of interest and fee inputs and on IT solutions for their recording, resulted in this matter being identified as a key audit matter.*	*We have tested the design and operating effectiveness of the key internal controls and focused on:* • *Interest/fee inputs on customer loans, lease receivables and deposits from customers;* • *Recording/changes of fees and interest rates;* • *Management oversight and control on interest and fee income, including budget monitoring;* • *IT controls relating to access rights and change management of relevant automated controls with the assistance of our IT specialists.* *We performed also the following procedures with regard to interest and fees revenue recognition:* *- We evaluated the accounting treatment in respect of fees charged to clients to determine whether the methodology complies with the requirement of the relevant accounting standard (IFRS 9). We have focused our testing on challenging the correct classification of:* • *Fees that are identified as directly attributable to the financial instrument and are part of the effective interest rate;* • *Fees that are not identified as directly attributable to the financial instrument.* *- We assessed the completeness and accuracy of data used for the calculation of interest and fee income.* *- We evaluated the mathematical formula used for accruing the relevant income over expected life of the loan.* *- We have assessed the interest and fee income by building our own expectation on the revenue and compared with the actual results.*

Other information – Administrator's Report

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

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

   In connection with our audit of the separate and consolidated financial statements for the year ended 31 December 2019, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

With respect to the Administrator's report, we read and report if this has been prepared, in all material respects, in accordance with the provisions of the National Bank of Romania Order no. 27/2010, articles 11-13.

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

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

b) The administrators' report has been prepared, in all material respects, in accordance with the provisions of the National Bank of Romania Order no. 27/2010, articles 11-13.

Moreover, based on our knowledge and understanding concerning the Group and its environment gained during the audit on the separate and consolidated financial statements prepared as at 31 December 2019, we are required to report if we have identified a material misstatement of this Administrator's report. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

15. We have been appointed by the General Assembly of Shareholders dated 11 April 2018 to audit the separate and consolidated financial statements of UniCredit Bank S.A. for the financial year ended December 31, 2019. The uninterrupted total duration of our commitment is 7 years, covering the financial years ended 31 December 2013 until the 31 December 2019.

We confirm that:

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

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

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

Claudiu Ghiurluc, Audit Director

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

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

On behalf of:

DELOITTE AUDIT SRL

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

The Mark Building, 84-98 and 100-102 Calea Grivitei,
8th Floor and 9th Floor, District 1
Bucharest, Romania
March 2, 2020

CONSOLIDATED AND SEPARATE STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 December 2019

		Group		Bank	
In RON thousands	Note	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Interest income		1,850,803	1,704,394	1,339,265	1,258,876
Interest expense		(526,573)	(476,770)	(378,152)	(350,856)
Net interest income	**7**	**1,324,230**	**1,227,624**	**961,113**	**908,020**
Fee and commission income		454,938	416,318	424,480	417,581
Fee and commission expense		(138,481)	(110,874)	(127,476)	(98,893)
Net fee and commission income	**8**	**316,457**	**305,444**	**297,004**	**318,688**
Net income from instruments at fair value through profit and loss	9	360,345	304,901	360,345	304,901
FX Gains/ (Losses)		96,215	47,264	83,747	36,290
Fair value adjustments in hedge accounting		1,831	(2,576)	1,831	(2,576)
Net income on disposal of financial assets and liabilities which are not at fair value through profit or loss	10	51,895	7,775	34,550	4,025
Dividend income	11	1,971	2,376	1,971	2,376
Other operating income		9,961	19,372	6,810	12,153
Operating income		**2,162,905**	**1,912,180**	**1,747,371**	**1,583,877**
Personnel expenses	12	(421,876)	(398,446)	(367,480)	(347,332)
Depreciation and impairment of tangible assets	13	(95,246)	(37,247)	(89,633)	(36,569)
Amortization and impairment of intangible assets	13	(57,049)	(58,368)	(50,484)	(50,235)
Other administrative costs	14	(377,120)	(326,289)	(344,931)	(289,016)
Other operating costs	15	(23,002)	(27,162)	(11,810)	(16,255)
Operating expenses		**(974,293)**	**(847,512)**	**(864,338)**	**(739,407)**
Net operating income		**1,188,612**	**1,064,668**	**883,033**	**844,470**
Net impairment losses on financial assets	16	(387,323)	(357,800)	(191,157)	(150,954)
Net impairment losses on non-financial assets		(396)	-	(396)	-
Net provision losses	17	(33,209)	(68,791)	(14,165)	(47,445)
Net gains/(loss) from other investment activities	18	1,249	64	-	64
Profit before taxation		768,933	638,141	677,315	646,135
Income tax	**19**	**(131,358)**	**(103,070)**	**(104,395)**	**(95,336)**
Net profit for the year		**637,575**	**535,071**	**572,920**	**550,799**
Attributable to:					
Equity holders of the parent company		643,482	564,455	-	-
Non-controlling interests		(5,907)	(29,384)	-	-
Net profit for the year		**637,575**	**535,071**	-	-

		Group		Bank	
In RON thousands		31.12.2019	31.12.2018	31.12.2019	31.12.2018
Other comprehensive income, net of tax					
Items that will not be reclassified to profit or loss					
Revaluation of property, plant and equipment (net of deferred tax)	29iii	2,863	146	2,863	146
Net change in fair value of financial assets through other comprehensive income – equity (net of deferred tax)	29i	(279)	1,887	(279)	1,887
Total items that will not be reclassified to profit or loss		2,584	2,032	2,584	2,032
Items that may be reclassified to profit or loss					
Net change in fair value of financial assets through other comprehensive income – debt instruments (net of deferred tax)	29i	109,179	(35,502)	109,179	(35,502)
Net changes in cash flow hedging reserve (net of deferred tax)	29ii	(2,779)	3,869	(2,779)	3,869
Total items that may be reclassified to other elements of the global result		106,400	(31,633)	106,400	(31,633)
Other comprehensive income for the year, net of tax		108,984	(29,601)	108,984	(29,601)
Total comprehensive income		746,559	505,470	681,904	521,198
Attributable to:					
Shareholders of parent – company		752,466	534,854	-	-
Non-controlling interests		(5,907)	(29,384)	-	-

The consolidated and separate financial statements were approved by the Management Board on February 25, 2020 and were signed on its behalf by:

Mr. Catalin Rasvan Radu
Chief Executive Officer

Mr. Philipp Gamauf
Chief Financial Officer

		Group		Bank	
In RON thousands	Note	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Assets:					
Cash and cash equivalents	20	11,693,894	10,282,258	11,693,863	10,282,174
Financial assets at fair value through profit or loss	21	267,990	296,785	267,990	296,785
Derivatives assets designated as hedging instruments	31	-	146	-	146
Loans and advances to customers at amortized cost*	23	26,013,805	24,622,314	22,483,263	20,973,071
Net lease receivables*	24	3,323,516	3,002,737	-	-
Placements with banks at amortized cost	22	572,567	1,897,602	572,567	1,897,602
Other financial assets at amortized cost	30	142,810	190,151	100,767	143,332
Financial assets at fair value through other comprehensive income	25	8,614,640	7,330,621	8,612,294	7,328,275
Investment in subsidiaries	26	-	-	143,116	143,116
Property, plant and equipment*	27	200,368	173,260	188,613	171,402
Right of use assets	44	174,235	-	160,445	-
Intangible assets*	28	196,284	162,897	186,516	152,089
Current tax assets		2,848	630	2,848	-
Deferred tax assets	29	132,466	143,456	60,809	79,454
Other assets*	30	191,185	201,485	68,066	79,050
Non-current assets and disposal groups classified as held for sale	30	-	32,692	-	-
Total assets		**51,526,608**	**48,337,034**	**44,541,157**	**41,546,496**
Liabilities:					
Financial liabilities at fair value through profit or loss	21	73,969	69,809	73,969	69,829
Derivatives liabilities designated as hedging instruments	31	114,852	78,919	114,852	78,919
Deposits from banks	32	1,666,287	3,757,657	1,666,287	3,757,657
Loans from banks and other financial institutions at amortized cost	33	6,483,236	7,591,301	795,267	1,073,065
Deposits from customers	34	33,938,950	29,494,901	34,706,764	29,841,828
Debt securities issued	35	2,044,046	622,115	621,823	622,115
Other financial liabilities at amortized cost	38	391,071	459,838	340,562	368,442
Subordinated liabilities	36	912,449	890,311	807,304	787,705
Lease liabilities	44	163,898	-	158,752	-
Current tax liabilities		2,699	44,889	-	43,705
Deferred tax liabilities		-	-	-	-
Provisions	37	240,959	205,454	218,819	202,412
Other non-financial liabilities	38	251,401	264,656	167,708	152,408
Total liabilities		**46,283,817**	**43,479,850**	**39,672,107**	**36,998,085**

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

CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 December 2019

		Group		Bank	
In RON thousands	Note	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Equity					
Share capital	39	1,177,748	1,177,748	1,177,748	1,177,748
Share premium	39	621,680	621,680	621,680	621,680
Cash flow hedging reserve		(47,833)	(45,054)	(47,833)	(45,054)
Reserve on financial assets at fair value through other comprehensive income		20,330	(88,570)	20,330	(88,570)
Revaluation reserve on property, plant and equipment		12,682	9,819	12,682	9,819
Other reserves	40	298,289	271,031	298,289	271,031
Retained earnings		3,050,001	2,794,726	2,786,154	2,601,756
Total equity for parent company		**5,132,897**	**4,741,381**	**4,869,050**	**4,548,411**
Non-controlling interest		109,894	115,803	-	-
Total equity		**5,242,791**	**4,857,184**	**4,869,050**	**4,548,411**
Total liabilities and equity		**51,526,608**	**48,337,034**	**44,541,157**	**41,546,496**

The consolidated and separate financial statements were approved by the Management Board on February 25, 2020 and were signed on its behalf by:

Mr. Catalin Rasvan Radu
Chief Executive Officer

Mr. Philipp Gamauf
Chief Financial Officer

31.12.2019	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 2018	1,177,748	(88,570)	(45,054)	9,819	271,031	621,680	2,794,726	4,741,381	115,803	4,857,184
Comprehensive income for the year										
Net profit for the year **	-	-	-	-	-	-	643,482	643,482	(5,907)	637,575
Other comprehensive income net of tax										
Revaluation of property, plant and equipment, net of tax	-	-	-	2,863	-	-	-	2,863	-	2,863
Net change in financial assets at fair value through other comprehensive income, net of tax	-	108,900	-	-	-	-	-	108,900	-	108,900
Net change in cash flow hedging reserve, net of tax	-	-	(2,779)	-	-	-	-	(2,779)	-	(2,779)
Distribution to reserves*	-	-	-	-	27,258	-	(27,258)	-	-	-
Total other comprehensive income	-	108,900	(2,779)	2,863	27,258	-	(27,258)	108,984	-	108,984
Total comprehensive income for the year	-	108,900	(2,779)	2,863	27,258	-	616,224	752,466	(5,907)	746,559
Dividends distributed*	-	-	-	-	-	-	(360,749)	(360,749)	-	(360,749)
Other changes	-	-	-	-	-	-	(202)	(202)	-	(202)
Balance at 31 December 2019	1,177,748	20,330	(47,833)	12,682	298,289	621,680	3,050,001	5,132,897	109,894	5,242,791

** According to the decision of the General Meeting of Shareholders of 8 April 2019, it was decided to allocate a part of the Bank's net profit for 2018 (550,799 RON thousands) in the form of dividends amounting to 360,749 RON thousands and to set up a reserve amounting to 27,258 RON thousands for reinvested profit;*
*** Of the 2019 profit, the Bank will propose to Supervisory Board and General Shareholders' Meeting the distribution in 2020 to the reinvested profit reserve, of an amount of RON 28,180 thousands, exempt from the payment of the profit tax according to art. 22 of Law 227/2015.*

The consolidated and separate financial statements were approved by the Management Board on February 25, 2020 and were signed on its behalf by:

Mr. Catalin Rasvan Radu
Chief Executive Officer

Mr. Philipp Gamauf
Chief Financial Officer

31.12.2018				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 2017 previously reported	1,101,604	(53,503)	(48,923)	9,673	244,828	1	2,307,202	3,560,881	150,218	3,711,099
Effect of change in accounting policies	-	(1,452)	-	-	-	-	(57,324)	(58,776)	(5,032)	(63,808)
Balance at 31 December 2017	1,101,604	(54,955)	(48,923)	9,673	244,888	1	2,249,878	3,502,105	145,185	3,647,291
Comprehensive income for the year										
Net profit for the year	-	-	-	-	-	-	564,455	564,455	(29,384)	535,071
Other comprehensive income net of tax										
Revaluation of property, plant and equipment, net of tax	-	-	-	146	-	-	-	146	-	146
Net change in financial assets at fair value through other comprehensive income, net of tax	-	(33,616)	-	-	-	-	-	(33,616)	-	(33,616)
Net change in cash flow hedging reserve, net of tax	-	-	3,869	-	-	-	-	3,869	-	3,869
Distribution to reserves	-	-	-	-	26,204	-	(26,204)	-	-	-
Total other comprehensive income	**-**	**(33,616)**	**3,869**	**146**	**26,204**	**-**	**(26,204)**	**(29,601)**	**-**	**(29,601)**
Total comprehensive income for the year	**-**	**(33,616)**	**3,869**	**146**	**26,204**	**-**	**538,251**	**534,854**	**(29,384)**	**505,470**
Other changes*	-	-	-	-	-	-	6,597	6,597	1	6,598
Issuance of ordinary shares	76,144	-	-	-	-	621,680	-	697,825	-	697,825
Balance at 31 December 2018	1,177,748	(88,570)	(45,054)	9,819	271,031	621,680	2,794,726	4,741,381	115,803	4,857,184

** Represents mainly fiscal effect recorded during the year due to changes in accounting policies in the Bank.*
*** The real value of Share premium in 2017 is RON 55; due to the presentation in RON thousands it is presented as 1*

The consolidated and separate financial statements were approved by the Management Board on February 25, 2020 and were signed on its behalf by:

Mr. Catalin Rasvan Radu

Chief Executive Officer

Mr. Philipp Gamauf

Chief Financial Officer

CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 December 2019

31.12.2019	Bank							
In RON thousand	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 2018	**1,177,748**	**(88,570)**	**(45,054)**	**9,819**	**271,031**	**621,680**	**2,601,756**	**4,548,411**
Comprehensive income for the year								
Net profit for the year**	-	-	-	-	-	-	572,920	572,920
Other comprehensive income net of tax								
Revaluation of property, plant and equipment, net of tax	-	-	-	2,863	-	-	-	2,863
Net change in financial assets at fair value through other comprehensive incomes, net of tax	-	108,900	-	-	-	-	-	108,900
Net change in cash flow hedging reserve, net of tax	-	-	(2,779)	-	-	-	-	(2,779)
Distribution to reserves*	-	-	-	-	27,258	-	(27,258)	-
Total other comprehensive income	**-**	**108,900**	**(2,779)**	**2,863**	**27,258**	**-**	**(27,258)**	**108,984**
Total comprehensive income for the year	**-**	**108,900**	**(2,779)**	**2,863**	**27,258**	**-**	**545,661**	**681,904**
Dividends distributed*	-	-	-	-	-	-	(360,749)	(360,749)
Other changes	-	-	-	-	-	-	(516)	(516)
Balance at 31 December 2019	**1,177,748**	**20,330**	**(47,833)**	**12,682**	**298,289**	**621,680**	**2,786,154**	**4,869,050**

** According to the decision of the General Meeting of Shareholders of 8 April 2019, it was decided to allocate a part of the Bank's net profit for 2018 (550,799 RON thousands) in the form of dividends amounting to 360,749 RON thousands and to set up a reserve amounting to 27,258 RON thousands;*
*** Of the 2019 profit, the Bank will propose to Supervisory Board and General Shareholders' Meeting the distribution in 2020 to the reinvested profit reserve, of an amount of RON 28,180 thousands, exempt from the payment of the profit tax according to art. 22 of Law 227/2015.*

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Chief Executive Officer

Mr. Philipp Gamauf
Chief Financial Officer

31.12.2018	Bank							
In RON thousand	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 2017 previously reported	**1,101,604**	**(53,503)**	**(48,923)**	**9,673**	**244,828**	**1**	**2,111,725**	**3,365,404**
Accounting policy changes	-	(1,452)	-	-	-	-	(41,163)	(42,615)
Balance at 31 December 2017	**1,101,604**	**(54,955)**	**(48,923)**	**9,673**	**244,828**	**1**	**2,070,562**	**3,322,789**
Comprehensive income for the year								
Net profit for the year	-	-	-	-	-	-	550,799	550,799
Other comprehensive income net of tax								
Revaluation of property, plant and equipment, net of tax	-	-	-	146	-	-	-	146
Net change in financial assets at fair value through other comprehensive incomes, net of tax	-	(33,616)	-	-	-	-	-	(33,616)
Net change in cash flow hedging reserve, net of tax	-	-	3,869	-	-	-	-	3,869
Distribution to reserves	-	-	-	-	26,204	-	(26,204)	-
Total other comprehensive income	**-**	**(33,616)**	**3,869**	**146**	**26,204**	**-**	**(26,204)**	**(29,601)**
Total comprehensive income for the year	**-**	**(33,616)**	**3,869**	**146**	**26,204**	**-**	**524,595**	**521,198**
Other changes*	-	-	-	-	-	-	6,600	6,600
Issuance of ordinary shares	76,144	-	-	-	-	621,680	-	697,824
Balance at 31 December 2018	**1,177,748**	**(88,570)**	**(45,054)**	**9,819**	**271,031**	**621,680**	**2,601,756**	**4,548,411**

** Represents mainly fiscal effect recorded during the year due to changes in accounting policies in the Bank.*
*** The real value of Share premium in 2017 is RON 55; due to the presentation in RON thousands it is presented as 1.*

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Mr. Philipp Gamauf
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		Group		Bank	
In RON thousands	Note	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Operating activities					
Profit before taxation	19	768,933	638,141	677,315	646,135
Adjustments for non-cash items:					
Depreciation, amortization and impairment on tangible and intangible assets	13	152,295	95,626	140,117	86,820
Net impairment losses on financial assets		462,203	401,279	271,109	180,848
Change in fair value of derivatives at fair value through profit or loss		4,451	(35,667)	4,412	(35,667)
Other items for which the cash effects are investing or financing		(14,592)	7,451	(13,343)	1,166
Other non–cash items		407,997	(135,559)	213,543	(158,226)
Operating profit before changes in operating assets and liabilities		**1,781,287**	**971,271**	**1,293,153**	**721,076**
Change in operating assets:					
(Increase) / Decrease in financial assets at fair value through profit and loss/other comprehensive income		(1,043,849)	(1,486,128)	(1,043,850)	(1,486,117)
(Increase)/Decrease in loans and advances to banks		1,322,993	(769,261)	1,322,993	(768,993)
(Increase)/Decrease in loans and advances to customers		(1,749,209)	(694,261)	(1,690,780)	(125,052)
(Increase)/Decrease in lease investments		(424,994)	(399,039)	-	-
(Increase)/Decrease in other assets		37,821	(122,921)	36,117	(54,096)
Change in operating liabilities:					
(Decrease)/Increase in deposits from banks		(2,090,967)	675,379	(2,090,967)	675,379
(Decrease)/Increase in deposits from customers		4,190,791	2,390,546	4,610,789	2,471,397
(Decrease)/Increase in other liabilities		(99,835)	(10,829)	(27,040)	(91,942)
Income tax paid		(188,727)	(103,009)	(155,469)	(79,170)
Cash flows from / (used in) operating activities		**1,735,311**	**451,748**	**2,254,946**	**1,262,482**
Investment activities					
Proceeds from sale of property, plant and equipment		1	1,257	1	1,257
Acquisition of property, plant and equipment and intangible assets		(141,045)	(83,265)	(133,563)	(75,308)
Proceeds from sale of non-current assets held for sale (note 18)		6,000	-	-	-
Proceeds from sale of equity investments		-	13,148	-	-
Dividends received		2,211	2,466	2,211	2,466
Cash flows used in investment activities		**(132,833)**	**(66,394)**	**(131,351)**	**(71,585)**

		Group		Bank	
In RON thousands	Note	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Financing activities					
Dividends paid		(357,421)	-	(357,421)	-
(Payments)/proceeds from bonds issued		1,411,004	(550,000)	-	(550,000)
Increase in capital and share premium		-	697,825	-	697,825
Repayments of loans from financial institutions		(4,034,241)	(2,404,310)	(298,108)	(261,970)
Drawdowns from loans from financial institutions		2,848,271	3,334,490	-	386,532
Drawdowns/repayments from subordinated liabilities		-	-	-	-
Repayment of the lease liabilities	44	(56,788)	-	(54,776)	-
Cash flows from / (used in) financing activities		**(189,175)**	**1,078,005**	**(710,305)**	**272,387**
Net increase in cash and cash equivalents		**1,413,303**	**1,463,359**	**1,413,290**	**1,463,284**
Cash and cash equivalents at 1 January - gross value		**10,285,157**	**8,824,908**	**10,285,073**	**8,824,887**
IFRS9 impact at 01.01.2018		-	(3,110)	-	(3,098)
Cash and cash equivalents at 31 December - gross value	**20**	**11,698,460**	**10,285,157**	**11,698,363**	**10,285,073**
Impairment allowance		(4,566)	(2,899)	(4,500)	(2,899)
Cash and cash equivalents at 31 December – net value		**11,693,894**	**10,282,258**	**11,693,863**	**10,282,174**

		Group		Bank	
In RON thousands	Note	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Cash flow from operating activities include:					
Interest received		1,811,688	1,258,545	1,316,448	920,013
Interest paid		(543,190)	(429,034)	(402,071)	(311,099)

The consolidated and separate financial statements were approved by the Management Board on February 25, 2020 and were signed on its behalf by:

Mr. Catalin Rasvan Radu
Chief Executive Officer

Mr. Philipp Gamauf
Chief Financial Officer

1. REPORTING ENTITY

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

UniCredit Bank S.A. (the "Bank"), having its current registered office at 1F, Expozitiei Boulevard, District 1, Bucharest, Romania was established as a Romanian commercial bank on 1 June 2007 upon the merger by acquisition of the former UniCredit Romania S.A. (the absorbed bank) by Banca Comerciala HVB Tiriac S.A. (the absorbing bank) and is licensed by the National Bank of Romania to conduct banking activities.

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

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

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

- UniCredit Consumer Financing IFN S.A., having its current registered office at 23-25 Ghetarilor Street, 1st and 3rd floor, District 1, Bucharest, Romania, provides consumer finance loans to individual clients. The Bank has a shareholding of 50.1% in UCFIN since January 2013.
- UniCredit Leasing Corporation IFN ("UCLC"), having its headquarters in Ghetarilor Street no. 23-25, 1st, 2nd and 4th floors, Sector 1, Bucharest, Romania, provides financial leasing services to corporate clients and individuals. UCLC, the former associate, has become the Bank's subsidiary since April 2014 when the Bank gained indirect control of 99.95% (direct control: 99.90%). The Bank's indirect interest rate as of 31 December 2019 is 99.98% (direct control: 99.96%) as a result of the merger by absorption of UniCredit Leasing Romania SA ("UCLRO") by UCLC finalized in June 2015, the date at which UCLRO was absorbed by UCLC.
- Debo Leasing S.R.L., having its current registered office in 23-25 Ghetarilor Street, 2nd floor, 1st district, Bucharest, Romania, is a real estate finance lease entity and became a subsidiary of the Bank beginning with April 2014. The Bank has an indirect controlling interest of 99.97% through UCLC. Debo Leasing S.R.L. is the new name of Debo Lesing IFN S.A. beginning with October 2018, when the company was erased from the General Register of Financial Non-banking Institutions.

In August 2018, the following company stopped being a subsidiary of the UniCredit Group:

- 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, in which the Bank had an indirect controlling interest of 99.98% through UCLC. As a result of its sale by UCLC to two non-resident companies that are part of UniCredit SpA Group in August 2018, UniCredit Insurance Broker S.R.L. is no longer a subsidiary of the Group.

As of 31 December 2019 the Group carried out its activity in Romania through its Head Office located in Bucharest and through its network, having 146 branches (31 December 2018: 149) in Bucharest and in the country.

2. BASIS OF PREPARATION

a) Statement of compliance

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

b) Basis of measurement

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

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

c) Functional and presentation currency

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

2. BASIS OF PREPARATION *(continued)*

e) Foreign currency *(continued)*

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 2019	31 December 2018	Variation
Euro (EUR)	1: RON 4.7793	1: RON 4.6639	2.47%
Dollar USA (USD)	1: RON 4.2608	1: RON 4.0736	4.60%

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 2019 and 31 December 2018 The Group consists of the Bank and its subsidiaries UCFIN, UCLC and DEBO.

As a result of the sale of UCIB by UCLC to two non-resident companies that are part of UniCredit SpA Group in August 2018, UniCredit Insurance Broker S.R.L. is no longer a subsidiary of the Group.

2. BASIS OF PREPARATION *(continued)*

g) Basis of consolidation *(continued)*

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 and separate financial statements. Unrealized gains arising from transactions with associates are eliminated to the extent of the Group's interest in the enterprise. Unrealized gains arising from transactions with associates are eliminated against the investment in the associate. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The Group reclassified certain amounts after publishing the consolidated and separate financial statements as at 31 December 2018, as presented below.

Starting 2019, advances paid for fixed assets acquisition were reclassified from Property, plant and equipment and Intangible assets caption to Other assets caption, in amount of 3,093 RON thousands for the Group and 3,045 RON thousands for the Bank (2018: 22,912 RON thousands for the Group and 22,529 RON thousands for the Bank) for Property, plant and equipment, and respectively 2,533 RON thousands for the Group and 164 RON thousands for the Bank (2018: 2,979 RON thousands for the Group and 1,529 RON thousands for the Bank) for Intangible assets. The comparative data for 31 December 2018, were restated in the current year presentation.

The Group also reclassified its portfolio of loans granted by the UniCredit Leasing Corporation subsidiary to its clients, from the balance sheet item "Net lease receivables" in the balance sheet item “Loans and advances to customers at amortized cost”, in amount of RON 1,089,014 thousands (2018: 1,086,466 thousands). The comparative data for 31 December 2018, were restated in the current year presentation in order to ensure the comparability of the data and information presented, including the related disclosures in the Statement of Cash Flows and Notes.

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).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b. Financial instruments - Classification *(continued)*

As a result of the entry into force of IFRS 9 starting with 1 January 2018 the Group has reclassified financial assets and liabilities as at 1 January 2018 into the new categories, based on the business model and the characteristics of the contractual cash flows.

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 the expected turnover financial instruments.

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

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

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

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

Financial assets

At inception date, a financial asset is classified in one of the following categories:

- at fair value through profit or loss - held for trading (see note 3.b1.i);
- designated at fair value through profit or loss (see note 3.b1.iii);
- at fair value through Other Comprehensive Income (see note 3.b3);
- at amortised cost (see note 3.b2).

Financial liabilities

At inception date, a financial liability is classified in one of the following categories:

- measured at amortised cost (see note 3.b2);
- at fair value through profit or loss - held for trading (see note 3.b1.ii);
- designated at fair value (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.

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)*

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.

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.

(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 2019 and 31 December 2018: 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.

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)*

(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 if the designation avoids accounting mismatches that arise from measuring assets and associated liabilities according to different measurement criteria.

These assets are accounted for as "Financial assets held for trading".

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

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

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

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

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

As of 31 December 2019 and 31 December 2018, the Group did not designate any assets or liabilities at fair value through profit and loss.

(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 the portfolio of VISA In Series C preferred shares, as presented on Note 3 o iii).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b. Financial instruments - Classification *(continued)*

b2. Financial assets and financial liabilities at amortized cost

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

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

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

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

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

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

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

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

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

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)*

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 according to the amortized cost criterion.

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

c. Financial assets and liabilities – modification and de-recognition *(continued)*

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.

d. Purchased or Originated Credit Impaired - POCI

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".

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

e. Amortised cost measurement

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

f. Fair value measurement

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

g. Identification and measurement of impairment

(i) General topics

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

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

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

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

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

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

- comparison, for each transaction, between PD as measured at the time of origination and PD as at the reporting date, both calculated according to internal models, through thresholds set in such a way as to consider all key variables of each transaction that can affect the bank's expectation of PD changes over time (e.g. age, maturity, PD level at the time of origination);
- absolute elements such as the law requirements (e.g. 30 days past-due);
- additional internal evidence (e.g. Forborne classification).

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

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

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

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

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

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

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

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

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

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

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

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).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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.

During 2019 the significance threshold of the obligations from past due loans for retail exposures was aligned, both for the Bank and for UCFIN, 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:

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

b) the level of the absolute component of the significance threshold is 150 RON.

(iii) Prospective information for the calculation of value adjustments

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

The process defined to include macroeconomic multiple scenarios is fully consistent with macroeconomic forecast processes used by the Group for additional risk management objectives (as for example processes adopted to calculate expected credit losses from macroeconomic forecasts based on EBA stress test and ICAAP Framework) and also took advantage of independent UniCredit Research function. The starting point was therefore fully aligned while the application is differentiated in order to comply with different requirements using internal scenarios only.

In particular, UniCredit Group has selected three macroeconomic scenarios to determine the forward looking component, a baseline scenario, a positive scenario and a negative scenario.

The baseline scenario is the main scenario and indeed is expected to be the one with the highest likelihood of occurrence. The positive and the negative scenario represent alternative 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 **Base Scenario** ("Baseline") reflects the macroeconomic evolution expected from the Group and as such is coherent with the assumptions used by the Bank in the planning processes.

In the Eurozone, the challenging external environment is expected to increasingly test the resilience of the domestic drivers of growth. We forecast slower investment activity and increased spillover to the labor market, although the probability of a recession remains overall contained. Economic growth in the CEE region is likely to slow, mainly due to external headwinds.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Only moderate impetus can be expected from global fiscal policy. In the Eurozone, policymakers are either not willing or not in a position to accelerate spending. In a majority of member states, elevated public indebtedness has put tight constraints on fiscal policy. In Germany, there are both political and legal arguments for limiting fiscal expansion, despite significant surpluses in the public budget.

Under the **Positive Scenario** GDP growth remains close to or above potential in most CEE-EU countries, reflecting the more favorable external environment with a less pronounced global slowdown in 2020 and In Russia, growth remains close to potential at around 1.5% over the forecast horizon, while Turkey experiences a faster growth pace, which would help push unemployment rate lower.

The **Adverse Scenario** reflects one of the scenarios used in the evaluation processes of the capital adequacy (ICAAP). In coherence with the ICAAP framework, the scenario has been chosen to represent one of the macroeconomic and financial risks that the Groups foresees as most relevant in the context of the countries where the Group operates and for the Group's business activities.

The risk of "Widespread contagion" is confirmed at 10%. The constructive outcome of the European Parliament elections should cap the risk of a generalized weakening of the commitment to the EU project. In Italy, the events of the summer allowed the formation of a government that is more keen on seeking a constructive dialogue with the European Commission, although this is somewhat offsets by the struggle of the government to speak with one voice on a number of topics and the strong performance of right-wing, Eurosceptic parties in opinion polls. If an accident were to cause a collapse of the government without the formation of an alternative majority, a new election would probably see right-wing parties strongly increase their influence in parliament. In this environment, ECB's very loose monetary policy, especially the September decision to resume net asset purchases on open-ended basis, is a clearly positive factor and should provide ongoing support to BTPs as investors hunt for yield. Recent political developments and lower interest rates on government debt have mitigated fears that one or more rating agencies could further reduce their assessment of Italy's creditworthiness.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

h. Derivatives held for risk management purposes and hedge accounting

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

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

(i) Fair value hedges

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

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. However, if the derivative is novated to a central counterparty by both parties because of laws or regulations without changes in its terms except for those that are necessary for the novation, then the derivative is not considered as expired or terminated.

Any adjustment until the discontinuity of the hedged item for which the effective interest rate method is used is recorded in the income statement as part of its effective interest rate recalculated over the remaining lifetime.

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

(ii) Other non-trading derivatives

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

(iii) Embedded derivatives

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

(iv) Cash flow hedges

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

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

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

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

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

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

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

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

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

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

As at 31 December 2018, the Group has classified as held for sale several repossessed assets of UniCredit Leasing, which were eventually disposed of during 2019.

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.

Other fees and commission income arising on the financial services provided by the Group, including account servicing fees, investment management fees, advisory fees and syndication fees are recognized in the income statement on the accrual basis, i.e. when the corresponding service is provided.

Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

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 entity has determined that the transaction price or quoted price does not represent fair value).

m. Dividends

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

n. Leases

For the year 2018, operating lease payments are recognized in the income statement on a straight-line basis over the lease term. Leasing facilities received are recognized as an integral part of the total lease expense over the lease term.

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

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

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

Starting 2019, the Group applies IFRS 16 Leases that replaced IAS 17. IFRS 16 introduces a new definition of leases and confirms the current classification of the two types of leasing (financial and operational) in the accounting treatment applied by the lessor.

Regarding the accounting treatment applied by the lessee, the new accounting standard 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, this asset is measured based on the cash flows associated with the lease. After initial recognition, the right of use will be measured based on the rules on assets regulated by IAS 16, IAS 38 or IAS 40 and hence applying the cost model, less accumulated depreciation and any accumulated impairment losses. The right of use assets are depreciated over the duration of the lease contract.

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

n. Leases *(continued)*

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

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

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

o. Equity investments

(i) Subsidiaries

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

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

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

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

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

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

UCLC is also a parent company which has direct control over Debo Leasing S.R.L.("DEBO"), real estate leasing entity, directly controlled by UCLC, holding 99.99% starting with April 2014.

(ii) Investments 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 2019 and as of 31 December 2018.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

o. Equity investments *(continued)*

(iii) Equity instruments

The Group holds minor shareholdings in other entities providing auxiliary financial services and are classified as Financial assets at fair value through other comprehensive income (FVTOCI). Unquoted equity securities whose fair value cannot be reliably measured, are carried at cost. Whenever new information is available on the market regarding the fair value of these equity instruments and the respective fair values can be measured reliably, these financial instruments are measured at fair value, recognising the changes in their fair values in appropriate item within other comprehensive income.

The shareholdings are tested at least annualy for impairment, based on the the value of the net equity in the most recent financial statements compared with the carying amount of the respective instrument.

The VISA In Series C preferred shares are accounted for 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. Please see notes 21 and 25 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 liability method for those temporary differences that arise between the tax base for the calculation of tax on assets and liabilities and their carrying amount used for reporting in the financial statements. Deferred tax is calculated on the basis of the expected manner of realization or settlement of the carrying amount of assets and liabilities using the tax rates provided by the applicable legislation that is applicable at the reporting date.

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

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

The corporate tax rate used to calculate the current and deferred tax was 16% at 31 December 2019 (2018:16%).

q. Offsetting

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

r. Cash and cash equivalents

Cash and cash equivalents include cash, current accounts with central banks, nostro accounts, placements with 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, plant and equipment

(i) Initial recognition and measurement

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

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

(ii) Subsequent measurement

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

Revaluations are made with enough regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. The fair value of land and buildings is usually determined from market-based evidence by appraisal that is normally 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, plant and equipment *(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, max 5 years.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

u. Impairment of non – financial assets

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

v. Provisions

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

w. Financial guarantees and loan commitments

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations.

(iii) Share - based payment transactions

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

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

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

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

(iv) Termination benefits

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

y. Segment reporting

An operating segment is a component of an entity:

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

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

(c) for which discrete financial information is available.

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

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

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

- **Retail** - the Bank provides individuals (except Private Banking customers) and small and medium-sized enterprises a large range of financial products and services, including loans (mortgages, personal loans, overdrafts, credit card facility and funds transfer), savings, payment services and transactions with securities. UCFIN is also included under “Retail” segment;

- **Corporate Investment Banking(“CIB”)** - The Group provide services and products through the Global Banking Transactions Division (including payment services, trade finance, liquidity management), Finance Direction (develops and offers financing products - Factoring, Real Estate Investments, European Funds - is also actively involved in initiating, structuring and promotion of specialized financing transactions, syndications and other specialized investment banking transactions, overflow portfolio management and financial analysis for complex and high-risk transactions), Corporate Financial Consulting Corporation (management consulting for merger and acquisition companies, to finance capital markets or other financial advisory services) and the Treasury Department;

  The services are provided to corporate clients, medium-sized companies, large companies, international companies, real estate companies, public sector and financial institutions.

- **Private Banking („PB”) –** It focuses on individual clients and families with significant investments and / or VIP (VIP). The segment offers personalized banking products and services, including Asset Management and Custody solutions;

- **Leasing** - The Group, through UCLC and Debo, provides financial leasing contracts mainly for financing purchases of cars, transport vehicles, equipments and real estate. Rental contracts are mainly concluded in EUR, USD and RON, and are granted for a period of between 1 and 15 years, the transfer of ownership of the leased assets being made at the end of the lease;

- **Other -** segment (“Other”) comprises of all elements not assigned to above mentioned segments such as equity investments, taxes and Assets and Liabilities Management (“ALM”) activities.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

z. New Standards and Interpretations

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

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

- **IFRS 16 "Leases"** – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019);
- Amendments to **IFRS 9 "Financial Instruments"** - Prepayment Features with Negative Compensation – adopted by the EU on 22 March 2018 (effective for annual periods beginning on or after 1 January 2019);
- Amendments to **IAS 19 "Employee Benefits"** - Plan Amendment, Curtailment or Settlement – adopted by the EU on 13 March 2019 (effective for annual periods beginning on or after 1 January 2019);
- Amendments to **IAS 28 "Investments in Associates and Joint Ventures"** - Long-term Interests in Associates and Joint Ventures – adopted by the EU on 8 February 2019 (effective for annual periods beginning on or after 1 January 2019);
- Amendments to various standards due to **"Improvements to IFRSs (cycle 2015 -2017)"** resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 14 March 2019 (effective for annual periods beginning on or after 1 January 2019);
- **IFRIC 23 "Uncertainty over Income Tax Treatments"** – adopted by the EU on 23 October 2018 (effective for annual periods beginning on or after 1 January 2019).

The adoption of these new standards, amendments to the existing standards and interpretation has not led to any material changes in the Group's financial statements except for IFRS 16 "Leases" presented in Note 44.

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

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

At the date of authorization of these financial statements, the following amendments to the existing standards were issued by IASB and adopted by the EU and which are not yet effective:

- Amendments to **IAS 1 "Presentation of Financial Statements"** and **IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** - Definition of Material - adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020);
- Amendments to **IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement"** and **IFRS 7 "Financial Instruments: Disclosures"** - Interest Rate Benchmark Reform - adopted by the EU on 15 January 2020 (effective for annual periods beginning on or after 1 January 2020);
- Amendments to **References to the Conceptual Framework in IFRS Standards** adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

z. New Standards and Interpretations *(continued)*

The Group has elected to early adopt the interest rate benchmark reform amendments for its 2019 year end. The amendments would otherwise mandatorily take effect from 1 January 2020.

The main benefit from early adopting the amendments is that it reduces the effects of any uncertainty arising from IBOR reform on hedge accounting relationships at the 2019 year-end. Had the Group not elected to early adopt the amendments, it would need to be able to demonstrate that the uncertainty arising from IBOR reform is not affecting its hedge relationships to the extent that the hedge relationships need to be discontinued.

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:

- **IFRS 17 "Insurance Contracts"** (effective for annual periods beginning on or after 1 January 2021);
- Amendments to **IFRS 3 "Business Combinations"** - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period);
- Amendments to **IAS 1 "Presentation of Financial Statements"** - Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2022);
- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard;
- Amendments to **IFRS 10 "Consolidated Financial Statements"** and **IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded).

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:

- Asset and Liabilities Committee;
- Risk Management Operative Committee;
- Special Credit Committee;
- Credit Committee;
- Fraud Risk Management Committee;
- Operational Permanent Work Group Committee.

4. RISK MANAGEMENT *(continued)*

b) Risk management framework (*continued)*

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.

c) Credit risk

(i) Credit risk management

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

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

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

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

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

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

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

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

(ii) Forward looking information:

The Group applies probabilities to the forecast scenarios identified. The base case scenario is the single most – likely outcome and consists of information used by the Group for strategic planning and budgeting. The table below summarizes the main macroeconomic indicators included in the baseline economic scenarios used at 31 December 2019:

Country	Macroeconomic scenario	Base scenario		
		2020	2021	2022
Romania	Real GDP, yoy % change	2.4	2.7	3.0
Romania	Inflation (CPI) yoy, eop	3.7	4.1	2.7
Romania	Unemployment rate, %	4.4	4.5	4.5
Romania	Short term rate, eop	2.8	3.0	2.9
Romania	Long-term interest rates 10y (%)	4.5	4.5	4.0
Romania	House Price Index, yoy % change	0.5	0	3.0

(iii) Exposure to credit risk

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

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

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

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

	Group				
In RON thousands	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI financial assets	Total
As of 31st of December 2019					
Gross exposure	**34,487,682**	**5,036,041**	**2,114,917**	**25,265**	**41,633,097**
On balance	22,314,886	3,429,467	1,888,498	25,265	27,632,851
Off balance	12,167,253	1,606,574	226,419	-	14,000,246
Allowance for impairment	**(132,890)**	**(59,132)**	**(1,581,204)**	**(4,106)**	**(1,773,226)**
On balance	(120,093)	(50,554)	(1,448,399)	(4,106)	(1,619,046)
Off balance	(12,787)	(8,578)	(132,815)	-	(154,180)
Carrying amount	**34,349,259**	**4,976,909**	**533,703**	**21,159**	**39,859,871**
On balance	22,194,793	3,378,913	440,099	21,159	26,013,805
Off balance*	12,154,466	1,597,996	93,604	-	13,846,066
As of 31st of December 2018					
Gross exposure	**29,546,596**	**6,292,506**	**2,174,575**	**32,691**	**38,013,677**
On balance	19,892,478	4,599,202	1,946,760	32,691	26,438,440
Off balance	9,654,118	1,693,304	227,815	-	11,575,237
Allowance for impairment	**(123,755)**	**(136,895)**	**(1,709,760)**	**(3,916)**	**(1,970,410)**
On balance	(115,840)	(117,000)	(1,583,286)	(3,916)	(1,816,126)
Off balance	(7,915)	(19,895)	(126,474)	-	(154,284)
Carrying amount	**29,422,841**	**6,155,611**	**464,815**	**28,775**	**36,043,267**
On balance	19,776,638	4,482,202	363,474	28,775	24,622,314
Off balance*	9,646,203	1,673,409	101,341	-	11,420,953

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

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

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

RON thousands	Bank Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI financial assets	Total
As of 31st of December 2019					
Gross exposure	**30,412,917**	**4,927,243**	**1,907,996**	**25,265**	**37,248,156**
On balance	18,836,183	3,321,623	1,687,120	25,265	23,844,926
Off balance	11,576,734	1,605,620	220,876	-	13,403,230
Allowance for impairment	**(60,056)**	**(53,974)**	**(1,425,916)**	**(4,106)**	**(1,539,946)**
On balance	(49,836)	(35,658)	(1,276,169)	(4,106)	(1,361,663)
Off balance	(10,220)	(18,316)	(149,747)	-	(178,283)
Carrying amount	**30,352,861**	**4,873,269**	**482,080**	**21,159**	**35,708,210**
On balance	18,786,347	3,285,965	410,951	21,159	22,483,263
Off balance*	11,566,514	1,587,304	71,129	-	13,224,947
As of 31st of December 2018					
Gross exposure	**25,486,089**	**6,190,028**	**2,043,989**	**32,691**	**33,720,106**
On balance	16,262,728	4,497,417	1,816,174	32,691	22,576,319
Off balance	9,223,361	1,692,611	227,815	-	11,143,787
Allowance for impairment	**(41,533)**	**(125,502)**	**(1,611,595)**	**(3,916)**	**(1,778,629)**
On balance	(34,267)	(99,907)	(1,469,074)	(3,916)	(1,603,248)
Off balance	(7,266)	(25,595)	(142,521)	-	(175,382)
Carrying amount	**25,444,556**	**6,064,526**	**432,394**	**28,775**	**31,941,476**
On balance	**16,228,461**	**4,397,510**	**347,100**	**28,775**	**20,973,071**
Off balance*	**9,216,095**	**1,667,016**	**85,294**	**-**	**10,968,405**

**) 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 22.
- **Financial assets at fair value through other comprehensive income** - from asset quality point of view are disclosed in note 25.

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

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

	UCLC (UniCredit Leasing Corporation)				
In RON thousands	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI financial assets	Total
As of 31st of December 2019					
Gross exposure	**3,158,739**	**251,219**	**316,364**	**-**	**3,726,322**
On balance	3,034,128	251,219	315,407	-	3,600,754
Off balance	124,611	-	957	-	125,568
Allowance for impairment	**(50,325)**	**(11,843)**	**(216,130)**	**-**	**(278,298)**
On balance	(49,398)	(11,843)	(215,997)	-	(277,238)
Off balance	(927)	-	(133)	-	(1,060)
Carrying amount	**3,108,414**	**239,376**	**100,234**	**-**	**3,448,024**
On balance	**2,984,730**	**239,376**	**99,410**	**-**	**3,323,516**
Off balance*	**123,684**	**-**	**824**	**-**	**124,508**
As of 31st of December 2018					
Gross exposure	**2,723,957**	**320,974**	**397,111**	**-**	**3,442,042**
On balance	2,618,988	320,974	396,741	-	3,336,703
Off balance	104,969	-	370	-	105,339
Allowance for impairment	**(38,379)**	**(15,797)**	**(280,643)**	**-**	**(334,819)**
On balance	(37,527)	(15,797)	(280,642)	-	(333,966)
Off balance	(852)	-	(1)	-	(853)
Carrying amount	**2,685,578**	**305,177**	**116,468**	**-**	**3,107,223**
On balance	2,581,461	305,177	116,099	-	3,002,737
Off balance*	**104,117**	**-**	**369**	**-**	**104,486**

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

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

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

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

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

Impaired loans (including leasing receivables)

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

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

Individually significant impaired loans

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

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

Neither past due nor individually impaired

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

Other impaired loans

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

Past due but not impaired loans

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

Allowances for impairment

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

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

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

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

A concession refers to one of the following actions:

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

A concession may generate a loss for the lender.

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

Collateral

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

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

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

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

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

The value of collaterals presented in the following tables from this chapter represents the market value capped at individual loan exposure level and further more adjusted (haircuts applied) as per internal procedure 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)*

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

2019 RON thousands	Total out of which*:	Group Corporate	SME	Private Individuals	Private banking
Individually significant impaired loans					
Stage 3	1,328,758	1,050,941	138,494	119,989	19,334
Gross amount	**1,328,758**	**1,050,941**	**138,494**	**119,989**	**19,334**
Allowance for impairment	(1,101,580)	(859,775)	(116,732)	(110,337)	(14,736)
Carrying amount	**227,178**	**191,166**	**21,762**	**9,652**	**4,598**
Fair value of collateral	**200,240**	**149,771**	**30,588**	**6,000**	**13,881**
Property	159,337	122,035	17,421	6,000	13,881
Goods	28,051	17,436	10,615	-	-
Assignment of receivables	20	20	-	-	-
Other collateral	12,832	10,280	2,552	-	-
Other impaired loans					
Stage 3	559,740	45,913	113,064	400,723	40
Gross amount	**559,740**	**45,913**	**113,064**	**400,723**	**40**
Allowance for impairment	(346,819)	(27,772)	(83,685)	(235,358)	(4)
Carrying amount	**212,921**	**18,141**	**29,379**	**165,365**	**36**
Fair value of collateral	**190,533**	**20,502**	**27,351**	**142,645**	**35**
Property	175,623	14,633	19,858	141,097	35
Goods	10,953	5,319	5,337	297	-
Assignment of receivables	168	96	72	-	-
Other collateral	3,789	454	2,084	1,251	-
Past due but not impaired					
Stage 1	833,763	377,065	233,884	221,606	1,208
Stage 2	590,165	186,682	105,076	297,244	1,163
Gross amount	**1,423,928**	**563,747**	**338,960**	**518,850**	**2,371**
Allowance for impairment	(40,372)	(1,962)	(4,124)	(34,284)	(2)
Carrying amount	**1,383,556**	**561,785**	**334,836**	**484,566**	**2,369**
Neither past due nor impaired					
Stage 1	21,481,123	12,120,213	2,576,522	6,737,452	46,936
Stage 2	2,839,302	1,476,130	243,856	1,082,721	36,595
Gross amount	**24,320,425**	**13,596,343**	**2,820,378**	**7,820,173**	**83,531**
Allowance for impairment	(130,275)	(48,501)	(22,974)	(58,339)	(461)
Carrying amount	**24,190,150**	**13,547,842**	**2,797,404**	**7,761,834**	**83,070**
Total carrying amount	**26,013,805**	**14,318,934**	**3,183,381**	**8,421,417**	**90,073**

** Out of the total gross receivables of RON thousands 27,632,851 as at December 31, 2019, there are loans in amount of RON thousands 2,353,674 for which the Group has not recognized a loss allowance because of the collateral value. These collaterals held as security have a total market value in amount of RON thousands 13,353,553 as at December 31, 2019 and represents mainly immovable properties, movables assets-equipments and vehicles- and cash collaterals, which can be subject to a real guarantee/mortgage.*

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

2018		Group			
RON thousands	Total out of which*:	Corporate	SME	Private Individuals	Private banking
Individually significant impaired loans					
Stage 3	1,518,253	1,152,195	210,118	153,265	2,675
Gross amount	**1,518,253**	**1,152,195**	**210,118**	**153,265**	**2,675**
Allowance for impairment	(1,300,665)	(986,510)	(174,583)	(137,188)	(2,384)
Carrying amount	**217,588**	**165,685**	**35,535**	**16,077**	**291**
Fair value of collateral	**352,667**	**273,187**	**53,460**	**26,020**	**-**
Property	271,346	205,572	39,754	26,020	-
Goods	50,544	38,713	11,831	-	-
Assignment of receivables	17,313	17,313	-	-	-
Other collateral	13,464	11,589	1,875	-	-
Other impaired loans					
Stage 3	428,507	32,748	106,891	288,867	1
Gross amount	**428,507**	**32,748**	**106,891**	**288,867**	**1**
Allowance for impairment	(282,621)	(24,491)	(77,290)	(180,839)	(1)
Carrying amount	**145,886**	**8,257**	**29,601**	**108,028**	**-**
Fair value of collateral	**138,921**	**9,925**	**28,267**	**100,729**	**-**
Property	127,652	7,435	20,905	99,312	-
Goods	6,140	864	5,274	2	-
Assignment of receivables	500	500	-	-	-
Other collateral	4,629	1,126	2,088	1,415	-
Past due but not impaired					
Stage 1	629,461	257,322	203,348	167,042	1,749
Stage 2	537,281	78,539	114,590	344,069	83
Gross amount	**1,166,742**	**335,861**	**317,938**	**511,111**	**1,832**
Allowance for impairment	(46,129)	(712)	(4,463)	(40,953)	(1)
Carrying amount	**1,120,613**	**335,149**	**313,475**	**470,158**	**1,831**
Neither past due nor impaired					
Stage 1	19,263,017	10,545,825	2,466,545	6,184,751	65,896
Stage 2	4,061,921	2,665,623	174,358	1,189,490	32,450
Gross amount	**23,324,938**	**13,211,448**	**2,640,903**	**7,374,241**	**98,346**
Allowance for impairment	(186,711)	(89,308)	(18,598)	(77,621)	(1,184)
Carrying amount	**23,138,227**	**13,122,140**	**2,622,305**	**7,296,620**	**97,162**
Total carrying amount	**24,622,314**	**13,631,231**	**3,000,916**	**7,890,883**	**99,284**

** Out of the total gross receivables of RON thousands 26,438,440 as at December 31, 2018, there are loans in amount of RON thousands 2,306,959 for which the Group has not recognized a loss allowance because of the collateral value. These collaterals held as security have a total market value in amount of RON thousands 12,102,675 as at December 31, 2018 and represents mainly immovable properties, movables assets-equipments and vehicles- and cash collaterals, which can be subject to a real guarantee/mortgage.*

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

2019 RON thousands	Group Total out of which:	Corporate	SME	Private Individual	Private banking
Off balance - Loan commitments					
Stage 1	8,459,581	7,046,818	1,054,948	354,513	3,302
Stage 2	967,317	823,119	64,050	75,680	4,468
Stage 3	84,515	72,977	8,639	2,799	100
Gross amount	**9,511,413**	**7,942,914**	**1,127,637**	**432,992**	**7,870**
Allowance for impairment	(59,484)	(53,901)	(3,110)	(2,471)	(2)
Carrying amount*	**9,451,929**	**7,889,013**	**1,124,527**	**430,521**	**7,868**
Off balance - Letters of credit					
Stage 1	108,657	108,459	198	-	-
Stage 2	39,220	39,220	-	-	-
Stage 3	985	985	-	-	-
Gross amount	**148,862**	**148,664**	**198**	**-**	**-**
Allowance for impairment	(1,634)	(1,634)	-	-	-
Carrying amount*	**147,228**	**147,030**	**198**	**-**	**-**
Off balance - Guarantees issued					
Stage 1	3,599,015	3,533,546	64,360	814	295
Stage 2	600,037	572,034	19,072	2,603	6,328
Stage 3	140,919	137,779	1,398	547	1,195
Gross amount	**4,339,971**	**4,243,359**	**84,830**	**3,964**	**7,818**
Allowance for impairment	(93,062)	(92,451)	(488)	(113)	(10)
Carrying amount*	**4,246,909**	**4,150,908**	**84,342**	**3,851**	**7,808**
Total carrying amount	**13,846,066**	**12,186,951**	**1,209,067**	**434,372**	**15,676**

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

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

2018 RON thousands	Group Total out of which:	Corporate	SME	Private Individuals	Private banking
Off balance - Loan commitments					
Stage 1	7,221,432	6,113,866	833,782	272,230	1,554
Stage 2	977,956	808,586	74,697	90,666	4,007
Stage 3	80,287	79,169	751	229	138
Gross amount	**8,279,675**	**7,001,621**	**909,230**	**363,125**	**5,699**
Allowance for impairment	(53,538)	(51,543)	(1,876)	(118)	(1)
Carrying amount*	**8,226,137**	**6,950,078**	**907,354**	**363,007**	**5,698**
Off balance - Letters of credit					
Stage 1	79,867	70,901	8,966	-	-
Stage 2	49,077	49,077	-	-	-
Stage 3	3,484	3,484	-	-	-
Gross amount	**132,428**	**123,462**	**8,966**	**-**	**-**
Allowance for impairment	(2,516)	(2,499)	(17)	-	-
Carrying amount*	**129,912**	**120,963**	**8,949**	**-**	**-**
Off balance - Guarantees issued					
Stage 1	2,352,819	2,285,054	65,626	1,075	1,064
Stage 2	666,271	637,991	14,545	2,646	11,089
Stage 3	144,044	142,019	1,830	195	-
Gross amount	**3,163,134**	**3,065,064**	**82,001**	**3,916**	**12,153**
Allowance for impairment	(98,230)	(97,170)	(964)	(83)	(13)
Carrying amount*	**3,064,904**	**2,967,894**	**81,037**	**3,833**	**12,140**
Total carrying amount	**11,420,953**	**10,038,935**	**997,340**	**366,840**	**17,838**

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

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

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

2019			Bank		
RON thousands	Total out of which*:	Corporate	SME	Private Individuals	Private banking
Individually significant impaired loans					
Stage 3	1,304,541	1,050,941	114,277	119,989	19,334
Gross amount	**1,304,541**	**1,050,941**	**114,277**	**119,989**	**19,334**
Allowance for impairment	(1,077,756)	(859,775)	(92,908)	(110,337)	(14,736)
Carrying amount	**226,785**	**191,166**	**21,369**	**9,652**	**4,598**
Fair value of collateral	**197,056**	**149,771**	**27,404**	**6,000**	**13,881**
Property	159,337	122,035	17,421	6,000	13,881
Goods	24,867	17,436	7,431	-	-
Assignment of receivables	20	20	-	-	-
Other collateral	12,832	10,280	2,552	-	-
Other impaired loans					
Stage 3	382,579	45,913	103,859	232,767	40
Gross amount	**382,579**	**45,913**	**103,859**	**232,767**	**40**
Allowance for impairment	(198,413)	(27,772)	(79,708)	(90,929)	(4)
Carrying amount	**184,166**	**18,141**	**24,151**	**141,838**	**36**
Fair value of collateral	**185,705**	**20,502**	**22,820**	**142,348**	**35**
Property	175,623	14,633	19,858	141,097	35
Goods	6,494	5,319	1,175	-	-
Assignment of receivables	168	96	72	-	-
Other collateral	3,420	454	1,715	1,251	-
Past due but not impaired					
Stage 1	651,340	377,065	134,956	138,111	1,208
Stage 2	520,399	186,682	75,718	256,836	1,163
Gross amount	**1,171,739**	**563,747**	**210,674**	**394,947**	**2,371**
Allowance for impairment	(11,886)	(1,962)	(2,703)	(7,219)	(2)
Carrying amount	**1,159,853**	**561,785**	**207,971**	**387,728**	**2,369**
Neither past due nor impaired					
Stage 1	18,184,843	12,118,875	1,656,738	4,362,294	46,936
Stage 2	2,801,224	1,476,131	213,403	1,075,095	36,595
Gross amount	**20,986,067**	**13,595,006**	**1,870,141**	**5,437,389**	**83,531**
Allowance for impairment	(73,608)	(48,493)	(11,381)	(13,273)	(461)
Carrying amount	**20,912,459**	**13,546,513**	**1,858,760**	**5,424,116**	**83,070**
Total carrying amount	**22,483,263**	**14,317,605**	**2,112,251**	**5,963,334**	**90,073**

** Out of the total gross receivables of RON thousands 23,844,926 as at December 31, 2019, there are loans in amount of RON thousands 2,351,825 for which the Bank has not recognized a loss allowance because of the collateral value. These collaterals held as security have a total market value in amount of RON thousands 13,337,696 as at December 31, 2019 and represents mainly immovable properties, movables assets-equipments and vehicles- and cash collaterals, which can be subject to a real guarantee/mortgage.*

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

2018 RON thousands	Bank Total out of which*:	Corporate	SME	Private Individuals	Private banking
Individually significant impaired loans					
Stage 3	1,504,553	1,152,195	196,418	153,265	2,675
Gross amount	**1,504,553**	**1,152,195**	**196,418**	**153,265**	**2,675**
Allowance for impairment	(1,288,288)	(986,510)	(162,206)	(137,188)	(2,384)
Carrying amount	**216,265**	**165,685**	**34,212**	**16,077**	**291**
Fair value of collateral	**349,225**	**273,187**	**50,018**	**26,020**	**-**
Property	271,346	205,572	39,754	26,020	-
Goods	47,102	38,713	8,389	-	-
Assignment of receivables	17,313	17,313	-	-	-
Other collateral	13,464	11,589	1,875	-	-
Other impaired loans					
Stage 3	311,621	32,748	100,049	178,823	1
Gross amount	**311,621**	**32,748**	**100,049**	**178,823**	**1**
Allowance for impairment	(180,786)	(24,491)	(74,994)	(81,300)	(1)
Carrying amount	**130,835**	**8,257**	**25,055**	**97,523**	**-**
Fair value of collateral	**135,827**	**9,925**	**25,173**	**100,729**	**-**
Property	127,652	7,435	20,905	99,312	-
Goods	3,046	864	2,180	2	-
Assignment of receivables	500	500	-	-	-
Other collateral	4,629	1,126	2,088	1,415	-
Past due but not impaired					
Stage 1	553,781	257,322	141,425	153,285	1,749
Stage 2	453,946	78,539	76,323	299,001	83
Gross amount	**1,007,727**	**335,861**	**217,748**	**452,286**	**1,832**
Allowance for impairment	(17,543)	(712)	(2,983)	(13,847)	(1)
Carrying amount	**990,184**	**335,149**	**214,765**	**438,439**	**1,831**
Neither past due nor impaired					
Stage 1	15,708,947	10,481,074	1,541,543	3,620,434	65,896
Stage 2	4,043,471	2,665,621	169,642	1,175,758	32,450
Gross amount	**19,752,418**	**13,146,695**	**1,711,185**	**4,796,192**	**98,346**
Allowance for impairment	(116,631)	(88,686)	(6,625)	(20,136)	(1,184)
Carrying amount	**19,635,787**	**13,058,009**	**1,704,560**	**4,776,056**	**97,162**
Total carrying amount	**20,973,071**	**13,567,100**	**1,978,592**	**5,328,095**	**99,284**

** Out of the total gross receivables of RON thousands 22,576,319 as at December 31, 2018, there are loans in amount of RON thousands 2,303,842 for which the Bank has not recognized a loss allowance because of the collateral value. These collaterals held as security have a total market value in amount of RON thousands 12,084,705 as at December 31, 2018 and represents mainly immovable properties, movables assets-equipments and vehicles- and cash collaterals, which can be subject to a real guarantee/mortgage.*

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

2019 RON thousands	Total out of which:	Bank Corporate	SME	Private Individual	Private banking
Off balance - Loan commitments					
Stage 1	7,867,436	7,090,910	668,816	104,408	3,302
Stage 2	966,363	823,119	64,050	74,726	4,468
Stage 3	78,972	72,978	3,095	2,799	100
Gross amount	**8,912,771**	**7,987,007**	**735,961**	**181,933**	**7,870**
Allowance for impairment	(56,839)	(53,997)	(2,393)	(447)	(2)
Carrying amount*	**8,855,932**	**7,933,010**	**733,568**	**181,486**	**7,868**
Off balance - Letters of credit					
Stage 1	110,284	110,086	198	-	-
Stage 2	39,220	39,220	-	-	-
Stage 3	985	985	-	-	-
Gross amount	**150,489**	**150,291**	**198**	**-**	**-**
Allowance for impairment	(1,634)	(1,634)	-	-	-
Carrying amount*	**148,855**	**148,657**	**198**	**-**	**-**
Off balance - Guarantees					
Stage 1	3,599,014	3,533,545	64,360	814	295
Stage 2	600,037	572,034	19,072	2,603	6,328
Stage 3	140,919	137,779	1,398	547	1,195
Gross amount	**4,339,970**	**4,243,358**	**84,830**	**3,964**	**7,818**
Allowance for impairment	(119,810)	(119,199)	(488)	(113)	(10)
Carrying amount*	**4,220,160**	**4,124,159**	**84,342**	**3,851**	**7,808**
Total carrying amount	**13,224,947**	**12,205,826**	**818,108**	**185,337**	**15,676**

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

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

2018	Bank				
RON thousands	Total out of which:	Corporate	SME	Private Individuals	Private banking
Off balance - Loan commitments					
Stage 1	6,790,568	6,082,476	613,751	92,787	1,554
Stage 2	977,263	808,586	74,697	89,973	4,007
Stage 3	80,287	79,169	751	229	138
Gross amount	**7,848,118**	**6,970,231**	**689,199**	**182,989**	**5,699**
Allowance for impairment	(58,473)	(57,004)	(1,350)	(118)	(1)
Carrying amount*	**7,789,645**	**6,913,227**	**687,849**	**182,871**	**5,698**
Off balance - Letters of credit					
Stage 1	79,867	70,901	8,966	-	-
Stage 2	49,077	49,077	-	-	-
Stage 3	3,484	3,484	-	-	-
Gross amount	**132,428**	**123,462**	**8,966**	**-**	**-**
Allowance for impairment	(2,516)	(2,499)	(17)	-	-
Carrying amount*	**129,912**	**120,963**	**8,949**	**-**	**-**
Off balance - Guarantees					
Stage 1	2,352,926	2,285,161	65,626	1,075	1,064
Stage 2	666,271	637,991	14,545	2,646	11,089
Stage 3	144,044	142,019	1,830	195	-
Gross amount	**3,163,241**	**3,065,171**	**82,001**	**3,916**	**12,153**
Allowance for impairment	(114,393)	(113,333)	(964)	(83)	(13)
Carrying amount*	**3,048,848**	**2,951,838**	**81,037**	**3,833**	**12,140**
Total carrying amount	**10,968,405**	**9,986,028**	**777,835**	**186,704**	**17,838**

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

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

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

2019	UCLC (UniCredit Leasing Corporation)			
RON thousands	Total out of which*:	Corporate	SME	Private Individuals
Individually significant impaired loans				
Stage 3	252,244	42,352	208,956	936
Gross amount	**252,244**	**42,352**	**208,956**	**936**
Allowance for impairment	(189,207)	(25,506)	(162,765)	(936)
Carrying amount	**63,037**	**16,846**	**46,191**	**-**
Fair value of collateral	**130,566**	**16,846**	**113,702**	**18**
Property	12,348	-	12,348	-
Vehicles and equipment	78,025	16,369	61,638	18
Assignment of receivables	-	-	-	-
Other collateral	40,194	477	39,717	-
Other impaired loans				
Stage 3	63,163	1	62,000	1,162
Gross amount	**63,163**	**1**	**62,000**	**1,162**
Allowance for impairment	(26,792)	(1)	(25,841)	(950)
Carrying amount	**36,371**	**-**	**36,159**	**212**
Fair value of collateral	**39,416**	**-**	**38,554**	**861**
Property	-	-	-	-
Vehicles and equipment	39,416	-	38,554	861
Assignment of receivables	-	-	-	-
Other collateral	-	-	-	-
Past due but not impaired				
Stage 1	92,588	7,214	81,779	3,595
Stage 2	113,172	-	110,813	2,359
Gross amount	**205,760**	**7,214**	**192,592**	**5,954**
Allowance for impairment	(2,533)	(59)	(2,441)	(34)
Carrying amount	**203,227**	**7,156**	**190,151**	**5,920**
Neither past due nor impaired				
Stage 1	2,941,540	229,836	2,639,480	72,225
Stage 2	138,047	5	137,307	735
Gross amount	**3,079,587**	**229,841**	**2,776,787**	**72,960**
Allowance for impairment	(58,708)	(13,626)	(44,566)	(516)
Carrying amount	**3,020,881**	**216,215**	**2,732,221**	**72,444**
Total carrying amount	**3,323,516**	**240,217**	**3,021,666**	**78,576**

** Out of the total gross receivables of RON thousands 3,600,754 as at December 31, 2019, there are loans in amount of RON thousands 21,155 for which UniCredit Leasing has not recognized a loss allowance because of the collateral value. These collaterals held as security have a total market value in amount of RON thousands 57,966 as at December 31, 2019 and they represent Asset Property, Cash Collaterals and Immovable Mortgages.*

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

2018 RON thousands	UCLC (UniCredit Leasing Corporation) Total out of which*:	Corporate	SME	Private Individuals
Individually significant impaired loans				
Stage 3	342,704	12,528	329,209	967
Gross amount	**342,704**	**12,528**	**329,209**	**967**
Allowance for impairment	(248,903)	(7,988)	(239,948)	(967)
Carrying amount	**93,801**	**4,540**	**89,261**	**-**
Fair value of collateral	**188,508**	**4,286**	**184,158**	**64**
Property	14,442	-	14,442	-
Vehicles and equipment	95,396	3,821	91,511	64
Assignment of receivables	-	-	-	-
Other collateral	78,670	465	78,205	-
Other impaired loans				
Stage 3	54,037	-	52,941	1,096
Gross amount	**54,037**	**-**	**52,941**	**1,096**
Allowance for impairment	(31,739)	-	(31,054)	(685)
Carrying amount	**22,299**	**-**	**21,887**	**412**
Fair value of collateral	**25,922**	**-**	**25,497**	**425**
Property	-	-	-	-
Vehicles and equipment	25,459	-	25,034	425
Assignment of receivables	-	-	-	-
Other collateral	463	-	463	-
Past due but not impaired				
Stage 1	129,809	3,481	125,214	1,114
Stage 2	193,307	3,169	189,999	139
Gross amount	**323,116**	**6,650**	**315,213**	**1,253**
Allowance for impairment	(7,438)	(160)	(7,244)	(34)
Carrying amount	**315,678**	**6,490**	**307,969**	**1,219**
Neither past due nor impaired				
Stage 1	2,489,179	219,146	2,235,305	34,728
Stage 2	127,666	-	127,666	-
Gross amount	**2,616,845**	**219,146**	**2,362,971**	**34,728**
Allowance for impairment	(45,886)	(4,880)	(39,869)	(1,137)
Carrying amount	**2,570,959**	**214,266**	**2,323,102**	**33,591**
Total carrying amount	**3,002,737**	**225,296**	**2,742,219**	**35,222**

** Out of the total gross receivables of RON thousands 3,336,703 as at December 31, 2018, there are loans in amount of RON thousands 35,660 for which UniCredit Leasing has not recognized a loss allowance because of the collateral value. These collaterals held as security have a total market value in amount of RON thousands 65,690 as at December 31, 2018 and they represent Asset Property, Cash Collaterals, Immovable Mortgages.*

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

2019 RON thousands	UCLC (UniCredit Leasing Corporation) Total out of which:	Corporate	SME	Private Individuals
Off balance - Loan commitments				
Stage 1	124,611	23,642	99,590	1,379
Stage 2	-	-	-	-
Stage 3	957	82	874	-
Gross amount	**125,568**	**23,724**	**100,464**	**1,379**
Allowance for impairment	(1,060)	(225)	(828)	(6)
Carrying amount*	**124,508**	**23,499**	**99,636**	**1,373**

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

2018 RON thousands	UCLC (UniCredit Leasing Corporation) Total out of which:	Corporate	SME	Private Individuals
Off balance - Loan commitments				
Stage 1	104,969	19,822	84,919	228
Stage 2	-	-	-	-
Stage 3	370	-	370	-
Gross amount	**105,339**	**19,822**	**85,289**	**228**
Allowance for impairment	(853)	(198)	(654)	(1)
Carrying amount*	**104,486**	**19,624**	**84,635**	**227**

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

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

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

2019 RON thousands			Group		
Loans and advances to customers at amortised 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)	3,556,836	77,946	-	-	3,634,782
Grades 4-6: performing (medium risk)	16,930,491	2,144,327	-	20,640	19,074,818
Grades 7-8 : performing (in observation & substandard)	1,821,137	1,190,605	-	-	3,011,742
Grade 8 : impaired	-	-	1,523,802	4,625	1,523,802
Grade 9: impaired	-	-	154,586	-	154,586
Grade 10: impaired	-	-	210,110	-	210,110
Unrated	6,422	16,589	-	-	23,011
Total gross amount	**22,314,886**	**3,429,467**	**1,888,498**	**25,265**	**27,632,851**
Loss allowance	(120,093)	(50,554)	(1,448,399)	(4,106)	(1,619,046)
Carrying amount	**22,194,793**	**3,378,913**	**440,099**	**21,159**	**26,013,805**

2018 RON thousands			Group		
Loans and advances to customers at amortised 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)	3,530,442	78,713	-	-	3,609,155
Grades 4-6: performing (medium risk)	15,036,772	3,282,479	-	26,007	18,319,251
Grades 7-8 : performing (in observation & substandard)	1,323,092	1,210,272	-	-	2,533,364
Grade 8 : impaired	-	-	1,294,140	6,684	1,294,140
Grade 9: impaired	-	-	237,097	-	237,097
Grade 10: impaired	-	-	415,523	-	415,523
Unrated	2,172	27,738	-	-	29,910
Total gross amount	**19,892,478**	**4,599,202**	**1,946,760**	**32,691**	**26,438,440**
Loss allowance	(115,840)	(117,000)	(1,583,286)	(3,916)	(1,816,126)
Carrying amount	**19,776,638**	**4,482,202**	**363,474**	**28,775**	**24,622,314**

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

2019 RON thousands Loans and advances to customers at amortised 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)	4,245,154	423,926	-	-	4,669,081
Grades 4-6: performing (medium risk)	7,414,430	698,054	-	-	8,112,482
Grades 7-8 : performing (in observation & substandard)	497,501	470,269	-	-	967,770
Grade 8 : impaired	-	-	171,958	-	171,959
Grade 9: impaired	-	-	54,193	-	54,193
Grade 10: impaired	-	-	268	-	268
Unrated	10,169	14,325	-	-	24,493
Total gross amount	**12,167,253**	**1,606,574**	**226,419**	**-**	**14,000,246**
Loss allowance	(12,787)	(8,578)	(132,815)	-	(154,180)
Carrying amount*	**12,154,466**	**1,597,995**	**93,604**	**-**	**13,846,066**

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

2018 RON thousands Loans and advances to customers at amortised 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)	2,852,602	285,738	-	-	3,138,340
Grades 4-6: performing (medium risk)	6,504,625	806,093	-	-	7,310,718
Grades 7-8 : performing (in observation & substandard)	286,859	585,235	-	-	872,094
Grade 8 : impaired	-	-	164,191	-	164,191
Grade 9: impaired	-	-	62,921	-	62,921
Grade 10: impaired	-	-	703	-	703
Unrated	10,032	16,238	-	-	26,270
Total gross amount	**9,654,118**	**1,693,304**	**227,815**	**-**	**11,575,237**
Loss allowance	(7,915)	(19,895)	(126,474)	-	(154,284)
Carrying amount*	**9,646,203**	**1,673,409**	**101,341**	**-**	**11,420,953**

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

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

RON thousands	Bank 2019				
Loans and advances to customers at amortised cost (on balance)	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI financial assets	Total
Grades 1-3 : performing (low risk)	1,195,000	70,384	-	-	1,265,384
Grades 4-6: performing (medium risk)	15,968,347	2,061,755	-	20,640	18,030,102
Grades 7-8 : performing (in observation & substandard)	1,666,414	1,172,895	-	-	2,839,309
Grade 8 : impaired	-	-	1,360,429	4,625	1,360,429
Grade 9: impaired	-	-	138,299	-	138,299
Grade 10: impaired	-	-	188,392	-	188,392
Unrated	6,422	16,589	-	-	23,011
Total gross amount	**18,836,183**	**3,321,623**	**1,687,120**	**25,265**	**23,844,926**
Loss allowance	(49,836)	(35,658)	(1,276,169)	(4,106)	(1,361,663)
Carrying amount	**18,786,347**	**3,285,965**	**410,951**	**21,159**	**22,483,263**

RON thousands	Bank 2018				
Loans and advances to customers at amortised 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)	928,248	64,945	-	-	993,193
Grades 4-6: performing (medium risk)	14,133,429	3,204,376	-	26,007	17,337,805
Grades 7-8 : performing (in observation & substandard)	1,198,879	1,200,358	-	-	2,399,237
Grade 8 : impaired	-	-	1,234,985	6,684	1,234,985
Grade 9: impaired	-	-	207,658	-	207,658
Grade 10: impaired	-	-	373,531	-	373,531
Unrated	2,172	27,738	-	-	29,910
Total gross amount	**16,262,728**	**4,497,417**	**1,816,174**	**32,691**	**22,576,319**
Loss allowance	(34,267)	(99,907)	(1,469,074)	(3,916)	(1,603,248)
Carrying amount	**16,228,461**	**4,397,510**	**347,100**	**28,775**	**20,973,071**

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

RON thousands	Bank				
	2019				
Loans and advances to customers at amortised cost (off balance)	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI financial assets	Total
Grades 1-3 : performing (low risk)	4,045,433	423,333	-	-	4,468,766
Grades 4-6: performing (medium risk)	7,046,119	697,693	-	-	7,743,812
Grades 7-8 : performing (in observation & substandard)	475,013	470,269	-	-	945,282
Grade 8 : impaired	-	-	166,415	-	166,415
Grade 9: impaired	-	-	54,193	-	54,193
Grade 10: impaired	-	-	268	-	268
Unrated	10,169	14,325	-	-	24,494
Total gross amount	**11,576,734**	**1,605,620**	**220,876**	**-**	**13,403,230**
Loss allowance	(10,220)	(18,316)	(149,747)	-	(178,283)
Carrying amount*	**11,566,514**	**1,587,304**	**71,129**	**-**	**13,224,947**

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

RON thousands	Bank				
	2018				
Loans and advances to customers at amortised cost (off balance)	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI financial assets	Total
Grades 1-3 : performing (low risk)	2,673,240	285,094	-	-	2,958,334
Grades 4-6: performing (medium risk)	6,269,181	806,044	-	-	7,075,225
Grades 7-8 : performing (in observation & substandard)	270,908	585,235	-	-	856,143
Grade 8 : impaired	-	-	164,191	-	164,191
Grade 9: impaired	-	-	62,921	-	62,921
Grade 10: impaired	-	-	703	-	703
Unrated	10,032	16,238	-	-	26,270
Total gross amount	**9,223,361**	**1,692,611**	**227,815**	**-**	**11,143,787**
Loss allowance	(7,266)	(25,595)	(142,521)	-	(175,382)
Carrying amount*	**9,216,095**	**1,667,016**	**85,294**	**-**	**10,968,405**

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

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

In RON thousands	UCLC (UniCredit Leasing Corporation)		2019		
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)	27,152	414	-	-	27,566
Grades 4-6: performing (medium risk)	2,365,200	164,609	-	-	2,529,809
Grades 7-8 : performing (in observation & substandard)	641,776	86,196	-	-	727,972
Grade 8 : impaired	-	-	19,594	-	19,594
Grade 9: impaired	-	-	187,465	-	187,465
Grade 10: impaired	-	-	108,348	-	108,348
Unrated	-	-	-	-	-
Total gross amount	**3,034,128**	**251,219**	**315,407**	**-**	**3,600,754**
Loss allowance	(49,398)	(11,843)	(215,997)	-	(277,238)
Carrying amount	**2,584,730**	**239,376**	**99,410**	**-**	**3,323,516**

In RON thousands	UCLC (UniCredit Leasing Corporation)		2018		
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)	43,141	369	-	-	43,510
Grades 4-6: performing (medium risk)	1,793,988	239,150	-	-	2,033,138
Grades 7-8 : performing (in observation & substandard)	781,859	81,455	-	-	863,314
Grade 8 : impaired	-	-	22,696	-	22,696
Grade 9: impaired	-	-	172,675	-	172,675
Grade 10: impaired	-	-	201,370	-	201,370
Unrated	-	-	-	-	-
Total gross amount	**2,618,988**	**320,974**	**396,741**	**-**	**3,336,703**
Loss allowance	(37,527)	(21,497)	(274,942)	-	(333,966)
Carrying amount	**2,581,461**	**299,477**	**121,799**	**-**	**3,002,737**

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

In RON thousands Lease receivables (off balance)	UCLC (UniCredit Leasing Corporation) 2019 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)	874	-	-	-	874
Grades 4-6: performing (medium risk)	109,876	-	-	-	109,876
Grades 7-8 : performing (in observation & substandard)	13,861	-	-	-	13,861
Grade 8 : impaired	-	-	598	-	598
Grade 9: impaired	-	-	359	-	359
Grade 10: impaired	-	-	-	-	-
Unrated	-	-	-	-	-
Total gross amount	**124,611**	**-**	**957**	**-**	**125,568**
Loss allowance	(927)	-	(133)	-	(1,060)
Carrying amount*	**123,684**	**-**	**824**	**-**	**124,508**

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

In RON thousands Lease receivables (off balance)	UCLC (UniCredit Leasing Corporation) 2018 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)	9	-	-	-	9
Grades 4-6: performing (medium risk)	89,432	-	-	-	89,432
Grades 7-8 : performing (in observation & substandard)	15,528	-	-	-	15,528
Grade 8 : impaired	-	-	370	-	370
Grade 9: impaired	-	-	-	-	-
Grade 10: impaired	-	-	-	-	-
Unrated	-	-	-	-	-
Total gross amount	**104,969**	**-**	**370**	**-**	**105,339**
Loss allowance	(852)	-	(1)	-	(853)
Carrying amount*	**104,117**	**-**	**369**	**-**	**104,486**

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

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

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

RON thousands Placements with banks at amortised cost	Group / Bank Stage 1 12-month ECL	2019 Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI financial assets	Total
Grades 1-8 : performing	572,918	-	-	-	572,918
Grade 8 : impaired	-	-	-	-	-
Grade 9: impaired	-	-	-	-	-
Grade 10: impaired	-	-	-	-	-
Unrated	-	-	-	-	-
Total gross amount	**572,918**	**-**	**-**	**-**	**572,918**
Loss allowance	(351)	-	-	-	(351)
Carrying amount – on balance	**572,567**	**-**	**-**	**-**	**572,567**
Gross amount - off balance	**1,784,345**	**35,650**	**-**	**-**	**1,819,995**
Loss allowance - off balance	(192)	(7)	-	-	(199)
Carrying amount - off balance	**1,784,153**	**35,643**	**-**	**-**	**1,819,796**

RON thousands Placements with banks at amortised cost	Group / Bank Stage 1 12-month ECL	2018 Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI financial assets	Total
Grades 1-8 : performing	1,894,607	3,123	-	-	1,897,730
Grade 8 : impaired	-	-	-	-	-
Grade 9: impaired	-	-	-	-	-
Grade 10: impaired	-	-	-	-	-
Unrated	-	-	-	-	-
Total gross amount	**1,894,607**	**3,123**	**-**	**-**	**1,897,730**
Loss allowance	(112)	(16)	-	-	(128)
Carrying amount – on balance	**1,894,495**	**3,107**	**-**	**-**	**1,897,602**
Gross amount - off balance	**1,587,025**	**41,718**	**-**	**-**	**1,628,743**
Loss allowance - off balance	(175)	(6)	-	-	(181)
Carrying amount - off balance	**1,586,850**	**41,712**	**-**	**-**	**1,628,562**

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

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

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

RON thousands	Group				
	2019				
Financial assets at fair value through other comprehensive income	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI financial assets	Total
Grades 1-8 : performing	8,621,164	-	-	-	8,621,164
Grade 8 : impaired	-	-	-	-	-
Grade 9: impaired	-	-	-	-	-
Grade 10: impaired	-	-	-	-	-
Unrated	-	-	-	-	-
Total gross amount	**8,621,164**	**-**	**-**	**-**	**8,621,164**
Loss allowance	(6,524)	-	-	-	(6,524)
Carrying amount	**8,614,640**	**-**	**-**	**-**	**8,614,640**

RON thousands	Group				
	2018				
Financial assets at fair value through other comprehensive income	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI financial assets	Total
Grades 1-8 : performing	7,340,830	-	-	-	7,340,830
Grade 8 : impaired	-	-	-	-	-
Grade 9: impaired	-	-	-	-	-
Grade 10: impaired	-	-	-	-	-
Unrated	-	-	-	-	-
Total gross amount	**7,340,830**	**-**	**-**	**-**	**7,340,830**
Loss allowance	(10,209)	-	-	-	(10,209)
Carrying amount	**7,330,621**	**-**	**-**	**-**	**7,330,621**

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

			Bank		
RON thousands			2019		
Financial assets at fair value through other comprehensive income	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI financial assets	Total
Grades 1-8 : performing	8,618,818	-	-	-	8,618,818
Grade 8 : impaired	-	-	-	-	-
Grade 9: impaired	-	-	-	-	-
Grade 10: impaired	-	-	-	-	-
Unrated	-	-	-	-	-
Total gross amount	**8,618,818**	**-**	**-**	**-**	**8,618,818**
Loss allowance	(6,524)	-	-	-	(6,524)
Carrying amount	**8,612,294**	**-**	**-**	**-**	**8,612,294**

			Bank		
RON thousands			2018		
Financial assets at fair value through other comprehensive income	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI financial assets	Total
Grades 1-8 : performing	7,338,484	-	-	-	7,338,484
Grade 8 : impaired	-	-	-	-	-
Grade 9: impaired	-	-	-	-	-
Grade 10: impaired	-	-	-	-	-
Unrated	-	-	-	-	-
Total gross amount	**7,338,484**	**-**	**-**	**-**	**7,338,484**
Loss allowance	(10,209)	-	-	-	(10,209)
Carrying amount	**7,328,275**	**-**	**-**	**-**	**7,328,275**

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

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

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

Group			
Loans to customers at amortised cost - ON balance		2019	2018
Private entities (including individuals)		**8,965,011**	**8,430,338**
SME	G Commerce - wholesale and retail	1,386,638	1,287,338
	C Manufacturing	524,116	542,167
	A Agriculture - forestry - fisheries	435,957	359,040
	F Construction and civil engineering	169,049	174,761
	H Transport and storage services	535,585	533,734
	Other services	359,551	378,810
Total SME		**3,410,896**	**3,275,850**
Corporate	C Manufacturing	5,115,425	4,852,302
	G Commerce - wholesale and retail	3,722,630	3,528,156
	L Real estate	1,683,457	1,786,026
	A Agriculture - forestry - fisheries	1,013,365	1,116,060
	H Transport and storage services	650,471	629,741
	Other services	3,071,596	2,819,967
Total Corporate		**15,256,944**	**14,732,252**
Total		**27,632,851**	**26,438,440**
Allowance for impairment		(1,619,046)	(1,816,126)
Carrying amount		**26,013,805**	**24,622,314**

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

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

Group			
Loans to customers at amortised cost - OFF balance		2019	2018
Private entities (including individuals)		**452,644**	**384,863**
Loan commitments			
SME	G Commerce - wholesale and retail	663,338	436,791
	C Manufacturing	144,757	177,098
	A Agriculture - forestry - fisheries	114,845	114,558
	F Construction and civil engineering	100,537	61,166
	H Transport and storage services	27,257	22,806
	Other industries	76,902	96,811
Total SME		**1,127,636**	**909,230**
Corporate	C Manufacturing	2,163,388	1,694,546
	G Commerce - wholesale and retail	2,042,248	1,766,127
	D Production and supply of electricity, gas, steam and air conditioning	847,927	696,706
	F Construction and civil engineering	722,769	538,854
	K Financial and insurance institutions	532,932	677,082
	Other industries	1,633,650	1,628,306
Total Corporate		**7,942,916**	**7,001,621**
Total loans commitments		**9,070,552**	**7,910,851**
Letters of credit			
SME	G Commerce - wholesale and retail	198	302
	Other industries	-	8,664
Total SME		**198**	**8,966**
Corporate	G Commerce - wholesale and retail	82,587	68,119
	C Manufacturing	53,877	43,805
	H Transport and storage services	11,530	-
	M Professional, scientific and technical activities	985	2,079
	F Construction and civil engineering	729	1,969
	Other industries	583	7,490
Total Corporate		**150,291**	**123,462**
Total letters of credit		**150,489**	**132,428**
Financial guarantees			
SME	G Commerce - wholesale and retail	29,911	26,836
	F Construction and civil engineering	15,366	8,495
	C Manufacturing	14,560	7,151
	N Administrative and support service	6,338	7,351
	M Professional, scientific and technical activities	4,764	7,471
	Other industries	13,891	24,697
Total SME		**84,830**	**82,001**
Corporate	D Production and supply of electricity, gas, steam and air conditioning	1,259,008	648,874
	G Commerce - wholesale and retail	1,056,735	245,856
	F Construction and civil engineering	670,715	914,472
	K Financial and insurance institutions	271,518	42,498
	C Manufacturing	258,095	591,365
	Other Industries	725,661	621,999
Total Corporate		**4,241,732**	**3,065,064**
Total financial guarantees		**4,326,562**	**3,147,065**
TOTAL Off balance sheet exposure for loans to customers		**14,000,246**	**11,575,237**
Allowance for impairment		(154,180)	(154,284)
Carrying amount		**13,846,066**	**11,420,953**

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

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

Bank			
Loans to customers at amortised cost - ON balance		2019	2018
Private entities (including individuals)		**6,290,328**	**5,683,400**
SME	G Commerce - wholesale and retail	846,989	820,141
	C Manufacturing	508,778	500,465
	A Agriculture - forestry - fisheries	299,806	250,070
	F Construction and civil engineering	169,049	174,761
	H Transport and storage services	131,963	130,474
	Other services	342,366	349,490
Total SME		**2,298,951**	**2,225,401**
Corporate	C Manufacturing	5,114,905	4,852,330
	G Commerce - wholesale and retail	3,721,853	3,463,394
	L Real estate	1,683,457	1,786,026
	A Agriculture - forestry - fisheries	1,013,365	1,116,060
	H Transport and storage services	650,471	629,741
	Other services	3,071,596	2,819,967
Total Corporate		**15,255,647**	**14,667,518**
Total		**23,844,926**	**22,576,319**
Allowance for impairment		(1,361,663)	(1,603,248)
Carrying amount		**22,483,263**	**20,973,071**

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

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

Bank			
Loans to customers at amortised cost - OFF balance		2019	2018
Private entities (including individuals)		**201,584**	**204,758**
Loan commitments			
SME	G Commerce - wholesale and retail	273,186	217,944
	C Manufacturing	143,806	176,779
	A Agriculture - forestry - fisheries	114,845	114,558
	F Construction and civil engineering	100,537	61,166
	H Transport and storage services	27,257	22,806
	Other industries	76,329	95,946
Total SME		**735,960**	**689,199**
Corporate	C Manufacturing	2,163,390	1,741,182
	G Commerce - wholesale and retail	2,038,547	1,688,099
	D Production and supply of electricity, gas, steam and air conditioning	847,927	696,706
	F Construction and civil engineering	722,769	538,854
	K Financial and insurance institutions	580,725	677,082
	Other industries	1,633,650	1,628,306
Total Corporate		**7,987,008**	**6,970,229**
Total loans commitments		**8,722,968**	**7,659,428**
Letters of credit			
SME	G Commerce - wholesale and retail	198	302
	Other industries	-	8,664
Total SME		**198**	**8,966**
Corporate	G Commerce - wholesale and retail	82,587	68,119
	C Manufacturing	53,877	43,805
	H Transport and storage services	11,530	-
	M Professional, scientific and technical activities	985	2,079
	F Construction and civil engineering	729	1,969
	Other industries	583	7,490
Total Corporate		**150,291**	**123,462**
Total letters of credit		**150,489**	**132,428**
Financial guarantees			
SME	G Commerce - wholesale and retail	29,911	26,837
	F Construction and civil engineering	15,366	8,495
	C Manufacturing	14,560	7,151
	N Administrative and support service	6,338	7,351
	M Professional, scientific and technical activities	4,764	7,471
	Other industries	13,891	24,697
Total SME		**84,830**	**82,002**
Corporate	D Production and supply of electricity, gas, steam and air conditioning	1,260,634	649,012
	G Commerce - wholesale and retail	1,056,735	914,441
	F Construction and civil engineering	670,715	591,365
	K Financial and insurance institutions	271,518	42,498
	C Manufacturing	258,095	245,856
	Other Industries	725,661	621,999
Total Corporate		**4,243,359**	**3,065,171**
Total financial guarantees		**4,328,189**	**3,147,173**
TOTAL Off balance sheet exposure for loans to customers		13,403,230	11,143,787
Allowance for impairment		(178,283)	(175,382)
Carrying amount		**13,224,947**	**10,968,405**

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

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

UCLC (UniCredit Leasing Corporation)			
Lease receivable - ON balance		2019	2018
Private entities (including individuals)		**81,639**	**43,147**
SME	G Commerce - wholesale and retail	573,799	581,835
	H Transport and storage services	536,256	541,671
	C Manufacturing	470,953	459,436
	F Construction and civil engineering	378,773	323,316
	A Agriculture - forestry - fisheries	221,671	208,943
	Other services	1,058,256	945,119
Total SME		**3,239,708**	**3,060,320**
Corporate	C Manufacturing	148,317	130,061
	G Commerce - wholesale and retail	88,210	59,424
	H Transport and storage services	20,657	21,665
	Q Medical and social activities	4,498	-
	J Information and communication	8,501	7,390
	Other services	9,223	14,696
Total Corporate		**279,407**	**233,236**
Total		**3,600,754**	**3,336,703**
Allowance for impairment		(277,238)	(333,966)
Carrying amount		**3,323,516**	**3,002,737**

UCLC (UniCredit Leasing Corporation)			
Lease receivable - OFF balance		2019	2018
Private entities (including individuals)		**1,379**	**228**
Loan commitments			
SME	C Manufacturing	26,960	28,777
	L Real estate	19,749	6,481
	F Construction and civil engineering	11,024	7,558
	G Commerce - wholesale and retail	9,876	12,193
	H Transport and storage services	8,494	11,565
	Other services	24,361	18,715
Total SME		**100,464**	**85,289**
Corporate	C Manufacturing	16,731	7,421
	A Agriculture - forestry - fisheries	3,684	-
	G Commerce - wholesale and retail	3,310	10,662
	Other services	-	1,739
Total Corporate		**23,725**	**19,822**
Total		**125,568**	**105,339**
Allowance for impairment		(1,060)	(853)
Total		**124,508**	**104,486**

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

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

2019	Group				
Loans and advances to customers at amortised 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 2018	**19,892,478**	**4,599,202**	**1,946,760**	**32,691**	**26,438,440**
Changes in the gross amount					
-Transfer to stage 1	1,716,388	(1,629,246)	(87,142)	-	-
-Transfer to stage 2	(1,039,488)	1,044,882	(5,394)	-	-
-Transfer to stage 3	(467,840)	(198,271)	666,111	-	-
-Changes due to modifications that did not result in derecognition	(2,316,520)	(434,842)	(122,516)	-	(2,873,878)
New financial assets originated or purchased	6,644,760	476,647	111,983	-	7,233,390
Financial assets that have been derecognised	(2,394,174)	(550,212)	(105,472)	-	(3,049,858)
Write-offs	-	-	(558,743)	-	(558,743)
Other changes	279,282	121,307	42,911	(7,426)	443,500
Gross amount as at 31 December 2019	**22,314,886**	**3,429,467**	**1,888,498**	**25,265**	**27,632,851**
Loss allowance as at 31 December 2019	(120,093)	(50,554)	(1,448,399)	(4,106)	(1,619,046)
Carrying amount as at 31 December 2019	**22,194,793**	**3,378,913**	**440,099**	**21,159**	**26,013,805**

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

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

2019			Group		
Loss allowance – Loans and advances to customers at amortised 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 2018	**(115,840)**	**(117,000)**	**(1,583,286)**	**(3,916)**	**(1,816,126)**
Changes in the loss allowance					
-Transfer to stage 1	(140,067)	62,730	77,337	-	-
-Transfer to stage 2	5,395	(8,026)	2,631	-	-
-Transfer to stage 3	11,057	12,739	(23,796)	-	-
-Increases due to change in credit risk	(1,179)	(6,364)	(284,118)	-	(291,661)
-Decreases due to change in credit risk	46,371	2,628	841	-	49,840
-Write-offs	-	-	558,002	-	558,002
-Changes due to modifications that did not result in derecognition	110,994	4,283	(159,417)	(190)	(44,140)
New financial assets originated or purchased	(42,509)	(12,119)	(84,129)	-	(138,757)
Financial assets that have been derecognised	5,604	8,645	26,387	-	40,636
Foreign exchange and other movements	81	1,930	21,149	-	23,160
Loss allowance as at 31 December 2019	**(120,093)**	**(50,554)**	**(1,448,399)**	**(4,106)**	**(1,619,046)**

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

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

2018	Group				
Loans and advances to customers at amortised 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 2017	**18,915,624**	**4,656,242**	**1,866,884**	**-**	**25,438,750**
FTA Impact	(6)	(2,388)	223	-	(2,171)
Interest revenue correction on gross receivables	-	-	126,705	-	126,705
Gross amount as at 01 January 2018	**18,915,618**	**4,653,991**	**1,993,735**	**41,335**	**25,563,344**
Changes in the gross amount					
-Transfer to stage 1	563,515	(511,093)	(52,422)	-	-
-Transfer to stage 2	(1,025,710)	1,046,763	(21,053)	-	-
-Transfer to stage 3	(135,034)	(113,833)	248,867	-	-
-Changes due to modifications that did not result in derecognition	(2,109,020)	(369,122)	(28,280)	(5,831)	(2,506,422)
New financial assets originated or purchased	6,629,521	484,710	113,990	-	7,228,221
Financial assets that have been derecognised	(2,918,104)	(596,139)	248,174	(2,813)	(3,266,069)
Write-offs	-	-	(557,281)	-	(557,281)
Other changes	(28,308)	3,925	1,030	-	(23,353)
Gross amount as at 31 December 2018	**19,892,478**	**4,599,202**	**1,946,760**	**32,691**	**26,438,440**
Loss allowance as at 31 December 2018	(115,840)	(117,000)	(1,583,286)	(3,916)	(1,816,126)
Carrying amount as at 31 December 2018	**19,776,638**	**4,482,202**	**363,474**	**28,775**	**24,622,314**

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

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

2018	Group				
Loss allowance – Loans and advances to customers at amortised 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 2017	(84,502)	(36,896)	(1,334,470)	-	(1,455,868)
FTA impact	7,813	(37,466)	(677)	-	(30,330)
Interest revenue correction on loss allowances	-	-	(126,705)	-	(126,705)
Loss allowance as at 1 January 2018	(76,689)	(74,362)	(1,461,852)	(8,537)	(1,612,903)
Changes in the loss allowance					
-Transfer to stage 1	(44,612)	10,401	34,211	-	-
-Transfer to stage 2	4,402	(25,648)	21,246	-	-
-Transfer to stage 3	3,700	5,551	(9,251)	-	-
-Increases due to change in credit risk	(1,068)	(22,178)	(151,780)	-	(175,026)
-Decreases due to change in credit risk	41,806	22,279	774	-	64,859
-Write-offs	-	-	(107,323)	-	(107,323)
-Changes due to modifications that did not result in derecognition	(3,180)	(27,394)	(116,318)	4,621	(146,892)
New financial assets originated or purchased	(47,151)	(9,721)	(82,614)	-	(139,486)
Financial assets that have been derecognised	6,927	3,984	288,237	-	299,148
Foreign exchange and other movements	25	88	1,384	-	1,497
Loss allowance as at 31 December 2018	(115,840)	(117,000)	(1,583,286)	(3,916)	(1,816,126)

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

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

2019	Group				
Loan commitments, letters of credit and financial guarantees (off 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 2018	**9,654,118**	**1,693,304**	**227,815**	**-**	**11,575,237**
Changes in the gross amount					
-Transfer to stage 1	306,033	(311,571)	5,538	-	-
-Transfer to stage 2	(310,955)	311,196	(241)	-	-
-Transfer to stage 3	(17,465)	(6,237)	23,702	-	-
-Changes due to modifications that did not result in derecognition	(1,416,528)	(227,758)	(59,801)	-	(1,704,087)
New financial assets originated or purchased	3,784,027	122,661	26,652	-	3,933,340
Write-offs	-	-	-	-	-
Other changes	168,023	24,979	2,754	-	195,756
Gross amount as at 31 December 2019	**12,167,253**	**1,606,574**	**226,419**	**-**	**14,000,246**
Loss allowance as at 31 December 2019	(12,787)	(8,578)	(132,815)	-	(154,180)
Carrying amount as at 31 December 2019	**12,154,466**	**1,597,996**	**93,604**	**-**	**13,846,066**

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

2019	Group				
Loss allowance – Loan commitments, letters of credit and financial guarantees (off 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 2018	**(7,915)**	**(19,895)**	**(126,474)**	**-**	**(154,284)**
Changes in the loss allowance					
-Transfer to stage 1	(4,768)	4,767	1	-	-
-Transfer to stage 2	337	(337)	-	-	-
-Transfer to stage 3	59	6	(65)	-	-
-Increases due to change in credit risk	(56)	(2,227)	(7,786)	-	(10,069)
-Decreases due to change in credit risk	4,320	121	12	-	4,453
-Write-offs	-	-	-	-	-
-Changes due to modifications that did not result in derecognition	475	6,555	11,209	-	18,239
New financial assets originated or purchased	(3,425)	(1,195)	(12,220)	-	(16,840)
Foreign exchange and other movements	(1,814)	3,627	2,508	-	4,321
Loss allowance as at 31 December 2019	**(12,787)**	**(8,578)**	**(132,815)**	**-**	**(154,180)**

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

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

2018	Group				
Loan commitments, letters of credit and financial guarantees (off 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 2017	**8,719,772**	**1,374,316**	**246,480**	**-**	**10,340,568**
FTA Impact	-	-	-		-
Gross amount as at 01 January 2018	**8,719,772**	**1,374,316**	**246,480**	**-**	**10,340,568**
Changes in the gross amount					
-Transfer to stage 1	109,118	(105,976)	(3,142)	-	-
-Transfer to stage 2	(455,911)	456,272	(361)	-	-
-Transfer to stage 3	(9,404)	(3,477)	12,881	-	-
-Changes due to modifications that did not result in derecognition	(2,231,005)	(238,252)	(49,036)	-	(2,518,293)
New financial assets originated or purchased	3,366,224	204,142	20,639	-	3,591,005
Write-offs	-	-	-	-	-
Other changes	155,324	6,279	354	-	161,957
Gross amount as at 31 December	**9,654,118**	**1,693,304**	**227,815**	**-**	**11,575,237**
Loss allowance as at 31 December	(7,915)	(19,895)	(126,474)	-	(154,284)
Carrying amount as at 31 December 2018	**9,646,203**	**1,673,409**	**101,341**	**-**	**11,420,953**

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

2018	Group				
Loss allowance – Loan commitments, letters of credit and financial guarantees (off 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 2017	**(8,868)**	**(2,326)**	**(111,830)**	**-**	**(123,024)**
FTA Impact	142	(10,786)	669	-	(9,975)
Loss allowance as at 01 January 2018	**(8,726)**	**(13,112)**	**(111,161)**	**-**	**(132,999)**
Changes in the loss allowance				-	
-Transfer to stage 1	(63)	63	-	-	-
-Transfer to stage 2	968	(968)	-	-	-
-Transfer to stage 3	9	20	(29)	-	-
-Increases due to change in credit risk	(20)	(4,607)	(6,413)	-	(11,040)
-Decreases due to change in credit risk	45	229	-	-	274
-Write-offs	-	-	-	-	-
-Changes due to modifications that did not result in derecognition	2,081	(6,852)	(10,989)	-	(15,760)
New financial assets originated or purchased	(2,221)	(602)	(13,985)	-	(16,808)
Foreign exchange and other movements	12	5,934	16,103	-	22,049
Loss allowance as at 31 December 2018	**(7,915)**	**(19,895)**	**(126,474)**	**-**	**(154,284)**

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

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

2019	Group/Bank	
Stage 1 - 12 month ECL	Loans and advances to banks	Debt and equity investment securities at FVTOCI*
Gross amount as at 31 December 2018	**1,897,602**	**7,330,621**
Changes in the gross amount		
Changes due to modifications that did not result in derecognition	(1,741,977)	514,093
New financial assets originated or purchased	470,032	1,303,656
Financial assets that have been derecognized	(61,183)	(642,052)
Write-offs	-	-
Other changes	8,444	114,848
Gross amount as at 31 December 2019	**572,918**	**8,621,166**
Loss allowance as at 31 December 2019	(351)	(6,526)
Carrying amount as at 31 December 2019	**572,567**	**8,614,640**

** The amounts include financial assets held at FVTOCI representing equity investments held by UniCredit Leasing in UniCredit Leasing Fleet Management, which are classified entirely in Stage 1 - 12 month ECL, with a gross amount of 2,346 RON thousands as at 31 December 2018 and as at 31 December 2019.*

2019	Group/Bank	
Stage 1 - 12 month ECL	Loss allowance – Loans and advances to banks	Loss allowance – Debt and equity investment securities at FVTOCI
Loss allowance as at 31 December 2018	**(128)**	**(10,211)**
Changes in the loss allowance		
-Increases due to change in credit risk	-	-
-Decreases due to change in credit risk	-	-
-Write-offs	-	-
-Changes due to modifications that did not result in derecognition	27	-
New financial assets originated or purchased	(297)	(6,524)
Financial assets that have been derecognised	51	10,209
Foreign exchange and other movements	(4)	-
Loss allowance as at 31 December 2019	**(351)**	**(6,526)**

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

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

2018	Group/Bank	
Stage 1 - 12 month ECL	**Loans and advances to banks**	**Debt and equity investment securities at FVTOCI***
Gross amount as at 31 December 2017	**1,125,134**	**5,985,089**
FTA Impact	**(272)**	**(2,031)**
Gross amount as at 1 January 2018	**1,124,862**	**5,983,058**
Changes in the gross amount		
Changes due to modifications that did not result in derecognition	885,007	(1,811)
New financial assets originated or purchased	121,346	1,343,943
Financial assets that have been derecognized	(232,129)	-
Write-offs	-	-
Other changes	(1,356)	15,642
Gross amount as at 31 December 2018	**1,897,730**	**7,340,832**
Loss allowance as at 31 December 2018	(128)	(10,211)
Carrying amount as at 31 December 2018	**1,897,602**	**7,330,621**

** The amounts include financial assets held at FVTOCI representing equity investments held by UniCredit Leasing in UniCredit Leasing Fleet Management, which are classified entirely in Stage 1 - 12 month ECL, with a gross amount of 2,346 RON thousands as at 1 January 2018 and as at 31 December 2018.*

2018	Group/Bank	
Stage 1 - 12 month ECL	**Loss allowance – Loans and advances to banks**	**Loss allowance – Debt and equity investment securities at FVTOCI**
Loss allowance as at 31 December 2017	**-**	**-**
FTA Impact	**(272)**	**(2,031)**
Loss allowance as at 1 January 2018	**(272)**	**(2,031)**
Changes in the loss allowance		
-Increases due to change in credit risk	-	-
-Decreases due to change in credit risk	-	-
-Write-offs	-	-
-Changes due to modifications that did not result in derecognition	(14)	-
New financial assets originated or purchased	(81)	(8,277)
Financial assets that have been derecognised	240	97
Foreign exchange and other movements	(1)	-
Loss allowance as at 31 December 2018	**(128)**	**(10,211)**

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

(iii) Exposure to credit risk (continued)

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

2019	Bank				
Loans and advances to customers at amortised 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 2018	**16,262,728**	**4,497,417**	**1,816,174**	**32,691**	**22,576,319**
Changes in the gross amount					
-Transfer to stage 1	1,579,608	(1,579,140)	(468)	-	-
-Transfer to stage 2	(940,118)	943,583	(3,465)	-	-
-Transfer to stage 3	(330,033)	(162,787)	492,820		-
-Changes due to modifications that did not result in derecognition	(745,278)	(355,163)	(66,037)		(1,166,478)
New financial assets originated or purchased	5,187,193	449,931	84,380		5,721,504
Financial assets that have been derecognised	(2,340,843)	(547,350)	(104,772)		(2,992,965)
Write-offs	-	-	(558,163)		(558,163)
Other changes	162,926	75,132	26,651	(7,426)	264,709
Gross amount as at 31 December 2019	**18,836,183**	**3,321,623**	**1,687,120**	**25,265**	**23,844,926**
Loss allowance as at 31 December 2019	(49,836)	(35,658)	(1,276,169)	(4,106)	(1,361,663)
Carrying amount as at 31 December 2019	**18,786,347**	**3,285,965**	**410,951**	**21,159**	**22,483,263**

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

2019	Bank				
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 2018	**(34,267)**	**(99,907)**	**(1,469,074)**	**(3,916)**	**(1,603,248)**
Changes in the loss allowance					
-Transfer to stage 1	(54,546)	54,402	144	-	-
-Transfer to stage 2	1,944	(3,464)	1,520	-	-
-Transfer to stage 3	1,136	4,931	(6,067)	-	-
-Increases due to change in credit risk	(1,177)	(6,280)	(271,591)	-	(279,048)
-Decreases due to change in credit risk	45,829	1,985	825	-	48,639
-Write-offs			557,422	-	557,422
-Changes due to modifications that did not result in derecognition	133	10,369	(75,795)	(190)	(65,293)
New financial assets originated or purchased	(14,390)	(8,278)	(61,131)	-	(83,799)
Financial assets that have been derecognised	5,140	8,629	26,066	-	39,834
Foreign exchange and other movements	362	1,955	21,512	-	23,829
Loss allowance as at 31 December 2019	**(49,836)**	**(35,658)**	**(1,276,169)**	**(4,106)**	**(1,361,663)**

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

(iii) Exposure to credit risk (continued)

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

2018	Bank				
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 2017	**15,842,668**	**4,459,382**	**1,787,005**	**-**	**22,089,055**
FTA impact	(6)	(2,251)	146	-	(2,111)
Interest revenue correction	-	-	126,705	-	126,705
Gross amount as at 01 January 2018	**15,842,662**	**4,457,131**	**1,913,856**	**41,335**	**22,213,649**
Changes in the gross amount					
-Transfer to stage 1	368,910	(366,734)	(2,176)	-	-
-Transfer to stage 2	(959,662)	975,267	(15,605)	-	-
-Transfer to stage 3	(70,002)	(95,344)	165,346	-	-
-Changes due to modifications that did not result in derecognition	(853,173)	(338,725)	(16,770)	(5,831)	(1,208,668)
New financial assets originated or purchased	4,777,839	453,280	78,902	-	5,310,021
Financial assets that have been derecognised	(2,880,754)	(591,382)	248,870	(2,813)	(3,223,266)
Write-offs	-	-	(557,281)	-	(557,281)
Other changes	36,908	3,924	1,032	-	41,864
Gross amount as at 31 December 2018	**16,262,728**	**4,497,417**	**1,816,174**	**32,691**	**22,576,319**
Loss allowance as at 31 December 2018	(34,267)	(99,907)	(1,469,074)	(3,916)	(1,603,248)
Carrying amount as at 31 December 2018	**16,228,461**	**4,397,510**	**347,100**	**28,775**	**20,973,071**

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

2018	Bank				
Loss allowance – Loans and advances to customers at amortised 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 2017	**(47,392)**	**(27,126)**	**(1,264,037)**	**-**	**(1,338,555)**
FTA impact	7,813	(37,466)	(677)	-	(30,330)
Interest revenue correction			(126,705)	-	(126,705)
Loss allowance as at 01 January 2018	**(39,579)**	**(64,592)**	**(1,391,419)**	**(8,537)**	**(1,495,590)**
Changes in the loss allowance					
-Transfer to stage 1	(4,810)	4,037	773		-
-Transfer to stage 2	3,203	(8,488)	5,285		-
-Transfer to stage 3	2,064	3,363	(5,427)	-	-
-Increases due to change in credit risk	(39)	(12,588)	(93,870)	-	(106,497)
-Decreases due to change in credit risk	4,226	6,459	545	-	11,230
-Write-offs	-	-	(107,323)	-	(107,323)
-Changes due to modifications that did not result in derecognition	5,111	(26,907)	(113,141)	4,621	(134,937)
New financial assets originated or purchased	(11,185)	(5,231)	(53,705)	-	(70,121)
Financial assets that have been derecognised	6,714	3,951	287,815	-	298,480
Foreign exchange and other movements	28	89	1,393	-	1,510
Loss allowance as at 31 December 2018	**(34,267)**	**(99,907)**	**(1,469,074)**	**(3,916)**	**(1,603,248)**

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

(iii) Exposure to credit risk (continued)

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

2019	Bank				
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 2018	**9,223,361**	**1,692,611**	**227,815**	**-**	**11,143,787**
Changes in the gross amount					
-Transfer to stage 1	311,577	(311,571)	(6)	-	-
-Transfer to stage 2	(310,955)	311,196	(241)	-	-
-Transfer to stage 3	(17,465)	(6,237)	23,702	-	-
-Changes due to modifications that did not result in derecognition	(1,507,668)	(227,758)	(59,799)	-	(1,795,225)
New financial assets originated or purchased	3,777,850	122,661	26,652	-	3,927,163
Write-offs	-	-	-	-	-
Other changes	100,033	24,718	2,754	-	127,505
Gross amount as at 31 December 2019	**11,576,733**	**1,605,620**	**220,877**	**-**	**13,403,230**
Loss allowance as at 31 December 2019	(10,220)	(18,316)	(149,747)	-	(178,283)
Carrying amount as at 31 December 2019	**11,566,513**	**1,587,304**	**71,130**	**-**	**13,224,947**

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

2019	Bank				
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 2018	**(7,266)**	**(25,595)**	**(142,521)**	**-**	**(175,382)**
Changes in the loss allowance					
-Transfer to stage 1	(4,768)	4,767	1	-	-
-Transfer to stage 2	337	(337)	-	-	-
-Transfer to stage 3	59	6	(65)	-	-
-Increases due to change in credit risk	(56)	(2,227)	(7,786)	-	(10,069)
-Decreases due to change in credit risk	4,320	121	12	-	4,453
-Write-offs	-	-	-	-	-
-Changes due to modifications that did not result in derecognition	490	6,555	11,209	-	18,254
New financial assets originated or purchased	(3,414)	(1,195)	(12,220)	-	(16,829)
Foreign exchange and other movements	78	(411)	1,623	-	1,290
Loss allowance as at 31 December 2019	**(10,220)**	**(18,316)**	**(149,747)**		**(178,283)**

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

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

2018	Bank				
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 2017	**8,428,376**	**1,374,316**	**246,480**	**-**	**10,049,172**
FTA Impact	-	-	-	-	-
Interest revenue correction on off balance	-	-	-	-	-
Gross amount as at 01 January 2018	**8,428,376**	**1,374,316**	**246,480**	**-**	**10,049,172**
Changes in the gross amount					
-Transfer to stage 1	109,118	(105,976)	(3,142)	-	-
-Transfer to stage 2	(455,911)	456,272	(361)	-	-
-Transfer to stage 3	(9,404)	(3,477)	12,881	-	-
-Changes due to modifications that did not result in derecognition	(2,236,294)	(238,252)	(49,036)	-	(2,523,582)
New financial assets originated or purchased	3,364,849	204,142	20,639	-	3,589,630
Write-offs	-	-	-	-	-
Other changes	22,627	5,586	354	-	28,567
Gross amount as at 31 December 2018	**9,223,361**	**1,692,611**	**227,815**	**-**	**11,143,787**
Loss allowance as at 31 December 2018	(7,266)	(25,595)	(142,521)	-	(175,382)
Carrying amount as at 31 December 2018	**9,216,095**	**1,667,016**	**85,294**	**-**	**10,968,405**

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

2018	Bank				
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 2017	**(8,67**	**(2,326)**	**(111,830)**	**-**	**(122,832)**
FTA impact	**(50)**	**(10,786)**	**669**	**-**	**(10,167)**
Interest revenue correction on loss allowances	**-**	**-**	**-**	**-**	**-**
Loss allowance as at 01 January 2018	**(8,726)**	**(13,112)**	**(111,161)**		**(132,999)**
Changes in the loss allowance					
-Transfer to stage 1	(6.	63	-	-	-
-Transfer to stage 2	96	(968)	-	-	-
-Transfer to stage 3	9	20	(29)	-	-
-Increases due to change in credit risk	(20)	(4,607)	(6,413)	-	(11,040)
-Decreases due to change in credit risk	45	229	-	-	274
-Write-offs		-	-	-	-
-Changes due to modifications that did not result in derecognition	2,725	(6,852)	(10,989)	-	(15,116)
New financial assets originated or purchased	(2,21	(602)	(13,985)	-	(16,803)
Foreign exchange and other movements	12	234	56	-	302
Loss allowance as at 31 December 2018	**(7,26**	**(25,595)**	**(142,521)**	**-**	**(175,382)**

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

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

2019	UCLC (UniCredit Leasing Corporation)				
Loans and advances to customers at amortised cost (on balance)	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	For which: POCI Financial Assets	Total
Gross amount as at 31 December 2018	**2,618,988**	**320,974**	**396,741**	**-**	**3,336,703**
Changes in the Gross amount					
-Transfer to stage 1	177,939	(176,692)	(1,247)	-	-
-Transfer to stage 2	(134,518)	166,057	(31,539)	-	-
-Transfer to stage 3	(77,214)	(30,037)	107,250	-	(1)
-Changes due to modifications that did not result in derecognition	(659,025)	(45,357)	(62,054)	-	(766,436)
New financial assets originated or purchased	1,360,076	69,960	14,514	-	1,444,550
Financial assets that have been derecognised	(252,118)	(53,686)	(20,953)	-	(326,757)
Write-offs	-	-	(87,305)	-	(87,305)
Other changes	-	-	-	-	-
Gross amount as at 31 December 2019	**3,034,128**	**251,219**	**315,407**	**-**	**3,600,754**
Loss allowance as at 31 December 2019	(49,398)	(11,843)	(215,997)	-	(277,238)
Carrying amount as at 31 December 2019	**2,984,730**	**239,376**	**99,410**	**-**	**3,323,516**

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

2019	UCLC (UniCredit Leasing Corporation)				
Loss allowance – Loans and advances to customers at amortised cost (on balance)	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	For which: POCI Financial Assets	Total
Loss allowance as at 31 December 2018	**(37,527)**	**(15,797)**	**(280,642)**	**-**	**(333,966)**
Changes in the loss allowance					
-Transfer to stage 1	(7,487)	7,111	376	-	-
-Transfer to stage 2	1,640	(2,530)	890	-	-
-Transfer to stage 3	3,004	645	(3,649)	-	-
-Increases due to change in credit risk	(70)	(2,973)	(38,394)	-	(41,437)
-Decreases due to change in credit risk	6,600	1,514	(36)	-	8,078
-Write-offs	-	-	87,306	-	87,306
-Changes due to modifications that did not result in derecognition	3,153	3,827	16,014	-	22,994
New financial assets originated or purchased	(20,232)	(4,028)	(8,870)	-	(33,130)
Financial assets that have been derecognized	2,451	778	17,466	-	20,695
Foreign exchange and other movements	(930)	(390)	(6,458)	-	(7,778)
Loss allowance as at 31 December 2019	**(49,398)**	**(11,843)**	**(215,997)**	**-**	**(277,238)**

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

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

2018	UCLC (UniCredit Leasing Corporation)				
Loans and advances to customers at amortised cost (on balance)	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	For which: POCI Financial Assets	Total
Gross amount as at 31 December 2017	**2,210,031**	**364,134**	**456,063**	**-**	**3,030,228**
Changes in the Gross amount					
-Transfer to stage 1	153,542	(151,026)	(2,516)	-	-
-Transfer to stage 2	(185,368)	190,261	(4,894)	-	(1)
-Transfer to stage 3	(43,799)	(25,333)	69,132	-	-
-Changes due to modifications that did not result in derecognition	(561,646)	(42,655)	(45,868)	-	(650,169)
New financial assets originated or purchased	1,246,639	45,348	7,880	-	1,299,867
Financial assets that have been derecognised	(200,411)	(59,755)	(32,680)	-	(292,846)
Write-offs	-	-	(50,376)	-	(50,376)
Other changes	-	-	-	-	-
Gross amount as at 31 December 2018	**2,618,988**	**320,974**	**396,741**	**-**	**3,336,703**
Loss allowance as at 31 December 2018	(37,527)	(15,797)	(280,642)	-	(333,966)
Carrying amount as at 31 December 2018	**2,581,461**	**305,177**	**116,099**	**-**	**3,002,737**

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

2018	UCLC (UniCredit Leasing Corporation)				
Loss allowance – Loans and advances to customers at amortised cost (on balance)	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	For which: POCI Financial Assets	Total
Loss allowance as at 31 December 2017	**(22,310)**	**(8,722)**	**(303,315)**	**-**	**(334,347)**
Changes in the loss allowance					-
-Transfer to stage 1	(5,300)	4,364	936	-	-
-Transfer to stage 2	3,120	(4,235)	1,115	-	-
-Transfer to stage 3	335	390	(725)	-	-
-Increases due to change in credit risk	(697)	(4,091)	(21,081)	-	(25,869)
-Decreases due to change in credit risk	3,686	1,891	23	-	5,600
-Write-offs	-	-	50,376	-	50,376
-Changes due to modifications that did not result in derecognition	(1,353)	(5,283)	(8,757)	-	(15,393)
New financial assets originated or purchased	(16,655)	(1,584)	(4,455)	-	(22,694)
Financial assets that have been derecognised	1,667	1,481	10,925	-	14,073
Foreign exchange and other movements	(20)	(8)	(5,684)	-	(5,712)
Loss allowance as at 31 December 2018	**(37,527)**	**(15,797)**	**(280,642)**	**-**	**(333,966)**

4. RISK MANAGEMENT (continued)

c) Credit risk *(continued)*

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

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

2019	UCLC (UniCredit Leasing Corporation)				
Loan commitments, letters of credit and financial guarantees (off balance)	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	For which: POCI Financial Assets	Total
Gross amount as at 31 December 2018	**104,969**	**-**	**370**	**-**	**105,339**
Changes in the gross amount					
-Transfer to stage 1	(366)	-	366	-	-
-Transfer to stage 2	-	-	-	-	-
-Transfer to stage 3	92	-	(92)	-	-
-Changes due to modifications that did not result in derecognition	(96,296)	-	(301)	-	(96,597)
New financial assets originated or purchased	115,880	-	612	-	116,492
Financial assets that have been derecognized	-	-	-	-	-
Write-offs	-	-	-	-	-
Other changes	332	-	2	-	334
Gross amount as at 31 December 2019	**124,611**	**-**	**957**	**-**	**125,568**
Loss allowance as at 31 December 2019	(927)	-	(133)	-	(1,060)
Carrying amount as at 31 December 2019	**123,684**	**-**	**824**	**-**	**124,508**

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

2019	UCLC (UniCredit Leasing Corporation)				
Loss allowance – Loan commitments, letters of credit and financial guarantees (off balance)	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	For which: POCI Financial Assets	Total
Loss allowance as at 31 December 2018	**(852)**	**-**	**(1)**	**-**	**(853)**
Changes in the loss allowance					
-Transfer to stage 1	(3)	-	3	-	-
-Transfer to stage 2	-	-	-	-	-
-Transfer to stage 3	3	-	(3)	-	-
-Increases due to change in credit risk	(21)	-	(31)	-	(52)
-Decreases due to change in credit risk	-	-	-	-	-
-Write-offs	-	-	-	-	-
-Changes due to modifications	823	-	(1)	-	822
New financial assets originated or purchased	(877)	-	(100)	-	(977)
Financial assets that have been derecognised	-	-	-	-	-
Foreign exchange and other movements	-	-	-	-	-
Loss allowance as at 31 December 2019	**(927)**	**-**	**(133)**	**-**	**(1,060)**

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

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

2018	UCLC (UniCredit Leasing Corporation)				
Loan commitments, letters of credit and financial guarantees (off balance)	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	For which: POCI Financial Assets	Total
Gross amount as at 31 December 2017	**107,123**	**18,535**	**2,839**	**-**	**128,497**
Changes in the Gross amount					
-Transfer to stage 1	5,720	(5,720)	-	-	-
-Transfer to stage 2	-	-	-	-	-
-Transfer to stage 3	(229)	-	229	-	-
-Changes due to modifications that did not result in derecognition	(103,551)	(12,815)	(2,790)	-	(119,156)
New financial assets originated or purchased	95,906	-	92	-	95,998
Write-offs	-	-	-	-	-
Other changes	-	-	-	-	-
Gross amount as at 31 December 2018	**104,969**	**-**	**370**	**-**	**105,339**
Loss allowance as at 31 December 2018	(852)	-	(1)	-	(853)
Carrying amount as at 31 December 2018	**104,117**	**-**	**369**	**-**	**104,486**

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

2018	UCLC (UniCredit Leasing Corporation)				
Loss allowance – Loan commitments, letters of credit and financial guarantees (off balance)	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	For which: POCI Financial Assets	Total
Loss allowance as at 31 December 2017	**(454)**	**(63)**	**(533)**	**-**	**(1,050)**
Changes in the loss allowance					
-Transfer to stage 1	(27)	27	-	-	-
-Transfer to stage 2	-	-	-	-	-
-Transfer to stage 3	1	-	(1)	-	-
-Increases due to change in credit risk	-	-	-	-	-
-Decreases due to change in credit risk	18	-	-	-	18
-Write-offs	-	-	-	-	-
-Changes due to modifications that did not result in derecognition	395	35	532	-	962
New financial assets originated or purchased	(785)	1	1	-	(783)
Foreign exchange and other movements	-	-	-	-	-
Loss allowance as at 31 December 2018	**(852)**	**-**	**(1)**	**-**	**(853)**

4. RISK MANAGEMENT *(continued)*

d) Liquidity risk

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

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

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

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

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

- encouraging sticky client deposits;
- development of strategic funding through own bonds issues, covered bonds issues;
- development of relations with various international financial institutions and foreign banks for special financing programs.

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 Bank 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 Bank. 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 2019 by residual contractual maturity at the reporting date is presented below:

31.12.2019	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	11,693,894	-	-	-	-	11,693,894
Financial assets at fair value through profit or loss	51,281	24,676	73,731	78,682	39,620	267,990
Loans and advances to banks	50,617	304,821	217,129	-	-	572,567
Loans and advances to customers	2,053,621	8,483,779	7,626,006	7,850,399	-	26,013,805
Net Lease receivables	18,618	204,886	2,871,465	228,547	-	3,323,516
Financial assets at fair value through other comprehensive income	534,384	487,080	5,356,944	2,228,375	7,857	8,614,640
Other financial assets	97,865	-	44,945	-	-	142,810
Total financial assets	**14,500,280**	**9,505,242**	**16,190,220**	**10,386,003**	**47,477**	**50,629,222**
Financial liabilities at fair value through profit or loss	24,365	3,611	32,379	13,614	-	73,969
Derivatives liabilities designated as hedging instruments	823	1,712	15,319	96,998	-	114,852
Deposits from banks	856,983	716,938	92,366	-	-	1,666,287
Loans from banks and other financial institutions, including subordinated liabilities	249,658	731,711	5,186,060	1,228,256	-	7,395,685
Debt securities issued	-	148,685	1,895,361	-	-	2,044,046
Deposits from customers	31,272,114	2,428,885	237,947	4	-	33,938,950
Other financial liabilities	354,120	-	36,951	-	-	391,071
Leasing Liabilities	15,745	41,399	98,753	8,001	-	163,898
Total financial liabilities	**32,773,808**	**4,072,941**	**7,595,136**	**1,346,873**	**-**	**45,788,758**
Liquidity surplus/ (shortfall)	**(18,273,528)**	**5,432,301**	**8,595,084**	**9,039,130**	**47,477**	**4,840,464**
Adjustment for investment securities available for refinancing*	8,072,399	(487,080)	(5,356,944)	(2,228,375)	-	-
Liquidity surplus/ (shortfall) adjusted	**(10,201,129)**	**4,945,221**	**3,238,140**	**6,810,755**	**47,477**	**4,840,464**

**) 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)*

31.12.2019			Group			
In Thousand RON	Up to 3 months	3 months to 1 year	1-5 years	Over 5 years	No fixed maturity	Gross nominal flow
Commitments						
Irrevocable commitments given outflow	(2,015,255)	(394,654)	(251,059)	-	-	(2,660,968)
Irrevocable commitments taken inflow	191,172	-	-	-	-	191,172
Issued financial guarantees outflow	-	(6,093,804)	-	-	-	(6,093,804)
Commitments surplus/ (shortfall)	**(1,824,083)**	**(6,488,458)**	**(251,059)**	**-**	**-**	**(8,563,600)**

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

4. RISK MANAGEMENT (continued)

d) Liquidity risk *(continued)*

An analysis of financial assets and liabilities of the Group as at 31 December 2018 by residual contractual maturity at the reporting date is presented below:

31.12.2018	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	10,282,258	-	-	-	-	10,282,258
Financial assets at fair value through profit or loss	296,785	-	-	-	-	296,785
Derivatives assets designated as hedging instruments	146	-	-	-	-	146
Loans and advances to banks	116,552	618,968	1,162,082	-	-	1,897,602
Loans and advances to customers	3,268,163	8,114,585	7,782,416	5,434,092	23,058	24,622,314
Net Lease receivables	252,856	730,861	1,781,349	116,982	120,689	3,002,737
Financial assets at fair value through other comprehensive income	344,711	305,621	4,247,469	2,424,622	8,198	7,330,621
Other financial assets	190,151	-	-	-	-	190,151
Total financial assets	**14,751,622**	**9,770,035**	**14,973,316**	**7,975,696**	**151,945**	**47,622,614**
Financial liabilities at fair value through profit or loss	69,809	-	-	-	-	69,809
Derivatives liabilities designated as hedging instruments	78,919	-	-	-	-	78,919
Deposits from banks	3,276,306	481,351	-	-	-	3,757,657
Loans from banks and other financial institutions, including subordinated liabilities	888,596	1,954,182	4,363,463	1,275,371	-	8,481,612
Debt securities issued	-	-	434,812	187,303	-	622,115
Deposits from customers	27,322,799	1,979,475	176,881	1,010	14,736	29,494,901
Other financial liabilities	459,838	-	-	-	-	459,838
Leasing Liabilities	-	-	-	-	-	-
Total financial liabilities	**32,096,267**	**4,415,008**	**4,975,156**	**1,463,684**	**14,736**	**42,964,851**
Liquidity surplus/ (shortfall)	**(17,344,645)**	**5,355,027**	**9,998,160**	**6,512,012**	**137,209**	**4,657,763**
Adjustment for investment securities available for refinancing*	6,977,712	(305,621)	(4,247,469)	(2,424,622)	-	-
Liquidity surplus/ (shortfall) adjusted	**(10,366,933)**	**5,049,406**	**5,750,691**	**4,087,390**	**137,209**	**4,657,763**

**) 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)*

31.12.2018	Group					
In Thousand RON	Up to 3 months	3 months to 1 year	1-5 years	Over 5 years	No fixed maturity	Gross nominal flow
Commitments						
Irrevocable commitments given outflow	(2,530,045)	-	-	-	-	(2,530,045)
Irrevocable commitments taken inflow	2,244,513	-	-	-	-	2,244,513
Issued financial guarantees outflow	-	(4,645,515)	-	-	-	(4,645,515)
Commitments surplus/ (shortfall)	**(285,532)**	**(4,645,515)**	**-**	**-**	**-**	**(4,931,047)**

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

4. RISK MANAGEMENT (continued)

d) Liquidity risk *(continued)*

An analysis of financial assets and liabilities of the Bank as at 31 December 2019 by residual contractual maturity at the reporting date is presented below:

31.12.2019			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	11,693,863	-	-	-	-	11,693,863
Financial assets at fair value through profit or loss	51,281	24,676	73,731	78,682	39,620	267,990
Loans and advances to banks	50,617	304,821	217,129	-	-	572,567
Loans and advances to customers	1,868,773	7,192,306	5,583,745	7,838,439	-	22,483,263
Net Lease receivables	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	534,384	487,080	5,356,944	2,228,375	5,511	8,612,294
Other financial assets	100,767	-	-	-	-	100,767
Total financial assets	**14,299,685**	**8,008,883**	**11,231,549**	**10,145,496**	**45,131**	**43,730,744**
Financial liabilities at fair value through profit or loss	24,366	3,611	32,378	13,614	-	73,969
Derivatives liabilities designated as hedging	823	1,712	15,319	96,998	-	114,852
Deposits from banks	856,983	716,938	92,366	-	-	1,666,287
Loans from banks and other financial institutions, including subordinated liabilities	86,127	186,140	524,825	805,479	-	1,602,571
Debt securities issued	-	148,685	473,138	-	-	621,823
Deposits from customers	32,049,145	2,428,885	228,731	3	-	34,706,764
Other financial liabilities	340,562	-	-	-	-	340,562
Leasing Liabilities	15,745	39,778	95,228	8,001	-	158,752
Total financial liabilities	**33,373,751**	**3,525,749**	**1,461,985**	**924,095**	**-**	**39,285,580**
Liquidity surplus/ (shortfall)	**(19,074,066)**	**4,483,134**	**9,769,564**	**9,221,401**	**45,131**	**4,445,164**
Adjustment for investment securities available for refinancing*	8,072,399	(487,080)	(5,356,944)	(2,228,375)	-	-
Liquidity surplus/ (shortfall) adjusted	**(11,001,667)**	**3,996,054**	**4,412,620**	**6,993,026**	**45,131**	**4,445,164**

**) 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)*

31.12.2019			Bank			
In Thousand RON	Up to 3 months	3 months to 1 year	1-5 years	Over 5 years	No fixed maturity	Gross nominal flow
Commitments						
Irrevocable commitments given outflow	(1,890,748)	-	-	-	-	(1,890,748)
Irrevocable commitments taken inflow	191,172	-	-	-	-	191,172
Issued financial guarantees outflow	-	(6,093,804)	-	-	-	(6,093,804)
Commitments surplus/ (shortfall)	**(1,699,576)**	**(6,093,804)**	**-**	**-**	**-**	**(7,793,380)**

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

4. RISK MANAGEMENT (continued)

d) Liquidity risk *(continued)*

An analysis of financial assets and liabilities of the Bank as at 31 December 2018 by residual contractual maturity at the reporting date is shown below:

31.12.2018			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	10,282,174	-	-	-	-	10,282,174
Financial assets at fair value through profit or loss	269,721	-	-	-	27,064	296,785
Derivatives assets designated as hedging instruments	146	-	-	-	-	146
Loans and advances to banks	116,552	618,968	1,162,082	-	-	1,897,602
Loans and advances to customers	3,090,954	7,300,107	5,165,305	5,416,705	-	20,973,071
Net Lease receivables	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	344,711	305,621	4,247,469	2,424,622	5,852	7,328,275
Other financial assets	143,332	-	-	-	-	143,332
Total financial assets	**14,247,590**	**8,224,696**	**10,574,856**	**7,841,327**	**32,916**	**40,921,385**
Financial liabilities at fair value through profit or loss	69,829	-	-	-	-	69,829
Derivatives liabilities designated as hedging instruments	78,919	-	-	-	-	78,919
Deposits from banks	3,276,306	481,351	-	-	-	3,757,657
Loans from banks and other financial institutions, including subordinated liabilities	76,310	50,955	647,469	1,086,036	-	1,860,770
Debt securities issued	-	-	434,812	187,303	-	622,115
Deposits from customers	27,684,462	1,979,475	176,881	1,010	-	29,841,828
Other financial liabilities	368,442	-	-	-	-	368,442
Total financial liabilities	**31,554,268**	**2,511,781**	**1,259,162**	**1,274,349**	**-**	**36,599,560**
Liquidity surplus/ (shortfall)	**(17,306,678)**	**5,712,915**	**9,315,694**	**6,566,978**	**32,916**	**4,321,825**
Adjustment for investment securities available for refinancing*	6,977,712	(305,621)	(4,247,469)	(2,424,622)	-	
Liquidity surplus/ (shortfall) adjusted	**(10,328,966)**	**5,407,294**	**5,068,225**	**4,142,356**	**32,916**	**4,321,825**

** 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 efinancing in order to ensure quick access to funds.*

4. RISK MANAGEMENT (continued)

d) Liquidity risk *(continued)*

31.12.2018	Bank					
In Thousand RON	Up to 3 months	3 months to 1 year	1-5 years	Over 5 years	No fixed maturity	Gross nominal flow
Commitments						
Irrevocable commitments given outflow	(1,941,154)	-	-	-	-	(1,941,154)
Irrevocable commitments taken inflow	186,556	-	-	-	-	186,556
Issued financial guarantees outflow	-	(4,714,601)	-	-	-	(4,714,601)
Commitments surplus/ (shortfall)	**(1,754,598)**	**(4,714,601)**	**-**	**-**	**-**	**(6,469,199)**

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

4. RISK MANAGEMENT (continued)

d) Liquidity risk *(continued)*

Future cash flows of financial liabilities

The maturity profile of the Group's financial liabilities at 31 December 2019 and 2018 which is based on contractual undiscounted future payments are listed below:

31.12.2019			Group		
In RON thousands	Up to 3 months	3 months to 1 year	1-5 years	Over 5 years	Total contractual amount
Financial liabilities at fair value through profit or loss	1,783,251	801,978	27,807	8,885	2,621,921
Derivatives liabilities designated as hedging instruments	798	-	11,396	113,573	125,767
Deposits from banks	1,580,011	99,140	-	-	1,679,151
Loans from banks and other financial institutions, including subordinated liabilities	594,149	1,679,049	4,508,395	1,121,992	7,903,585
Deposits from customers	31,302,796	2,452,521	247,313	4	34,002,634
Debt securities issued	-	179,204	1,973,507	0	2,152,711
Leasing Liabilities	16,052	41,809	100,416	8,172	166,449
Total financial liabilities	**35,277,057**	**5,253,701**	**6,868,834**	**1,252,626**	**48,652,218**

31.12.2018			Group		
In RON thousands	Up to 3 months	3 months to 1 year	1-5 years	Over 5 years	Total contractual amount
Financial liabilities at fair value through profit or loss	1,363,044	(224,299)	38,442	13,821	1,191,008
Derivatives liabilities designated as hedging instruments	1,029	-	10,998	123,303	135,330
Deposits from banks	882,793	902,414	1,979,720	18,365	3,783,292
Loans from banks and other financial institutions, including subordinated liabilities	940,147	2,224,916	4,731,902	1,209,493	9,106,458
Deposits from customers	28,487,972	2,686,495	1,727,780	17,130	32,919,377
Debt securities issued	-	14,086	501,945	191,799	707,830
Total financial liabilities	**31,674,985**	**5,603,612**	**8,990,787**	**1,573,911**	**47,843,295**

4. RISK MANAGEMENT (continued)

d) Liquidity risk *(continued)*

Future cash flows of financial liabilities (continued)

Maturity profile of financial liabilities at 31 December 2019 and 2018 which is based on contractual undiscounted future payments are listed below:

31.12.2019			Bank		
In RON thousands	Up to 3 months	3 months to 1 year	1-5 years	Over 5 years	Total contractual amount
Financial liabilities at fair value through profit or loss	1,783,251	801,978	27,807	8,885	2,621,921
Derivatives liabilities designated as hedging instruments	798	-	11,396	113,573	125,767
Deposits from banks	1,580,011	99,140	-	-	1,679,151
Loans from banks and other financial institutions, including subordinated liabilities	86,268	191,670	589,560	985,275	1,852,773
Deposits from customers	32,079,827	2,452,521	238,097	3	34,770,448
Debt securities issued	-	170,455	506,206	-	676,661
Leasing Liabilities	16,052	40,538	96,541	8,172	161,303
Total financial liabilities	**35,546,207**	**3,756,302**	**1,469,607**	**1,115,908**	**41,888,024**

31.12.2018			Bank		
In RON thousands	Up to 3 months	3 months to 1 year	1-5 years	Over 5 years	Total contractual amount
Financial liabilities at fair value through profit or loss	1,363,044	(224,299)	38,442	13,821	1,191,008
Derivatives liabilities designated as hedging instruments	1,029	-	10998	123,303	135,330
Deposits from banks	882,793	902,414	1,979,720	18,365	3,783,292
Loans from banks and other financial institutions, including subordinated liabilities	136,898	230,520	867,026	999,632	2,234,076
Deposits from customers	28,834,900	2,686,495	1,727,780	17,130	33,266,305
Debt securities issued	-	14,086	501,945	191,799	707,830
Leasing Liabilities	-	-	-	-	-
Total financial liabilities	**31,218,664**	**3,609,216**	**5,125,911**	**1,364,050**	**41,317,841**

4. RISK MANAGEMENT (continued)

d) Liquidity risk *(continued)*

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

31.12.2019			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	**66,672**	**88,789**	**9,594**	**17,001**	**18,549**	**31,809**	**11,836**
Outflow		(4,796,792)	(2,096,823)	(1,859,761)	(862,376)	13,444	8,724
Inflow		4,885,581	2,106,417	1,876,762	880,925	18,365	3,112
Derivative liabilities	**(188,821)**	**(193,309)**	**(10,631)**	**(11,241)**	**(8,378)**	**(44,818)**	**(118,241)**
Outflow		(2,747,688)	(785,795)	(998,254)	(801,978)	(39,203)	(122,458)
Inflow		2,554,379	775,164	987,013	793,600	(5,615)	4,217

31.12.2018			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	**67,206**	**84,631**	**7,900**	**6,408**	**24,298**	**33,007**	**13,019**
Outflow		(2,449,058)	(1,102,268)	(670,911)	(700,500)	12,977	11,644
Inflow		2,533,689	1,110,168	677,319	724,798	20,030	1,375
Derivative liabilities	**(148,728)**	**(167,801)**	**(7,701)**	**(11,855)**	**(6,843)**	**(57,638)**	**(83,764)**
Outflow		(1,331,468)	(1,749,951)	380,748	224,299	(49,440)	(137,124)
Inflow		1,163,667	1,742,251	(392,603)	(231,142)	(8,198)	53,360

4. RISK MANAGEMENT (continued)

d) Liquidity risk *(continued)*

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

31.12.2019				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	**66,672**	**88,789**	**9,594**	**17,001**	**18,549**	**31,809**	**11,836**
Outflow		(4,796,792)	(2,096,823)	(1,859,761)	(862,376)	13,444	8,724
Inflow		4,885,581	2,106,417	1,876,762	880,925	18,365	3,112
Derivative liabilities	**(188,821)**	**(193,309)**	**(10,631)**	**(11,241)**	**(8,378)**	**(44,818)**	**(118,241)**
Outflow		(2,747,688)	(785,795)	(998,254)	(801,978)	(39,203)	(122,458)
Inflow		2,554,379	775,164	987,013	793,600	(5,615)	4,217

31.12.2018				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	**67,206**	**84,631**	**7,900**	**6,408**	**24,298**	**33,007**	**13,019**
Outflow		(2,449,058)	(1,102,268)	(670,911)	(700,500)	12,977	11,644
Inflow		2,533,689	1,110,168	677,319	724,798	20,030	1,375
Derivative liabilities	**(148,748)**	**(167,823)**	**(7,722)**	**(11,855)**	**(6,843)**	**(57,638)**	**(83,764)**
Outflow		(1,326,338)	(1,744,821)	380,748	224,299	(49,440)	(137,124)
Inflow		1,158,515	1,737,099	(392,603)	(231,142)	(8,198)	53,360

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 Assets and Liability 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 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.

4. RISK MANAGEMENT *(continued)*

e) Market risk *(continued)*

Exposure to market risks – 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.

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:

31.12.2019	Grup				Bank			
In Thousand EUR	At 31 December	Average	Maximum	Minimum	At 31 December	Average	Maximum	Minimum
Foreign currency risk	27	51	221	3	24	50	223	1
Interest rate risk	1,505	2,996	3,768	1,498	1,625	3,078	3,825	1,602
Credit spread risk	5,948	5,733	6,863	5,035	5,948	5,733	6,863	5,035
Overall	5,055	5,606	6,811	4,678	5,101	5,576	6,852	4,693

4. RISK MANAGEMENT *(continued)*

e) Market risk *(continued)*

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

31.12.2018	Grup				Bank			
In Thousand EUR	At 31 December	Average	Maximum	Minimum	At 31 December	Average	Maximum	Minimum
Foreign currency risk	59	79	366	1	61	80	358	1
Interest rate risk	3,797	5,842	11,191	2,757	3,775	5,716	8,276	2,609
Credit spread risk	5,195	4,612	5,974	3,377	5,195	4,650	5,974	3,377
Overall	4,820	3,942	5,036	2,934	4,828	3,961	5,027	3,075

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.

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 2019 and 2018, which correlate also with the stable FX VaR figure.

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

	Group			
in EUR thousands	31.12.2019		31.12.2018	
	Limits (EUR equivalent)	Average usage	Limits (EUR equivalent)	Average usage
EUR	60,000	20.64%	60,000	29.96%
RON	60,000	20.88%	60,000	30.17%
USD	5,000	9.71%	5,000	6.89%

	Bank			
in EUR thousands	31.12.2019		31.12.2018	
	Limits (EUR equivalent)	Average usage	Limits (EUR equivalent)	Average usage
EUR	60,000	20.67%	60,000	29.80%
RON	60,000	20.67%	60,000	29.86%
USD	5,000	4.09%	5,000	5.66%

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.

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 2019, is presented below:

31.12.2019	Group				
In Thousand RON	Up to 3 months	3 months to 1 year	1-5 years	Over 5 years	Total carrying amount
Cash and cash equivalents	11,693,894	-	-	-	11,693,894
Financial assets held for trading	51,281	24,676	73,731	118,302	267,990
Loans and advances to banks	50,617	304,821	217,129	-	572,567
Loans and advances to customers	7,909,304	7,935,017	5,769,914	4,399,570	26,013,805
Net Lease receivables	2,250,625	273,905	710,379	88,607	3,323,516
Financial assets at fair value through other comprehensive income	534,384	487,080	5,356,944	2,236,232	8,614,640
Other financial assets	141,080	-	-	1,730	142,810
Total financial assets	**22,631,185**	**9,025,499**	**12,128,097**	**6,844,441**	**50,629,222**
Financial liabilities at fair value through profit or loss	24,366	3,611	32,378	13,614	73,969
Derivatives liabilities designated as hedging instruments	823	1,712	15,319	96,998	114,852
Deposits from banks	1,430,537	235,750	-	-	1,666,287
Loans from banks and other financial institutions, including subordinated liabilities	4,285,279	875,442	2,199,042	35,922	7,395,685
Deposits from customers	31,272,115	2,428,885	237,947	3	33,938,950
Debt securities issued	-	621,823	1,422,223	-	2,044,046
Other financial liabilities	391,071	-	-	-	391,071
Leasing Liabilities	15,745	41,399	98,753	8,001	163,898
Total financial liabilities	**37,419,936**	**4,208,622**	**4,005,662**	**154,538**	**45,788,758**
Interest sensitivity surplus / (shortfall)	**(14,788,751)**	**4,816,877**	**8,122,435**	**6,689,903**	**4,840,464**

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 2018, is presented below:

31.12.2018	Group				
In Thousand RON	Up to 3 months	3 months to 1 year	1-5 years	Over 5 years	Total carrying amount
Cash and cash equivalents	10,282,258	-	-	-	10,282,258
Financial assets held for trading	11,712	15,326	180,059	89,688	296,785
Derivatives assets designated as hedging instruments	-	-	-	146	146
Loans and advances to banks	116,552	618,968	1,162,082	-	1,897,602
Loans and advances to customers	21,624,879	1,308,034	1,392,919	296,482	24,622,314
Net Lease receivables	2,343,553	196,609	455,913	6,662	3,002,737
Financial assets at fair value through other comprehensive income	344,711	305,621	4,247,469	2,432,820	7,330,621
Other financial assets	190,151	-	-	-	190,151
Total financial assets	**34,913,816**	**2,444,558**	**7,438,442**	**2,825,798**	**47,622,614**
Financial liabilities at fair value through profit or loss	16,515	5,456	33,740	14,098	69,809
Derivatives liabilities designated as hedging instruments	1,505	-	10,760	66,654	78,919
Deposits from banks	3,384,545	373,112	-	-	3,757,657
Loans from banks and other financial institutions, including subordinated liabilities	7,309,750	319,168	829,448	23,246	8,481,612
Deposits from customers	27,322,794	1,979,474	176,881	15,752	29,494,901
Debt securities issued	-	622,115	-	-	622,115
Other financial liabilities	459,838	-	-	-	459,838
Total financial liabilities	**38,494,947**	**3,299,325**	**1,050,829**	**119,750**	**42,964,851**
Interest sensitivity surplus / (shortfall)	**(3,581,131)**	**(854,767)**	**6,387,613**	**2,706,048**	**4,657,763**

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 2019, is presented below:

31.12.2019	Bank				
In Thousand RON	Up to 3 months	3 months to 1 year	1-5 years	Over 5 years	Total carrying amount
Cash and cash equivalents	11,693,863	-	-	-	11,693,863
Financial assets held for trading	51,281	24,676	73,731	118,302	267,990
Loans and advances to banks	50,617	304,821	217,129	-	572,567
Loans and advances to customers	7,041,144	6,611,800	4,440,607	4,389,712	22,483,263
Net Lease receivables	-	-	-	-	-
Financial assets at fair value through other comprehensive income	534,384	487,080	5,356,944	2,233,886	8,612,294
Other financial assets	100,767	-	-	-	100,767
Total financial assets	**19,472,056**	**7,428,377**	**10,088,411**	**6,741,900**	**43,730,744**
Financial liabilities at fair value through profit or loss	24,366	3,611	32,378	13,614	73,969
Derivatives liabilities designated as hedging instruments	823	1,712	15,319	96,998	114,852
Deposits from banks	1,430,537	235,750	-	-	1,666,287
Loans from banks and other financial institutions, including subordinated liabilities	1,602,571	-	-	-	1,602,571
Deposits from customers	32,049,145	2,428,885	228,731	3	34,706,764
Debt securities issued	-	621,823	-	-	621,823
Other financial liabilities	340,562	-	-	-	340,562
Leasing Liabilities	15,745	39,778	95,228	8,001	158,752
Total financial liabilities	**35,463,749**	**3,331,559**	**371,656**	**118,616**	**39,285,580**
Interest sensitivity surplus / (shortfall)	**(15,991,693)**	**4,096,818**	**9,716,755**	**6,623,284**	**4,445,164**

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 2018, is presented below:

31.12.2018	Bank				
In Thousand RON	Up to 3 months	3 months to 1 year	1-5 years	Over 5 years	Total carrying amount
Cash and cash equivalents	10,282,174	-	-	-	10,282,174
Financial assets held for trading	11,712	15,326	180,059	89,688	296,785
Derivatives assets designated as hedging instruments	-	-	-	146	146
Loans and advances to banks	116,552	618,968	1,162,082	-	1,897,602
Loans and advances to customers	19,689,920	687,005	323,275	272,871	20,973,071
Net Lease receivables	-	-	-	-	-
Financial assets at fair value through other comprehensive income	344,711	305,621	4,247,469	2,430,474	7,328,275
Other financial assets	143,332	-	-	-	143,332
Total financial assets	**30,588,401**	**1,626,920**	**5,912,885**	**2,793,179**	**40,921,385**
Financial liabilities at fair value through profit or loss	16,535	5,456	33,740	14,098	69,829
Derivatives liabilities designated as hedging instruments	1,505	-	10,760	66,654	78,919
Deposits from banks	3,384,545	373,112	-	-	3,757,657
Loans from banks and other financial institutions, including subordinated liabilities	1,700,770	-	160,000	-	1,860,770
Deposits from customers	27,684,457	1,979,474	176,881	1,016	29,841,828
Debt securities issued	-	622,115	-	-	622,115
Other financial liabilities	368,442	-	-	-	368,442
Leasing Liabilities	-	-	-	-	-
Total financial liabilities	**33,156,254**	**2,980,157**	**381,381**	**81,768**	**36,599,560**
Interest sensitivity surplus / (shortfall)	**(2,567,853)**	**(1,353,237)**	**5,531,504**	**2,711,411**	**4,321,825**

4. RISK MANAGEMENT *(continued)*

e) Market risk *(continued)*

The following table shows the yearly average interest rates obtained or offered during 2019:

31.12.2019	Group RON Average	 EUR Average	 USD Average	Bank RON Average	 EUR Average	 USD Average
Assets						
Current accounts with the National Bank of Romania	0.16%	0.01%	-	0.16%	0.01%	-
Placements with banks	3.51%	-0.43%	1.00%	3.51%	-0.43%	1.00%
Investment securities	3.94%	2.24%	-	3.94%	2.24%	-
Loans and advances to customers	6.61%	1.72%	5.02%	5.61%	2.72%	5.02%
Net lease receivables	5.13%	3.35%	5.47%	-	-	-
Liabilities						
Deposits from banks	2.70%	1.02%	1.00%	2.70%	1.02%	1.00%
Deposits from customers	2.36%	0.32%	1.22%	2.36%	0.32%	1.22%
Loans from banks	2.96%	1.23%	1.00%	3.65%	0.61%	1.00%
Subordinated loans	-	3.53%	-	-	3.71%	-

The following table shows the yearly average interest rates obtained or offered during 2018:

31.12.2018	Group RON Average	 EUR Average	 USD Average	Bank RON Average	 EUR Average	 USD Average
Assets						
Current accounts with the National Bank of Romania	0.15%	0.02%	-	0.15%	0.02%	-
Placements with banks	3.13%	-0.43%	1.86%	3.23%	-0.45%	1.88%
Investment securities	3.73%	2.58%	-	3.73%	2.58%	-
Loans and advances to customers	5.66%	2.18%	4.48%	5.02%	2.91%	4.88%
Liabilities						
Deposits from banks	2.29%	0.62%	1.53%	2.29%	0.62%	1.53%
Deposits from customers	2.13%	0.31%	1.19%	2.13%	0.31%	1.19%
Loans from banks	3.44%	0.90%	4.60%	3.55%	0.66%	3.82%
Subordinated loans	-	3.59%	-	-	3.73%	-

The interest rates related to the local currency and the major foreign currencies as at 31 December 2019 and 31 December 2018 were as follows:

Currencies	Interest rate	31.12.2019	31.12.2018
RON	Robor 3 months	3.18%	3.02%
RON	Robor 6 months	3.24%	3.30%
EUR	Euribor 3 months	-0.38%	-0.31%
EUR	Euribor 6 months	-0.32%	-0.24%
USD	Libor 3 months	1.91%	2.80%
USD	Libor 6 months	1.91%	2.88%

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 2019 are presented below:

31.12.2019			Group		
In Thousand RON	RON	USD	EUR	Other	Total
Financial assets					
Cash and cash equivalents	4,741,867	46,761	6,850,384	54,882	11,693,894
Financial assets at fair value through profit or loss	160,547	39,617	67,826	-	267,990
Derivatives assets designated as hedging instruments	-	18	(18)	-	-
Loans and advances to banks	405,816	-	166,751	-	572,567
Loans and advances to customers	14,930,285	565,864	10,515,830	1,826	26,013,805
Net Lease receivables	237,316	1,076	3,085,124	-	3,323,516
Financial assets at fair value through other comprehensive income	7,201,779	-	1,412,861	-	8,614,640
Other financial assets	117,117	(50)	25,741	2	142,810
Total financial assets	**27,794,727**	**653,286**	**22,124,499**	**56,710**	**50,629,222**
Financial liabilities					
Financial liabilities at fair value through profit or loss	-	-	73,969	-	73,969
Derivatives liabilities designated as hedging instruments	-	886	113,966	-	114,852
Deposits from banks	524,079	161,929	980,279	-	1,666,287
Loans from banks	2,756,753	1	3,726,482	-	6,483,236
Subordinated liabilities	-	-	912,449	-	912,449
Deposits from customers	21,747,361	1,576,534	10,500,089	114,966	33,938,950
Debt securities issued	621,823	-	1,422,223	-	2,044,046
Other financial liabilities	229,638	21,050	130,426	9,957	391,071
Lease liabilities	4,849	1,401	157,648	-	163,898
Total financial liabilities	**25,884,503**	**1,761,801**	**18,017,531**	**124,923**	**45,788,758**
Net financial assets/(liabilities)	**1,910,224**	**(1,108,515)**	**4,106,968**	**(68,213)**	**4,840,464**

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 2018 are presented below:

31.12.2018			Group		
In Thousand RON	RON	USD	EUR	Other	Total
Financial assets					
Cash and cash equivalents	2,471,302	93,052	7,647,095	70,809	10,282,258
Financial assets at fair value through profit or loss	186,995	28,791	80,836	163	296,785
Derivatives assets designated as hedging instruments	-	22	124	-	146
Loans and advances to banks	1,776,013	32,016	89,573	-	1,897,602
Loans and advances to customers	14,018,900	484,614	10,115,243	3,557	24,622,314
Net Lease receivables	386,451	32,331	2,583,955	-	3,002,737
Financial assets at fair value through other comprehensive income	6,392,195	(404)	938,830	-	7,330,621
Other financial assets	103,911	1,311	84,910	19	190,151
Total financial assets	**25,335,767**	**671,733**	**21,540,566**	**74,548**	**47,622,614**
Financial liabilities					
Financial liabilities at fair value through profit or loss	26,882	1,729	41,035	163	69,809
Derivatives liabilities designated as hedging instruments	-	616	78,303	-	78,919
Deposits from banks	312,630	215,963	3,229,064	-	3,757,657
Loans from banks	2,826,002	80,173	4,685,126	-	7,591,301
Subordinated liabilities	-	-	890,311	-	890,311
Deposits from customers	20,160,695	1,231,735	7,973,168	129,303	29,494,901
Debt securities issued	622,115	-	-	-	622,115
Other financial liabilities	306,328	21,916	127,333	4,261	459,838
Total financial liabilities	**24,254,652**	**1,552,132**	**17,024,340**	**133,727**	**42,964,851**
Net financial assets/(liabilities)	**1,081,115**	**(880,399)**	**4,516,226**	**(59,179)**	**4,657,763**

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 2019 can be analysed as follows:

31.12.2019			Bank		
In Thousand RON	RON	USD	EUR	Other	Total
Financial assets					
Cash and cash equivalents	4,193,083	46,761	7,399,137	54,882	11,693,863
Financial assets at fair value through profit or loss	160,547	39,617	67,826	-	267,990
Derivatives assets designated as hedging instruments	-	18	(18)	-	-
Loans and advances to banks	405,816	-	166,751	-	572,567
Loans and advances to customers	12,468,971	565,864	9,446,603	1,825	22,483,263
Financial assets at fair value through other comprehensive income	7,199,433	-	1,412,861	-	8,612,294
Other financial assets	76,134	(50)	24,681	2	100,767
Total financial assets	**24,503,984**	**652,210**	**18,517,841**	**56,709**	**43,730,744**
Financial liabilities					
Financial liabilities at fair value through profit or loss	-	-	73,969	-	73,969
Derivatives liabilities designated as hedging instruments	-	886	113,966	-	114,852
Deposits from banks	524,079	161,929	980,279	-	1,666,287
Loans from banks	158,915	-	636,352	-	795,267
Subordinated liabilities	-	-	807,304	-	807,304
Deposits from customers	21,896,849	1,576,534	11,118,415	114,966	34,706,764
Debt securities issued	621,823	-	-	-	621,823
Other financial liabilities	186,056	21,049	123,500	9,957	340,562
Lease liabilities	610	1,401	156,741	-	158,752
Total financial liabilities	**23,388,332**	**1,761,799**	**14,010,526**	**124,923**	**39,285,580**
Net financial assets/(liabilities)	**1,115,652**	**(1,109,589)**	**4,507,315**	**(68,214)**	**4,445,164**

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 2018 can be analysed as follows:

31.12.2018			Bank		
In Thousand RON	RON	USD	EUR	Other	Total
Financial assets					
Cash and cash equivalents	2,467,796	93,052	7,650,517	70,809	10,282,174
Financial assets at fair value through profit or loss	187,015	28,791	80,816	163	296,785
Derivatives assets designated as hedging instruments	-	22	124	-	146
Loans and advances to banks	1,776,013	32,016	89,573	-	1,897,602
Loans and advances to customers	11,473,923	484,614	9,010,977	3,557	20,973,071
Financial assets at fair value through other comprehensive income	6,389,849	(404)	938,830	-	7,328,275
Other financial assets	57,636	1,311	84,366	19	143,332
Total financial assets	**22,352,232**	**639,402**	**17,855,203**	**74,548**	**40,921,385**
Financial liabilities					
Financial liabilities at fair value through profit or loss	26,902	1,729	41,035	163	69,829
Derivatives liabilities designated as hedging instruments	-	616	78,303	-	78,919
Deposits from banks	312,630	215,963	3,229,064	-	3,757,657
Loans from banks	158,483	47,247	867,335	-	1,073,065
Subordinated liabilities	-	-	787,705	-	787,705
Deposits from customers	20,229,649	1,232,685	8,250,191	129,303	29,841,828
Debt securities issued	622,115	-	-	-	622,115
Other financial liabilities	231,407	21,916	110,858	4,261	368,442
Lease liabilities	-	-	-	-	-
Total financial liabilities	**21,581,186**	**1,520,156**	**13,364,491**	**133,727**	**36,599,560**
Net financial assets/(liabilities)	**771,046**	**(880,754)**	**4,490,712**	**(59,179)**	**4,321,825**

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 analysed 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 price transfer 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 is an ongoing tax inspection for corporate income tax and withholding tax, for fiscal years 2013 – 2017.

i) Operating environment

Romanian economy increased by 4.1% YoY in 2019, slowing the growth rate created by the fiscal stimulus from the previous years. The gross fixed capital formation contribution has a significant contribution in GDP formation, exceeding the private consumption, due to constructions and investments in machinery and equipment. We expect 2.4% GDP growth for 2020 due a slowdown of the economy. Mostly, the sudden slowdown is the result of the uncertainties coming from the external environment and global economic sentiment, but also the decrease of fiscal stimulus and the decline of capital investments are influencing the GDP growth as well. A softer decrease of private consumption it is also expected, even if the Government has planned an increase by 40% of pensions starting September 2020.

4. RISK MANAGEMENT *(continued)*

i) Operating environment (continued)

The budget deficit exceeded 4.64% of GDP during the previous year due to the weaker tax collection and higher expenses with pensions and salaries. The Ministry of Finance prepared the 2020 budget based on a 3.6% of GDP deficit, but it will be difficult to reach this level considering the increase of pensions starting with September. Furthermore, there are additional budget pressures as the Parliament decided to double the children's allowances which lead to an impact of approx. RON 6bn and will increase the budget deficit, even if the measure was postponed for August 2020. The proposal to cut the special pensions could cover the children's allowances impact, but it will not solve the deficit problem. The evolution of budget deficit is affecting the costs related to internal and external financing of the country, as well the rating outlook which was already changed to a negative by S&P in December.

The monetary policy key rate was kept at 2.50% in 2019 and there are no expectations for a potential change in 2020. The minimum reserves requirements were kept during 2019 at 8% for both liabilities in RON and foreign currencies, while for deposit and loan facilities the rates were unchanged at 1.50%, respectively 3.50%. Changes of interest rates by Central Bank are not expected during 2020, considering that the prices stability policy could be affected. Moreover, the National Bank of Romania ("NBR") organized weekly depo operations with 1W maturity in order to drain the excess liquidity from the market, driving to a softer increase of ROBOR rates at the end of the year. ROBOR rates are expected to remain above 3% in 2020 given the strict management of the liquidity performed by NBR, using the FX market interventions and repo/depo operations.

EUR RON was quoted in the interval 4.7-4.8 in 2019, having constant depreciation pressures due to the negative capital flows. National Bank warned that these pressures will increase this year in the context of a negative evolution of twin deficits and a potential sudden change of economic sentiment in the international markets. However, a gradual depreciation will not significantly affect the overvaluation of our local currency, as the labor costs exceeds the productivity.

After a softer decrease below the Central Bank's target, the inflation rate reached 4% at the end of 2019 and it is expected to remain above this level during 2020 on the back of the re-liberalization of gas prices starting July. The inflation pressures are coming from industrial production prices fluctuations on the internal market as well as the increase of labor costs and RON depreciation which drove to the increase of the import prices.

The trade balance deficit kept a high level in 2019 on the back of a faster increase of imports, while the exports were affected by the worsening of the global economic environment. On the external side, our country is losing the price competitiveness which is coming from some economic sectors due to increase of labor costs, even if the local currency was relatively stable. Moreover, the current account deficit continued to increase at a softer pace, due to the decline of direct foreign investments and capital transfers. An increase of investments during the 2020 is not expected, but the rise of EU funds absorption can drive to a slightly decrease of deficit, the current estimation showing 4% of GDP.

Loans granted in local currency reached 67.2% from the total in November, being preferred by the households. Compared with the same period of the previous year, the household loans rose by 13.7%, while the non-financial institutions registered 4.1% growth. On the other side, the deposits continued to rose faster than loans, reflecting that there is more space for new lending, but the conditions imposed by the banks are more pressing, excluding a relatively higher number of potential borrowers.

Furthermore, Central Bank reduced the indebtness level for private individuals starting with January 2019 in order to prevent the increase of default risk up to 30% for FX loans and 40% for local currency loans. The non-performing loans rate decreased to 4.6% in September 2019, but persisted to be above the EU average of 3% (registered in June).

4. RISK MANAGEMENT (continued)

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 recognizes the need to maintain a balance between the higher returns that may be possible with greater gearing and the advantages and security afforded by a sound capital position.

Regulatory capital

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

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

Credit Risk

In July 2012, National Bank of Romania ("NBR") authorized the Bank to calculate the credit risk capital requirement under Foundation IRB Approach for the following categories of clients: corporate (except for real estate clients), multinationals, banks and securities industries. For the rest of the portfolios, the Group is still applying the Standardized Approach.

Market Risk

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

Operational Risk

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

Own Funds

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

4. RISK MANAGEMENT (continued)

j) Capital management (continued)

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

	Group		Bank	
in RON thousands	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Tier 1 capital	4,252,035	3,961,150	4,067,305	3,789,261
Tier 2 capital	805,312	785,867	805,312	785,867
Total own funds	**5,057,347**	**4,747,017**	**4,872,617**	**4,575,128**
Total requirements for own funds of which:	**31,085,512**	**28,458,912**	**25,000,183**	**22,536,865**
Risk exposure amounts for credit risk, counterparty risk and receivables value decrease risk and free deliveries	28,535,180	26,177,994	23,168,404	20,981,180
Total risk exposure amount for position, foreign exchange and commodities' risks	44,354	181,876	44,354	176,907
Total risk exposure amount for operational risk	2,483,241	2,090,620	1,764,688	1,370,356
Total risk exposure amount for credit value adjustment	22,737	8,422	22,737	8,422
Capital indicators				
Total capital ratio	16.27%	16.68%	19.49%	20.30%
Tier 1 capital ratio	13.68%	13.92%	16.27%	16.81%

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

Capital allocation

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

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 2019 is RON thousands 2,827,952 (2018: RON thousands 2,497,096), 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 2019 is RON thousands 2,252,993 (2018: RON thousands 2,030,898), which is computed and presented in accordance with provisions of art. 644 of the above mentioned Regulation no 5/2013 and consists of Operating income items excluding interest expense and fee expense.

5. USE OF ESTIMATES AND JUDGEMENTS

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

a) Key sources of estimation uncertainty

Allowances for loan losses

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

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

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

Entity / Impact RON thousands 2019	Impact PD up 10%	Impact PD down 10%	Impact Collateral up 10%	Impact Collateral down 10%
UCL	5,815	(6,138)	(6,461)	5,879
UCFIN	7,364	(7,448)	-	-
UCB	12,529	(12,529)	(15,651)	33,379
Consolidated	**25,708**	**(26,115)**	**(22,112)**	**39,258**

Entity / Impact RON thousands 2018	Impact PD up 10%	Impact PD down 10%	Impact Collateral up 10%	Impact Collateral down 10%
UCL	6,074	(6,412)	(6,749)	6,142
UCFIN	8,406	(8,406)	-	-
UCB	18,039	(18,039)	(21,622)	36,084
Consolidated	**32,519**	**(32,857)**	**(28,371)**	**42,226**

Sensitivity analysis for assets at fair value through other comprehensive income (2019-2018).

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

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

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

In case the market yield varies by +/-10 percent, the negative reserve recorded as at 31 December 2019 on financial assets at fair value through other comprehensive income would vary as follows:

31.12.2019	Bank	
In Thousand RON	Market Yield -10%	Market Yield +10%
Financial assets at fair value through other comprehensive income denominated in RON	88,061	(85,652)
Financial assets at fair value through other comprehensive income denominated in EUR	9,290	(8,851)
Financial assets at fair value through other comprehensive income	**97,351**	**(94,503)**

In case of the market yield varies by +/-10 percent, the negative reserve recorded as at 31 December 2018 on available for sale financial assets would vary as follows:

31.12.2018	Bank	
In Thousand RON	Market Yield -10%	Market Yield +10%
Financial assets at fair value through other comprehensive income denominated in RON	90,553	(88,029)
Financial assets at fair value through other comprehensive income denominated in EUR	17,803	(17,281)
Financial assets at fair value through other comprehensive income	**108,356**	**(105,310)**

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

Financial assets and liabilities classification

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

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

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

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

5. USE OF ESTIMATES AND JUDGEMENTS (continued)

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

Qualifying hedge relationships

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

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

Determining fair values

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

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

31.12.2019 In Thousand RON	Group Listed*	 Unlisted	 Total	Bank Listed*	 Unlisted	 Total
Debt securities at fair value through other comprehensive income	8,606,775	8	8,606,783	8,606,775	8	8,606,783
Equity instruments at fair value through other comprehensive income	-	7,857	7,857	-	5,511	5,511
Total assets held at fair value through other comprehensive income	**8,606,775**	**7,865**	**8,614,640**	**8,606,775**	**5,519**	**8,612,294**

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

31.12.2018 In Thousand RON	Group Listed*	 Unlisted	 Total	Bank Listed*	 Unlisted	 Total
Debt securities at fair value through other comprehensive income	6,767,243	555,179	7,322,422	6,767,243	555,179	7,322,422
Equity instruments at fair value through other comprehensive income	-	8,199	8,199	-	5,853	5,853
Total assets held at fair value through other comprehensive income	**6,767,243**	**563,378**	**7,330,621**	**6,767,243**	**561,032**	**7,328,275**

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

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

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

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

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

The table below presents the fair value of financial instruments (measured at fair value) by the level in the fair value hierarchy into which the fair value measurement is categorized as of 31 December 2019:

31.12.2019			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	149,710	77,811	849	228,370	228,370
Fair value changes of the hedged items in portfolio hedge	-	-	-	-	-
Derivatives financial instruments designated as hedging instruments	-	-	-	-	-
Total trading assets	**149,710**	**77,811**	**849**	**228,370**	**228,370**
Financial assets at fair value through other comprehensive income					
Debt instrument	7,563,637	1,043,146	-	8,606,783	8,606,783
Equity instrument	-	-	7,857	7,857	7,857
Total assets at fair value through other comprehensive income	**7,563,637**	**1,043,146**	**7,857**	**8,614,640**	**8,614,640**
Non-transactional financial assets at fair value mandatorily through profit or loss					
Equity instruments	-	-	39,620	39,620	39,620
Total assets at fair value through profit or loss	**-**	**-**	**39,620**	**39,620**	**39,620**
Liabilities designated for trading and for hedging					
Financial liabilities at fair value through profit or loss	-	73,120	849	73,969	73,969
Derivatives financial instruments designated at hedging instruments	-	114,852	-	114,852	114,852
Total liabilities designated for trading and hedging	**-**	**187,972**	**849**	**188,821**	**188,821**

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 2018:

31.12.2018	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	180,005	89,657	59	269,721	269,721
Fair value changes of the hedged items in portfolio hedge	-	-	-	-	-
Derivatives financial instruments designated as hedging instruments	-	146	-	146	146
Total trading assets	**180,005**	**89,803**	**59**	**269,867**	**269,867**
Financial assets at fair value through other comprehensive income					
Debt instrument	6,926,748	395,675	-	7,322,422	7,322,422
Equity instrument	-	-	8,199	8,199	8,199
Total assets at fair value through other comprehensive income	**6,926,748**	**395,675**	**8,199**	**7,330,621**	**7,330,621**
Non-transactional financial assets at fair value mandatorily through profit or loss					
Equity instruments	-	-	27,064	27,064	27,064
Total assets at fair value through profit or loss	**-**	**-**	**27,064**	**27,064**	**27,064**
Liabilities designated for trading and for hedging					
Financial liabilities at fair value through profit or loss	-	69,754	55	69,809	69,809
Derivatives financial instruments designated at hedging instruments	-	78,919	-	78,919	78,919
Total liabilities designated for trading and hedging	**-**	**148,673**	**55**	**148,728**	**148,728**

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 2019:

31.12.2019			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	149,710	77,811	849	228,370	228,370
Fair value changes of the hedged items in portfolio hedge	-	-	-	-	-
Derivatives financial instruments designated as hedging instruments	-	-	-	-	-
Total trading assets	**149,710**	**77,811**	**849**	**228,370**	**228,370**
Financial assets at fair value through other comprehensive income					
Debt instrument	7,563,637	1,043,146	-	8,606,783	8,606,783
Equity instrument	-	-	5,511	5,511	5,511
Total assets at fair value through other comprehensive income	**7,563,637**	**1,043,146**	**5,511**	**8,612,294**	**8,612,294**
Non-transactional financial assets at fair value mandatorily through profit or loss					
Capital instruments	-	-	39,620	39,620	39,620
Total assets at fair value through profit or loss	**-**	**-**	**39,620**	**39,620**	**39,620**
Liabilities designated for trading and for hedging					
Financial Liabilities at fair value through profit or loss	-	73,120	849	73,969	73,969
Derivatives financial instruments designated as hedging instruments	-	114,852	-	114,852	114,852
Total liabilities designated for trading and hedging	**-**	**187,972**	**849**	**188,821**	**188,821**

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 2018:

31.12.2018			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	180,005	89,658	59	269,722	269,721
Fair value changes of the hedged items in portfolio hedge	-	-	-	-	-
Derivatives financial instruments designated as hedging instruments	-	146	-	146	146
Total trading assets	**180,005**	**89,804**	**59**	**269,868**	**269,867**
Financial assets at fair value through other comprehensive income					
Debt instrument	6,926,748	395,675	-	7,322,422	7,322,422
Equity instrument	-	-	5,853	5,853	5,853
Total assets at fair value through other comprehensive income	**6,926,748**	**395,675**	**5,853**	**7,328,275**	**7,328,275**
Non-transactional financial assets at fair value mandatorily through profit or loss					
Capital instruments	-	-	27,064	27,064	27,064
Total assets at fair value through profit or loss	**-**	**-**	**27,064**	**27,064**	**27,064**
Liabilities designated for trading and for hedging					
Financial Liabilities at fair value through profit or loss	-	69,774	55	69,829	69,829
Derivatives financial instruments designated as hedging instruments	-	78,919	-	78,919	78,919
Total liabilities designated for trading and hedging	**-**	**148,693**	**55**	**148,748**	**148,748**

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.

31.12.2019	Group					
In RON thousands	At fair value through profit or loss - held for trading	At amortized cost	Financial assets held at fair value through other comprehensive income	Designated at fair value through profit or loss	Total carrying amount	Fair value
Cash and cash equivalents	-	11,693,894	-	-	11,693,894	11,693,894
Financial assets at fair value through profit or loss	267,990	-	-	-	267,990	267,990
Derivatives assets designated as hedging instruments	-	-	-	-	-	-
Placements with banks at amortized cost	-	572,567	-	-	572,567	567,396
Loans and advances to customers at amortized cost	-	26,013,805	-	-	26,013,805	25,708,206
Net lease receivables	-	3,323,516	-	-	3,323,516	3,323,516
Financial assets at fair value through other comprehensive income	-	-	8,614,640	-	8,614,640	8,614,640
Other financial assets at amortized cost	-	142,810	-	-	142,810	142,810
Total financial assets	**267,990**	**41,746,592**	**8,614,640**	**-**	**50,629,222**	**50,318,452**
Financial liabilities at fair value through profit or loss	73,969	-	-	-	73,969	73,969
Derivatives liabilities designated as hedging instruments	114,852	-	-	-	114,852	114,852
Deposits from banks	-	1,666,287	-	-	1,666,287	1,663,071
Loans from banks and other financial institutions, including subordinated liabilities	-	7,395,685	-	-	7,395,685	7,392,593
Debt securities issued	-	2,044,046	-	-	2,044,046	2,044,046
Deposits from customers	-	33,938,950	-	-	33,938,950	33,871,974
Other financial liabilities at amortized cost	-	391,071	-	-	391,071	391,071
Lease liabilities	-	163,898	-	-	163,898	163,898
Total financial liabilities	**188,821**	**45,599,937**	**-**	**-**	**45,788,758**	**45,715,474**

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.

31.12.2018 In RON thousands	Group					
	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	-	10,282,258	-	-	10,282,258	10,282,258
Financial assets at fair value through profit or loss	296,785	-	-	-	296,785	296,785
Derivatives assets designated as hedging instruments	146	-	-	-	146	146
Placements with banks at amortized cost	-	1,897,602	-	-	1,897,602	1,880,062
Loans and advances to customers at amortized cost	-	24,622,314	-	-	24,622,314	24,293,513
Net lease receivables	-	3,002,737	-	-	3,002,737	3,002,737
Financial assets at fair value through other comprehensive income	-	-	7,330,621	-	7,330,621	7,330,621
Other financial assets at amortized cost	-	190,151	-	-	190,151	190,151
Total financial assets	**296,931**	**39,995,062**	**7,330,621**	**-**	**47,622,614**	**47,276,273**
Financial liabilities at fair value through profit or loss	69,809	-	-	-	69,809	69,809
Derivatives liabilities designated as hedging instruments	78,919	-	-	-	78,919	78,919
Deposits from banks	-	3,757,657	-	-	3,757,657	3,731,594
Loans from banks and other financial institutions, including subordinated liabilities	-	8,481,612	-	-	8,481,612	8,468,705
Debt securities issued	-	622,115	-	-	622,115	622,115
Deposits from customers	-	29,494,901	-	-	29,494,901	29,125,097
Other financial liabilities at amortized cost	-	459,838	-	-	459,838	459,838
Total financial liabilities	**148,728**	**42,816,123**	**-**	**-**	**42,964,851**	**42,556,077**

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.

31.12.2019 In RON thousands	Bank					
	At fair value through profit or loss - held for trading	At amortized cost	Financial assets held at fair value through other comprehensive income	Designated at fair value through profit or loss	Total carrying amount	Fair value
Cash and cash equivalents	-	11,693,863	-	-	11,693,863	11,693,863
Financial assets at fair value through profit or loss	267,990	-	-	-	267,990	267,990
Derivatives assets designated as hedging instruments	-	-	-	-	-	-
Placements with banks at amortized cost	-	572,567	-	-	572,567	567,396
Loans and advances to customers at amortized cost	-	22,483,263	-	-	22,483,263	22,177,662
Financial assets at fair value through other comprehensive income	-	-	8,612,294	-	8,612,294	8,612,294
Other financial assets at amortized cost	-	100,767	-	-	100,767	100,767
Total financial assets	**267,990**	**34,850,460**	**8,612,294**	-	**43,730,744**	**43,419,972**
Financial liabilities at fair value through profit or loss	73,969	-	-	-	73,969	73,969
Derivatives liabilities designated as hedging instruments	114,852	-	-	-	114,852	114,852
Deposits from banks	-	1,666,287	-	-	1,666,287	1,663,071
Loans from banks and other financial institutions, including subordinated liabilities	-	1,602,571	-	-	1,602,571	1,599,479
Debt securities issued	-	621,823	-	-	621,823	621,823
Deposits from customers	-	34,706,764	-	-	34,706,764	34,639,788
Other financial liabilities at amortized cost	-	340,562	-	-	340,562	340,562
Lease liabilities	-	158,752	-	-	158,752	158,752
Total financial liabilities	**188,821**	**39,096,759**	-	-	**39,285,580**	**39,212,296**

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.

31.12.2018	Bank					
In RON thousands	At fair value through profit or loss - held for trading	At amortized cost	Financial assets held at fair value through other comprehensive income	Designated at fair value through profit or loss	Total carrying amount	Fair value
Cash and cash equivalents	-	10,282,174	-	-	10,282,174	10,282,174
Financial assets at fair value through profit or loss	296,785	-	-	-	296,785	296,785
Derivatives assets designated as hedging instruments	146	-	-	-	146	146
Placements with banks at amortized cost	-	1,897,602	-	-	1,897,602	1,880,062
Loans and advances to customers at amortized cost	-	20,973,071	-	-	20,973,071	20,644,270
Financial assets at fair value through other comprehensive income	-	-	7,328,275	-	7,328,275	7,328,275
Other financial assets at amortized cost	-	143,332	-	-	143,332	143,332
Total financial assets	**296,931**	**33,296,179**	**7,328,275**	**-**	**40,921,385**	**40,575,044**
Financial liabilities at fair value through profit or loss	69,829	-	-	-	69,829	69,829
Derivatives liabilities designated as hedging instruments	78,919	-	-	-	78,919	78,919
Deposits from banks	-	3,757,657	-	-	3,757,657	3,731,594
Loans from banks and other financial institutions, including subordinated liabilities	-	1,860,770	-	-	1,860,770	1,847,863
Debt securities issued	-	622,115	-	-	622,115	622,115
Deposits from customers	-	29,841,828	-	-	29,841,828	29,472,024
Other financial liabilities at amortized cost	-	368,442	-	-	368,442	368,442
Total financial liabilities	**148,748**	**36,450,812**	**-**	**-**	**36,599,560**	**36,190,786**

7. NET INTEREST INCOME

In RON thousands	Group		Bank	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Interest income				
Interest and similar income arising from:				
Loans and advances to customers *	1,351,879	1,240,049	1,021,628	967,064
Net Lease receivables	181,232	173,503	-	-
Treasury bills and bonds	253,231	190,508	253,231	190,508
Current accounts and placements with banks	60,902	99,467	60,847	100,437
Negative interest from financial liabilities	3,559	867	3,559	867
Total interest income	1,850,803	1,704,394	1,339,265	1,258,876
Interest expense				
Interest expense and similar charges arising from:				
Deposits from customers	244,544	224,351	244,600	224,776
Loans from banks and other financial institutions	186,888	166,485	42,599	40,146
Deposits from banks	42,702	35,587	42,702	35,587
Repurchase agreements	124	12,200	124	12,200
Interest related to the bonds issued	29,323	38,147	25,396	38,147
Negative interest from financial assets	20,835	-	20,835	-
Debt from leasing operations	2,157	-	1,896	-
Total interest expense	526,573	476,770	378,152	350,856
Net interest income	1,324,230	1,227,624	961,113	908,020

*) Interest income as at December 2019 includes interest income on impaired loans of RON thousands 90,614 (31 December 2018: RON thousands 63,474) for the Group and RON thousands 63,657 (31 December 2018: RON thousands 56,855) for the Bank.

8. NET FEES AND COMMISSIONS INCOME

In RON thousands	Group		Bank	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Fees and commissions income				
Payments transactions	293,854	278,876	288,134	251,607
Risk participation fee (refer to Note 40)	293	298	293	298
Guarantees and letters of credit	32,022	27,795	32,022	27,795
Loan administration	12,776	10,727	8,436	8,629
Other	115,993	98,622	95,595	129,252
Total fees and commission income	**454,938**	**416,318**	**424,480**	**417,581**
Fees and commission expense				
Inter-banking fees	63,441	49,182	63,480	49,288
Payments transactions	56,040	44,026	49,140	36,674
Commitments and similar fees	441	592	441	592
Intermediary agents fees	5,440	6,818	2,679	3,112
Other	13,119	10,256	11,736	9,226
Total fees and commissions expense	**138,481**	**110,874**	**127,476**	**98,893**
Net fees and commissions income	**316,457**	**305,444**	**297,004**	**318,688**

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

In RON thousands	Group		Bank	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Net gains from foreign exchange operations (including FX derivatives)	341,655	294,850	341,697	294,527
Net gains /(losses) from interest derivatives	(13,943)	(8,423)	(13,985)	(8,100)
Net income from trading bonds	13,291	12,553	13,291	12,553
Net gains /(losses) from commodities derivatives	7,970	111	7,970	111
Net income from trading for financial instruments held at fair value through profit or loss	**348,973**	**299,091**	**348,973**	**299,091**
Net gains/(losses) from non-transactional financial instruments held at fair value through profit and loss	**11,372**	**5,810**	**11,372**	**5,810**
Net income from financial instruments held at fair value through profit and loss	**360,345**	**304,901**	**360,345**	**304,901**

10. NET INCOME ON DISPOSALS OF FINANCIAL ASSETS AND LIABILITIES WHICH ARE NOT AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Bank	
In RON thousands	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Net income from sale of assets at fair value through other comprehensive income	11,841	(311)	11,841	3,844
Net Proft / (Loss) from derecognition of assets measured at amortised cost	40,054	8,086	22,709	181
Net income on disposal of financial assets and liabilities which are not at fair value through profit or loss	**51,895**	**7,775**	**34,550**	**4,025**

11. DIVIDENDS INCOME

The Group received dividends from the following companies:

	Group		Bank	
in RON thousands	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Transfond SA	1,635	1,960	1,635	1,960
Biroul de Credit SA	336	416	336	416
Total dividends income	**1,971**	**2,376**	**1,971**	**2,376**

*) Revenue from dividends on Visa shares is reported under earnings on non-trading financial assets, measured at fair value through profit or loss.

12. PERSONNEL EXPENSES

	Group		Bank	
In RON thousands	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Wages and salaries	409,252	389,164	357,955	340,316
Social security charges, unemployment fund and health fund	11,838	10,798	10,486	9,939
Other (income)/costs	786	(1,516)	(961)	(2,923)
Total	**421,876**	**398,446**	**367,480**	**347,332**

The number of employees of the Group at 31 December 2019 was 3,357 (31 December 2018: 3,312). Remuneration of Board's members for 2019 was RON thousands 11,536 (2018: RON thousands 13,076).

The number of employees of the Bank at 31 December 2019 was 2,987 (31.12.2018: 2,952). 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 2019 the Bank paid in RON thousands equivalent 1,603 (2018: RON thousands equivalent 3,289), related to these benefits.

13. DEPRECIATION AND AMORTISATION

in RON thousands	Group		Bank	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Depreciation expenses related to tangible assets	33,881	36,611	33,069	35,933
Depreciation expenses related to the rights of use (please see Note 3n and Note 44)	59,525	-	54,724	-
Write-off of property, plant and equipment	1,840	636	1,840	636
Depreciation expenses of intangible assets	57,018	58,061	50,466	49,985
Expenses from disposal of intangible assets	31	307	18	250
Total	**152,295**	**95,615**	**140,117**	**86,804**

14. OTHER ADMINISTRATIVE COSTS

in RON thousands	Group		Bank	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Office space expenses (rental, maintenance, other)*	44,983	105,635	41,278	97,549
IT services	102,692	87,311	97,623	82,054
Other taxes and duties **	115,857	33,331	115,857	33,331
Communication expenses	24,103	19,793	19,775	16,269
Advertising and promotional expenses	34,014	29,316	26,000	20,543
Consultancy, legal and other professional services	10,086	14,026	5,899	8,066
Materials and consumables	12,833	11,506	11,678	9,688
Personnel training and recruiting	4,948	4,608	3,841	3,716
Insurance expenses	3,346	3,447	2,430	3,074
Other	24,258	17,316	20,550	14,724
Total	**377,120**	**326,289**	**344,931**	**289,016**

** Rental expenses have significantly decreased in 2019, following the adoption of IFRS 16 "Leases" (for operating leases that are not of short term and short value, the Group presents expenses with the depreciation of right of use and interest expenses for the lease liabilities, instead of rental expenses like in 2018 . Please see further details on the accounting policies related to IFRS 16 in Note 3n, and on the financial impact of IFRS 16 in Note 44.*

*** Other taxes and duties include the Tax on assets, in amount of 59,609 RON thousands, described in detail in note 45.*

The fees paid by the Group to the auditing firm Deloitte and other companies from their group, without VAT, were as follows:

- audit and assurance services: RON thousands 2,300 (31 December 2018: RON thousands 2,359);
- tax services related to transfer price matters: RON thousands 347 (31 December 2018: RON thousands 278).
- other services: review of Bonds issuing prospect in UniCredit Leasing: RON thousands 427 (31 December 2018: RON thousands 0) –please see note 35 Debt securities issued.

The fees paid by UniCredit Bank SA to the auditing firm Deloitte and other companies from their group, without VAT, were as follows:

- audit and assurance services: RON thousands 1,588 RON (31 December 2018: RON thousands 1,592)
- tax services related to transfer price matters: RON thousands 347 RON (31 December 2018: RON thousands 139).

15. OTHER OPERATING EXPENSES

in RON thousands	Group		Bank	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Losses from sundry debtors	7,404	4,251	-	14
Net gain / (losses) on impairment of inventories	(7,001)	(3,875)	-	-
Other operating expenses	22,599	26,786	11,810	16,241
Total	**23,002**	**27,162**	**11,810**	**16,255**

16. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

In RON thousands	Group		Bank	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Net provision charges for loans and advances to customers	443,740	316,187	265,937	165,550
Net provision charges for banks	2,090	(484)	1,320	(484)
Net provision charges for securities	(3,719)	8,178	(3,719)	8,178
Loans written-off	1,846	3,738	1,846	3,738
Net provision charges for lease receivables	22,853	56,211	-	-
Recoveries from loans previously written-off	(81,214)	(30,734)	(81,214)	(30,732)
Net provisions charges for other financial instruments	1,727	4,704	6,987	4,704
Total	**387,323**	**357,800**	**191,157**	**150,954**

17. NET PROVISIONS LOSSES

In RON thousands	Group		Bank	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Net provision charges/(releases) for financial guarantees and off-balance commitments	995	48,079	886	42,362
Net provision charges/(releases) for litigations	15,842	6,911	(2,063)	4,782
Other net charges of provisions	16,372	13,801	15,342	301
Net losses from provisions	**33,209**	**68,791**	**14,165**	**47,445**

18. NET GAINS / (LOSSES) ON OTHER INVESTMENTS

in RON thousands	Group		Bank	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Gains/ (losses) on disposals groups held for sale assets*	1,249	64	-	64
Net Profit / (Loss) from other investment activities	**1,249**	**64**	**-**	**64**

* During 2019, the Group sold non-current assets classified "held for sale" as per IFRS 5 for a total price of RON thousands 33,942, resulting in a net gain of thousand RON 1,249. As at 31 December 2019, the Group received cash RON thousand 6,000 out of total sale price, and the remaining amount will be paid at a later stage.

19. INCOME TAX

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

In RON thousands	Group		Bank	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Profit/ (Loss) before tax	**768,933**	**638,141**	**677,315**	**646,135**
Direct taxes at 16% (2018: 16%) of taxable profits determined in accordance with Romanian law	(144,134)	(132,282)	(108,588)	(108,487)
Correction of current income tax arising from previous year	(712)	-	(327)	-
Deferred tax income	13,488	29,212	4,520	13,151
Income tax	**(131,358)**	**(103,070)**	**(104,395)**	**(95,336)**
Profit/ (Loss) before tax	**768,933**	**638,141**	**677,315**	**646,135**
Taxation at statutory rate of 16%	**(123,029)**	**(102,103)**	**(108,370)**	**(103,382)**
Non-deductible expenses	(91,518)	(73,113)	(50,934)	(43,829)
Non-taxable revenues	44,288	34,460	29,832	24,569
Origination and reversal of temporary differences	17,642	24,300	4,520	13,152
Fiscal credit	21,259	13,386	20,557	14,154
Taxation in the income statement	**(131,358)**	**(103,070)**	**(104,395)**	**(95,336)**

20. CASH AND CASH EQUIVALENTS

In RON thousands	Group		Bank	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Accounts at NBR	4,223,925	1,460,587	4,223,925	1,460,587
Cash (including cash in ATMs)	1,607,801	1,515,542	1,607,794	1,515,534
Short term Money Market placements	5,831,936	7,256,906	5,831,937	7,256,906
Current balances with other banks	34,798	52,122	34,707	52,046
Total gross value	**11,698,460**	**10,285,157**	**11,698,363**	**10,285,073**
Impairment allowance	**(4,566)**	**(2,899)**	**(4,500)**	**(2,899)**
Total net book value	**11,693,894**	**10,282,258**	**11,693,863**	**10,282,174**

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 2019, the minimum reserve level was settled as 8% (31 December 2018: 8%) for liabilities to customers in RON and 8% (31 December 2018: 8%) 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.

21. FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

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

In RON thousands			Bank	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Derivatives	66,672	67,060	66,672	67,060
Investment securities held for trading	161,698	202,661	161,698	202,661
Capital instruments*	39,620	27,064	39,620	27,064
Total	**267,990**	**296,785**	**267,990**	**296,785**

**) Equity investments for VISA Inc were classified as "Capital Instruments – Financial assets at fair value through profit and loss" (as described in Note 3 o)iii).*

- ***Derivative assets/ liabilities***

In RON thousands	Group			Bank		
	31.12.2019					
	Notional amount	Present value		Notional amount	Present value	
		Assets	Liabilities		Assets	Liabilities
Foreign currency Derivatives						
Forward contracts	6,804,317	23,827	25,008	6,804,317	23,827	25,008
Purchased options	616,089	1,807	40	616,089	1,807	40
Sold options	616,089	-	1,806	616,089	-	1,806
Total foreign currency derivates	**8,036,495**	**25,634**	**26,854**	**8,036,495**	**25,634**	**26,854**
Interest rates derivatives						
Interest Rate Swaps	2,381,102	27,359	32,516	2,381,102	27,359	32,516
Purchased options	603,107	13,677	-	603,107	13,677	-
Sold options	603,107	-	14,597	603,107	-	14,597
Total interest rate derivatives	**3,587,316**	**41,036**	**47,113**	**3,587,316**	**41,036**	**47,113**
Other derivatives on purchased merchandise	156	2	-	156	2	-
Other derivatives on sold merchandise	156	-	2	156	-	2
Total derivatives - merchandise	**312**	**2**	**2**	**312**	**2**	**2**
Total	**11,624,123**	**66,672**	**73,969**	**11,624,123**	**66,672**	**73,969**

21. FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS *(continued)*

In RON thousands	Group			Bank		
	31.12.2018					
	Notional amount	Present value		Notional amount	Present value	
		Assets	Liabilities		Assets	Liabilities
Foreign currency Derivatives						
Forward contracts	6,154,343	23,250	20,596	6,159,473	23,250	20,616
Purchased options	219,905	93	53	219,905	93	53
Sold options	219,905	-	88	219,905	-	88
Total foreign currency derivatives	**6,594,153**	**23,343**	**20,737**	**6,599,283**	**23,343**	**20,757**
Interest rates derivatives						
Interest Rate Swaps	4,905,314	27,181	31,689	4,905,314	27,181	31,689
Purchased options	687,287	16,457	-	687,287	16,457	-
Sold options	687,287	-	17,309	687,287	-	17,309
Total interest rate derivatives	**6,279,888**	**43,638**	**48,998**	**6,279,888**	**43,638**	**48,998**
Other derivatives on purchased merchandise	592	79	-	592	79	-
Other derivatives on sold merchandise	592	-	74	592	-	74
Total derivatives - merchandise	**1,185**	**79**	**74**	**1,185**	**79**	**74**
Total	**12,875,226**	**67,060**	**69,809**	**12,880,356**	**67,060**	**69,829**

As at 31 December 2019, the Bank has non-matured SPOT foreign currency transactions, as follows: assets notional amount RON thousands 1,247,923 (as at 31 December 2018: RON thousands 2,462,290) and liabilities notional amount RON thousands 1,248,106 (as at 31 December 2018: RON thousands 2,462,252). The net present value for SPOT transactions amounted to RON thousands 183 (liability) (as at 31 December 2018: RON thousands 38 (asset)).

22. LOANS AND ADVANCES TO BANKS

In RON thousands	Group		Bank	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Loans to banks	572,567	1,897,602	572,567	1,897,602
Total	**572,567**	**1,897,602**	**572,567**	**1,897,602**

Loans to banks include money market deposits to domestic and foreign commercial banks. These exposures with grade from 1 to 7 (31 December 2018: 1 to 7) are assessed as performing according with Bank's internal rating as at 31 December 2019 and 31 December 2018.

For the asset quality portfolio please see Note 4.c.(iii) – Loans and advances to banks.

23. LOANS AND ADVANCES TO CUSTOMERS

The Group's (including the Bank and its subsidiary UCFIN) 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	31.12.2019
Mortgages	5,734,834	347,915	-	6,082,749
Personal loans and car loan	2,167,240	158,891	-	2,326,131
Credit cards and overdraft	506,559	32,834	-	539,393
Corporate loans	14,633,675	830,461	25,265	15,464,136
SME loans	2,030,764	217,522	-	2,248,286
Factoring, Discounting, Forfaiting	671,281	300,875	-	972,156
Loans and advances to customers before provisions	**25,744,353**	**1,888,498**	**25,265**	**27,632,851**
Less provision for impairment losses on loans	(170,647)	(1,448,399)	(4,106)	(1,619,046)
Net loans and advances to customers	**25,573,706**	**440,099**	**21,159**	**26,013,805**

	Group			
in RON thousands	Stage 1 and Stage 2	Stage 3	Of which: POCI financial assets	31.12.2018
Mortgages	5,083,284	316,073	-	5,399,357
Personal loans and car loan	2,588,299	103,994	-	2,692,293
Credit cards and overdraft	313,931	24,742	-	338,673
Corporate loans	13,361,250	916,888	32,691	14,278,138
SME loans	1,890,956	295,313	-	2,186,269
Factoring, Discounting, Forfaiting	1,253,960	289,750	-	1,543,710
Loans and advances to customers before provisions	**24,491,680**	**1,946,760**	**32,691**	**26,438,440**
Less provision for impairment losses on loans	(232,840)	(1,583,286)	(3,916)	(1,816,126)
Net loans and advances to customers	**24,258,840**	**363,474**	**28,775**	**24,622,314**

23. 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:

	Bank			
in RON thousands	Stage 1 and Stage 2	Stage 3	Of which: POCI financial assets	31.12.2019
Mortgages	5,734,836	347,915	-	6,082,751
Personal loans and car loan	43,198	8,000	-	51,198
Credit cards and overdraft	140,205	16,215	-	156,420
Corporate loans	13,537,522	796,593	25,265	14,334,115
SME loans	2,030,764	217,522	-	2,248,286
Factoring, Discounting, Forfaiting	671,281	300,875	-	972,156
Loans and advances to customers before provisions	**22,157,806**	**1,687,120**	**25,265**	**23,844,926**
Less provision for impairment losses on loans	(85,494)	(1,276,169)	(4,106)	(1,361,663)
Net loans and advances to customers	**22,072,312**	**410,951**	**21,159**	**22,483,263**

	Bank			
in RON thousands	Stage 1 and Stage 2	Stage 3	Of which: POCI financial assets	31.12.2018
Mortgages	5,148,554	316,073	-	5,464,627
Personal loans and car loan	62,779	7,758	-	70,537
Credit cards and overdraft	137,324	10,933	-	148,257
Corporate loans	12,806,791	896,346	32,691	13,703,137
SME loans	1,890,956	295,313	-	2,186,269
Factoring, Discounting, Forfaiting	713,741	289,751	-	1,003,492
Loans and advances to customers before provisions	**20,760,145**	**1,816,174**	**32,691**	**22,576,319**
Less provision for impairment losses on loans	(134,174)	(1,469,074)	(3,916)	(1,603,248)
Net loans and advances to customers	**20,625,971**	**347,100**	**28,775**	**20,973,071**

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

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

	Group	
in RON thousands	31.12.2019	31.12.2018
Balance at the 31 of December	**1,816,126**	**1,455,868**
IFRS9 implementation impact at the 1st of January 2018	-	30,330
Interest revenue correction on loss allowances	-	126,705
Balance at the 1st of January	**1,816,126**	**1,612,903**
Net impairment charge for the period (Note 16)	443,740	316,187
Foreign currency exchange effect	24,751	1,812
Release of allowances for impairment of loans written-off and loans sold	(706,199)	(160,894)
Other adjustments*	40,628	46,118
Sold la 31 December	**1,619,046**	**1,816,126**

* Variance between opening and closing balance at 31 December 2019/2018 and 31 December 2018/2017 for IRC interest income.

	Bank	
in RON thousands	31.12.2019	31.12.2018
Balance at the 31 of December	**1,603,248**	**1,338,555**
IFRS9 implementation impact at the 1st of January 2018	-	30,330
Interest revenue correction on loss allowances	-	126,705
Balance at the 1st of January	**1,603,248**	**1,495,590**
Net impairment charge for the period (Note 16)	265,937	165,550
Foreign currency exchange effect	23,832	1,754
Release of allowances for impairment of loans written-off and loans sold	(571,982)	(105,764)
Other adjustments*	40,628	46,118
Sold la 31 December	**1,361,663**	**1,603,248**

* Variance between opening and closing balance at 31 December 2019/2018 and 31 December 2018/2017 for IRC interest income.

24. 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 split of net lease receivable by stages and by time buckets is presented in the following table below:

	UCLC (UniCredit Leasing Corporation)			
		2019		
in RON thousands	Total, of which	Stage 1	Stage 2	Stage 3
Lease receivables up to one year, gross	1,268,577	1,016,992	76,991	174,594
Lease receivables between one and five years, gross	2,209,140	1,931,509	139,615	138,016
Lease receivables over five years, gross	123,037	85,627	34,613	2,797
Total gross lease receivables	**3,600,754**	**3,034,128**	**251,219**	**315,407**
Total lease investment net of future interest	**3,600,754**	**3,034,128**	**251,219**	**315,407**
Impairment allowance for lease receivables	(277,238)	(49,398)	(11,843)	(215,997)
Total net lease investment	**3,323,516**	**2,984,730**	**239,376**	**99,410**

	UCLC (UniCredit Leasing Corporation)			
		2018		
in RON thousands	Total, of which	Stage 1	Stage 2	Stage 3
Lease receivables up to one year, gross	1,288,716	938,517	105,389	244,810
Lease receivables between one and five years, gross	1,882,701	1,616,026	156,885	109,790
Lease receivables over five years, gross	165,286	64,445	58,700	42,141
Total gross lease receivables	**3,336,703**	**2,618,988**	**320,974**	**396,741**
Total lease investment net of future interest	**3,336,703**	**2,618,988**	**320,974**	**396,741**
Impairment allowance for lease receivables	(333,966)	(37,527)	(15,797)	(280,642)
Total net lease investment	**3,002,737**	**2,581,461**	**305,177**	**116,099**

24. NET FINANCIAL LEASE RECEIVABLES *(continued)*

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

UCLC (UniCredit leasing Corporation)		
in RON thousands	31.12.2019	31.12.2018
Balance at the 31 of December	333,966	322,786
IFRS9 implementation impact at the 1st of January 2018	-	11,479
Balance at the 1st of January	**333,966**	**334,265**
Net impairment charge for the period (Note 16)	22,853	56,211
Foreign currency exchange effect	7,724	287
Release of allowances for impairment of loans written-off and loans sold	(87,305)	(56,797)
Sold la 31 December	**277,238**	**333,966**

	UCLC (UniCredit leasing Corporation)			
in RON thousands	Stage 1 and Stage 2	Stage 3	Of which: POCI financial assets	31.12.2019
Mortgages	345,985	7,080	-	353,065
Personal loans and car loan	-	-	-	-
Credit cards and overdraft	-	-	-	-
Corporate loans	2,939,362	308,327	-	3,247,689
SME loans	-	-	-	-
Factoring, Discounting, Forfaiting	-	-	-	-
Loans and advances to customers before provisions	**3,285,347**	**315,407**	**-**	**3,600,754**
Less provision for impairment losses on loans	(61,241)	(215,997)	-	(277,238)
Net lease receivable	**3,224,106**	**99,410**	**-**	**3,323,516**

	UCLC (UniCredit leasing Corporation)			
in RON thousands	Stage 1 and Stage 2	Stage 3	Of which: POCI financial assets	31.12.2018
Mortgages	317,406	45,564	-	362,970
Personal loans and car loan	-	-	-	-
Credit cards and overdraft	-	-	-	-
Corporate loans	2,622,556	351,177	-	2,973,773
SME loans	-	-	-	-
Factoring, Discounting, Forfaiting	-	-	-	-
Loans and advances to customers before provisions	**2,939,962**	**396,741**	**-**	**3,336,703**
Less provision for impairment losses on loans	(53,324)	(280,642)	-	(333,966)
Net lease receivables	**2,886,638**	**116,099**	**-**	**3,002,737**

25. FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Group held the following financial assets at fair value through other comprehensive income:

in RON thousands	Group		Bank	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Investment securities held at fair value through other comprehensive income	8,606,783	7,322,422	8,606,783	7,322,422
Equity investments	7,857	8,199	5,511	5,853
Total	**8,614,640**	**7,330,621**	**8,612,294**	**7,328,275**

As at 31 December 2019, the Group included in investment securities held at fair value through other comprehensive income bonds, Romanian Government T-bills, bonds issued by the municipality of Bucharest and bonds issued by the Ministry of Public Finance in amount of RON thousands 8,606,783 (31 December 2018: RON thousands 7,322,422).

As at 31 December 2019, the investment securities held at fair value through other comprehensive income are pledged in amount of RON thousands 484,829 (31 December 2018: RON thousands 653,036).

The Group transferred to profit or loss during 2019 an amount of RON thousands 11,841 (2018: RON thousands 3,843) 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 2019 and 31 December 2018:

31.12.2019 in RON thousands	Group Nature of business	% Interest held	Fair value
UniCredit Leasing Fleet Management	Operational leasing	9.99%	2,346
Transfond SA	Other financial services	8.04%	3,610
Biroul de Credit SA	Financial services	6.80%	1,160
Fondul Roman de Garantare a Creditelor pentru Intreprinzatorii Privati IFN SA	Financial services	3.10%	741
Total			**7,857**

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

31.12.2018 in RON thousands	Group Nature of business	% Interest held	Fair value
UniCredit Leasing Fleet Management	Operational leasing	9.99%	2,346
Transfond SA	Other financial services	8.04%	3,742
Biroul de Credit SA	Financial services	6.80%	1,210
Fondul Roman de Garantare a Creditelor pentru Intreprinzatorii Privati IFN SA	Financial services	3.10%	897
Casa de Compensare Bucuresti SA	Other financial services	0.91%	4
Total			**8,199**

The above mentioned companies are incorporated in Romania.

The Bank held the following unlisted equity investments classified as FVTOCI as at 31 December 2019 and 31 December 2018:

31.12.2019 in RON thousands	Bank Nature of business	% Interest held	Fair value
Transfond SA	Other financial services	8.04%	3,610
Biroul de Credit SA	Financial services	6.80%	1,160
Fondul Roman de Garantare a Creditelor pentru Intreprinzatorii Privati IFN SA	Financial services	3.10%	741
Total			**5,511**

31.12.2018 in RON thousands	Bank Nature of business	% Interest held	Fair value
Transfond SA	Other financial services	8.04%	3,742
Biroul de Credit SA	Financial services	6.80%	1,210
Fondul Roman de Garantare a Creditelor pentru Intreprinzatorii Privati IFN SA	Financial services	3.10%	897
Casa de Compensare Bucuresti SA	Other financial services	0.91%	4
Total			**5,853**

The above mentioned companies are incorporated in Romania.

26. INVESTMENTS IN SUBSIDIARIES

			Bank			
			31.12.2019		31.12.2018	
in RON thousands	Nature of business	Country of incorporation	% Interest held	Carrying amount	% Interest held	Carrying amount
UniCredit Consumer Financing IFN S.A.	Consumer finance	Romania	50.10%	64,767	50.10%	64,767
UniCredit Leasing Corporation IFN S.A.	Leasing services	Romania	99.98%	78,349	99.98%	78,349
Total				**143,116**		**143,116**

The following information is taken from the individual financial statements of the subsidiaries, prepared in accordance with the accounting policies of the UniCredit Group, which is based on the IFRS standards adopted by the European Union:

31.12.2019		Bank			
in RON thousands	% Interest held	Total assets	Total liabilities	Operating income	Profit / (Loss)
31.12.2019					
UniCredit Consumer Financing IFN S.A.	50.10%	2,680,339	2,460,274	216,534	(11,862)
UniCredit Leasing Corporation IFN S.A.	99.98%	5,302,755	4,960,680	187,849	59,008
31.12.2018					
UniCredit Consumer Financing IFN S.A.	50.10%	2,748,731	2,516,804	168,843	(58,906)
UniCredit Leasing Corporation IFN S.A.	99.98%	4,627,956	4,344,889	154,787	40,697

27. PROPERTY, PLANT AND EQUIPMENT

31.12.2019	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 2019	**88,323**	**167,302**	**137**	**109,649**	**17,157**	**382,568**
Additions	7,042	17,227	-	8,694	48,760	81,723
Revaluation - cancel cumulated depreciation	(14,445)	-	-	-	-	(14,445)
Revaluation*	3,793	-	-	-	-	3,793
Disposals	(4,393)	(15,741)	-	(17,413)	(31,206)	(68,753)
Reclassification from other assets**	-	22,986	-	-	-	22,986
Balance at 31 December 2019	**80,320**	**191,775**	**137**	**100,930**	**34,710**	**407,872**
Depreciation and impairment losses						
Balance at 1 January 2019	**(10,811)**	**(127,952)**	**(26)**	**(70,519)**	**-**	**(209,308)**
Charge for the year	(7,359)	(18,150)	(18)	(8,354)	-	(33,881)
Revaluation - cancel cumulated depreciation	14,445	-	-	-	-	14,445
Disposals	3,725	15,325	-	15,819	-	34,869
Reclassification from other assets**	-	(13,627)	-	-	-	(13,627)
Balance at 31 December 2019	**-**	**(144,406)**	**(43)**	**(63,055)**	**-**	**(207,504)**
Carrying amounts						
At 1 January 2019	**77,511**	**39,351**	**111**	**39,130**	**17,157**	**173,260**
At 31 December 2019	**80,320**	**47,369**	**94**	**37,875**	**34,710**	**200,368**

** The most recent revaluation for the land and builings class was performed by SVN Research & Valuation Advisors SRL as of 31 December 2019. In accordance with the International Standards for Valuation, the estimation of fair value was perfomed by the valuator using two alternative approaches, income approach and market approach, using the most appropriate one depending on the nature and purpose of each element.*

*** The Group reclassified an amount of RON thousands 9,359 (gross book value RON thousands 22,986 / cummulated depreciations and impairments RON thousands 13,627) from Other assets/ Repossessed assets (Note 30) representing leased equipments over 1 year term contract.*

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

31.12.2018			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 2018	**79,937**	**157,044**	**58**	**107,129**	**24,197**	**368,365**
Additions	9,972	16,480	79	15,244	30,484	72,259
Disposals	(444)	(6,222)	-	(12,724)	(37,524)	(56,914)
Reclassification to investment property	(1,142)	-	-	-	-	(1,142)
Balance at 31 December 2018	**88,323**	**167,302**	**137**	**109,649**	**17,157**	**382,568**
Depreciation and impairment losses						
Balance at 1 January 2018	**(266)**	**(113,638)**	**(9)**	**(74,257)**	**-**	**(188,170)**
Charge for the year	(11,012)	(20,943)	(16)	(4,640)	-	(36,611)
Disposals	448	6,629	-	8,378	-	15,455
Reclassification to investment property	18	-	-	-	-	18
Balance at 31 December 2018	**(10,811)**	**(127,952)**	**(26)**	**(70,519)**	**-**	**(209,308)**
Carrying amounts						
At 1 January 2018	**79,671**	**43,407**	**48**	**32,871**	**24,197**	**180,195**
At 31 December 2018	**77,511**	**39,351**	**111**	**39,130**	**17,157**	**173,260**

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

31.12.2019			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 2019	**84,809**	**160,718**	**-**	**108,262**	**17,157**	**370,946**
Additions	7,013	15,406	-	8,675	48,760	79,854
Revaluation - cancel cumulated depreciation	(14,445)	-	-	-	-	(14,445)
Revaluation*	3,793	-	-	-	-	3,793
Disposals	(850)	(13,915)	-	(17,144)	(31,206)	(63,115)
Reclassification to investment property	-	-	-	-	-	-
Balance at 31 December 2019	**80,320**	**162,210**	**-**	**99,793**	**34,710**	**377,033**
Depreciation and impairment losses						
Balance at 1 January 2019	**(7,534)**	**(122,788)**	**-**	**(69,221)**	**-**	**(199,543)**
Charge for the year	(7,359)	(17,407)	-	(8,303)	-	(33,069)
Revaluation - cancel cumulated depreciation	14,445	-	-	-	-	14,445
Disposals	447	13,750	-	15,550	-	29,747
Reclassification to investment property	-	-	-	-	-	-
Balance at 31 December 2019	**-**	**(126,445)**	**-**	**(61,975)**	**-**	**(188,420)**
Carrying amounts						
At 1 January 2019	**77,275**	**37,930**	**-**	**39,040**	**17,157**	**171,402**
At 31 December 2019	**80,320**	**35,765**	**-**	**37,818**	**34,710**	**188,613**

** The most recent revaluation for the land and builings class was performed by SVN Research & Valuation Advisors SRL as of 31 December 2019. In accordance with the International Standards for Valuation, the estimation of fair value was perfomed by the valuator using two alternative approaches, income approach and market approach, using the most appropriate one depending on the nature and purpose of each element.*

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

31.12.2018			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 2018	**79,709**	**151,313**	**-**	**106,019**	**24,197**	**361,238**
Additions	6,429	15,853	-	15,254	30,484	68,020
Disposals	(188)	(6,448)	-	(13,011)	(37,524)	(57,171)
Reclassification to investment property	(1,141)	-	-	-	-	(1,141)
Balance at 31 December 2018	**84,809**	**160,718**	**-**	**108,262**	**17,157**	**370,946**
Depreciation and impairment losses						
Balance at 1 January 2018	**-**	**(109,410)**	**-**	**(73,216)**	**-**	**(182,626)**
Charge for the year	(7,706)	(19,691)	-	(8,536)	-	(35,933)
Disposals	154	6,313	-	12,530	-	18,997
Reclassification to investment property	18	-	-	-	-	18
Balance at 31 December 2018	**(7,534)**	**(122,788)**	**-**	**(69,222)**	**-**	**(199,544)**
Carrying amounts						
At 1 January 2018	**79,709**	**41,903**	**-**	**32,804**	**24,197**	**178,613**
At 31 December 2018	**77,275**	**37,930**	**-**	**39,040**	**17,157**	**171,402**

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

Operational lease (rentals)

In RON thousands	Group		Bank	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Amounts payable under operational leases				
Up to twelve months	57,061	60,850	55,523	58,951
1-5 years	98,836	142,321	95,228	137,500
Over 5 years	8,001	3,232	8,001	3,232
Total future lease obligations	**163,898**	**206,403**	**158,752**	**199,683**

28. INTANGIBLE ASSETS

31.12.2019		Group	
In RON thousands	Intangible assets	Intangible assets in progress	Total
Balance at 1 January 2019	**447,569**	**59,931**	**507,500**
Additions	69,436	84,913	154,349
Disposals	(585)	(63,818)	(64,403)
Balance at 31 December 2019	**516,420**	**81,026**	**597,446**
Depreciation and impairment losses			
Balance at 1 January 2019	**(344,602)**	**-**	**(344,602)**
Charge for the year	(57,018)	-	(57,018)
Disposals	458	-	458
Balance at 31 December 2019	**(401,162)**	**-**	**(401,162)**
Carrying amounts	-	-	-
At 1 January 2019	**102,967**	**59,931**	**162,897**
At 31 December 2019	**115,258**	**81,026**	**196,284**

31.12.2018		Group	
In RON thousands	Intangible assets	Intangible assets in progress	Total
Balance at 1 January 2018	**390,806**	**65,003**	**455,809**
Additions	58,473	45,929	104,402
Disposals	(1,710)	(51,001)	(52,711)
Balance at 31 December 2018	**447,569**	**59,931**	**507,500**
Depreciation and impairment losses			
Balance at 1 January 2018	**(287,715)**	**-**	**(287,715)**
Charge for the year	(58,061)	-	(58,061)
Disposals	1,174	-	1,174
Balance at 31 December 2018	**(344,602)**	**-**	**(344,602)**
Carrying amounts	-	-	-
At 1 January 2018	**103,090**	**65,003**	**168,094**
At 31 December 2018	**102,967**	**59,931**	**162,897**

28. INTANGIBLE ASSETS *(continued)*

31.12.2019		Bank	
In RON thousands	Intangible assets	Intangible assets in progress	Total
Balance at 1 January 2019	399,842	59,932	459,774
Additions	63,818	84,913	148,731
Disposals	(215)	(63,819)	(64,034)
Balance at 31 December 2019	463,445	81,026	544,471
Depreciation and impairment losses			
Balance at 1 January 2019	(307,685)	-	(307,685)
Charge for the year	(50,466)	-	(50,466)
Disposals	196	-	196
Balance at 31 December 2019	(357,955)	-	(357,955)
Carrying amounts	-	-	-
At 1 January 2019	92,157	59,932	152,089
At 31 December 2019	105,490	81,026	186,516

31.12.2018		Bank	
In RON thousands	Intangible assets	Intangible assets in progress	Total
Balance at 1 January 2018	349,928	65,003	414,931
Additions	51,002	45,929	96,931
Disposals	(1,088)	(51,000)	(52,088)
Balance at 31 December 2018	399,842	59,932	459,774
Depreciation and impairment losses			
Balance at 1 January 2018	(258,538)	-	(258,538)
Charge for the year	(49,985)	-	(49,985)
Disposals	838	-	838
Balance at 31 December 2018	(307,685)	-	(307,685)
Carrying amounts	-	-	-
At 1 January 2018	91,390	65,003	156,393
At 31 December 2018	92,157	59,932	152,089

29. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and deferred tax liabilities at 31 December 2019 are attributable to the items detailed in the table below:

31.12.2019		Group			Bank	
In RON thousands	Assets	Liabilities	Net	Assets	Liabilities	Net
Net lease receivables	35,299	-	35,299	-	-	-
Property, equipment and intangible assets	886	9,594	(8,708)	886	9,594	(8,708)
Other assets	5,004	-	5,004	-	-	-
Provisions, other debts, forecasted expenses	96,682	78	96,604	65,250	-	65,250
Deferred tax asset/ (liability) at 16% through profit and loss account	**137,871**	**9,672**	**128,199**	**66,136**	**9,594**	**56,542**
FVTOCI instruments	7,486	10,468	(2,982)	7,486	10,468	(2,982)
Derivative financial instruments held for hedging	9,111	-	9,111	9,111	-	9,111
Tangible fixed assets revaluation reserve	-	1,862	(1,862)	-	1,862	(1,862)
Deferred tax asset/ (liability) at 16% through equity	**16,597**	**12,330**	**4,267**	**16,597**	**12,330**	**4,267**
Deferred tax asset/ (liability) at 16%	**154,468**	**22,002**	**132,466**	**82,733**	**21,924**	**60,809**

Deferred tax assets and deferred tax liabilities at 31 December 2018 are attributable to the items detailed in the table below:

31.12.2018		Group			Bank	
In RON thousands	Assets	Liabilities	Net	Assets	Liabilities	Net
Net lease receivables	35,518	-	35,518	-	-	-
Property, equipment and intangible assets	915	7,790	(6,875)	915	7,790	(6,875)
Other assets	20,396	155	20,241	-	-	-
Provisions, other debts, forecasted expenses	66,947	-	66,947	58,704	-	58,704
Deferred tax asset/ (liability) at 16% through profit and loss account	**123,776**	**7,945**	**115,831**	**59,619**	**7,790**	**51,829**
FVTOCI instruments	20,952	658	20,294	20,951	658	20,294
Derivative financial instruments held for hedging	8,582	-	8,582	8,582	-	8,582
Tangible fixed assets revaluation reserve	-	1,251	(1,251)	-	1,251	(1,251)
Deferred tax asset/ (liability) at 16% through equity	**29,534**	**1,909**	**27,625**	**29,533**	**1,909**	**27,625**
Deferred tax asset/ (liability) at 16%	**153,310**	**9,854**	**143,456**	**89,152**	**9,699**	**79,454**

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

Taxes recognized in other comprehensive income at 31 December 2019 are presented in the table below:

31.12.2019		Group			Bank	
In RON thousands	Before Tax	Deferred Tax	Net of tax	Before Tax	Deferred Tax	Net of tax
FVTOCI reserve *i)*	23,312	(2,982)	20,330	23,312	(2,982)	20,330
Cash flow hedging reserve *ii)*	(56,944)	9,111	(47,833)	(56,944)	9,111	(47,833)
Revaluation reserve on property, plant and equipment *iii)*	14,544	(1,862)	12,682	14,544	(1,862)	12,682

Taxes recognized in other comprehensive income at 31 December 2018 are presented in the table below:

31.12.2018		Group			Bank	
In RON thousands	Before Tax	Deferred Tax	Net of tax	Before Tax	Deferred Tax	Net of tax
FVTOCI reserve *i)*	(108,864)	20,294	(88,570)	(108,864)	20,294	(88,570)
Cash flow hedging reserve *ii)*	(53,636)	8,582	(45,054)	(53,636)	8,582	(45,054)
Revaluation reserve on property, plant and equipment *iii)*	11,070	(1,251)	9,819	11,070	(1,251)	9,819

i) The movements in the Reserve for financial assets at fair value through other comprehensive income at 31 December 2019 are presented below:

31.12.2019		Group			Bank	
In RON thousands	Before tax	Deferred Tax	Net of tax	Before tax	Deferred Tax	Net of tax
January 1	**(108,864)**	**20,294**	**(88,570)**	**(108,864)**	**20,294**	**(88,570)**
Transfer to profit and loss	11,841	(1,895)	9,946	11,841	(1,895)	9,946
Net change in other comprehensive income	120,335	(21,381)	98,954	120,335	(21,381)	98,954
December 31	**23,312**	**(2,982)**	**20,330**	**23,312**	**(2,982)**	**20,330**

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

The movements in the Reserve for financial assets at fair value through other comprehensive income at 31 December 2018 are presented below:

31.12.2018	Group			Bank		
In RON thousands	Before tax	Deferred Tax	Net of tax	Before tax	Deferred Tax	Net of tax
January 1	**(65,146)**	**10,191**	**(54,955)**	**(65,146)**	**10,191**	**(54,955)**
Transfer to profit and loss	3,844	615	4,459	3,844	615	4,459
Net change in other comprehensive income	(47,562)	9,488	(38,074)	(47,562)	9,488	(38,074)
December 31	**(108,864)**	**20,294**	**(88,570)**	**(108,864)**	**20,294**	**(88,570)**

ii) The movements in the Cash flow hedging reserve at 31 December 2019 are presented below:

31.12.2019	Group			Bank		
In RON thousands	Before tax	Deferred Tax	Net of tax	Before tax	Deferred Tax	Net of tax
1 January	**(53,636)**	**8,582**	**(45,054)**	**(53,636)**	**8,582**	**(45,054)**
Transfer to profit and loss	(88)	14	(74)	(88)	14	(74)
Net change in other comprehensive income	(3,220)	515	(2,705)	(3,220)	515	(2,705)
31 December	**(56,944)**	**9,111**	**(47,833)**	**(56,944)**	**9,111**	**(47,833)**

The movements in the Cash flow hedging reserve at 31 December 2018 are presented below:

31.12.2018	Group			Bank		
In RON thousands	Before tax	Deferred Tax	Net of tax	Before tax	Deferred Tax	Net of tax
1 January	**(58,241)**	**9,318**	**(48,923)**	**(58,241)**	**9,318**	**(48,923)**
Transfer to profit and loss	848	(136)	712	848	(136)	712
Net change in other comprehensive income	3,758	(601)	3,156	3,758	(601)	3,156
31 December	**(53,636)**	**8,582**	**(45,054)**	**(53,636)**	**8,582**	**(45,054)**

30. OTHER FINANCIAL AND NON-FINANCIAL ASSETS

In RON Thousands	Group		Bank	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Other financial assets				
Suspense accounts - banks	45,971	40,740	45,971	40,740
Suspense accounts - non-banks	16,960	61,173	16,960	61,173
Sundry debtors	80,995	80,059	36,070	29,589
Collateral deposits	2,327	3,460	2,307	3,460
Amounts receivables	22,480	25,806	25,382	29,457
Total gross amounts	**168,733**	**211,238**	**126,690**	**164,419**
Less impairment for sundry debtors	(25,923)	(21,087)	(25,923)	(21,087)
Total other financial assets	**142,810**	**190,151**	**100,767**	**143,332**
Other non-financial assets				
Sundry debtors	96,090	98,316	26,981	58,144
Prepaid Expenses	54,421	78,466	12,906	17,683
Inventories (including repossessed assets)*	16,116	24,241	3,261	2,278
Other	25,448	462	25,808	945
Total gross amounts	**192,075**	**201,485**	**68,956**	**79,050**
Less impairment for sundry debtors	(890)	-	(890)	-
Total other non-financial assets	191,185	201,485	68,066	79,050
Total other assets	333,995	391,636	168,833	222,382

The Group booked as prepayments, during 2019 and 2018 prepaid rents, local taxes, insurance for premises and bankers' blanket bond (insurance).

Repossessed assets

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

Group in RON thousands	Inventories*	Non-current assets classified as held for sale***	Property, plant and equipment**	Total
Balance at 31 December 2018	21,058	32,692	-	53,750
Balance at 31 December 2019	12,429	-	9,359	21,788

Bank in RON thousands	Inventories*	Non-current assets classified as held for sale***	Property, plant and equipment**	Total
Balance at 31 December 2018	-	-	-	-
Balance at 31 December 2019	328	-	-	328

** Repossessed assets are presented in Inventories line – Other non-financial assets from Statement of Financial Position.*
***From position of Inventories-repossessed assets/Other non-financial assets line, the Group reclassified an amount of RON thousands 9,359 (gross book value RON thousands 22,986/cummulated depreciations and impairments RON thousands 13,627) to Property, Plant and Equipment line (Note 27) representing leased equipments over 1 year term contract.*
**** During 2019, the Group sold repossessed assets reclassified as non-current assets held for sale as presented on Note 18 Net gain/losses on other investments.*

31. DERIVATIVES ASSETS/LIABILITIES DESIGNATED AS HEDGING INSTRUMENTS

The Group uses interest rate swaps to hedge interest rate risks arising from customers' deposits, loans and securities.

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

	Group					
in RON thousands	31.12.2019			31.12.2018		
CFH	Notional	Assets	Liabilities	Notional	Assets	Liabilities
Interest rate swap	269,413	-	(62,289)	296,018	-	(59,720)
Total	**269,413**	**-**	**(62,289)**	**296,018**	**-**	**(59,720)**

	Group					
in RON thousands	31.12.2019			31.12.2018		
FVH	Notional	Assets	Liabilities	Notional	Assets	Liabilities
Interest rate swap	573,516	-	(52,563)	573,660	146	(19,199)
Total	**573,516**	**-**	**(52,563)**	**573,660**	**146**	**(19,199)**

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

	Group					
	31.12.2019			31.12.2018		
in RON thousands	Within 1 year	1-5 years	Over 5 years	Within 1 year	1-5 years	Over 5 years
Cash inflow	-	-	-	-	-	349
Cash outflow	(824)	(12,093)	(53,242)	(1,056)	(11,229)	(71,092)

As 31 December 2019, all cash flow and fair value hedge relationships have been assessed as effective.

For cash flow hedges reserve please refer to Note 29.

In view of the global benchmark reforms and the introduction of free-risk rates (IBOR Transition), UniCredit Group established a project to assess its key risks relating to the benchmark reform and put in place a relevant action plan to mitigate such risks and ensure the IBORs transition. The project thus covers various aspects as clients communication and contracts, processes, accounting systems, risk management and is replicated at local level, being sponsored by Head of CIB and CFO. The Bank's specific governance structure is implemented for this project as well, including the set-up of a Steering Committee and periodical information of the relevant stakeholders on the progress.

The table below indicates the nominal amount and market value of derivatives in cash flow hedging relationships that will be affected by IBOR reform, i.e. those expressed in other currencies than EUR. The derivative hedging instruments provide a close approximation to the extent of the risk exposure the Bank manages through hedging relationships.

in RON thousands	31.12.2019			31.12.2018		
CFH	Notional	Assets	Liabilities	Notional	Assets	Liabilities
Interest rate swap (USD)	4,879	-	(820)	4,664	-	(561)
Total	**4,879**	**-**	**(820)**	**4,664**	**-**	**(561)**

32. DEPOSITS FROM BANKS

In RON thousands	Group		Bank	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Term deposits	1,002,896	3,484,356	1,002,896	3,484,356
Sight deposits	663,391	273,301	663,391	273,301
Total	**1,666,287**	**3,757,657**	**1,666,287**	**3,757,657**

33. LOANS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

In RON thousands	Group		Bank	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Commercial Banks	5,539,000	6,488,536	101,543	221,657
Multilateral development banks	777,950	870,495	666,141	770,689
International financial institutions	166,286	232,270	27,583	80,719
Total	**6,483,236**	**7,591,301**	**795,267**	**1,073,065**

As at 31 December 2019, the final maturity of loans varies from January 2020 to December 2024.

34. DEPOSITS FROM CUSTOMERS

In RON thousands	Group		Bank	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Term deposits	8,871,596	11,009,576	8,913,628	11,009,576
Payable on demand	23,818,578	17,507,809	24,551,843	17,863,158
Collateral deposits	1,248,561	977,356	1,241,078	968,934
Certificates of deposits	215	160	215	160
Total	**33,938,950**	**29,494,901**	**34,706,764**	**29,841,828**

As of 31 December 2019, retail clients (individuals and small and medium companies) represents 33% of the portfolio, corporate accounts for 61% of the portfolio, while private banking clients represents 6% (31 December 2018: retail clients 33%, corporate clients 62%, private banking clients 5%).

35. DEBT SECURITIES ISSUED

In RON thousands	Group		Bank	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Debt securities issued	2,044,046	622,115	621,823	622,115
Total	**2,044,046**	**622,115**	**621,823**	**622,115**

To diversify its funding sources UNICREDIT LEASING CORPORATION IFN SA has issued senior, unsubordinated Eurobonds in October 2019 for a total amount of 300 million Euro that are admitted to trading on the Euro MTF market on the Luxembourg Stock Exchange. (ISIN: XS2066749461). The senior bonds have a maturity of 3 years (issue date 18 October 2019 and maturity date on 18 October 2022) and have a fixed coupon of 0.502% paid annually. The issue price was 100% out of face value and the whole issue is guaranteed by the parent group – UniCredit S.p.A.

In June 2018, RON denominated bonds in amount of RON thousands 550,000, issued by the Group, have matured.

In July 2017, the Group issued RON denominated bonds in amount of RON thousands 610,000 with semi-annual coupon payments and the following maturities: 3,5 and 7 years.

The bonds are listed on Bucharest Stock Exchange (date of listing: 07.08.2017), having the following characteristics:

ISIN	BVB Code	Maturity	Notional amount in RON thousands	Interest rate
ROUCTBDB022	UCB20	15-Jul-20	146,000	ROBOR6M+ 0,65% p.a.
ROUCTBDB030	UCB22	15-Jul-22	280,500	ROBOR6M+ 0,85% p.a.
ROUCTBDB048	UCB24	15-Jul-24	183,500	ROBOR6M+ 1,05% p.a.

The debt issuance from July 2017 was aderred to by classified investors. The initial nominal amount was oversubscribed, and 61,000 debt instruments for the maturities listed above were issued.

36. SUBORDINATED LIABILITIES

In RON thousands	Group		Bank	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
UniCredit SPA	807,304	787,705	807,304	787,705
UniCredit Bank Austria AG	105,145	102,606	-	-
Total	**912,449**	**890,311**	**807,304**	**787,705**

As of 31 December 2019, the following agreements were in place:

- subordinated debt from UniCredit SPA, Italy, in amount of RON thousands 233,558 (EUR thousands 48,500), with maturity in July 2027.
- subordinated debt from UniCredit SPA, Italy, in amount of RON thousands 573,746 thousands (EUR thousands 120,000), with maturity in December 2027.
- subordinated debt from UniCredit Bank Austria AG, in amount of RON thousands 105,145 (EUR thousands 22,000)

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

37. PROVISIONS

In RON thousands	Group		Bank	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Provision for financial guarantees	93,261	92,795	120,009	114,573
Provision for legal disputes	41,278	22,817	11,176	13,031
Provision for off-balance commitments	62,179	62,523	58,473	60,990
Other provisions	44,241	27,319	29,161	13,818
Total	**240,959**	**205,454**	**218,819**	**202,412**

The movements in provisions during the year were as follows:

In RON thousands	Group		Bank	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Balance at 1 January	**205,454**	**131,914**	**202,412**	**144,600**
IFRS 9 Impact	-	10,167	-	10,167
Net expense/(release) with provision for financial guarantees and off-balance commitments (Note 17)	995	48,079	886	42,362
Net expense/(release) with provision for legal disputes (Note 17)	15,842	6,911	(2,063)	4,782
Net expense/(release) with other provisions (Note 17)	16,372	13,801	15,342	301
FX effect	2,296	5	2,242	200
Reclassification of provisions off to on balance*	-	(5,423)	-	-
Balance at 31 December	**240,959**	**205,454**	**218,819**	**202,412**

** The Group has reclassified the off balance sheet provisions built for the risk participation amounts for UniCredit Leasing clients, towards on balance sheet provisions for lease receivables. The net lease receivables position therefore includes the entire amount of risk provisions for the respective clients.*

38. OTHER LIABILITIES

In RON thousands	Group		Bank	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Other financial liabilities				
Suspense accounts - banks	166,948	137,590	166,948	137,590
Suspense accounts - non-banks	68,136	167,537	67,137	129,730
Accruals for third party services	55,428	37,547	37,800	37,547
Amounts payable to suppliers	31,210	44,063	4,032	15,571
Sundry creditors	69,349	73,101	64,645	48,004
Total other financial liabilities	**391,071**	**459,838**	**340,562**	**368,442**
Other non-financial liabilities				
Accruals for third party services	-	-	-	-
Deferred income	117,309	123,988	76,960	77,010
Payable to state budget	51,408	49,616	26,239	23,064
Amounts due to employees	66,096	56,280	56,677	49,937
Other	16,589	34,772	7,832	2,397
Total other non-financial liabilities	**251,402**	**264,656**	**167,708**	**152,408**
Total other liabilities	**642,473**	**724,494**	**508,270**	**520,850**

39. ISSUED CAPITAL

The statutory share capital of the Bank as at 31 December 2019 is represented by 48,948,331 ordinary shares (31 December 2018: 48,948,331 ordinary shares) having a face value of RON 9.30 each and a share premium of RON 75.93 per share. The total value of the share premium is RON thousands 621,680.

The shareholders of the Bank are as follows:

	Bank	
	31.12.2019	31.12.2018
	%	%
UniCredit SpA*	98.6297	98.6297
Other shareholders	1.3703	1.3703
Total	**100**	**100**

**) UniCredit SpA has taken over the CEE operations and subsidiaries from UniCredit Bank Austria AG since 1st of October 2016*

The share capital comprises of the following:

	Bank	
	31.12.2019	31.12.2018
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:

In RON thousands	Group		Bank	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
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
Other reserves*	72,396	45,138	72,396	45,138
Total	**298,289**	**271,031**	**298,289**	**271,031**

**) Acording to the decision of General Meeting of Shareholders on 8th, April 2019, it was decided the set up of a reserve in amount of RON thousands 27,258 corresponding to the reinvested profit of the year 2018 exempt from the payment of the profit tax according to art. 22 of Law 227/2015. Of the 2019 profit, the Bank will also propose to Supervisory Board and General Shareholders' Meeting the distribution in 2020 to the reinvested profit reserve, of an amount of RON 28,180 thousands, exempt from the payment of the profit tax according to article 22 of Law 227/2015.*

Reserves for general banking risks include amounts set aside for future losses and other unforeseen risks or contingencies. These reserves are not distributable.

Statutory legal reserves represent the accumulated transfers from retained earnings built in accordance with Company Law 31/1991, requiring to transfer maximum 5% of profit of the year, up to an amount equal to 20% of statutory share capital. These reserves are not distributable. As at 31 December 2018 the legal reserve recorded by the Bank reached the maximum level of 20% of the statutory share capital.

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			
		31.12.2019		31.12.2018
	Parent Company	Other related entities	Parent Company	Other related entities
Derivative assets at fair value through profit or loss	734	11,230	964	4,916
Derivatives assets designated as hedging instruments	-	-	-	146
Current accounts and deposits at banks	5,783,679	18,316	8,943,057	25,981
Loans and advances to banks	64,720	9,210	94,876	16,280
Loans and advances to customers	-	40,971	-	51,592
Other assets	32,996	27,481	22,317	10,833
Outstanding receivables	**5,882,129**	**107,208**	**9,061,214**	**109,748**
Derivative liabilities at fair value through profit or loss	16,797	47,413	12,156	38,746
Derivatives liabilities designated as hedging instruments	47,866	66,984	18,164	60,755
Current accounts	14,300	159,076	8,155	107,756
Deposit attracted	-	932,699	2,341,303	952,434
Loans received	4,668,786	792,919	5,192,539	1,143,581
Debts securities issued	-	25,635	-	-
Subordinated liabilities	807,305	105,145	787,705	102,606
Other liabilities	6,350	4,728	5,526	4,712
Outstanding payables	**5,561,403**	**2,134,599**	**8,365,548**	**2,410,590**
Interest income	24,675	1,034	65,912	1,070
Interest expense	(184,279)	(78,533)	(133,404)	(84,285)
Fee and commission income	1,732	33,038	1,803	3,153
Fee and commission expense	(158)	(161)	(1,434)	(1,460)
Other operating income	-	2,546	-	467
Operating expenses	(1,784)	(57,450)	(637)	(51,402)
Net revenue/ (expense)	**(159,814)**	**(99,526)**	**(67,760)**	**(132,457)**
Commitments	**131,494**	**379,648**	**334,226**	**1,003,256**

41. RELATED PARTY TRANSACTIONS *(continued)*

In RON thousands	Bank					
		31.12.2019			31.12.2018	
	Parent	Subsidiarie	Other	Parent	Subsidiaries	Other
Derivative assets at fair value through profit or loss	734	1	11,230	964	-	4,916
Derivatives assets designated as hedging instruments	-	-	-	-	-	146
Current accounts and deposits at banks	5,783,679	-	18,316	8,943,057	-	25,981
Loans and advances to	64,720	-	9,210	94,876	-	16,280
Loans and advances to	-	-	37,940	-	1	48,456
Other assets	29,238	2,902	10,231	19,863	3,581	8,391
Outstanding receivables	**5,878,371**	**2,903**	**86,927**	**9,058,760**	**3,582**	**104,169**
Derivative liabilities at fair value through profit or loss	16,797	-	47,413	12,156	20	38,746
Derivatives liabilities designated as hedging instruments	47,866	-	66,984	18,164	-	60,755
Current accounts	14,300	739,926	157,187	8,155	58,533	106,116
Deposit attracted	-	43,759	929,610	2,341,303	303,265	950,162
Loans received	-	-	33,582	-	-	211,589
Debts securities issued	-	-	-	-	-	-
Subordinated liabilities	807,305	-	-	787,605	-	-
Other liabilities	6,350	-	4,728	5,526	-	4,712
Outstanding payables	**892,618**	**783,685**	**1,239,504**	**3,172,909**	**361,817**	**1,372,080**
Interest income	24,675	9	812	65,912	39	950
Interest expense	(86,949)	(412)	(36,279)	(56,636)	(457)	(43,603)
Fee and commission	1,732	34,375	5,573	1,803	64,118	3,153
Fee and commission	(158)	(1,086)	(151)	(1,434)	-	(1,449)
Other operating income	-	2,909	392	-	2,021	467
Operating expenses	(1,784)	-	(57,450)	(636)	-	(50,645)
Net revenue/ (expense)	**(62,484)**	**35,795**	**(87,103)**	**9,009**	**65,721**	**(91,127)**
Commitments	**131,494**	**114,627**	**379,539**	**334,226**	**97,965**	**1,003,256**

41. RELATED PARTY TRANSACTIONS *(continued)*

Transactions with key management personnel

A number of banking transactions are entered into with key management personnel (executive management, administrators and managers of the Group) in the normal course of business. These mainly include loans, current accounts and deposits. The volumes of related-party transactions as of year ends are presented in the below tables:

In RON thousands	Group	
	2019	2018
Loans	12,291	18,389
Current accounts and deposits	26,505	29,618
Interest and similar income	859	477
Interest expenses and similar charges	(110)	(65)

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:

	Group			
In RON thousands	Stage 1 and Stage 2	Stage 3	Of which: POCI financial assets	31.12.2019
Loan commitments	**9,426,898**	**84,515**	**-**	**9,511,413**
committed	2,316,712	8,475	-	2,325,187
uncommitted	7,110,186	76,040	-	7,186,226
Letters of credit	147,877	985	-	148,862
Guarantees issued	4,199,052	140,919	-	4,339,971
Gross amount	**13,773,827**	**226,419**	**-**	**14,000,246**
Allowance for impairment - Loan	(11,115)	(48,369)	-	(59,484)
Allowance for impairment - Letters of credit	(1,321)	(313)	-	(1,634)
Allowance for impairment - Guarantees	(8,929)	(84,133)	-	(93,062)
Total loss allowance	**(21,365)**	**(132,815)**	**-**	**(154,180)**
Carrying amount	**13,752,462**	**93,604**	**-**	**13,846,066**

42. COMMITMENTS AND CONTINGENCIES *(continued)*

i) Off-balance-sheet commitments (continued)

Group				
In RON thousands	Stage 1 and Stage 2	Stage 3	Of which: POCI financial assets	31.12.2018
Loan commitments	**8,199,388**	**80,287**	**-**	**8,279,675**
committed	2,217,776	592	-	2,218,368
uncommitted	5,981,612	79,695	-	6,061,307
Letters of credit	128,944	3,484	-	132,428
Guarantees issued	3,019,090	144,044	-	3,163,134
Gross amount	**11,347,422**	**227,815**	**-**	**11,575,237**
Allowance for impairment - Loan	(5,108)	(48,430)	-	(53,538)
Allowance for impairment - Letters of credit	(673)	(1,843)	-	(2,516)
Allowance for impairment - Guarantees	(22,029)	(76,201)	-	(98,230)
Total loss allowance	**(27,810)**	**(126,474)**	**-**	**(154,284)**
Carrying amount	**11,319,612**	**101,341**	**-**	**11,420,953**

Bank				
RON thousands	Stage 1 and Stage 2	Stage 3	Of which: POCI financial assets	31.12.2019
Loan commitments	**8,833,799**	**78,972**	**-**	**8,912,771**
committed	1,723,613	2,932	-	1,726,545
uncommitted	7,110,186	76,040	-	7,186,226
Letters of credit	149,504	985	-	150,489
Guarantees issued	4,199,051	140,919	-	4,339,970
Gross amount	**13,182,354**	**220,876**	**-**	**13,403,230**
Allowance for impairment - Loan	(8,481)	(48,358)	-	(56,839)
Allowance for impairment - Letters of	(1,321)	(313)	-	(1,634)
Allowance for impairment - Guarantees	(18,734)	(101,076)	-	(119,810)
Total loss allowance	**(28,536)**	**(149,747)**	**-**	**(178,283)**
Carrying amount	**13,153,818**	**71,129**	**-**	**13,224,947**

Bank				
RON thousands	Stage 1 and Stage 2	Stage 3	Of which: POCI financial assets	31.12.2018
Loan commitments	**7,767,831**	**80,287**	**-**	**7,848,118**
committed	1,786,219	592	-	1,786,811
uncommitted	5,981,612	79,695	-	6,061,307
Letters of credit	128,944	3,484	-	132,428
Guarantees issued	3,019,197	144,044	-	3,163,241
Gross amount	**10,915,972**	**227,815**	**-**	**11,143,787**
Allowance for impairment - Loan	(10,130)	(48,343)	-	(58,473)
Allowance for impairment - Letters of	(673)	(1,843)	-	(2,516)
Allowance for impairment - Guarantees	(22,060)	(92,333)	-	(114,393)
Total loss allowance	**(32,863)**	**(142,519)**	**-**	**(175,382)**
Carrying amount	**10,883,109**	**85,296**	**-**	**10,968,405**

42. COMMITMENTS AND CONTINGENCIES *(continued)*

i) Off-balance-sheet commitments (continued)

	UCLC (UniCredit Leasing Corporation)			
RON thousands	Stage 1 and Stage 2	Stage 3	Of which: POCI financial	31.12.2019
Loan commitments	**124,611**	**957**	**-**	**125,568**
committed	124,611	957	-	125,568
uncommitted	-	-	-	-
Letters of credit	-	-	-	-
Guarantees issued	-	-	-	-
Gross amount	**124,611**	**957**	**-**	**125,568**
Allowance for impairment - Loan	(927)	(133)	-	(1,060)
Allowance for impairment - Letters of credit	-	-	-	-
Allowance for impairment - Guarantees issued	-	-	-	-
Total loss allowance	**(927)**	**(133)**	**-**	**(1,060)**
Carrying amount	**123,684**	**824**	**-**	**124,508**

	UCLC (UniCredit Leasing Corporation)			
RON thousands	Stage 1 and Stage 2	Stage 3	Of which: POCI financial	31.12.2018
Loan commitments	**104,969**	**370**	**-**	**105,339**
committed	104,969	370	-	105,339
uncommitted	-	-	-	-
Letters of credit	-	-	-	-
Guarantees issued	-	-	-	-
Gross amount	**104,969**	**370**	**-**	**105,339**
Allowance for impairment - Loan	(852)	(1)	-	(853)
Allowance for impairment - Letters of credit	-	-	-	-
Allowance for impairment - Guarantees issued	-	-	-	-
Total loss allowance	**(852)**	**(1)**	**-**	**(853)**
Carrying amount	**104,117**	**369**	**-**	**104,486**

42. COMMITMENTS AND CONTINGENCIES *(continued)*

i) Off-balance-sheet commitments (continued)

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 2019 is EUR 27,211,827 (31 December 2018: EUR 33,750,616).

As compensation for the financial guarantees assumed by the risk participation agreements and for providing security and payment agent services to UniCredit SpA, the Bank receives the commissions paid by the borrowers plus a portion of the interest margin collected from the borrowers. The Bank defers the commissions collected upfront from the risk participation agreements over the time period that remains until the maturity of the facilities.

The Bank concluded with UniCredit SpA a series of novation contracts through which loan contracts initially concluded by the Bank with Romanian companies were transferred to UniCredit SpA in exchange for full reimbursement of borrowers' exposure towards the Bank. According to these novation contracts, the Bank is still involved as guarantor and payment agent when the debtor performs its payments.

ii) Litigations

As at 31 December 2019, 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 41,278 (31 December 2018: RON thousands 18,967) is neceessary to be booked.

As at 31 December 2019, 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 7,326 (31 December 2018: RON thousands 9,181) is necessary to be booked for these claims. In addition, in 2016, a general provision of RON thousands 3,850 was set, being maintained both in 2018 and 2019 to ensure a conservative approach to the related provisions.

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 statement as of 31 December 2019:

31.12.2019			Group		
In RON thousands	CIB and PB	Leasing	Retail	Other	Total
Net interest income	487,829	127,454	549,249	159,698	1,324,230
Net fee and commission income	153,941	40,292	119,872	2,352	316,457
Net income from trading and other financial instruments which are not at fair value through profit or loss	303,404	-	85,569	25,098	414,071
FX Gains/ (Losses)	83,747	12,490	20	(42)	96,215
Dividend income	-	-	-	1,971	1,971
Other operating income	1,388	7,850	4,650	(3,927)	9,961
Operating income	**1,030,309**	**188,086**	**759,360**	**185,150**	**2,162,905**
Operating expenses	(351,491)	(59,740)	(582,366)	19,304	(974,293)
Net operating income	**678,818**	**128,346**	**176,994**	**204,454**	**1,188,612**
Net impairment losses on financial assets	(172,564)	(30,547)	(179,704)	(4,508)	(387,323)
Net provision losses	-	(20,725)	(3,391)	(9,093)	(33,209)
Net gains/(loss) from other investment activities	-	1,249	-	(396)	853
Profit before taxation	**506,254**	**78,323**	**(6,101)**	**190,457**	**768,933**
Income tax	(81,000)	(19,059)	(5,543)	(25,756)	(131,358)
Net profit for the year	**425,254**	**59,264**	**(11,644)**	**164,701**	**637,575**

43. OPERATING SEGMENTS *(continued)*

Segment reporting on Group's income statement as of 31 December 2018:

31.12.2018			Group		
In RON thousands	CIB and PB	Leasing	Retail	Other	Total
Net interest income	459,208	121,205	499,719	147,492	1,227,624
Net fee and commission income	141,591	13,828	127,365	22,660	305,444
Net income from trading and other financial instruments which are not at fair value through profit or loss	275,230	11,050	62,863	(39,043)	310,100
FX Gains/ (Losses)	1,102	(30,015)	7,905	68,272	47,264
Dividend income	-	-	-	2,376	2,376
Other operating income	332	10,339	5,899	2,802	19,372
Operating income	**877,463**	**126,407**	**703,751**	**204,559**	**1,912,180**
Operating expenses	(280,603)	(52,961)	(515,133)	1,185	(847,512)
Net operating income	**596,860**	**73,446**	**188,618**	**205,744**	**1,064,668**
Net impairment losses on financial assets	(130,808)	(56,133)	(173,333)	2,474	(357,800)
Net provision losses	-	(2,620)	(13,651)	(52,520)	(68,791)
Net gains/(loss) from other investment activities	-	-	-	64	64
Profit before taxation	**466,052**	**14,693**	**1,634**	**155,762**	**638,141**
Income tax	-	(2,376)	(1,980)	(98,714)	(103,070)
Net profit for the year	**466,052**	**12,317**	**(346)**	**57,048**	**535,071**

43. OPERATING SEGMENTS *(continued)*

Segment reporting on Bank's income statement as of 31 December 2019:

31.12.2019		Bank		
In RON thousands	CIB and PB	Retail	Other	Total
Net interest income	487,829	313,621	159,663	961,113
Net fee and commission income	153,941	142,800	263	297,004
Net income from trading and other financial instruments which are not at fair value through profit or loss	303,404	68,266	25,056	396,726
FX Gains/ (Losses)	83,747	-	-	83,747
Dividend income	-	-	1,971	1,971
Other operating income	1,388	5,573	(151)	6,810
Operating income	**1,030,309**	**530,260**	**186,802**	**1,747,371**
Operating expenses	(351,491)	(526,694)	13,847	(864,338)
Net operating income	**678,818**	**3,566**	**200,649**	**883,033**
Net impairment losses on financial assets	(172,564)	(18,266)	(327)	(191,157)
Net provision losses	-	-	(14,165)	(14,165)
Net gains/(loss) from other investment activities	-	-	(396)	(396)
Profit before taxation	**506,254**	**(14,700)**	**185,761**	**677,315**
Income tax	(81,000)	2,352	(25,747)	(104,395)
Net profit for the year	**425,254**	**(12,348)**	**160,014**	**572,920**

43. OPERATING SEGMENTS *(continued)*

Segment reporting on Bank's income statement as of 31 December 2018:

31.12.2018		Bank		
In RON thousands	CIB and PB	Retail	Other	Total
Net interest income	459,208	302,540	146,272	908,020
Net fee and commission income	141,591	177,487	(390)	318,688
Net income from trading and other financial instruments which are not at fair value through profit or loss	275,230	62,217	(31,097)	306,350
FX Gains/ (Losses)	1,102	-	35,188	36,290
Dividend income	-	-	2,376	2,376
Other operating income	332	8,991	2,830	12,153
Operating income	**877,463**	**551,235**	**155,179**	**1,583,877**
Operating expenses	(280,603)	(459,016)	212	(739,407)
Net operating income	**596,860**	**92,219**	**155,391**	**844,470**
Net impairment losses on financial assets	(130,808)	(17,332)	(2,814)	(150,954)
Net provision losses	-	-	(47,445)	(47,445)
Net gains/(loss) from other investment activities	-	-	64	64
Profit before taxation	**466,052**	**74,887**	**105,196**	**646,135**
Income tax	-	-	(95,336)	(95,336)
Net profit for the year	**466,052**	**74,887**	**9,860**	**550,799**

43. OPERATING SEGMENTS *(continued)*

Segment reporting on Group's consolidated statement of financial position as of 31 December 2019:

31.12.2019			Group		
In RON thousands	CIB and PB	Leasing	Retail	Other	Total
Total assets	**24,079,725**	**5,310,972**	**10,614,054**	**11,521,857**	**51,526,608**
Total liabilities	23,514,167	4,965,546	11,548,820	6,255,284	46,283,817
Total equity	-	-	-	5,242,791	5,242,791
Total liabilities and equity	**23,514,167**	**4,965,546**	**11,548,820**	**11,498,075**	**51,526,608**

Segment reporting on Group's consolidated statement of financial position as of 31 December 2018:

31.12.2018			Group		
In RON thousands	CIB and PB	Leasing	Retail	Other	Total
Total assets	**25,935,287**	**4,299,047**	**9,985,134**	**8,117,566**	**48,337,034**
Total liabilities	21,938,267	4,352,170	9,754,387	7,435,027	43,479,850
Total equity	-	-	-	4,857,184	4,857,184
Total liabilities and equity	**21,938,267**	**4,352,170**	**9,754,387**	**12,292,211**	**48,337,034**

43. OPERATING SEGMENTS *(continued)*

Segment reporting on Bank's separate statement of financial position as of 31 December 2019:

31.12.2019		Bank		
In RON thousands	CIB and PB	Retail	Other	Total
Total assets	**24,079,725**	**8,075,584**	**12,385,848**	**44,541,157**
Total liabilities	23,514,167	11,497,181	4,660,759	39,672,107
Total equity	-	-	4,869,050	4,869,050
Total liabilities and equity	**23,514,167**	**11,497,181**	**9,529,809**	**44,541,157**

Segment reporting on Bank's separate statement of financial position as of 31 December 2018:

31.12.2018		Bank		
In RON thousands	CIB and PB	Retail	Other	Total
Total assets	**25,935,287**	**7,306,688**	**8,304,521**	**41,546,496**
Total liabilities	21,938,267	9,662,214	5,397,604	36,998,085
Total equity	-	-	4,548,411	4,548,411
Total liabilities and equity	**21,938,267**	**9,662,214**	**9,946,015**	**41,546,496**

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 table below presents the movement of the Right of Use since the date of applying IFRS 16, i.e. 1 January 2019.

31.12.2019	Group			Bank		
in RON thousands	Cars	Lands and buildings	Total	Cars	Lands and buildings	Total
Balance at 1 January 2019	**3,253**	**194,016**	**197,269**	**1,502**	**177,720**	**179,222**
New Contracts	13,798	13,603	27,401	12,675	14,183	26,858
Contracts Modifications	(99)	9,189	9,090	(99)	9,188	9,089
Depreciation during the period (-)	(2,037)	(57,488)	(59,525)	(1,316)	(53,408)	(54,724)
Balance at 31 December 2019	**14,915**	**159,320**	**174,235**	**12,762**	**147,683**	**160,445**

The table below presents the movement of the Lease Liability since the date of applying IFRS 16, i.e. 1 January 2019.

31.12.2019	Group			Bank		
in RON thousands	Cars	Lands and buildings	Total	Cars	Lands and buildings	Total
Balance at 1 January 2019	**3,253**	**174,893**	**178,146**	**1,502**	**170,748**	**172,250**
Interest Expense	117	2,040	2,157	21	1,875	1,896
Lease Payments (Principal + Interest)	(2,327)	(54,461)	(56,788)	(1,532)	(53,244)	(54,776)
New Contracts	13,798	14,205	28,003	12,675	14,183	26,858
Contracts Modifications	(98)	9,043	8,945	(98)	9,190	9,092
FX Impact	147	3,288	3,435	144	3,288	3,432
Balance at 31 December 2019	**14,890**	**149,008**	**163,898**	**12,712**	**146,040**	**158,752**

The table below presents the amounts recognized in the income statement for IFRS 16 related positions.

In RON thousands	Group			Bank		
	Cars	Lands and buildings	Total	Cars	Lands and buildings	Total
Expenses with depreciation related to the rights of use	(2,037)	(57,488)	(59,525)	(1,316)	(53,408)	(54,724)
Expenses with interest on lease liabilities	(117)	(2,040)	(2,157)	(21)	(1,875)	(1,896)

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

in RON thousands	Group			Bank		
	Cars	Lands and buildings	Total	Cars	Lands and buildings	Total
Within 1 year	4,004	53,057	57,061	3,245	52,278	55,523
1-5 years	10,886	87,950	98,836	9,467	85,761	95,228
Over 5 years	-	8,001	8,001	-	8,001	8,001
Total	**14,890**	**149,008**	**163,898**	**12,712**	**146,040**	**158,752**

45. TAX ON ASSETS

During the financial year 2019, according to the Government Emergency Ordinance no. 114/2018 regarding the establishment of measures in the field of public investments and fiscal-budgetary measures, the modification and completion of some normative acts and the extension of some deadlines, hereinafter referred to as "the Ordinance", the banking institutions were obliged to pay the financial assets tax, reffered as "assets tax".

The tax on assets is subject to repealing for the financial year 2020.

Methodological considerations on tax on assets

The Bank was required to calculate the assets tax half-yearly, respectively at the end of the year.

The basis for calculating the tax on assets (the taxable base) was the net financial assets of the bank, existing at the end of the semester, respectively the year for which the assets tax was due.

The following items were excluded from the tax base:

- Cash;
- Cash balances with central banks at net value (only performing exposures);
- Non-performing exposures, net (of provision);
- Debt securities issued by public administrations at net value (only performing exposures);
- Credits and advances to public administrations at net value (only performing exposures);
- Loans granted to the non-governmental sector secured by guarantees received from the central public administration at net value (only the performing exposures);
- Loans to credit institutions at net value (only performing exposures);
- Correspondent accounts and deposits with credit institutions at net value (only performing exposures);
- Reverse repo operations with credit institutions at net value (only performing exposures).

If the Bank recorded accounting loss before calculating the assets tax at the end of the semester or the year for which the tax was due, the tax on assets wasn’t due.

If the assets tax due by the Bank was above the accounting profit, before calculating the assets tax recorded at the end of the semester or the year for which the tax was due, the tax payable was limited to the registered profit, without influencing the tax on assets due for the coming years.

The tax rates on assets applied on the taxable base were at the level of 0.4% per annum if the Bank held a market share of 1% or more, and 0.2% per annum if the Bank held a market share of less than 1%.

For each tax assessment period (semester/year), the Bank had the option to reduce the fee due if the following conditions were met:

- for reducing the interest margin:
  - 50% if the target for diminishing the interest margin set by the Ordinance was met, or the interest margin was below the reference margin also set by the Ordinance;
  - less than 50%, depending on the proportion of the interest margin was diminished.
- for increasing financial intermediation (lending):
  - 50% if the lending growth target set by the Ordinance was met;
  - less than 50%, depending on the proportion of lending increased.

45. TAX ON ASSETS *(continued)*

For 2019, tax on assets was declared until August 25, 2020. The differences in excess of the amounts paid and declared by August 25, 2019 for the year 2019 shall be paid by August 25, 2020 inclusive. The minus differences are refunded/compensated according to the provisions of Law no. 207/2015 regarding the Fiscal Procedure Code, with subsequent amendments and completions.

The tax on assets is a deductible expense when determining the fiscal result covered by Title II of Law no. 227/2015 regarding the Fiscal Code, with subsequent amendments and completions.

Determination of tax on assets related to 2019

The applicable tax rate for UniCredit Bank was 0.4% per year. For the semester ended June 30, 2019, UniCredit Bank did not meet the conditions for the reduction of the assets tax. The level of the assets tax calculated on the basis of the results as of June 30, 2019 was RON 82,092 thousands.

For the year ended on December 31, 2019 the Bank accomplished partially the conditions to obtain discounts for tax on financial assets, respectively a discount of 31.57% for the increase of financial intermediation, by increasing the stock of loans compared to December 31, 2018. The level of the tax on assets calculated on the basis of the results on December 31, 2019 is RON 59,609 thousands, as described below:

RON million	**31 December 2019**			**30 June 2019**		
Total assets tax base		A	21,778		A	20,523
Tax resulted from the application of the tax rate, before discounts	0.40%	B=A*0.40%	87.11	0.40%	B=A*0.40%	82.09
Discount applicable to the tax from of interest margin reduction	0.00%	C=B*0.00%	0.00	0.00%	C=B*0.00%	0.00
Discount applicable to the tax from of lending growth	31.57%	D=B*31.57%	-27.50	0.00%	D=B*0	0.00
Tax resulted after the discounts		**E=B-C-D**	**59.61**		**E=B-C-D**	**82.09**

The differences resulted from the recalculation (compared to the tax on assets already paid for the first semester of 2019) will be refunded or compensated for the taxes and fees due by the Bank for the future period.

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 25, 2020 and were signed on its behalf by:

Mr. Catalin Rasvan Radu | **Mr. Philipp Gamauf**

Chief Executive Officer | **Chief Financial Officer**

One Bank,
One UniCredit.

Our strategy is clear and long-term: UniCredit is a simple successful Pan European Commercial Bank, with a fully plugged in CIB, delivering a unique Western, Central and Eastern European network to its extensive and growing client franchise.

UniCredit Bank S.A.

Management Board's report

Consolidated and Separate

for the financial year ended 31 December 2019

Content

Team 23

Our new plan is called Team 23, in recognition of the outstanding work done together for Transform 2019. Team 23 is based on four strategic pillars:

- Grow and strengthen client franchise
- Transform and maximise productivity
- Disciplined risk management & controls
- Capital and balance sheet management

1. General presentation

The UniCredit Group (the "Group") consists of UniCredit Bank S.A. (the "Bank") as mother company and its subsidiaries, UniCredit Consumer Financing IFN S.A. ("UCFIN"), UniCredit Leasing Corporation IFN S.A ("UCLC"), Debo Leasing S.R.L. ("DEBO"). 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 facilities, retail loans, bank guarantees, letter of credits and documentary collections.

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

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

- UniCredit Consumer Financing IFN S.A.("UCFIN"), having its current registered office at 23-25 Ghetarilor Street, 1st and 3rd floor, District 1, Bucharest, Romania, provides consumer finance loans to individuals. The Bank has a shareholding of 50.1% in UCFIN since January 2013.
- UniCredit Leasing Corporation IFN ("UCLC"), having its headquarters in Ghetarilor Street no. 23-25, 1st, 2nd and 4th floors, Sector 1, Bucharest, Romania, provides financial leasing services to corporate clients and individuals. UCLC, the former associate, has become the Bank's subsidiary since April 2014 when the Bank gained indirect control of 99.95% (direct control: 99.90%). The Bank's indirect shareholding rate as of 31 December 2019 is 99.98% (direct control: 99.96%), as a result of the merger of UniCredit Leasing Romania SA ("UCLRO") by UCLC, finalized in June 2015, the date at which UCLRO was absorbed by UCLC.
- Debo Leasing S.R.L. ("DEBO"), having its current registered office in 23-25 Ghetarilor Street, 2nd floor, 1st district, Bucharest, Romania, is a real estate finance lease entity and became a subsidiary of the Bank beginning with April 2014. The Bank has an indirect controlling interest of 99.97% through UCLC. Debo Leasing S.R.L. is the new name of Debo Lesing IFN S.A. beginning with October 2018, when the company was erased from the General Register of Financial Non-banking Institutions.

In August 2018, the following company stopped being a subsidiary of the UniCredit Group:

- 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, in which the Bank had an indirect controlling interest of 99.98% through UCLC. As a result of its sale by UCLC to two non-resident companies that are part of UniCredit SpA Group in August 2018, UniCredit Insurance Broker S.R.L. is no longer a subsidiary of the Group.

As of 31 December 2019 the Group carried out its activity in Romania through the Head Office located in Bucharest and its network of 146 branches (31 December 2018: 149) located in Bucharest and in the country.

2. 2019 Activity Overview

Year 2019 was a year of numerous accomplishments, innovations and launches of products for all the business lines of UniCredit in Romania.

The services and products offered by the bank and its entities received numerous awards throughout the year, as recognition. Thus, UniCredit received the "Bank of the Year" award in 2019 in Romania from the British financial magazine "The Banker", the second time when the bank receives this award, after having received it in 2017. The award came as recognition of the efforts taken for digital transformation. Regarding the corporate area business, the bank received multiple awards, such as: "UniCredit, Market Leader in Romania" awarded within the 2019 Euromoney's Trade Finance Survey; "Bank of the Year" awarded within the 14th Gala of the SEE Real Estate Awards, hosted by Europa Property; "Best Service Provider for cash management" in Romania and "Cash management market leader" in Romania within "Euromoney Cash Management Survey 2019".

At the same time, the efforts and dedication provided to private banking clients by the specialised team have been acknowledged in prestigious international reviews. On the one hand, UniCredit has been nominated by Global Finance as "The best bank for Private Banking in Romania", and in Euromoney Private Banking and Wealth Management Survey, the Romanian bank received recognition for Best Private Banking Services Overall in Romania, Net-worth-specific services, sub-category: High Net Worth Clients Technology and Technology.

Locally, the Bank received numerous awards: in an effort to compensate excellence, Finmedia gave UniCredit Bank three awards for the retail business and results ("The best agencies in the lending business"; "The best agencies in the attraction of deposits"; "The most profitable agencies") and an award related to NPL management. Afterwards, Mastercard Young, the card designed for children, was nominated "Product of the Year" 2019 within the competition "Product of the Year" organised by Media Concept Store, and within the E-Finance gala organised by Finmedia, the Bank was successful in the "e-cards" category.

In 2019, UniCredit succeeded in consolidating its position in the top of the banks in Romania, by focusing on digitalisation and investing in this area, in order to provide clients with better digital solutions to simplify their banking experience, both for retail and corporate.

Thus, in the field of services provided to the company clients, UniCredit became in 2019 the first bank in Romania to provide, starting with December 2019, the possibility to sign the bank documentation with a certified electronic signature issued by an authorised provider in Romania. This signature, fully acknowledged in Romania and the European Union, with legal value identical to the handwritten signature, can be used in the relationship with other parties. The introduction of electronic signature for the simplification of processes in branch offices, bringing the great benefit of eliminating paper and replacing it with electronic documentation, easy to store and access by the clients and by the bank. This launch came when, in 2018, UniCredit successfully implemented the possibility of electronic signature of documents for multiple types of products designed for retail, thus contributing to the streamlining of operations in branches and simplification of the clients' banking experience.

Also, in 2019, the Bank expanded the portfolio of banking solutions for the digital transformation of companies by the launch of a modular solutions for the payment acceptance for e-commerce, supporting those who want to open an on-line store in an easy, fast and safe way. By means of the two modules, eGenius and eGeniusWEB, UniCredit Bank provides solutions adapted to the type of business, making multiple benefits available to those who want to open an on-line store, from support for fast integration, safety by 3D Secure payments and on-line visibility and on social networks, by means of an integrated share option on these platforms. For the SMEs, the main benefit provided by the solutions for payment acceptance for e-Commerce UniCredit is that it facilitates the opening of a virtual store, and for the large companies, the biggest benefits relate to quick integration, provision of complete implementation solutions and time saves in the activation and appropriate operation of e-stores. Moreover, both solutions allow the generation of detailed reports for business and sales, a very handy benefit for users.

Not the least, for corporate clients, the Bank continued to provide in 2019 special funding conditions for the various agreements to which it adhered. Thus, at the beginning of the year, UniCredit Bank started the provision of facilities based on the agreement signed with the European Investment Fund (EIF), by the Fund of Funds Program, a program with funds attracted from the European Agricultural Fund for

Rural Development (EAFRD) designed to facilitate access to funding for farmers and enterprises in the rural environment, a project funded by the European Union by means of the European Agricultural Fund for Rural Development and implemented in Romania by the National Program for Rural Development 2014 – 2020.

For the retail business, the first half of 2019 was abundant in accomplishments for UniCredit. Staying true to its goal of becoming a stronger player in the retail area, the Bank continued to innovate and develop its offer, proposing simpler products, modern digital platforms and simplified processes to its clients.

Thus, in May, UniCredit Bank and Mastercard launched Mastercard Young, designed for the age category of up to 18 years, at the respective moment being the first debit card on the local market available to children 6 to 14 years old (according to a market survey in April 2019 by iSense Solutions for UniCredit Bank). The Product, attached to the GeniusCont Junior account offer, provides important financial and non-financial benefits for minor clients and their legal representatives.

Afterwards, in June, UniCredit Romania announced that Apple Pay becomes available to its clients, taking another step in the taken direction - that of innovation and digitalisation, providing the clients with new solutions that matter to them – a simple, fast and safe method of payment, which enriches their experience. Apple Pay can be used by all holders of UniCredit cards, at all terminals in Romania which allow contactless payments or anywhere in the world where contactless payments are accepted. With Apple Pay on iPhone, Apple Watch, iPad and Mac, the clients can enjoy fast and comfortable shopping in stores, via apps or online, using any type of UniCredit debit and credit cards.

At the same time, **UniCredit Consumer Financing IFN SA (UCFIN),** part of the UniCredit Bank group in Romania, continued the development of benefits provided to clients by the increase of the network of strategic partners, simplification and digitalisation of the acquisition and after-sales processes. In the field of telecommunication, our strategic partners provided their clients with payment plans for the acquisition of mobile terminals and accessories, with UniCredit Consumer Financing loans. The personal loan benefited from the launch of preferential green offers (Green Loan for the purchase of high-level energy products or technologies) and payroll (preferential price for the clients that collect or will collect their salary via UniCredit). All the products have been included in the Black Friday campaign in order to boost the online acquisitions. In the same online business, flows have been improved for digital signature, and the credit card launched the remote payment functionality through Apple Pay.

In the preparation for 2020, UCFIN will focus on increasing the number of strategic partners, simplify digital flows for the improvement of the experience with the client and profiling of new cashback-type benefits on credit cards.

In 2019, **UniCredit Leasing** has consolidated its top position on the financial leasing market, through the financing products offered, continuing to support the development of the Romanian economy. Customer care was also a priority in 2019, the company continuing its efforts to increase the quality of services offered. In 2019 UniCredit Leasing launched a three-year senior bond issue, in amount of € 300 million. The listing was made on the Luxembourg Stock Exchange, with admission to trading on the MTF market.

In 2019, **UniCredit Bank S.A**. (hereinafter, UCB or the Bank) focused its attention and resources on improving the market position, risk management, growth and development aimed at safeguarding the Bank's assets and capital, value creation for customers, society and shareholders, enhancing quality of products and services, strong management of credit, market and operational risks and internal controls in line with statutory and UniCredit Group regulations and best international practices.

In 2019, the main performance indicators of UCB Group evolved as follows:

- Total assets increased by 6.60%, up to RON thousands 51,526,608;
- Net profit: increased by 19.16% yoy;
- Customer loan portfolio (including also lease receivables) slightly increased by 6.20% compared with 2018.

A special attention was granted to ensuring prudent levels of liquidity and capital adequacy, in full compliance with the National Bank of Romanian's regulations. A particular emphasis was laid on overall risk management and especially on credit risk management, in order to ensure proper assets quality and adequate provision coverage.

UniCredit Group had a strong and balanced financial position in 2019, despite the beginning of the macroeconomic slowdown:

Indicator (%)	Group		Bank	
	2019	2018	2019	2018
ROE	12.91	12.89	12.17	13.92
ROA	1.28	1.17	1.33	1.39
Solvency ratio[1]	16.27	16.68	19.49	20.30
Cost/Income ratio	45.05	44.32	49.47	46.68
Loans to deposits	92.03	100.95	68.70	75.65
Loan portfolio provision coverage	6.07	7.02	5.71	7.10

As of 31 December 2019, the total assets of the Group are RON thousands 51,526,608 (Bank: RON thousands 44,541,157). The net profit for 2019 is RON thousands 637,575 (Bank: RON thousands 572,920), out of which non-controlling interest amounts to RON thousands -5,907.

During 2019, the members of the Management Board acted in accordance with statutory laws and regulations in force and ruling UniCredit 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 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.

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

3. Consolidated and separate financial statements of UniCredit Bank S.A. as at 31 December 2019

3.1. Legal framework

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 the provisions of Order 27/2010 issued by National Bank of Romania, for approval of accounting regulations in accordance with International Financial Reporting Standards as endorsed by European Union, with subsequent changes.

The duties stipulated by law, related to the organization and management of the accounting activity, including the accounting principles (prudence, permanence of methods, continuity, independence, intangibility, non-compensation, separate evaluation of assets and liabilities', materiality, substance over form) have been followed. The provisions of the Accounting Law no. 82/1991, with subsequent changes, the accounting regulations and the methods stipulated by regulations in force, were abided by the Bank.

The annual consolidated and separate financial statements provide a true and fair view on the assets and liabilities. The economic and financial position of UCB's Group is audited by the external auditor Deloitte Audit SRL.

Capital and balance sheet management.

We will continue to take decisive actions to increase our flexibility, with a proactive approach to capital allocation, both top down and bottom up. In Team 23, one key commitment is to maintain a CET1 MDA buffer between 200 to 250 basis points.

3.2. The Consolidated Statement of financial position

The IFRS Consolidated Statement of financial position of UniCredit Bank SA as of 31.12.2019 is presented below:

	Group			Bank		
In RON thousands	**31.12.2019**	**31.12.2018**	**2019/ 2018 (%)**	**31.12.2019**	**31.12.2018**	**2019/ 2018 (%)**
Assets:						
Cash and cash equivalents	11,693,894	10,282,258	13.7%	11,693,863	10,282,174	13.7%
Financial assets at fair value through profit or loss	267,990	296,785	(9.7%)	267,990	296,785	(9.7%)
Derivatives assets designated as hedging instruments	-	146	-	-	146	-
Loans and advances to customers at amortized cost	26,013,805	24,622,314	5.7%	22,483,263	20,973,071	7.2%
Net lease receivables	3,323,516	3,002,737	10.7%	-	-	-
Placements with banks at amortized cost	572,567	1,897,602	(69.8%)	572,567	1,897,602	(69.8%)
Other financial assets at amortized cost	142,810	190,151	(24.9%)	100,767	143,332	(29.7%)
Financial assets at fair value through other comprehensive income	8,614,640	7,330,621	17.5%	8,612,294	7,328,275	17.5%
Investment in subsidiaries	-	-	-	143,116	143,116	-
Property and equipment	200,368	173,260	15.6%	188,613	171,402	10.0%
Right of use assets	174,235	-	-	160,445	-	-
Intangible assets	196,284	162,897	20.5%	186,516	152,089	22.6%
Current tax assets	2,848	630	352.1%	2,848	-	-
Deferred tax assets	132,466	143,456	(7.7%)	60,809	79,454	(23.5%)
Other assets	191,185	201,485	(5.1%)	68,066	79,050	(13.9%)
Non-current assets and disposal groups classified as held for sale	-	32,692	-	-	-	-
Total assets	**51,526,608**	**48,337,034**	**6.6%**	**44,541,157**	**41,546,496**	**7.2%**
Liabilities:						
Financial liabilities at fair value through profit or loss	73,969	69,809	6.0%	73,969	69,829	5.9%
Derivatives liabilities designated as hedging instruments	114,852	78,919	45.5%	114,852	78,919	45.5%
Deposits from banks	1,666,287	3,757,657	(55.7%)	1,666,287	3,757,657	(55.7%)
Loans from banks and other financial institutions at amortized cost	6,483,236	7,591,301	(14.6%)	795,267	1,073,065	(25.9%)
Deposits from customers	33,938,950	29,494,901	15.1%	34,706,764	29,841,828	16.3%
Debt securities issued	2,044,046	622,115	>100.0%	621,823	622,115	0.0%
Other financial liabilities at amortized cost	391,071	459,838	(15.0%)	340,562	368,442	(7.6%)
Subordinated liabilities	912,449	890,311	2.5%	807,304	787,705	2.5%
Lease liabilities	163,898	-	-	158,752	-	-
Current tax liabilities	2,699	44,889	(94.0%)	-	43,705	-
Deferred tax liabilities	-	-	-	-	-	-
Provisions	240,959	205,454	17.3%	218,819	202,412	8.1%
Other non-financial liabilities	251,401	264,656	(5.0%)	167,708	152,408	10.0%
Total liabilities	**46,283,817**	**43,479,850**	**6.4%**	**39,672,107**	**36,998,085**	**7.2%**

	Group			Bank		
In RON thousands	**31.12.2019**	**31.12.2018**	**2019/ 2018 (%)**	**31.12.2019**	**31.12.2018**	**2019/ 2018 (%)**
Equity						
Share capital	1,177,748	1,177,748	-	1,177,748	1,177,748	-
Share premium	621,680	621,680	-	621,680	621,680	-
Cash flow hedging reserve	(47,833)	(45,054)	6.2%	(47,833)	(45,054)	6.2%
Reserve on financial assets at fair value through other comprehensive income	20,330	(88,570)	>100.0%	20,330	(88,570)	>100.0%
Revaluation reserve on property and equipment	12,682	9,819	29.2%	12,682	9,819	29.2%
Other reserves	298,289	271,031	10.1%	298,289	271,031	10.1%
Retained earnings	3,050,001	2,794,726	9.1%	2,786,154	2,601,756	7.1%
Total equity for parent company	**5,132,897**	**4,741,381**	**8.3%**	**4,869,050**	**4,548,411**	**7.1%**
Non-controlling interest	109,894	115,803	(5.1%)	-	-	-
Total equity	**5,242,791**	**4,857,184**	**7.9%**	**4,869,050**	**4,548,411**	**7.1%**
Total liabilities and equity	**51,526,608**	**48,337,034**	**6.6%**	**44,541,157**	**41,546,496**	**7.2%**

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 2019, the minimum reserve level was at the level of as 8% (31 December 2018: 8%) for liabilities to customers in RON and 8% (31 December 2018: 8%) 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 longer than 2 years with reimbursement, transfer and anticipated withdrawals clause or 0% for all the other liabilities included in the calculation base.

Loans and advances to customers and net lease receivables are in amount of RON thousands 29,337,321 for the Group (Bank: RON thousands 22,483,263), corresponding to 56.94% of total assets (Bank: 50.48%). The outstanding loans balance as at 31.12.2019 is distributed by business segments, as follows:

	Group	Bank
	2019	**2019**
Corporate	49.6%	63.7%
SME	21.1%	9.4%
Private Individual	28.9%	26.5%
Private Banking	0.3%	0.4%

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	**2019**	40.5%	29.3%	30.3%
	2018	44.7%	34.7%	20.7%
Bank	**2019**	40.3%	24.8%	34.9%
	2018	49.4%	24.7%	25.9%

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 2019 and 2018 is as follows:

	Group		Bank	
	2019	2018	2019	2018
Neither past due nor impaired	92.7%	92.7%	93.0%	93.6%
Past due but not impaired	5.4%	5.5%	5.2%	4.7%
Other impaired loans	0.8%	0.6%	0.8%	0.6%
Individually significant impaired loans	1.0%	1.2%	1.0%	1.0%

Other assets of RON thousands 191,185 (0.37% of total assets) decreased by 5% compared with December 2018 (Group level).

In RON thousands	Group		Bank	
	2019	2018	2019	2018
Sundry debtors	96,089	98,316	26,980	58,144
Prepayments	54,421	78,466	12,907	17,683
Inventories	16,116	24,241	3,261	2,278
Other	24,559	462	24,918	945
Total other non-financial assets	**191,185**	**201,485**	**68,066**	**79,050**

3.4. Liabilities

Deposits and loans from banks balance is RON thousands 8,149,523 (Bank RON thousands 2,461,554), representing 15.8% of total liabilities and equity.

In RON thousands	Group		Bank	
	2019	2018	2019	2018
Deposits				
Term deposits	1,002,896	3,484,356	1,002,896	3,484,356
Sight deposits	663,391	273,301	663,391	273,301
Total deposits	**1,666,287**	**3,757,657**	**1,666,287**	**3,757,657**
Loans				
Commercial Banks	5,539,000	6,488,536	101,543	221,657
Multilateral development banks	777,950	870,495	666,141	770,689
International financial institutions	166,286	232,270	27,583	80,719
Total borrowings	**6,483,236**	**7,591,301**	**795,267**	**1,073,065**
Total	**8,149,523**	**11,348,958**	**2,461,554**	**4,830,722**

Deposits from customer's balance is totaling RON thousands 33,938,950 at Group level (Bank RON thousands 34,706,764), representing 66% of total liabilities and equity. At the end of 2019 almost 70% of deposits are payable on demand.

In RON thousands	Group		Bank	
	2019	2018	2019	2018
Term deposits	8,871,596	11,009,576	8,913,628	11,009,576
Payable on demand	23,818,578	17,507,809	24,551,843	17,863,158
Collateral deposits	1,248,561	977,356	1,241,078	968,934
Certificates of deposits	215	160	215	160
Total	**33,938,950**	**29,494,901**	**34,706,764**	**29,841,828**

Other non-financial liabilities balance is RON thousands 251,401, representing 0.49% of total liabilities and equity, including:

In RON thousands	Group		Bank	
	2019	2018	2019	2018
Deferred income	117,309	123,988	76,960	77,011
Payable to state budget	51,408	49,616	26,239	23,064
Payable to employees	66,096	56,280	56,677	49,937
Other	16,588	34,772	7,832	2,397
Total other non-financial liabilities	**251,401**	**264,656**	**167,708**	**152,408**

Provisions of RON thousands 240,959 (0.47% of total liabilities and equity) are split by type as presented below:

In RON thousands	Group		Bank	
	2019	2018	2019	2018
Provision for financial guarantees	93,261	92,795	120,009	114,573
Provision for legal disputes	41,278	22,817	11,176	13,031
Provision for off-balance commitments	62,179	62,523	58,473	60,990
Other provisions	44,241	27,319	29,161	13,818
Total	**240,959**	**205,454**	**218,819**	**202,412**

Subordinated liabilities of RON thousands 912,449 (1.77% of total liabilities and equity) 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	
	2019	2018	2019	2018
UniCredit SPA	807,304	787,705	807,304	787,705
UniCredit Bank Austria AG	105,145	102,606	-	-
Total	**912,449**	**890,311**	**807,304**	**787,705**

3.5. Off-balance-sheet exposures

The outstanding off-balance-sheet gross exposure at Group level at the end of 2019 totaling RON thousands 15,945,809 is presented below, 89% representing exposures to customers and 45% uncommitted exposures (Bank: RON thousands 15,223,225, of which 48% uncommitted exposures).

In RON thousands	Group		Bank	
	2019	2018	2019	2018
Off balance sheet exposures to customers	14,125,814	11,680,576	13,403,230	11,143,787
Off balance sheet exposures to banks	1,819,995	1,628,743	1,819,995	1,628,743
Total	**15,945,809**	**13,309,319**	**15,223,225**	**12,772,530**
Uncommitted exposures	**45%**	**44%**	**48%**	**46%**

3.6. Consolidated Profit and loss account

2019 Consolidated and Separate IFRS Income Statement of UniCredit Bank is presented below:

	Group			Bank		
In RON thousands	**31.12.2019**	**31.12.2018**	**2019/2018 (%)**	**31.12.2019**	**31.12.2018**	**2019/2018 (%)**
Interest income	1,850,803	1,704,394	8.6%	1,339,265	1,258,876	6.4%
Interest expense	(526,573)	(476,770)	10.4%	(378,152)	(350,856)	7.8%
Net interest income	**1,324,230**	**1,227,624**	**7.9%**	**961,113**	**908,020**	**5.8%**
Fee and commission income	454,938	416,318	9.3%	424,480	417,581	1.7%
Fee and commission expense	(138,481)	(110,874)	24.9%	(127,476)	(98,893)	28.9%
Net fee and commission income	**316,457**	**305,444**	**3.6%**	**297,004**	**318,688**	**(6.8%)**
Net income from instruments at fair value through profit and loss	360,345	304,901	18.2%	360,345	304,901	18.2%
FX Gains/ (Losses)	96,215	47,264	>100.0%	83,747	36,290	>100.0%
Fair value adjustments in hedge accounting	1,831	(2,576)	>100.0%	1,831	(2,576)	>100.0%
Net income on disposal of financial assets and liabilities wich are not at fair value through profit or loss	51,895	7,775	>100.0%	34,550	4,025	>100.0%
Dividends income	1,971	2,376	(17.0%)	1,971	2,376	(17.0%)
Other operating income	9,961	19,372	(48.6%)	6,810	12,153	(44.0%)
Operating income	**2,162,905**	**1,912,180**	13.1%	**1,747,371**	**1,583,877**	10.3%
Personnel expenses	(421,876)	(398,446)	5.9%	(367,480)	(347,332)	5.8%
Depreciation and impairment of tangible assets	(95,246)	(37,247)	<100.0%	(89,633)	(36,569)	<100.0%
Amortisation and impairment of intangible assets	(57,049)	(58,368)	(2.3%)	(50,484)	(50,235)	0.5%
Other administrative costs	(377,120)	(326,289)	15.6%	(344,931)	(289,016)	19.3%
Other operating costs	(23,002)	(27,162)	(15.3%)	(11,810)	(16,255)	(27.3%)
Operating expenses	**(974,293)**	**(847,512)**	**15.0%**	**(864,338)**	**(739,407)**	**16.9%**
Net operating income	**1,188,612**	**1,064,668**	**11.6%**	**883,033**	**844,470**	**4.6%**
Net impairment losses on financial assets	(387,323)	(357,800)	8.3%	(191,157)	(150,954)	26.6%
Net impairment losses on non-financial assets	(396)	-	-	(396)	-	-
Net provision losses	(33,209)	(68,791)	(51.7%)	(14,165)	(47,445)	(70.1%)
Net gains/(loss) from other investment activities	1,249	64	>100.0%	-	64	-
Profit before taxation	**768,933**	**638,141**	**20.5%**	**677,315**	**646,135**	**4.8%**
Income tax	**(131,358)**	**(103,070)**	**27.4%**	**(104,395)**	**(95,336)**	**9.5%**
Net profit for the period	**637,575**	**535,071**	**19.2%**	**572,920**	**550,799**	**4.0%**
Attributable to:						
Equity holders of the parent company	**643,482**	**564,455**	**14.0%**	**572,920**	**550,799**	**4.0%**
Non-controlling interests	(5,907)	(29,384)	(79.9%)	-	-	-
Net profit for the period	**637,575**	**535,071**	**19.2%**	**572,920**	**550,799**	**4.0%**

Grow and strengthen client franchise.

Team 23 focuses on strengthening and growing our client franchise across all segments: SMEs, individuals and corporates.
Our strategic initiatives focus on the customer experience, to improve customer satisfaction and service quality. This is how we will increase our Net Promoter Score at Group-level.

4. Equity accounts and profit distribution

4.1. Equity accounts of the Bank as of 31 December 2019

As of 31 December 2019, the Bank's equity is in amount of RON thousands 4,869,050 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	**(47,833)**
Reserve on financial assets at fair value through other comprehensive income	**20,330**
Revaluation reserve on property and equipment	**12,682**
Other reserves	**298,289**
- Statutory general banking risks	115,785
- Statutory legal reserve	91,044
- Effect of hyperinflation – IAS 29	19,064
- Other reserves	72,396
Retained earnings	**2,213,234**
Net profit for the period	**572,920**
Total equity of the Bank	**4,869,050**

At 31 December 2019 the paid-in capital of the Bank was RON 455,219,478.3, split into 48,948,331 shares at RON 9.3 par value each.

The structure of the Bank's shareholders as at 31 December 2019 is the following:

Shareholder	**Shares' number**	**Value (RON)**	**%**
UniCredit S,p,A,	48,277,621	448,981,875,30	98.6297
Romanian Individuals	631,989	5,877,497,70	1.291
Romanian Legal Entities	21,606	200,935,80	0.0447
Foreign Individuals	9,775	90,907,50	0.0202
Foreign Legal Entities	7,340	68,262	0.0143
TOTAL	**48,948,331**	**455,219,478,30**	**100**

4.2. Profit distribution

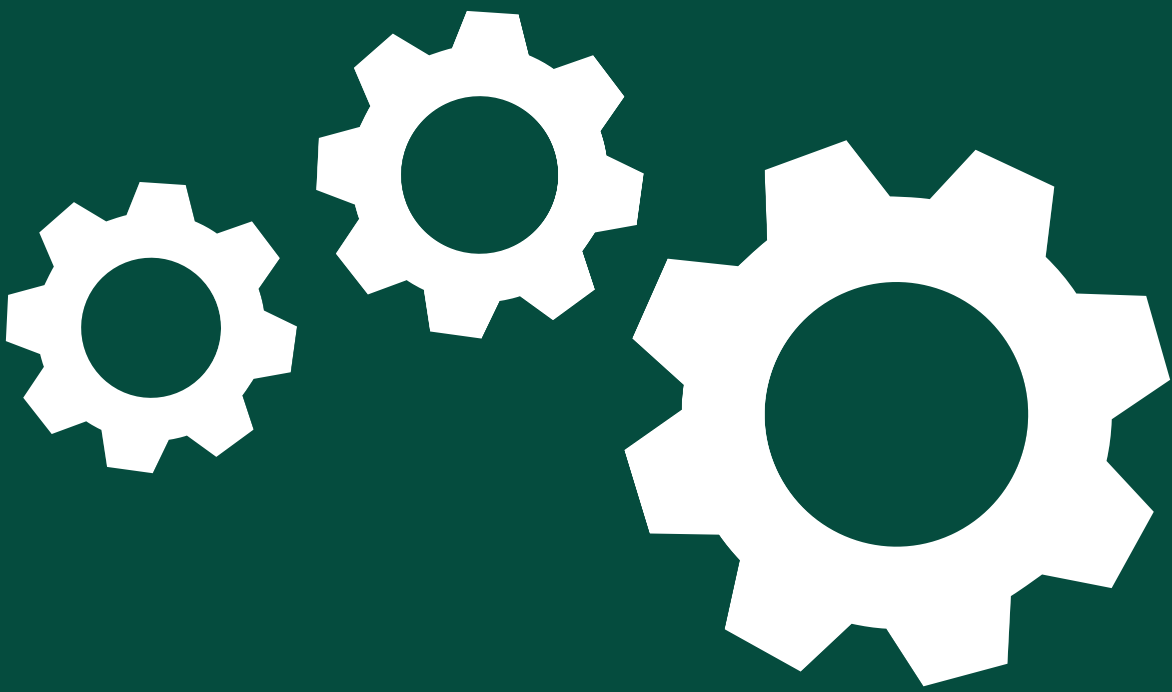
The net profit of the Bank for the financial year ended at 31 December 2019, in amount of RON 572,920,274.07 will be distributed according to the law.

The Supervisory Board proposes to the General Meeting of Shareholders the distribution of 2019 net profit as follows:

Bank	**2019**
Reserve related to the reinvested profit of the year 2019*	28,179,641.00
Dividend distribution	448,856,195.27
Reinvestment of the remaining net profit	95,884,437.80
Total	**572,920,274.07**

** According to article 22 of Law 227/2015, the amounts are exempt from the payment of corporate income tax.*

Transform and Maximise Productivity.



Our customer focus drives the right process optimisation, leading to new ways of working. We will continue to maximise productivity across the value chain, improving processes and products while minimising operational risk. A great example of our transformation is the paperless bank, currently being rolled out across our networks.

5. Forecast related to the future macroeconomic environment

The Romanian economy increased by 4.1% YoY in 2019, slowing the growth rate created by the fiscal stimulus from the previous years. The gross fixed capital formation contribution has a significant contribution in GDP formation, exceeding the private consumption, due to constructions and investments in machinery and equipment. We expect 2.3% GDP growth for 2020 due a slowdown of the economy. Mostly, the sudden slowdown is the result of the uncertainties coming from the external environment and global economic sentiment, but also the decrease of fiscal stimulus and the decline of capital investments are influencing the GDP growth as well. A softer decrease of private consumption it is also expected, even if the Government has planned an increase by 40% of pensions starting September 2020.

The budget deficit exceeded 4.64% of GDP in 2019 due to the weaker tax collection and higher expenses with pensions and salaries. The Ministry of Finance prepared the 2020 budget based on a 3.6% of GDP deficit, but it will be difficult to reach this level considering the increase of pensions starting with September. Furthermore, there are additional budget pressures as the Parliament decided to double the children's allowances which lead to an impact of approx. RON 6bn and will increase the budget deficit, even if the measure was postponed for August 2020. The proposal to cut the special pensions could cover the children's allowances impact, but it will not solve the deficit problem. The evolution of budget deficit is affecting the costs related to internal and external financing of the country, as well the rating outlook which was already changed to a negative by S&P in December.

The monetary policy key rate was kept at 2.50% in 2019 and there are no expectations for a potential change in 2020. The minimum reserves requirements were kept during 2019 at 8% for both liabilities in RON and foreign currencies, while for deposit and loan facilities the rates were unchanged at 1.50%, respectively 3.50%. Changes of interest rates by Central Bank are not expected during 2020, considering that the prices stability policy could be affected. Moreover, the National Bank of Romania ("NBR") organized weekly depo operations with 1W maturity in order to drain the excess liquidity from the market, driving to a softer increase of ROBOR rates at the end of the year. ROBOR rates are expected to remain above 3% in 2020 given the strict management of the liquidity performed by NBR, using the FX market interventions and repo/depo operations.

EUR RON was quoted in the interval 4.7-4.8 in 2019, having constant depreciation pressures due to the negative capital flows. National Bank warned that these pressures will increase this year in the context of a negative evolution of twin deficits and a potential sudden change of economic sentiment in the international markets. However, a gradual depreciation will not significantly affect the overvaluation of our local currency, as the labour costs exceeds the productivity.

After a softer decrease below the Central Bank's target, the inflation rate reached 4% at the end of 2019 and it is expected to remain above this level during 2020 on the back of the re-liberalization of gas prices starting July. The inflation pressures are coming from industrial production prices fluctuations on the internal market as well as the increase of labour costs and RON depreciation which drove to the increase of the import prices.

The trade balance deficit kept a high level in 2019 on the back of a faster increase of imports, while the exports were affected by the worsening of the global economic environment. On the external side, our country is losing the price competitiveness which is coming from some economic sectors due to increase of labour costs, even if the local currency was relatively stable. Moreover, the current account deficit continued to increase at a softer pace, due to the decline of direct foreign investments and capital transfers. An increase of investments during the 2020 is not expected, but the rise of EU funds absorption can drive to a slightly decrease of deficit, the current estimation showing 4% of GDP.

Loans granted in local currency reached 67.2% from the total in November, being preferred by the households. Compared with the same period of the previous year, the household loans rose by 13.7%, while the non-financial institutions registered 4.1% growth. On the other side, the deposits continued to rose faster than loans, reflecting that there is more space for new lending, but the conditions imposed by the banks are more pressing, excluding a relatively higher number of potential borrowers.

Furthermore, Central Bank reduced the indebtness level for private individuals starting with January 2019 in order to prevent the increase of default risk up to 30% for FX loans and 40% for local currency loans. The non-performing loans rate decreased to 4.6% in September 2019, but persisted to be above the EU average of 3% (registered in June).

6. Research and development activity

The research and development activity of UCB's Group, including the know-how received from UniCredit Spa, was mainly directed to improvement of efficiency and productivity of:

- Products and services offered to customers;
- Risks management systems;
- Internal control systems and compliance;
- Financial accounting systems;
- Management information system;
- IT systems;
- Human resources management;
- Decision making systems.

7. Risk Management

The 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 Group's approach and on the internal analysis performed with the Group guidance, in 2019 UniCredit Bank S.A. identified the following significant risks:

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

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

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

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

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

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

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

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

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

7.1. Credit risk

UCB 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.

UCB Group manages this risk through a set of comprehensive measures, both at transaction and debtor, and at global level, related to:

- Strict evaluation of debtors' creditworthiness and of loan applications;
- Continuous monitoring of the exposures in order to identify any changes that may affect negative the overall risk status or generate the breach of risk limits set out by the internal procedures;
- 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 Group;
- Capital allocation for credit risk unexpected losses in accordance with the regulatory and UniCredit Group regulations;
- Regular monitoring of the credit risk profile of the Bank in order to ensure compliance within the tolerance limits defined in accordance with the risk management strategy and the Bank risk appetite.

In respect of the assurance of prudent management for credit counterparty risk, the Bank deals with international banks using an adequate ranking based on specific assessment criteria and strict internal rules. There are set up certain limits for the transactions with other banks related to deposits and foreign currency exchange.

7.2. Market risk and Interest risk

UCB Group 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, UCB Group 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, the Bank 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.

The Group 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.

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

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

From a liquidity risk governance perspective, the Bank 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, Markets – Trading.

The liquidity and funding strategy of the Bank is defined / reviewed at least on a yearly basis by considering the strategy and business model of the Bank, the actual and expected macroeconomic/financial conditions and the funding capacity of the Bank, as well as the overall risk tolerance as reflected by the Risk Appetite Framework.

In accordance with the strategic goal of self-sufficient funding, the Group's liquidity and funding strategy is centered on:

- achieving a well-diversified customer funding base;
- development of strategic funding through own bonds issues and covered bonds issues;
- development of relations with various international financial institutions and foreign banks for special financing programs.

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 funds transfer pricing mechanism.

Exposure to liquidity risk

Key indicators used by the Bank for measuring liquidity risk are:

- intraday liquidity requirements;
- 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 and the, Liquidity coverage ratio; calculated according with to the provisions of Regulation 575/2013, as amended by Regulation 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

The Bank 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 Bank.

Regular stress testing assessments are performed in order to evaluate the liquidity position of the Bank 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

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

The operational risk management framework within UniCredit Bank 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 a dedicated independent function for the control of operational risk, by a structure of relevant committees and by a system of reporting operational risk to the Management of the Bank.

The operational risk management system is integrated into the internal processes defined for the management of significant risks. The main tools employed in the management and control of operational risk, are: collection of operational risk events, scenario analysis, operational risk indicators, mitigation actions and operational risk reporting.

The main objective of the operational risk management consists of implementing effective processes for the early identification of risk exposures as well as the definition and maintenance of a complex system of controls with proved efficiency in preventing risks' materialization and mitigating their effects.

7.5. Compliance risk

Within a complex legal framework, UCB 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. In this respect, the compliance risk function 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.

Disciplined risk management. & controls

We run the business with disciplined origination, enhanced business accountability and in-depth monitoring by control functions. Our reinforced governance and steering ensure targeted actions wherever necessary.
A Group culture driven by the principle: “Do the right thing!” means that each employee is part of the first line of defense.

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.

Bank has implemented a series of processes, methods, specific indicators and systems for controlling the reputational risk, in order to evaluate, monitor, reduce and report periodically to relevant bodies.

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 in market value resulting from market fluctuations of the Group's/ UniCredit Bank's own real estate portfolio.

7.9 Strategic Risk

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-risk 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

UCB Group is responsible for the existence of a rigorous management framework designed to include at least the following aspects:

- organizational structure and organization;

- the Bank's Governing body: duties and responsibilities;
- composition and function, general framework for the activity;
- risk management;
- internal control;
- informational systems and business continuities;
- transparency requirements.

The Group has a comprehensive range of internal regulations regarding management of the business.

8.1. UCB's corporate governance

Corporate governance statement

UniCredit Bank SA, 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 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;
- Management Board regulation;
- Supervisory Board regulation;
- Regulations of the Committees subordinated to the Supervisory Board;
- Regulations of the Committees subordinated the Management Board.

The sections below include details of the main features of internal control, risk management systems in relation to the financial reporting process, the manner in which the general meeting of shareholders or associates takes place and its key attributions, the rights of shareholders or associates and the structure and how to operate the administrative, management and supervisory bodies and their committees.

8.1.1. General Shareholders' Meeting ('GSM')

The General Shareholders' Meeting is constituted as the **supreme authority** of the Bank.

The rights, responsibilities and working methods of the GSM are established in the Constitutive Act of the Bank and they are carried out in compliance with the applicable Romanian laws and regulations.

The detailed tasks and responsibilities are set forth in the Bank's Constitutive Act.

The General Shareholders' Meeting could delegate a part of its competences to Supervisory Board and Management Board in the cases mentioned in the Constitutive Act and in compliance with the applicable laws.

The roles and responsibilities are detailed in the specific regulation/rule of procedure.

The **General Meetings of the Shareholders** shall be convened at least once a year, within maximum 5 months since the financial year end in accordance with the legal requirements, and at any time it is needed to make decisions in its area of responsibility, in accordance with the provisions of law or the Constitutive Act.

Extraordinary General Meeting of Shareholders shall be convened whenever decisions in its responsibilities must be adopted.

The **Ordinary General Meeting of Shareholders** shall:

- discuss, approve or modify the annual financial statements, based upon the reports of the Management Board, Supervisory Board and financial auditor, and shall approve the dividends;
- appoint and revoke the Supervisory Board members;
- appoint and revoke the financial auditor;
- establish the minimum duration of the financial audit contract following the proposal of the Supervisory Board;
- approve the remuneration of the Bank's Supervisory Board' members;
- express its opinion about the Management Board's activity;
- approve the budget of income and expenses, and the program of activity for the next financial year as established by the Management Board and after preapproval by the Supervisory Board.

The conduct of General Meetings Shareholders is in accordance with legal requirements of the applicable laws regarding capital market, with a special attention to meet the rights and obligations of the shareholders.

8.1.2. Supervisory Board

The Supervisory Board is the statutory body of the Bank responsible for supervision and control of the Bank, in supervising the exercise of powers by the Management Board and the conduct of the Bank's business activities.

The Supervisory Board shall supervise the financial and business activities of the Bank and shall control the observance of the provisions of the Constitutive Act and of any relevant legal provisions by the Bank's management bodies. The Supervisory Board shall further review the annual financial statements including the proposal for the distribution of profits, and the annual report prior to submitting them to the Ordinary General Meeting of Shareholders for approval.

The competences of the Supervisory Board are established by the Constitutive Act and the Romanian laws and regulations in force.

The Supervisory Board acted in 2019 through the Audit Committee, Remuneration Committee, Risk Administration Committee, Nomination Committee and any other consultative committee with the scope to assist the management in specific areas.

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 three members selected from the Supervisory Board members. The Chairman of the Remuneration Committee is appointed by the Supervisory Board. The Remuneration Committee members shall be appointed for the period of three years, reappointments being allowed.

The roles and responsibilities and functioning mechanisms of the Remuneration Committee are detailed in the Remuneration Committee Rules of Procedure.

8.1.4.3. Nomination Committee

The Nomination Committee is a permanent committee established by the Supervisory Board having as main duties:

- to identify and recommend to the Supervisory/Management Board, for approval, candidates to occupy the vacant seats within the management body;
- to assess the balance of knowledge, skills, diversity and experience within the management body;
- to assess on a regular basis, but at least once a year, the structure, size, composition and performance of the management body and to make recommendations to the management body with respect to any changes;
- to assess on a regular basis, but at least once a year, the knowledge, skills and experience of each member of the management body and of the management body as a whole and report to the management body accordingly;
- to decide with respect to a target concerning the representation of the male or female gender, poorly represented in the structure of the management body and draw up a policy concerning the means for increasing the number of these individuals in the structure of the management body in order to achieve the target concerned.

The nomination committee consists of minimum 3 (three) and maximum 5 (five) members selected from amongst the Supervisory Board members. The roles and responsibilities and functioning mechanisms of the Committee are detailed in the specific regulation.

8.1.4.4. Risk Management Committee

Risk Management Committee is directly subordinated to the Supervisory Board. Risk Management Committee is a permanent committee of UniCredit Bank having a consultative and support function to the Management Body.

The RMC shall be composed of minimum 3 (three) and maximum 5 (five) members among of the SB's members.

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

8.1.5. Committees subordinated to Management Board

Committees subordinated to Management Board are:

- Risk Management Operative Committee;
- Credits Committee;
- Assets and Liabilities Committee (ALCO);
- Disciplinary Committee;
- Projects Committee;
- Customer Experience Committee;
- Security and Healthy Committee;
- Fraud Risk Management Committee;
- Special Credit Committee;
- Management Crisis Committee;
- Conflict of Interest Committee;
- Professional Assessment Committee;
- Cost Committee;
- Internal Control Business Committee;
- Operational Permanent Work Group Committee.
- FATCA/CRS Permanent Work Group Committee
- Security Management Committee
- Unacceptable Conduct Reporting Management Committee.

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 is a permanent committee of UniCredit Bank SA.

The Committee shall exercise a consultative and proposing function and carry out its duties in plenary session. The Risk Management Operative Committee regulation will be reviewed periodically, if necessary.

The number of members of Risk Management Operative Committee with voting rights (permanent members) is 10. The roles and responsibilities and functioning mechanism of the Risk Management Operative Committee are detailed in a specific regulation.

8.1.5.2 Credits Committee

The Credit Committee is a permanent committee responsible for making decisions regarding credit facilities under its area of competence in order to ensure an adequate quality of loans portfolio, according to the approved credit policy.

The number of members of Credit Committee is 4.

The roles and responsibilities and functioning mechanisms of the Credit Committee are detailed in the Credit Committee Regulation.

8.1.5.3 Special Credit Committee

The Special Credit Committee is organized with the purpose of advising, recommending, approving, rejecting loan applications and related memos for amendments to already approved transactions or other requests, for corporate clients (watch list 2), and all restructuring and workout clients (corporate clients, retail clients, private banking clients).

The roles and responsibilities and functioning mechanisms of the Special Credit Committee are detailed in the own regulation.

8.1.5.4 Assets and Liabilities Committee (ALCO)

The ALCO Committee is responsible for ensuring an adequate and sound management of the bank's Balance Sheet in a proactive manner. All members of the ALCO must be aware of all relevant business and market changes in order to ensure a balanced decision making process. The ALCO monitors and establishes limits for Liquidity and Market Risks. The ALCO evaluates regularly the market risk profiles of the bank with the aim of optimizing the profit of the bank within the boundaries of approved risk limits. The number of members of ALCO Committee is 10.

The roles and responsibilities and functioning mechanisms of the Assets and Liabilities Committee are detailed in the own regulation of the committee.

8.1.5.5 Disciplinary Committee

The Disciplinary Committee meets in order to investigate and analyze whether the employees subject to disciplinary and professional investigation procedure committed the types of violations regarding Code of Conduct, job description, Labor Contract. The number of members is 7.

The roles and responsibilities and functioning mechanisms of this committee are detailed in the Disciplinary Committee regulation.

8.1.5.6 Projects Committee

The Projects Committee ensures the centralized management of the existing projects or of the identification of the new ones, in line with the bank's strategy, for efficient usage of resources participating in the projects. The number of members is 9.

The roles and responsibilities and functioning mechanisms of the PC are detailed in the Project Committee regulation.

8.1.5.7 Customer Experience Committee

The Customer Experience Committee analyses and issues recommendations or proposes actions for improvement of the customer experience. The Customer Experience Committee analyzes and proposes actions for improvement of the activity of the branch network. The number of members is 6 and there is also a Permanent guest who attends to the Committee's meetings.

The roles and responsibilities and functioning mechanisms are detailed in the Customer Experience Branch Network Committee regulation.

8.1.5.8. Security and Health Committee

The Security & Health Committee ensures a secure and healthy working environment for the employees, in accordance with and with respecting the specific local legislation in force and the Labour Code.

The Security & Health Committee functioning regulation establishes clear duties for both banks' management and employees, according to local specific legislation. The number of members is 8.

The roles and responsibilities and functioning mechanisms of the S&HC are detailed in the Security & Health Committee regulation.

8.1.5.9. Fraud Risk Management Committee

The main purpose of Fraud Risk Management Committee, is the evaluation, the monitoring and the control of the fraud risk, by its periodical evaluation with the aim of minimizing the loss produced by the possible frauds (where it is necessary, as the competences permit it).

The Committee missions includes the immediate mitigation of fraud risk, depended of situation.

The roles and responsibilities and functioning mechanisms are detailed in the committee's regulation. The number of members is 7.

8.1.5.10. Management Crisis Committee

The Business Continuity & Crisis Management committee and work teams are established by the decision of the Management Board.

Decision-making, coordination and operational support during both the business as usual and crisis stage. The number of members is 14.

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

8.1.5.11. Professional Assessment Committee

The Professional Assessment Committee meets in order to evaluate and analyze whether the employees subject to professional assessment procedure are professionally suitable for the job.

The number of members is 3.

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

8.1.5.12 Cost Committee

The Cost Committee is the management decision body, responsible for the operational monitoring, forecasting and optimization of operational HR, non-HR and capital expenditure of the bank. The number of members is 7.

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

8.1.5.13. Internal Control Committee

The Internal Control Committee (10 members) has the role to support the President of the Bank in the assessment of the overall internal control adequacy at the Bank's level through the analysis of the critical topics, monitoring and prioritization of the corrective actions related to internal control, in order to contribute to the efficiency and effectiveness of the internal control.

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

8.1.5.14 Operational Permanent Work Group Committee

The Operational Permanent Work Group Committee is responsible for analyzing the operational risk losses, events as well as Key Risk Indicators (KRIs) and scenarios, if case, in order to identify mitigation actions aiming at reducing operational risk and losses from operational risk in the future.

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

8.1.5.15. FATCA/CRS Permanent Work Group Committee

FATCA/CRS Permanent Work Group Committee is primarily responsible for analyzing FATCA/CRS specific activities and especially non-standard related cases, in order to identify proper measures aiming at ensuring compliance of the bank with FATCA / CRS legislation.

The number of members is 6 and the roles and responsibilities and functioning mechanisms of the Committee are detailed in the specific regulation of the Committee.

8.1.5.16 Security Management Committee

The Security Management Committee is established in order to define and complete an appropriate management framework with the implementation of information security in all areas defined by the Group policy.

The committee is composed by 9 permanent members and 4 permanent guests, and the functioning mechanisms of the Committee are detailed in the specific regulation of the Committee.

8.1.5.17 Unacceptable Conduct Reporting Management Committee.

The role of the Management Committee for Reporting Unacceptable Conduct is to support the reporting process and ensure compliance with escalation processes in severe cases of unacceptable reporting - whistling and prompt management, while maintaining confidentiality and avoiding potential reprisals.

8.1.5.18 Conflict of Interest Committee

The Conflict of Interest Committee meets to analyze and manage conflicts of interest, subject to the committee's attention by the Compliance Directorate. Employees must document and keep records of actions taken within their area of interest so that they can identify, evaluate, manage and escalate the conflict of interest.

The Conformity Directorate will keep a record of the conflicts of interest cases analyzed within the Conflict of Interest Committee and of the related decisions.

8.1.6 Internal Control

The UCB'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 represents the frame that ensures the deployment of efficient and effective operations, adequate risks control, prudent conduct of activity, credibility of the reported financial and non-financial information, both internally and externally. The Internal Control framework also represents the frame that ensures the compliance with legal and regulatory requirements, supervision requirements and Bank's internal rules and decisions.

The internal control framework covers all Bank's structures, as a whole, including activities of all operational units, of support and control functions.

The internal control functions periodically send official reports regarding major deficiencies identified to the management body. These reports include monitoring measures for the previous findings and for any new major deficiency identified involving relevant risks, an assessment of the impact and the recommendation, for each case.

8.2. Corporate Governance UCB's subsidiaries (UCFIN and UCLC)

The Bank, 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 UCB Group, on long term.

8.2.1. UniCredit Consumer Financing IFN SA

Committees subordinated to Supervisory Board are:

- Audit Committee;
- Risk Management Committee.

Committees subordinated to Management Board are:

- Permanent Working Group for Operational Risk Management;
- Credit Committee;
- Disciplinary Committee;
- Norms and Procedures Committee;
- Project Committee;
- Security and Health Committee;
- Business Continuity & Crisis Management Crisis Committee;
- Price and Product Committee.

8.2.2. UniCredit Leasing Corporation

Committees subordinated to Supervisory Board are:

- Audit Committee;
- Risk Management Committee.

Committees subordinated to Management Board are:

- Credit Committee;
- Special Credit Committee;
- Security and Health Committee;
- Business Continuity & Crisis Management Crisis Committee;
- Disciplinary Committee;
- Permanent Working Group for Operational Risk Management;
- Anti-Fraud Committee

9. Non-financial declaration

In this chapter we present information on the development, performance and position of the Group and the impact of Group's activity on aspects related to environment protection, social and personnel, human rights, the fight against corruption and against bribe.

9.1. Short description of business strategy

In its activity, the Bank continues to rely on its priorities: Develop resilient business, Simplify & Digitize, and Focus on People. More specifically, it will actively target following areas:

- Profitability: revenues, net profit and ROAC, 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 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

The Group aims to:

- Increase employee engagement level and ensure quality of human capital that enables sustainable growth of the bank;
- Foster sense of belonging and relevance of people by providing common, clear and sustainable sense of purpose and meaningful experiences that matter to them, supported with open communication;
- Provide relevant learning and development as well as career progression opportunities ensuring coverage of both business needs and people development needs therefore attracting and retaining colleagues with great results in the Group;
- Ensure consistent, non - biased and fact based differentiation of performance in accomplishing our internal culture, linked to recognition and reward (financial and non-financial);
- Provide solutions that will ensure flexibility of work place, time and engagement/hiring conditions to enable employees to improve their work life balance (i.e. remote work, flexible working schedule);
- Enhance learning offer & development initiatives by intensifying the training delivery through more structured offers & targeted programs;
- Employer branding – leveraging on social media, presence in job fairs, collaboration with universities, benchmarking and measuring of Employer of choice rating;
- Enhance onboarding experience that will make the employee feel welcomed, impressed and engaged within a structured frame;
- Design and implement structured approach to increase recognition and visibility of the most performing employees;
- Fine tune of the performance management process, ensuring alignment with our Common Purpose and Goals & common approach in the process across all teams focusing on differentiation based on performance and quality of feedback.

Throughout 2019, various actions were implemented in line with the above HR strategy:

- Social team buildings: Every team had the chance to get together in social team buildings or special gatherings;
- Off-site Management Boards: 4 of our management board meetings were organized outside the HO, in Cluj, Botosani, Constanta, Iasi and Buzau;

- Common Purpose and Goals: we brought clarity to the next level by defining our Common Purpose and Goals and we widely spread it among all our colleagues via special events and dedicated workshops;
- Seniority Gifts: We gladly celebrated loyalty of 281 colleagues that reached 5, 10, 15, 20 and 25 years in the Group;
- 4U Concept: fairs, discounts, blood donation campaigns, sports & Our Kids, Our future - a traditional concept that bring work-life to life through multiple initiatives:
    - Dedicated Spring, Easter and Christmas fairs, special offers and discounts, blood donation campaigns and special bonuses for our children. Moreover, in 2019 we continued with our initiative: Back 2 School - were we gave a special Elkette bag full of school items for 1,200 children of our colleagues when school started;
    - Also in 2019 we continued to organize workshops and initiatives dedicated to the health of our colleagues: Yoga sessions, ophthalmological consultations, blood donation campaigns, BecomeFit fitness program run with recurrence at the headquarters, free access weeks for our colleagues to partners from WorldClass or 7Card, office massage sessions;
- Referral management + Jobs on Friday: We changed our recruitment approach and we created a referral management process: a new and easy way to apply for a job or recommend others. More visibility was brought via our weekly newsletter – Jobs On Friday. 345 colleagues took advantage of the development opportunities inside our company and changed their jobs, during 2019;
- MarketPlace: an online solution available for ALL that helps us to get things done with the help of other colleagues from the Group. In 2019 we were no 2 within CEE related to no of assignments and no. 3 related to skills owners;
- Boost Your Future: In 2019 we closed our first edition of the Talent Management program Boost Your Future and we opened a new edition for other 60 colleagues identified as "talents".. The program gives participants the chance to develop through different mixed learning initiatives: courses, challenges, regular meetings, etc.
- Leadership Program: also, 78 leaders continued their development journey for 1.5 years and participated in the following workshops dedicated to team management, leadership style development
- L.E.A.D. program: In October 2019, 160 colleagues from management positions started a personalized learning journey through the L.E.A.D. - Learn. Explore. Apply. Develop., Developed with the purpose of aligning and improving people management skills;
- Also, the colleagues who were promoted for the first time in managerial positions, participated in a personalized course, First Time Manager, to learn the basic managerial skills;
- Specific trainings for Retail and Corporate: we organized specific trainings for Retail and Corporate: Risk Academy, Vanzari la inaltime, Esign, Genius Cont, Customer Profiling for Corporate RMs, Lean Six Sigma, MIFID;
- In 2019, the colleagues from the branches benefited from dedicated sessions for developing technical and software skills, by position, called Learning Hubs.
- In 2019, we completed the training curriculum with soft skills courses delivered by our community of Internal Trainers. Over 40 sessions were organized, covering topics such as Emotional Intelligence or Time Management.
- Performance management process where we continued with: the calibration sessions to the management in all LEs. It was our way to make sure that we have a common approach when evaluating all colleagues;
- Bonus allocation methodology: clear and consistent principles, unified across all legal entities. Salary review process: based on predefined criteria we run a full review of the salaries. In July 2019 30% of population got a salary increase;

- Closer to the academic environment. In 2019, we continued to develop new partnerships, reaching a network of 18 partners, universities and students associations across the country, compared to 9 in 2018. Thanks to these collaboration protocols, we have extended our Internship programs national-wide, both on Retail and Corporate areas. In 2019 we had a number of 226 students in practical stage or internship.

Integrity/Corporate Social Responsibility

For over 13 years, UniCredit Bank supports some of the most important financial and entrepreneurial education projects, communication and social initiatives, as well as cultural events from Romania. UniCredit Bank was involved and supported an important number of educational, entrepreneurial, social, and cultural events, in cooperation with various NGOs (Non-governmental Organization) and other partners.

Among them, during the first part of 2019: Social Impact Banking, Creative Minds Academy (3 editions in Iasi, Bucharest and Timisoara), Creative Quarter Design Festival (a multi-discipline event dedicated to creative industries from Bucharest, the Sibiu International Theatre Festival (where the Bank is involved in supporting the location at the Culture Factory), Teach for Romania (educational projects in under-privileged areas of the country), the SoNoRo scholarships program for young musicians, Nostalgia music festival, Plai festival Timisoara, Amural festival Brasov.

Social Impact projects

The Social Impact Banking (SIB) program was launched also in Romania this year. SIB represents the commitment of UniCredit in building a more fair and inclusive society. Its purpose is identifying, financing and promoting businesses and people which have a positive social impact. The goal of this approach is to generate both economic benefits, and larger benefits at society level. In addition to the provision of credits for projects and organizations which are generally excluded from accessing banking services and products, SIB offers to UniCredit Group the opportunity to share financial and business expertise through educational projects dedicated to micro-enterprises, social businesses, vulnerable or under-privileged groups, including young persons, elderly persons, and categories in situations with risks of social exclusion.

The involvement of UniCredit employees is an important element in accomplishing the actions within SIB which supports the building of valuable networks in communities wherein the Bank operates. These bring people together in order to share positive experiences and to increase the notoriety of relevant projects, with the purpose of increasing their potential impact. SIB will also involve the monitoring and measuring of results which are essential so as to secure a sustainable growth of both sponsored projects, as well as the output of investments made by the bank. The goal is to measure not only direct impact, but also the indirect positive effects of supported projects for social and economic welfare of communities wherein UniCredit is present.

Presently, the Bank continues the ongoing projects like the one for the financial and entrepreneurial education for micro-enterprises in the creative industries, Creative Minds Academy, which was adapted to Social Impact Banking's scope. Also, in 2019 we launched a new financial education program for high school students called Start Major.

Educational projects

Starting this year, the Bank positioned the Creative Minds Academy in line with Social Impact Banking. In 2019, the Academy reached Iasi for the first time, then Timisoara and Cluj-Napoca for the second time and Bucharest for the spring and autumn edition. Over 200 creative entrepreneurs who participated in those sessions benefited from the new course we introduced - social innovation. In association with Ashoka, an international organization dedicated to promoting social businesses, we developed an educational module intended to help entrepreneurs in identifying and capitalizing on social impact opportunities within their business.

The partnership with the Teach for Romania team was continued through the support granted to 3 teachers whose wages are covered for the 2019-2020 school year and who, presently teach in a school from Fundeni, Calarasi.

Cultural projects

The UniCredit group has a long-lasting tradition in supporting culture due to its conviction that this is a way to promote social and economic progress, but also to encourage dialogue regarding innovation, social cohesion, and feeling of belonging.
UniCredit is one of the two official sponsors of the Sibiu International Theatre Festival (FITS). For its 16th year, UniCredit was the official partner of FITS, an event dedicated to the performing arts which placed Romania on the world's cultural map and continues to support the festival. As such, by giving high quality art to the FITS public, UniCredit invests in things that matter for such public. In 2019, the Bank continued supporting the Culture Factory location where, along with the Radu Stanca Theatre team it develops an education platform for arts, culture, and architecture. Additionally, in this year, the Bank supported the lanterns exhibition "Lantern Festival", a centuries old Chinese tradition, in the Astra Sibiu Museum because cultural projects directly contribute to the social and economic progress of society and, as such, involvement in those which matter for Romanians.

9.4. Anti-corruption and anti-bribery activity

The Bank has implemented internal regulations, training programs and controls in the field of anti-corruption, the purpose of which is to:

- Define the principles and rules needed to identify and prevent potential corruption acts in order to ensure the integrity and reputation of the Bank and the Group;
- Provide general information to employees about the Bank's actions to identify, mitigate and manage the risks associated with corruption.

The implemented anticorruption program includes elements such as periodic assessment of corruption risk, relevant regulations in specific areas (e.g. gifts and protocol items, use of intermediaries, hiring, suppliers, etc.), providing a secure and accessible way for employees to report whistle-blowing violations of the anti-corruption principles, reporting to the management structure.

The Bank does not tolerate corruption. Corruption acts are forbidden regardless the way in which they are done and whether they are committed directly or indirectly. The Bank does not tolerate the involvement in Corrupt Acts of its Employees or third parties with whom it is in any kind of relationship. The Bank aims to implement an Anti-Corruption Program to counter the risks associated with Corruption and to ensure a culture that states that Corruption Acts are never accepted.

10. Communication calendar for 2020

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 2020 is the following:

Annual General Shareholders' Meeting (GSM) for 2019 local financial results approval	08.04.2020
2019 Group Results Presentation (publication)	08.04.2020

11. Members of the Management Board of the Bank, UCFIN and UCLC during 2019

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

1. **Cătălin Răsvan Radu**, Romanian citizen, Executive President (CEO), Chairman of the Management Board;
2. **Marco Cravario**, Italian citizen, Executive First Vice-President (Deputy CEO), member of the Management Board, until 31.12.2019;
3. **Philipp Gamauf**, Austrian citizen, Executive Vice-President, member of the Management Board;
4. **Septimiu Postelnicu**, Romanian citizen, Executive Vice-President, member of the Management Board until 01.11.2019;

5. **Nicola Longo Dente**, Italian citizen, Executive Vice-President, member of the Management Board starting 03.12.2018;
6. **Andrei Bratu**, Romanian citizen, Executive Vice-President, member of the Management Board, starting with 01.01.2019;
7. **Carlo Driussi**, Italian citizen, Executive Vice-President, member of the Management Board starting 24.05.2019;
8. **Antoaneta Curteanu**, Romanian citizen, Executive Vice-President, member of the Management Board starting 25.11.2019.

Members of the Management Board of UCFIN, the subsidiary:

1. **Borislav Petrov Guenov**, Bulgarian citizen, President of the Management Board, starting 01.01.2018;
2. **Ana Maria Duțu**, Romanian citizen, member of the Management Board, starting 01.07.2018;
3. **Eugenia Bolboros**, Romanian Citizen, member of the Management Board, starting 01.05.2019
4. Taseva Gergana Kirilova, Bulgarian citizen, member of the Management Board, starting 15.03.2018;
5. **Daniel Ghiulea**, Romanian citizen, member of the Management Board, starting 01.06.2018.

Members of the Management Board of UCLC, the subsidiary:

1. **Daniela Bodirca**, Romanian citizen, President of Management Board, starting 01.01.2019;
2. **Simona Nicoleta Miloșoiu**, Romanian citizen, Vice-President of the Management Board, starting 2018;
3. **Șerban-Mihai Tănăsescu-Ienciu**, Romanian citizen, Vice-President of the Management Board, starting 2018;
4. **Ramona Balasanian**, Romanian citizen, Vice-President of the Management Board, starting 2018;
5. **Daniela Panaitescu**, Romanian citizen, Vice-President of the Management Board, starting 2018.

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 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 2019 UniCredit Group had a strong financial position and a good performance.

The future development objectives will continue to focus on a more rapid growth of operations in retail, alongside with the strengthening of corporate activity. The Group continues to focus on delivering of value-added services, on risk management, profitability, productivity and strengthening of market position through higher service quality, enriching the range of products and services, as well as strict compliance with the acting laws and by-laws. Last but not least, the Group remains consistent with its mission of being close to its clients and supporting them in accomplishing the things that matter to them.

Catalin Rasvan Radu

Executive President

TO: GENERAL MEETING OF SHAREHOLDERS OF UNICREDIT BANK S.A.

Note regarding the amendment of the Individual and Consolidated Report of the Directorate for the financial year ended December 31, 2019

In view of the proposal addressed to the General Meeting of Shareholders regarding the distribution of dividends as presented in point 4.2 (page 13) of the Consolidated and Individual Report of the Directorate for the financial year ended December 31, 2019, approved by the Directorate of UniCredit Bank S.A. (the "Bank") on 25.02.2020 and by the Supervisory Board of the Bank on 02.03.2020, and published together with the consolidated and individual financial statements of the Bank,

And having in view:

1. The Decree of the President of Romania no. 195/16 March 2020 regarding the establishment of a state of emergency on the territory of Romania in order to prevent the spread of the SARS-CoV-2 coronavirus (COVID-19) and to achieve the consequences management, during the state of emergency;
2. The impact created by the outbreak of the COVID-19 (Coronavirus) epidemic and its global spread, which created immediate significant challenges for the society and risks for the global but also for the national economic outlooks, including in Romania;
3. The unpredictability of the economic developments generated by the COVID-19 pandemic and the imperative of prudent and efficient risk management, in alignment with the recomendations issued by the regulators;
4. The need for UniCredit Bank S.A. **(i)** to manage its own funds in a way that holds up the support efforts towards the financial intermediation process in the current situation; and **(ii)** to implement measures aiming at providing adequate services and support both at the macro-economic level and at the individual level, for the affected clients, in order to overcome the difficult period;

The Bank's Directorate reverts to its initial proposal for the distribution of dividends, addressing to the General Shareholders' Meeting the following proposals regarding the distribution of the profit for the year 2019, sense in which point 4.2. from the Directorate's report, published together with the Bank's consolidated and individual financial statements, should be read accordingly, as follows:

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4.2. Distribution of the profit:

The net profit of the Bank at the end of the financial year ended December 31, 2019, amounting to RON 572,920,274.07, will be distributed according to the law.

The Supervisory Board proposes to the General Shareholders' Meeting the distribution of the profit realized according to the balance sheet as of 31.12.2019, as follows:

*Reserve for the reinvested profit related to the financial year ended 31.12.2019**	*28.179.641,00*
Reinvestment of the remaining net profit	*544.740.633,07*
Total	*572.920.274,07*

**According to article 22 of Law 227/2015, the amounts are exempt from the payment of corporate income tax.*

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President of the Directorate,
Cătălin-Răsvan Radu